

# Breaking Point:

## The Cost of Charter Schools for Public School Districts

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## About this report

**In a first-of-its-kind analysis**, this report reveals that neighborhood public school students in three California school districts are bearing the cost of the unchecked expansion of privately managed charter schools. In 2016-17, charter schools led to a net fiscal shortfall of \$57.3 million for the Oakland Unified School District, \$65.9 million for the San Diego Unified School District, and \$19.3 million for Santa Clara County's East Side Union High School District. The California Charter School Act currently doesn't allow school boards to consider how a proposed charter school may impact a district's educational programs or fiscal health when weighing new charter applications. However, when a student leaves a neighborhood school for a charter school, their pro-rated share of funding leaves with them, while the district remains responsible for many costs that those funds had supported. This intensifies fiscal pressure to cut core services like counseling, libraries, and special education, and increase class sizes at neighborhood schools. Public officials at both the local and state levels should be empowered to take fiscal and educational impacts on neighborhood schools into account when deciding whether to authorize a new charter school.

Executive summary • 4

Introduction: A snapshot in three districts • 8

How has charter school expansion contributed to fiscal crises for school districts? • 10

What's different about charter school expansion? • 11

California's Charter Authorization Law: Promoting unregulated growth • 13

Equal Funding, Unequal Burdens: Oakland • 15

California school districts' fiscal crisis in national context • 17

Real world impacts • 19

Policy recommendations • 21

Listening to educators • 22

Appendix A: Methodology • 23

Endnotes • 34

## Executive summary

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**“**As charter [schools] hit significant market share... School boards and superintendents are faced with a situation where they lose enrollment so quickly that the only thing they can do is close schools, lay off teachers ... increase class sizes, and slash their central office staffing and support levels. In some cities, districts also face an increasing concentration of the students hardest and most costly to educate, those with severe special needs, those who speak little to no English, those with the most severe behavior and mental health challenges and the least parental support. This combination of factors often triggers a slow death spiral...”

—Robin Lake, Director, Center on Reinventing Public Education<sup>1</sup>

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**I**n November 2017, California’s Oakland Unified School District (OUSD) faced a budget deficit of \$15 million.<sup>2</sup> Parents, students, and teachers protested against planned cuts, which targeted everything from books and copy paper to substitute teachers and mental health professionals.<sup>3</sup> “These cuts will touch students in every school in the district,” said one group of parent activists, urging the Board of Education to concentrate cuts in central district offices and spare school-site staff.<sup>4</sup> Yet cutbacks at the central office also proved painful, which became apparent when the district announced plans to terminate its head librarian.<sup>5</sup> In the end, OUSD instituted \$9 million in cuts, including slashing funds for academic counselors, school supplies, and even toilet paper.

Earlier that year, San Diego’s school district was similarly forced to make \$124 million in cuts, causing nearly 400 teachers to lose their jobs.<sup>6</sup> That fall, a survey of San Diego Unified School District (SDUSD) principals revealed what one news outlet termed “a picture of schools in chaos,” with clerical, custodial, and technical positions going vacant. With IT positions unfilled, technical problems could take weeks to resolve—sometimes hobbling classes that relied on newly purchased smart boards.<sup>7</sup> Yet when principals turned to the district’s HR department for help filling staff positions, they discovered that HR itself had lost staff, hindering its ability to respond promptly to school-level needs.<sup>8</sup> Nevertheless, in early 2018 SDUSD was forced to cut \$59 million.<sup>9</sup> As in Oakland, the superintendent pledged that cuts would be concentrated in central administrative offices rather than classrooms.<sup>10</sup> Yet here, too, cuts entailed wrenching choices, with the district asking parents to fill out a survey indicating where losses should be concentrated. Among the options on the chopping block were music and art classes, library hours, school police, custodians, special education, counseling, and preschool.<sup>11</sup> “I agree with the approach because we just can’t take any more hits directly at the school sites,” noted board member John Lee Evans, “but it’s not like these won’t be painful.”<sup>12</sup>



In Santa Clara County's East Side Union High School District (ESUHSD)—in the heart of Silicon Valley—the school board recently announced plans to eliminate 66 jobs over the coming two years. “The last thing the board and I want to do is lay any employee off,” explained Superintendent Chris Funk. But Funk was confronting impossible choices, balancing layoffs against potential cuts in services for students from families with high needs.<sup>13</sup>

None of these school systems ended up in fiscal crisis because of problems unique to their districts. Rather, they reflect a statewide crisis. In the spring of 2018—as California school boards finalized their mandatory three-year financial plans—more than 250 school districts were preparing for budget cuts in the upcoming year, with at least 250 more projecting deficits to hit in 2019-20.<sup>14</sup>

How did so many school districts get to this point? School districts are under multiple sources of fiscal stress.<sup>15</sup> It turns out, however, that one significant part of the answer lies in the 25-year expansion of charter schools, which are publicly funded but privately operated and outside the control of local school districts. Over the past two decades, the growth of charter schools has steadily drained money away from traditional public schools and school districts. By 2016-17, charter schools were costing the OUSD a total of \$57.3 million per year—a sum several times larger than the entire deficit that shook the system in the fall of 2017. Put another way, the expansion of charter schools meant that there was \$1,500 less funding available per year for each child in a traditional Oakland public school. In San Diego, the net cost of charter schools in 2016-17 totaled \$65.9 million—more than enough to have avoided the 2018 cuts and restored services lost in earlier years. And in East Side, the net impact of charter schools amounted to a loss of \$19.3 million per year, more than enough to avoid the planned round of staff layoffs. These findings are supported by data from similar studies in other parts of the country and, indeed, serve as conservative estimates of charter school impacts.

This report does not advocate either for or against charter schools as an educational policy; nor does it support or oppose any particular charter school or school model—there are high-achieving and low-achieving charter schools, just as there are with traditional public schools. It aims, instead, at something more fundamental: enabling lawmakers, school officials, and the broader public to engage in policy discussions armed with complete information regarding the costs and benefits of educational policy choices.

California boasts the largest charter school sector in the United States, with nearly 1,300 charter schools serving 620,000 students, or 10 percent of the state's total student body.<sup>16</sup> It has long been recognized that the growth of charter schools creates costs for local school districts, but there is no established mechanism for measuring these costs, or accounting for them in policy decisions. The report that follows aims to address this need by providing an impartial and methodologically rigorous analysis of the costs created by the past 25 years of charter school growth in California. We hope that this analysis will also provide a model for other districts around the state—and nation—to quantify the cost of charter schools in their own communities.

In recent years, a growing number of school officials have pointed to increasingly dire fiscal conditions caused by the continued unchecked expansion of charter schools. In 2016, for instance, the Anaheim Union High School District's Board of Education adopted a resolution calling for a temporary moratorium on new charter approvals.<sup>17</sup> In 2017, the then-president of the Oakland school board, in voting to reject a new charter application, asked for a pause on new charter schools in his city.<sup>18</sup> That same year, the Santa Clara County Board of Education rejected a petition from the KIPP chain of charter schools, responding in part to a letter from the superintendent of ESUHSD, who pleaded that

*"We have met every aspect of the charter school law; however, enough is enough. We have reached our tipping point. ESUHSD is facing a \$27 million deficit and... a layoff of 140 employees over the next two years. We are in declining enrollment. Approving another charter will have a negative impact on our overall budget and begin to cut into vital support services for the remaining 24,000 students attending our schools."*<sup>19</sup>

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The loss of tens of millions of dollars each year takes a dramatic toll in the life of students. If Oakland weren't losing \$57 million per year, for instance, it would be possible to reduce class sizes to 18 students per class in all its elementary schools and also double the number of nurses and guidance counselors in its schools.<sup>20</sup> In San Diego, the district could realize its long-standing goal of creating 15-student classes for grades K–2, and hire more teachers' aides. Similarly, in East Side, the district could afford to double the number of student advisors, health care technicians, and social workers, and still have \$10 million left for other needs. These items and more—the fact that children from poor families do not get the personal attention they deserve; the shortage of nurses for diabetic and asthmatic students and of counselors for low-income students in need of career guidance; the defunding of libraries, music, art, laboratory science, field trips, and reading tutors—all of this is, in part, the price that students pay for the lack of effective regulation in the state's current charter law.

Unfortunately, while pleas like the East Side superintendent's have grown more common, they are rarely effective. Under current law, there is no requirement that decisions to authorize new charter schools take into account the financial impact on their home districts. On the contrary, local school boards are legally prohibited from denying a charter application on these grounds.

Reasonable people may disagree about education policy. What reasonable people should not do, however, is pretend that unregulated charter school expansion comes at no cost. For public officials to plan for community education needs in a rational manner, two policy innovations are critical:

- First, each school district should produce an annual Economic Impact report assessing the cost of charter expansion in its community, and more targeted analyses should be a required component in the evaluation of new charter applications.
- Secondly, public officials at both the local and state levels must be able to take these findings into account when deciding whether to authorize additional charter schools. Thus the state's charter authorization law must be amended to empower elected officials to act as effective stewards of the community's education budget in balancing the potential value of charter schools against the needs of traditional public school students.<sup>21</sup>

## Introduction: A snapshot in three districts

This report is based on nearly a year of detailed research in three California school districts. Because school funding formulas vary from district to district, there is no easy way to calculate the economic impact of charter schools for the state as a whole. But we hope that these three snapshots may provide lawmakers, district officials, and parents with insight into what is happening in other communities across the state. These districts have a substantial charter school presence, but each varies significantly in both the number and share of local students who attend charter schools. Oakland Unified School District (OUSD)—with a combined district and charter student population of over 52,000 in 2016-17—boasts the highest concentration of charter schools in the state, with 30 percent of pupils attending charter schools.<sup>22</sup> San Diego Unified School District (SDUSD) is the second largest district in the state, with a combined enrollment of over 128,000 students and a total of 51 charter schools.<sup>23</sup> Both San Diego and Oakland are large, urban, unified school districts. By contrast, East Side Union High School District (ESUHSD) is a smaller, with total district and charter enrollment in 2016-17 at just over 28,000; it is devoted solely to high schools.<sup>24</sup>

The three districts also vary significantly in the makeup of their student bodies. The state's Local Control Funding Formula (LCFF)—the primary source of education funding—provides different amounts of per-pupil funding to each school district based on its share of students who are English language learners or foster youth, or who come from low-income families. Taken together, the share of students who fall into one or more of these groups amounts to 52.7 percent of students in East Side, 63 percent in San Diego, and 77.6 percent in Oakland.<sup>25</sup>

In each of these three districts, we calculated the fiscal impact of charter schools by comparing districts' current budgets with a hypothetical alternative in which all students remained enrolled in traditional public schools—including those currently enrolled in charters. We determined how much additional revenue that would bring to the district by closely examining charter school financial reports and calculating how the LCFF would apportion revenues based on the demographic profile of each district's charter students. We then asked what it would take for the district to fairly accommodate these students. For how many would new schools need to be opened? How many could be accommodated in existing schools? How many more teachers, nurses, counselors, custodians, and other staff would be needed? In reality, of course, the cost of educating these students is what each district now saves by virtue of their attendance at charter schools. The additional funding that the district would have received (but does not) is what it has lost as a result of charter school growth. The difference between these amounts—the revenue lost beyond the savings realized by educating fewer students—marks the net fiscal impact of charter schools on the school district.

In every case, the revenue that school districts have lost is far greater than the expenses saved by students transferring to charter schools. The difference—the net loss of



revenues that cannot be made up by cutting expenses associated with those students—totals tens of millions of dollars each year, in every district.

**Table 1: Economic Impact of Charter Schools**

	San Diego Unified School District	Oakland Unified School District	East Side Union High School District
<b>District Enrollment, 2016-17</b>	106,229	36,814	23,287
<b>Charter Enrollment, 2016-17</b>	22,559	15,487	4,811
<b>Charter % of Total</b>	18%	30%	17%
<b>Annual Economic Impact</b>	\$65,902,809	\$57,386,832	\$19,343,602
<b>Impact per Charter Student*</b>	\$4,913	\$5,705	\$6,618
<b>Impact per District Enrollment</b>	\$620	\$1,559	\$831
<b>Funding Per Pupil (Per ADA)</b>	\$10,563	\$11,453	\$12,463

\* Impact was measured only for charter students who live within district boundaries, attend non-conversion schools, and are within the age and grade span of the school district. The impact per charter student is based on this smaller figure rather than total charter enrollment.

The methodology underlying this data is described in detail in Appendix A, and the numbers above constitute conservative estimates of charter schools' fiscal impacts. Thus, for instance, school districts lose significant sums by providing space for charter schools at subsidized, below-market rents, which isn't included in our analysis. We also treat facilities that directly converted from traditional public schools to charter schools as though they pose no cost at all to the district, while we know they pose some costs (see Appendix A for discussion of conversion schools).<sup>26</sup> In short, at every point where the data was less than complete, we chose to err on the side of conservative assumptions—that is, assumptions that lead to understating the cost of charter schools to public school districts. Thus the numbers presented in this study should be considered a conservative, minimum estimate.

## How has charter school expansion contributed to fiscal crises for school districts?

To the casual observer, it may not be obvious why charter schools should create any net costs at all for their home districts. To grasp why they do, it is necessary to understand the structural differences between the challenge of operating a single school—or even a local chain of schools—and that of a district-wide system operating tens or hundreds of schools and charged with the legal responsibility to serve all students in the community.<sup>27</sup>

When a new charter school opens, it typically fills its classrooms by drawing students away from existing schools in the district. By California state law, school funding is based on student attendance; when a student moves from a traditional public school to a charter school, her pro-rated share of school funding follows her to the new school.<sup>28</sup> Thus, the expansion of charter schools necessarily entails lost funding for traditional public schools and school districts. If schools and district offices could simply reduce their own expenses in proportion to the lost revenue, there would be no fiscal shortfall. Unfortunately this is not the case.

Charter students are generally drawn from a combination of multiple schools in the home district. But this means that in each individual school, the number of students transferring out may be insufficient to trigger significant cost reductions. If, for instance, a given school loses five percent of its student body—and that loss is spread across multiple grade levels—the school may be unable to lay off even a single teacher. Thus, in one rural Pennsylvania district, the superintendent reported that “although as many as eighty-six students attended charter schools, they were scattered among thirteen grades, two elementary schools, one intermediate school, and one high school. Thus, there were too few students in one school or grade to allow fixed costs, such as personnel, utilities, debt, etc., to be reduced.”<sup>29</sup>

Plus, the costs of maintaining school buildings cannot be reduced in response to falling enrollments. Unless the enrollment falloff is so steep as to force school closures, the expense of heating and cooling schools, running cafeterias, maintaining digital and wireless technologies, and paving parking lots—all of this is unchanged by modest declines in enrollment. In addition, both individual schools and school districts bear significant administrative responsibilities that cannot be cut in response to falling enrollment. These include planning bus routes and operating transportation systems; developing and auditing budgets; managing teacher training and employee benefits; applying for grants and certifying compliance with federal and state regulations; and the everyday work of principals, librarians, and guidance counselors. All told, one big city analysis found, “when students transfer from District-operated to charter schools, the District has typically cut just 50 percent of the expenses associated with those students. The fixed costs, such as for building utilities and the maintenance and school leadership, have remained with the District.”<sup>30</sup>

The difficulty in making cutbacks in central school district offices is a reflection of the fact that elected school boards and school district officials are responsible for guaranteeing an appropriate education to all children in the community rather than a limited set of students affiliated with a given charter school or charter management organization network. Each charter school is only responsible for its own students. If a charter is designed for 500 students, when the 501<sup>st</sup> applicant shows up, the school is free to declare itself “full” and turn the child away. For public school districts, there is no such thing as being “full.” They are required by law to make space for all children, and they take responsibility for those that need the most academic support, including those most expensive to serve.

Indeed, it is the district’s obligation to serve all children that makes it difficult to close schools in line with falling enrollment. Part of the district’s charge is ensuring a diversity of schools—built around competing pedagogies and offering different specializations—designed to accommodate the needs of a diverse community of students. Closing a community’s only Montessori school, its only creative arts campus, or its only Spanish immersion program, marks an irreplaceable loss for local families. But avoiding this loss means districts cannot simply close schools according to a mathematical formula following declining enrollment. School districts—unlike charter schools—are charged with enabling children to attend nearby neighborhood schools; this too is an obstacle to school closures. Finally, because districts cannot turn students away, they must maintain a large enough school system to accommodate both long-term population growth and sudden influxes of unexpected students—as has happened when charter schools suddenly close down. The district’s responsibility for serving all students creates unavoidable costs. When districts retain these responsibilities but are left with insufficient funding to carry them out, they face exactly the type of crisis described at the start of this report, forced to choose between eliminating essential programs or laying off essential personnel.

## What’s different about charter school expansion?

Some observers note that school districts commonly face enrollment losses simply due to declining school-aged population in the surrounding community, and suggest that the loss of students to charter schools expansion is, in principle, no different. As districts learn to cope with declining populations, the argument goes, they should also be able to cope with charter schools competing for their students.

This argument is partly right and partly wrong. It is true that shrinking student populations cause a fiscal crisis for school districts. However, charter schools exacerbate this problem in unique ways. First, charter schools make it extremely difficult for districts to consolidate schools in the face of falling enrollment. As soon as the district closes a

school, a charter school operator is free to open a new school in the same location, or at minimum intensify recruitment efforts targeting the newly dislocated students. Thus a study by the Pennsylvania legislature found that multiple school districts experienced “higher charter school enrollment following efforts to consolidate school buildings or closure of neighborhood schools.”<sup>31</sup> In some cases, school districts have continued to operate underenrolled schools—at a loss—because they believed that if they closed the school, a charter would open in its place, resulting in an even larger net loss to district finances.<sup>32</sup>

Secondly, charter schools themselves are often risky endeavors, and this forces districts to maintain sufficient space to be prepared for potential closures. In the past two decades, over 400 California charter schools have closed; 44 shuttered their doors in 2017-18 alone.<sup>33</sup> And when charter schools close, school districts are legally required to accommodate their students. Thus, the volatility inherent to the charter sector forces school districts to maintain at least a modest cushion of surplus capacity.<sup>34</sup>

Finally, the charter school sector—a collection of competing entrepreneurs with no overarching coordination—has its own facility inefficiencies. Indeed, a survey of Oakland school properties identified over 1,000 unfilled seats among charter schools that lease space from OUSD facilities. It is likely this number would be significantly higher if the survey were expanded to include charter schools located in privately owned facilities.<sup>35</sup> And no public official has the authority to consolidate space either within a given charter school or between competing charter operators.

Above all, for those districts where the overall student population is shrinking, the last thing rational planners would normally do is open more schools. Because the current charter authorization law allows for unlimited expansion even in times of shrinking population, it makes a difficult situation much more dire.

In all of these ways, California’s current charter school law makes it particularly difficult for school districts to rationally manage declining enrollment, and this makes the impacts of charter school expansion fundamentally different from those of shrinking population.

## California's Charter Authorization Law: Promoting unregulated growth

One of the central responsibilities of education officials is determining how many schools are needed for a given population of students. This is the most basic standard of accountability for those managing a community's education budget. Too few schools means children have to commute too far from their home neighborhoods; too many schools means resources are wasted on unnecessary buildings and staff. Under current law, however, elected officials are prevented from exercising even this minimum level of responsibility. Even when districts determine that there are already enough schools for all students in the community—or even if a charter operator petitions to open up next door to an existing neighborhood school—it is illegal for the district to deny that school's application on the grounds that it constitutes a waste of public dollars.

By law, as long as charter operators submit the required number of signatures, assurances against discrimination, and descriptions of their plans and program, school districts may only deny charter petitions for one of two substantive reasons: if “the charter school presents an unsound educational program,” or “the petitioners are demonstrably unlikely to successfully implement the program set forth in the petition.”<sup>36</sup> Districts are prohibited from denying a charter application on the grounds that it will negatively impact the existing schools in the district, no matter if there are already too many schools for the number of students in the community or too many of the same type of proposed charter school, or if the proposal replicates methods already widely in use without offering innovations.

Indeed, the California School Board Association stresses that in judging “sound educational practice,” a school board “is not allowed to consider the potential impacts a charter school would have on the other educational programs of a district or the district's fiscal health or state of its facilities.”<sup>37</sup> Thus, one of the key responsibilities that normally lies at the heart of the school budget process—balancing a district's portfolio of schools to meet the needs of the overall student body within a finite budget—has been declared off-limits for state and local elected officials. Quite simply, elected officials have been left without the ability to control the number of schools their budget must support.

If a school district anywhere in the country—in the absence of charter schools—announced that it wanted to create a second system-within-a-system, with a new set of schools whose number, size, specialization, budget, and geographic locations would not be coordinated with the existing school system, we would regard this as the poster child of government inefficiency and a waste of tax dollars. But this is indeed how the charter school system functions.

When the creation of new schools is no longer tied to student population growth but rather is open to any number of entrepreneurs aimed at competing for market share, the inevitable result is an increased number of schools for the same population of students.

In Albany, New York, over the course of a decade the district went from serving 10,380 students in 17 schools to serving just slightly more students—10,568—but in 24 schools, including 15 district facilities and nine charter schools.<sup>38</sup> And *The New York Times* reported that in the city of Detroit, “the unchecked growth of charters has created a glut of schools competing for some of the nation’s poorest students, enticing them to enroll with cash bonuses, laptops, raffle tickets for iPads and bicycles. Leaders of charter and traditional schools alike say they are being cannibalized, fighting so hard over students and the limited public dollars that follow them that no one thrives.”<sup>39</sup>

When there are more schools for the same number of students, a greater share of the district’s budget must be devoted to facility costs—and to paying for principals, vice principals, secretaries, custodians, and cafeteria workers for each of those facilities. Thus, a longitudinal study of Michigan school districts found that as charter enrollment expanded, school districts ended up spending a smaller share of their budget on classroom instruction.<sup>40</sup>

This problem is particularly destructive in communities whose total school population is already shrinking, as is the case in several of California’s largest cities. In such districts, school systems already struggling to meet student needs with diminishing resources are faced with additional dramatic cuts in funding. “It seems illogical at best,” explains education finance expert Bruce Baker, “to expand chartering in contracting markets. A centrally managed district would not be likely to open new schools and disperse students more sparsely in a context of declining enrollment, because doing so would increase both per-pupil overhead and transportation costs.”<sup>41</sup> Yet this is exactly what California’s charter school law currently encourages.

In a community whose total education funding is fixed, the unregulated expansion of charter schools means steering more and more funding into buildings and administrators and away from teachers and students. With no control over the number of charters a given community must support, districts inevitably reach the point where the business plan of each new charter school entails competing against other charter schools as well as neighborhood public schools. Thus, one recent survey found that “a consistent theme we heard from Oakland [charter] operators ... [was] that the high concentration of charters in the city causes any new school to spend more time and energy competing with other charter schools for students, teachers, and facilities.”<sup>42</sup>

Because charter schools function as competitive corporations in an unregulated market, it is not surprising that new schools might continue entering the market even after there are already sufficient places for all students in the local community. This trend is wasteful for the system as a whole, but it may be rational for an individual operator that wants to try its hand at recruiting students away from a competitor. Instead of a plan to maximize the impact of limited education funding, we have a business model that one charter advocacy group anxiously termed “a ‘survival of the fittest’ supply strategy.”<sup>43</sup> By creating a market rather than a comprehensive system for schooling, then, state law has created a system of maximum inefficiencies.

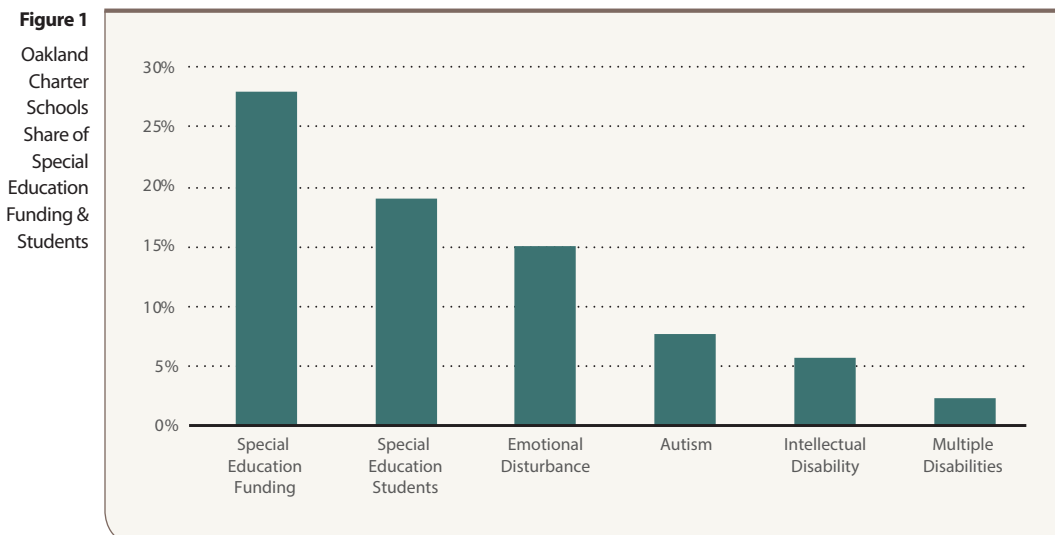


## Equal Funding, Unequal Burdens: Oakland

Beyond the net costs of the charter system, charter schools also function to sort and subdivide the student population in ways that harm students in traditional public schools. While charter schools are required by law to accept any student who applies, in reality they exercise recruitment, admission, and expulsion policies that often screen out the students who would be the neediest and most expensive to serve—who then turn to district schools. As a result, traditional public schools end up with the highest-need students but without the resources to serve them. In Oakland, this can be seen in the distribution of both special education students and unaccompanied minor children who arrive in the district after entering the U.S. without their families.

Special education funding is apportioned in equal shares for every student attending school, irrespective of the number of enrolled students with disabilities.<sup>44</sup> Even in districts without charter schools, special education is an underfunded mandate, in that the dedicated funding for this purpose is insufficient to meet the needs that school systems are legally required to serve.<sup>45</sup> But charter schools exacerbate this problem to a very significant extent.

In 2015-16, for instance, charter schools accounted for 28 percent of all Oakland-area students (that is, all students who lived within the district boundaries and attended either charter schools or traditional public schools), and thus, under California's special education funding model, received 28 percent of all special education funding for Oakland-area students. But they enrolled far less than their share of Oakland-area special needs students—just 19 percent of the total. The imbalance is yet more extreme in the most serious categories of special need. Of the total number of emotionally disturbed students attending either charter or traditional public schools in Oakland, charter schools served only 15 percent. They served only eight percent of all autistic students, and just two percent of students with multiple disabilities.<sup>46</sup> (See Figure 1)



The same imbalance is reflected in transportation costs. Most students with more mild needs such as dyslexia or ADHD don't require transportation; it is only students with more severe needs who require special transportation in costly vehicles. Here too, the contrast is dramatic: in 2014-15, OUSD spent an average of \$292 per enrolled student on special needs transportation; by contrast, charter schools spent \$9 per student, or just three percent as much.<sup>47</sup>

Thus, charter schools are funded for a presumed level of need which is higher than the number of students with disabilities they actually enroll, while the district serves the highest-need students without the funding they require. Partly as a result of this imbalance, OUSD is forced to divert money from its general fund in order to meet its obligations for special education. In 2016 – 17, this diversion to cover shortfalls in special education funding totaled \$51.5 million.<sup>48</sup>

Similarly, in recent years the country has seen a spike in the migration of children entering the country without their families.<sup>49</sup> Oakland is their second most common destination in the state; in 2015-16, the district served over 150 refugee children, nearly 200 asylum seekers, and over 450 unaccompanied minors.<sup>50</sup> Beyond the special costs of caring for these students, the district must hold open spaces in its classrooms in anticipation of students who arrive continuously throughout the year. Per-pupil funding from the state, however, is not provided until a student is actually present in the school. Thus, the district is forced to pay for all normal educational expenses for these students—including teachers—from the first day of the school year, but only receives state funding after students actually arrive. In 2015-16, over 1,200 newly-arrived students entered OUSD schools, including 700 who arrived in October or later.<sup>51</sup> All told, the cost of ensuring sufficient space and staff for these students amounted to an estimated \$4.2 million in district expenses that were uncompensated through state or federal per-pupil funding.<sup>52</sup> No charter school is required to accept refugee children in the middle of the year—but the district is. As there are no special funds for doing so, the district must draw from its general fund.

Since school districts are uniquely obliged to serve all students, they provide services that no charter schools are required to provide, though some may voluntarily do so. For example, by law a school district must translate its information into any language spoken by at least 15 percent of a school's population.<sup>53</sup> These translations include not only the communications from that particular school's officials, but also all central district policies and communications. The Oakland district currently translates documents into Spanish, Arabic, Vietnamese, Chinese, and Khmer,<sup>54</sup> though it receives no additional funding for this service. Here, too, the district's commitment to serving the entire community imposes unique costs that go unrecognized in state funding formulas, and that therefore contribute to the fiscal imbalance between charter schools and the public school district.

## California school districts' fiscal crisis in national context

As the charter industry has grown, public officials across the country have become increasingly concerned with the sector's impact on public school districts. A 2013 report from Moody's Investors Service, for instance, warned that charter expansion threatened school districts' viability in a growing number of cities, as "charter schools ... pull students and revenues away from districts faster than the districts can reduce their costs."<sup>55</sup> In response, a series of studies have been carried out by both academic scholars and consulting firms aimed at the same question that this report seeks to address. Because school funding formulas differ from state to state, and because the studies were conducted at different points over the past decade, the results vary significantly. Yet in every case, studies found that charter growth has caused school districts to suffer much more in lost revenue than they are able to make up in reduced expenses—resulting in large net shortfalls for district students. In the smaller cities of Buffalo, New York, and Durham, North Carolina, the net impact of charter schools was estimated as a loss of \$25 million per year to each school district. In Nashville, Tennessee, the loss is approaching \$50 million per year. And in Los Angeles—the nation's second-largest school district—the net loss is estimated at over \$500 million per year.

As a rule, these studies aim to determine the future ramifications of charter growth, rather than measuring the actual impact of growth up to the present. Each study begins by projecting charter school growth, calculating the revenue loss this would cause host districts, and then estimating which district costs would prove fixed or variable during the coming years—that is, which costs are easily adjusted in response to falling enrollment, and which are not. As charter expansion continues, more costs become variable: with greater enrollment loss, it becomes feasible to lay off teachers and close classrooms; with very wide-scale losses, districts start closing down schools.<sup>56</sup>

Given the variation in jurisdictions and time periods in which these studies were conducted, it's not surprising that they have yielded a range of results. Yet the numbers are daunting in every case. In 2016, for instance, the MGT consulting group conducted a detailed study of the Los Angeles Unified School District, concluding that 55 percent of the district's costs were fixed, and only 45 percent variable. On this basis, MGT estimated that the diversion of students to charter schools costs the district over \$500 million per year.<sup>57</sup> By contrast, the study of Buffalo and Albany, New York, concluded that fixed costs in those districts ranged between 33 percent and 45 percent.<sup>58</sup>

While the magnitude of charter schools' impact obviously varies by size of district, we can control for district size by converting the findings into impacts per charter students. In that case, all of the studies described above found the net loss to school districts for each student who moves from a district to charter school to be somewhere between \$3,100 and \$6,700.

**Table 2: Summary of Findings: Fiscal Impact of Charter Schools on Public School Districts**

Author	Location of Study	Academic Year	Net Fiscal Impact per Charter Student	Total Annual Net Fiscal Impact on District <sup>*</sup>
<b>Bifulco and Reback, NY State Dept of Education</b>	Albany, NY	2009 – 10	\$3,430	\$7,044,294
<b>Bifulco and Reback, NY State Dept of Education</b>	Buffalo, NY	2009 – 10	\$3,698	\$24,249,247
<b>Boston Consulting Group</b>	Philadelphia, PA	2011 – 12	\$5,600	Not Reported
<b>Ladd &amp; Singleton, Duke University</b>	Durham, NC	2013 – 14	\$3,136 – \$5,076 <sup>**</sup>	\$25 million
<b>Afton Partners</b>	Philadelphia, PA	2013 – 14	\$4,824	—
<b>MGT Associates</b>	Los Angeles	2014 – 15	\$4,957	\$508 million
<b>MGT Associates</b>	Nashville, TN	2015 – 16	\$6,557	\$47.1 million
<b>Lapp, et al. Research for Action</b>	Philadelphia, PA	2016 – 17	\$4,433	Not Reported
<b>Lapp, et al. Research for Action</b>	Rural PA district	2016 – 17	\$6,701	Not Reported

<sup>\*</sup> Not all studies reported total net fiscal impact for the district.

<sup>\*\*</sup> Durham impact per charter student is the author's calculation based on original data and communication with the study's author.

Our study employs a new and more direct methodology. Rather than projecting future charter school growth, we measure districts' actual revenue loss at this point in time, 25 years after California's charter school law was adopted. Rather than estimating which costs are fixed or variable, we worked directly with district staff to determine what it would actually cost to accommodate current charter school students in traditional public schools. Nevertheless, our findings fall squarely within the range of outcomes reported by these analyses in other parts of the country. Measured as a per-pupil cost, we estimate the net impact of each student who transfers from a traditional public school to a charter school to be approximately \$5,000 in San Diego, \$5,700 in Oakland, and \$6,600 in the East Side district.<sup>59</sup> Our numbers fit solidly in the mid-range of comparable analyses, particularly after accounting for the fact that they were conducted as much as seven years earlier.

## Real world impacts

What does the fiscal impact of charter schools mean in the real lives of public school students? In all three districts, there are urgent needs—even desperate needs—going unmet. Charter schools are not the only cause of inadequate school funding. California currently ranks 41<sup>st</sup> among states in per-pupil funding, creating problems that would exist with or without charter schools.<sup>60</sup> But charter schools greatly exacerbate this problem.

In Oakland, where less than half of kindergartners were deemed “ready for school” at the start of the 2015-16 school year, the loss of \$57 million per year marks a drastic setback.<sup>61</sup> At the top of every district’s wish-list is the desire to shrink class sizes so that teachers can provide more personal attention to students with the greatest needs. One tool for reducing adult/student ratios might be found in the use of teacher’s aides, who may provide critical individual support for the highest-need students. “We’re supposed to have aides for students with special needs,” notes one longtime Oakland teacher. But “in general, it’s [now] the teachers with large class sizes and no one else in the room.”<sup>62</sup>

Parents and teachers alike similarly stress the unmet need for school counselors. Because low-income parents have often themselves been unable to continue their education past high school, they may have difficulty navigating technical or bureaucratic terms in English. Since they may not be able to advise their children about colleges or careers, school counseling needs to start early, by at least ninth grade. Currently, however, there are 500 students for every counselor employed in the district. Similarly, OUSD officials note that their schools include a large population of students with asthma or Type 1 diabetes. The district’s limited staff of nurses plan a daily route between multiple schools, checking the carbohydrate counts in a day’s lunch menu and providing insulin shots as needed. But with limited nursing staff, it is a constant battle to even see to these basic health needs.

The loss of \$57 million per year dramatically impacts all of these issues. If those costs were reimbursed, or had never left the district, OUSD could maintain classrooms at a maximum of 18 students per class in every elementary school (including charter schools), double the number of nurses and counselors in the system, and still have \$10 million per year left for additional services.<sup>63</sup>

In San Diego, teachers identified a wide range of unmet needs in a fall 2017 survey. At the most basic level, teachers complained about the state of their buildings—leaky roofs, broken clocks, and the absence of air conditioners—as well as a shortage of basic classroom supplies such as scissors, glue, markers, and paper. Teachers further worried about no longer providing students a comprehensive curriculum, citing reductions in equipment and supply budgets that forced cutbacks in laboratory science classes, instrumental music instruction, and field trips. Inside the classroom, teachers noted how much more difficult their job has become due to layoffs of teacher’s aids, making it impossible to properly help those students who require additional, personalized

attention. Finally, nearly two-thirds of teachers complained that their schools had been hurt by cuts in the number of school nurses, librarians, and counselors.<sup>64</sup>

Board members similarly identified a range of unmet needs in SDUSD, focusing above all on overcrowded classrooms. “We have some of the lowest class sizes in comparison with other districts in California, but they are still too large,” said board member John Lee Evans. “California has one of the highest numbers of English language learners in the nation, and that’s another reason for reduced class size.”<sup>65</sup> The district’s foremost wish is to provide intensive support to the most vulnerable students by limiting classrooms to 15 students in kindergarten through second grade. At this point, that seems an unaffordable pipe dream for families in this community. But if the district were not suffering the fiscal impact of charter schools, it could in fact fully achieve this goal and still have \$7 million left for other needs.<sup>66</sup>

In East Side, a similarly wide range of unmet needs could be filled. In March of this year, a student advisor at the district’s Independence High School informed the California State Board of Education that her position was slated for elimination due to the district’s financial woes. Her role is to supervise the campus and connect students with needed supports including social workers, psychologists, and addiction treatment.<sup>67</sup> If the district were not so severely affected by charter schools, ESUHSD could afford to double the number of student advisors, health care technicians, and social workers, and still have \$10 million left for other needs.<sup>68</sup>

All of these shortages—the shortage of nurses for diabetic and asthmatic students; the absence of counselors for low-income students in need of career guidance; the defunding of libraries, music, art, laboratory science, field trips, and reading tutors—all of these losses are the price that students in traditional public schools pay for the state’s current charter law.



## Policy recommendations

The analysis presented in this report is designed to produce conservative estimates. It is perfectly reasonable, of course, to question methodologies or suggest that the correct numbers are somewhat higher or lower than those shown. It is not reasonable, however, to argue that we shouldn't attempt the calculation at all—that we should keep our head in the sand and refuse to measure the impact of charter schools on public school districts.

It is possible, of course, that state lawmakers might decide that the unlimited expansion of the charter sector is worth whatever it costs. They may choose to somehow make up the losses to traditional public schools and district offices, in order that they may continue providing needed services to their students. In this sense, the net fiscal impact of charter schools represents what one set of analysts termed “the total amount of additional dollars each district would require to accommodate the new costs of charter expansion, while maintaining services and staff for students in district schools at roughly the same levels and proportions.”<sup>69</sup> In theory, the legislature could choose to continue the policy of unlimited charter growth, and provide funding to prevent further harm to traditional public schools—though given the state's broader struggles with school funding, this seems unlikely.

What should not be a policy option is pretending that the expansion of charter schools comes without a price.

For public officials to plan for community education needs in a rational manner, two policy innovations are critical:

- First, each school district must produce an annual Economic Impact report assessing the cost of charter expansion in its community, and a more targeted analysis must be a required component in the evaluation of any new charter applications.
- Secondly, public officials at the district, county and state levels must be able to take these findings into account when deciding whether to authorize additional charter schools. Thus the state's charter authorization law must be amended to empower elected officials to act as effective stewards of the community's education budget, by balancing the value of charter schools against the needs of traditional public school students.

## Listening to educators

In February, 2018, the Alameda County Board of Education took the unusual step of rejecting the petition of a charter company seeking to open a new school in Oakland. Despite the fact that board members are barred by law from taking into account the fiscal impact on the district, members repeatedly voiced their anguish over just this issue. “Oakland Unified is in a crisis,” began board member Aisha Knowles. “If I’m voting just based on what’s on paper, I would be supporting [the charter]. But in my heart, when I think about the district sustaining additional cuts that will impact more working-class families and children, at this point in time I cannot support the petition.”<sup>70</sup> Member Joaquin Rivera added, “I know there are things that are outside of whether we can consider them ... but they are things that are there and we have to consider them ... Oakland Unified just recently cut \$9 million ... And Oakland Unified really deserves a chance to be able to continue the programs they have started ... To open a new charter school would not be in the best interests of Oakland Unified as a whole.”<sup>71</sup>

Similarly urgent pleas were voiced the following month when ESUHSD, having recently announced plans to lay off 140 employees, asked the Santa Clara County Board of Education to reject a petition for a new charter school. Superintendent Chris Funk insisted that “approving another charter will have a negative impact on our overall budget and begin to cut into vital support services.”<sup>72</sup> District Board of Education member Patti Cortese explained her own vote against the charter petition by noting that she “cannot reconcile discussing layoffs and opening a new school at the same breath.”<sup>73</sup>

These education officials are voicing a heartfelt plea to be able to do their job: to marshal finite resources in order to best meet the needs of all children in the community. Legislators must amend the law to enable them to carry out this responsibility.

## Appendix A: Methodology

### Overview:

This report aims to measure the net fiscal impact of charter schools on the Oakland Unified School District (OUSD), East Side Union High School District (ESUHSD), and San Diego Unified School District (SDUSD). To do that, we compare each district's current finances with what they would be if there were no charter schools.

For the purposes of this analysis, we assume that all students now attending charter schools, who live within the district's boundaries, would instead be attending district schools.<sup>74</sup> We calculate how much more revenue that would bring in to the district, and how much it would cost to educate these additional students in district schools. The difference between the revenue and cost is the net fiscal impact.

This research began in the summer of 2017, so we looked at financial impact in the most recent year for which data was available, the 2016-17 school year.

### Measuring the population of current charter students:

Our first step was to determine whether current charter students could be accommodated in existing district schools, or whether the district would need to operate additional schools in order to serve this population of students.

The California Department of Education reports 2016-17 enrollment for each charter school, and we included in our analysis all charter schools located within district boundaries, including those authorized by the district, county, or state.<sup>75</sup> We determined the percent of students attending each charter school who live inside the geographic boundaries of the district differently in each place:

- OUSD's "Live-Go" report provides data on the share of each charter school's student body that lives within district boundaries.<sup>76</sup>
- SDUSD provided the share of each charter school's enrollment that is from outside the district for 2017-18. For purposes of this study, we have used these figures to estimate 2016-17 in-district enrollment.
- ESUHSD provided the share of each charter school's enrollment that is from outside the district for 2017-18. For purposes of this study, we have used these figures to estimate 2016-17 in-district enrollment. In addition, because ESUHSD is a high school-only district and does not have the capacity to serve students in grades lower than ninth, or older than 19, we used California Department of Education enrollment data to remove those students from our analysis.

We combined these two sources in order to generate the number of charter students in each school who live within district boundaries and who, in the absence of charter schools, would need to be educated in district-operated schools.

In the three districts we analyzed, charter students are educated in four types of facilities:

- Virtual, online, or “independent study” schools, where students rarely (if ever) attend classes in a physical classroom, and therefore are “attending” schools that have little or no actual classroom space.
- Charter schools located in buildings owned by some entity other than the school district (e.g. the charter school, a related LLC, or a private landlord).
- “Conversion” schools, or charters that took over running a previously district-operated school, and are now located on that district-owned property.<sup>77</sup>
- Charter schools that lease space in a district-owned facility, either enjoying exclusive use of the facility or co-located in a facility that is also home to a traditional public school.

For each of these sets of students, we made assumptions regarding how they would be accommodated within each district’s school system:

- We assume that students in virtual schools would be accommodated within existing district-operated virtual education programs (there are no virtual charter schools in OUSD or ESUHSD).
- We assume that students whose charter schools are located in privately-owned facilities, or that are leasing space in district-owned buildings, would be accommodated in existing district-operated schools to the extent that there is space for them (see discussion below), whether that was the school with which they currently share a building (for co-located students) or another existing district school.
- Regarding “conversion” charter schools (where a previous traditional public school was turned into a charter school at the same location) we assume that these students would have been right where they are, in a school with its own administration and building, rather than consolidated into other schools.

Using this information, we calculated the total number of students in each district who are of the appropriate age and grade-spans for that district, who live within the district boundaries, and who were enrolled in charter schools located either in private facilities, virtual schools, or in non-conversion schools located in district-owned facilities. These are the students at the heart of this cost-benefit analysis.

## Capacity to accommodate additional students:

One of the fundamental questions of this research is how many current charter students could be absorbed into existing district schools, or how many would need new schools opened for them. In order to determine the ability of current district schools to accommodate additional students, we calculated the surplus capacity of each district school now in operation. Our methodology was different for each district:

### OUSD and SDUSD

For both of these districts, we began by examining historical enrollment data for each individual school, provided by the California Department of Education. We compared each school's enrollment in 2015-16 with its enrollment in the year of highest overall enrollment in the district (1999-2000 for OUSD, 2000-01 for SDUSD). For schools that opened after this year, we compared 2015-16 with the year of highest enrollment in that school. This gave us a baseline for comparing how many students each school could theoretically accommodate (defined as the number it had accommodated in its year of highest enrollment) with how many it currently served; the difference would be treated as surplus capacity.

However, a variety of factors could lead this calculation to overstate the extent of surplus capacity. To account for such factors, we reviewed each individual school with the district's facility planning staff in order to adjust school capacity numbers. Among the factors we took into account, and which served as a basis for adjusting school capacity numbers, were:

- Schools that were significantly overcrowded at their high point of enrollment, representing a level of enrollment beyond what the school should accommodate. In some cases, this included severely overcrowded elementary schools that were on a multi-track, year-round schedule.
- Use of portable or other temporary classrooms in the highest year of enrollment that have since been removed.
- Lower class sizes mandated by state or district policy or by teachers' collective bargaining agreement, resulting in an increased number of classes and need for additional space.
- Schools that have been merged or consolidated.
- Schools that are sharing space with another school—typically a charter school—and therefore do not actually have empty space in their building.

In both districts, we consulted on a school-by-school basis with district staff to review the history and status of each school. Based on this consultation, the projection of available space was significantly reduced in both districts. Even after these reductions, our calculations showed that there was sufficient space in both district's current schools to accommodate the current population of charter school students who lived within district boundaries and attended non-virtual, non-conversion charter schools.

## ESUHSD

Because ESUHSD is a high school district, assessing capacity for additional students in its schools was considerably more simple than in the other two large consolidated districts. According to a facility analysis study completed in February 2013, the district has a combined capacity of 26,408 in its 13 stand-alone high schools.<sup>78</sup> In 2016-17, enrollment in ESUHSD was 23,287. This means the district had a current excess capacity of 3,072 students. In the same year, there were 2,923 grade 9-12 charter students who lived in the district (who were 19 and under). Therefore, there would be no need for additional capacity in ESUHSD to accommodate the charter school students. Of these students, most (2,111) were already co-located in district facilities. Only 748 charter students were in non-district facilities.

## Revenue:

To calculate the amount of additional revenue the district would receive if current charter students were educated in district schools, we drew on two sources: the Local Control Funding Formula (LCFF) for basic per-pupil funding, and charter schools' unaudited actual financial statements for the 2016-17 year, for additional sources of state and federal funding.

We estimated LCFF funding for each charter school within the district's boundaries, based on the school's 2016-17 population, including each school's unduplicated count of English learners, low-income students, and homeless or foster youth, all of which impact the school's eligibility for funding above and beyond the standard per-pupil LCFF rate.

Under current law, school districts' LCFF funding is based on either the current or the previous year's Average Daily Attendance (ADA). It is common practice to base funding on the previous year's ADA when that number was higher in districts experiencing declining enrollment and ADA. However, for the purposes of this study we are interested in calculating the impact on funding for 2016-17. To do this, we adjusted the LCFF ADA for school districts to the benchmark of 2016-17, rather than choosing the greater of 2016-17 or 2015-16 ADA.

The unaudited actual financial statements for 2016-17 identify seven additional categories of federal, state, and local funding provided to charter schools: Federal ESSA funding, Federal Special Education, Federal Child Nutrition, Federal "Other," State Special Education, State "Other," and Local funding.<sup>79</sup> School lunch programs are often treated in separate budget lines, funded by separate funds from general per-pupil funding, and for this reason our analysis does not include either costs or revenues associated with subsidized school food programs. Thus we did not include Federal Child Nutrition funding among the revenues now paid to charter schools that would instead go to the district. We also excluded the category of local revenue that includes items, such as private philanthropic giving, directed toward charter schools that would be unlikely to go to the district. The other five categories of funding were combined with LCFF funding



to produce an overall total of funding that would be redirected to the district if current charter students were enrolled in district-run schools.

School funding in California is determined not by total enrollment, but by ADA in each school, which is typically less than 100 percent enrollment. The ADA to enrollment ratio of any given school is a product both of its student population and of the school's practices devoted to encouraging attendance. For purposes of this study, we assumed that if current charter students were enrolled in district schools, their attendance would follow the average attendance of the district. Thus, we took the ratio of ADA to enrollment for the district, and multiplied it by charter enrollment, which gave us a reasonable estimate of ADA for the charter students. We then calculated the amount of funding per ADA for the charter students if they were instead enrolled in district schools.

### Assumptions regarding conversion schools:

Charter students who could be accommodated in existing district schools represent a particularly significant cost to taxpayers, the community, and the district, because the public is funding significantly more buildings, principals, custodians, school secretaries, and other administrative staff than would otherwise be required. In the case of charter students attending “conversion” schools, there are fewer such costs, because we assume these schools would still be open and operating even if they were district-run rather than charter-run schools. There are still net costs to operating these as charter rather than district schools—for instance, the cost of providing equal special education funding to charter schools whose student bodies may disproportionately have less needs than the rest of the district, and the cost of duplicative administrative functions. (The net cost imposed by unequal distribution of special needs students is particularly significant, but is not measured by federal, state, or local officials. Indeed, we asked district offices to calculate the real cost of educating students in each category of special needs, but they were unable to do so. We believe this points to an important area for further research by the state Department of Education.) However, we lack the data to accurately capture all of these cost differences. For the purposes of this study, therefore, we assume that if conversion charter schools were instead district-run schools, the revenue and costs entailed would balance each other out, with no net fiscal impact.

As a result, the calculation of costs and revenues used to measure charter schools' net fiscal impact on the district is measured only for those charter students who are now in private facilities or in non-conversion schools in District-owned facilities, who would otherwise be educated in other district schools already in operation.

## Costs:

To gauge the fiscal impact of charter schools, we focus on the students who live in the district and who could be educated in existing district schools if they were not attending charter schools.

The revenue lost from students enrolled in charter schools is offset by the district's lower expenses as a result of not being responsible for educating these students. To calculate the volume of those expenses, we ask what additional resources would be required to serve these students within existing district schools. Since we determined that they could be accommodated within existing schools, there are no expenses for facilities, school principals, or custodians, or other positions that exist to serve a particular school site, regardless of its enrollment.

Furthermore, central administrative staff are devoted to system-wide functions that do not generally fluctuate with enrollment levels. Budget planners, facility planners, accountants, department directors, human resources staff, et al. are typically needed in the same numbers even when enrollment fluctuates significantly. Indeed, this is a central factor in the finding of every national study that school districts face significant fixed costs that cannot be reduced in response to falling enrollment. Thus, the number of central district staff currently employed would not need to be increased even if significantly more students were educated in district schools.

The cost of educating additional students is thus limited to increased staff at the school level, along with some increased cost in books, supplies, and materials for additional students. In discussion with staff in each district, we determined that the following staff are those that could increase or decrease in proportion to student enrollment:

OUSD	ESUHSD	SDUSD
Teachers <sup>80</sup>	Teachers	Teachers
Assistant Principals	Deans	Vice Principals
Nurses		Nurses
	Health Care Technicians	Health Care Technicians
	Social Workers	
Counselors	Student Advisors	Counselors
Custodians	Custodians	Custodians
Attendance Specialists/ Attendance Clerks	Attendance Clerks	
School Security Officers	Campus Monitors	
Noon Supervisors (Lunch Attendants)		

The above positions serve all students. There is a second set of positions that only serve special education students, and that could increase or decrease with changes in special education enrollment. These include:

OUSD	ESUHSD	SDUSD
Special Education Teachers <sup>81</sup>	Special Education Teachers <sup>82</sup>	Special Education Teachers
Psychologists	Psychologists	Psychologists
Social Workers for Special Education	Social Workers—Special Education	Licensed Mental Health Clinicians
Paraeducators	Paraeducators	Paraeducators
Instructional Support Specialists	Paraeducators IEPs	Rehabilitation Specialists
Instructional Assistants for Special Education		Physical Therapists
Occupational Therapists	Speech Therapists	Occupational Therapists

To determine the cost for most of the above positions, we used the record of all employees' actual salaries as of January 2018 (March 2018 in East Side), calculating the average annual salary for each position. For teachers only (both general education and special education teachers), we assumed that the large number of positions that would need to be filled would be filled by new hires. In Oakland, we were able to calculate the average salary of new hires, which is roughly equivalent to Step 5 on the Oakland Education Association contractual pay scale. In San Diego and East Side, we used Step 5 on their teachers' union pay scales, which district staff agreed is roughly the equivalent of average new hire salaries and, in East Side, is also used by the district for costing staffing increases.

In San Diego, the district provided average total compensation costs for each position, and we used these to estimate staffing costs. In Oakland and East Side, the district only provided average salary data. Based on each district's 2016-17 Audit Report, we estimated the district's cost in benefits and payroll taxes on top of salaries. This figure was 45 percent in Oakland and 47 percent in East Side. Thus, for example, total cost for any given position in Oakland is calculated as 145 percent of its annual salary.<sup>83</sup>

To determine how many more staff would be needed to educate the students now in charter schools, we assumed that none of these students would be accommodated in currently existing classrooms, but that they would require their own classrooms and teachers. In East Side and Oakland, we began by dividing the number of students in the district by the number of teachers to determine the current student-teacher ratio. In San Diego, the district provided us with this ratio for both general education and special education teachers. Where possible, we made similar calculations for each of the occupations that serve the entire student body. In each district, there were several positions for which the district employs set ratios to determine staffing, including:

## OUSD

In OUSD, policy calls for one Assistant Principal for middle schools with up to 500 students, two Assistant Principals for those with between 550-800 students, and three for schools with more than 800 students. Because it is impossible to project exactly which schools current charter students would have been attending, or to determine the exact staffing that would result from these enrollment patterns, we used current district-wide student/staff ratios as the most accurate available means of projecting how many staff would be needed to accommodate the additional students. The two exceptions to this rule are for nurses and counselors. As the district maintains strict staffing ratios for these positions (one nurse for every 500 students, and one counselor for every 500 MS or HS students), we adopted these ratios in determining staffing needs.

## SDUSD

The district maintains staffing ratio policies for Vice Principals, Nurses, Counselors, and Health Technicians, and these were used to determine staffing needs for these professions.<sup>84</sup> (Staffing ratios are 2,000:1 for school nurses and 2,500:1 for health technicians; vice principals are 1,000:1 in elementary schools and 500:1 in middle and high schools; counselors are 500:1 in elementary schools, 480:1 in middle schools and 460:1 in high schools).

## ESUHSD

ESUHSD has (informal) staffing policies regarding two classifications that are determined by school size, but would not necessarily be affected by enrollment growth. Both Deans and Student Advisors are assigned when a school exceeds 2,800 students. To calculate how many additional positions in these two categories could be required with an increase in enrollment, we used staffing data to determine which schools currently have Deans and Student Advisors. Since every school with either a current enrollment or a capacity exceeding 2,800 students already has at least one Dean and two or three Student Advisors, we did not add any of these positions. Conversations with district staff indicated that all comprehensive high schools are currently assigned four Counselors, regardless of enrollment. We used staffing data to confirm this fact, and therefore did not include additional counselors in our calculations. Charter schools that currently share ESUHSD-owned campuses are responsible for providing custodial services for their portions of those facilities. Therefore, for these shared facilities we calculated the percentage of total enrollment at each facility that is charter students, and accordingly increased the custodial staff at that facility.

For occupations that specifically serve special education students, we calculated the student/teacher and student/staff ratios based on the district's current population of special education students. This is a rough estimate, as it measures not the number of staff for those students who require each service, but the number of staff in occupation compared to the entire student population. Thus, using these same staffing ratios for

the charter student body implicitly assumes that those students have the same degree of need for professional staff as do current district students. Since we know that the distribution of special education students in charter schools suggests that their needs are more mild, on average, it is likely that this estimate overstates the number of staff that would be required for this population of students. However, as a very conservative measure, we assumed that the ratio of staff per students here would be the same. In San Diego, we were able to directly calculate student-staff ratios for all special education professionals, based on special education student enrollment and FTE staffing counts.

In addition to school-based staff, there would be costs for books, materials, and supplies. In Oakland, we used district budget documents to calculate the average cost per student for these items in district elementary, middle, and high schools, and then applied these figures as the cost-per-student of educating students in each grade span.<sup>85</sup> In San Diego, there is a standard cost per student to cover costs of materials and supplies, according to district budget documents.<sup>86</sup> In East Side, the district provided us with a total actual cost for “Instructional Materials” in 2016-17, which we then converted to a per-pupil amount.

### Balancing revenue and costs:

If we compare the total revenue lost by the district for the number of students enrolled in charter schools, to the costs saved by the district by not being responsible for educating these students (assuming staffing ratios and supply costs for these additional students would be the same as for current district students), we arrive at the net fiscal impact of charter schools on each district.

### Why ours is a conservative measure:

It is likely that this methodology underestimates charter schools’ true fiscal impact on school districts, for several reasons:

- First, special education students in charter schools have, on average, milder needs than those currently enrolled in district schools. Comparing the distribution of special education students across the 13 categories of need defined in the Individuals with Disabilities Education Act (IDEA), it is clear that charter students are relatively more concentrated in mild-to-moderate categories of need, while district students are relatively more concentrated in moderate-to-severe categories of need. (See *Table comparing SPED student body in OUSD and charter schools*)

These data suggest that if current charter students were educated in district schools, on average they would not require the intensive staffing required by special needs students currently enrolled in the district. It is likely that both the student-teacher ratio and the ratio of students to other professional staff would be less intensive than each district’s current average. Yet with the exception of Oakland—where the gap between the district (with nearly 12 percent of students having special needs) and charter schools (7.2 percent of students having special needs, with those students with relatively more mild) was particularly stark—we did not account for this distinction.<sup>87</sup>

- Secondly, it is likely that some charter students could be absorbed within existing classrooms, but our analysis assumes that all current classrooms are full and all charter students would need new classes with new teachers.
- Third, we do not attempt to capture either a district's administrative costs for reviewing charter applications and providing oversight to charter schools (which pay a fee to cover a districts' administrative costs, but in some districts these costs are greater than the fee paid), nor the cost of being required by law to lease district-owned space to charter schools at significantly below-market rate rather than leasing the space out at market rates.
- Fourth, we do not account for students who live within district boundaries but attend charter schools outside the district. The district experiences fiscal loss from these students, but it is not included in our analysis.
- Fifth, in Oakland and San Diego, the districts likely experiences a net loss from conversion charter schools. At minimum, there is a likely net loss in providing these schools with equal per-pupil funding for special education while they enroll a population of SPED students that is smaller and has less needs. But these schools are treated as costless in this analysis.

Finally, in comparison with studies done in other parts of the country, our study is framed around more conservative assumptions. Several of the studies in other cities considered teachers' salaries as the only variable cost through which districts might save money when students leave for charter schools; our study includes potential savings from all enrollment-based occupations. (The Nashville study and one of the Philadelphia studies calculated teacher-student ratios based only on general education; our study separately calculates teacher-student ratios for special education, where many more students are in smaller classes.<sup>88</sup>) Even when calculating how districts could reduce teaching expenses in the face of enrollment diverted to charter schools, some other studies based calculations solely on student-teacher ratios in general education classes. By including the smaller student-teacher ratios for special education classes, we provide a more generous accounting of potential district cutbacks and therefore a more conservative measure of the costs imposed by charter growth.

Thus, we have sought at each point of judgment to err on the side of conservatively underestimating the net fiscal impact of charter schools.

## Range of analyses

In each district, we calculated a range of analyses, with variations based on assumptions regarding staffing levels. We ultimately chose a conservative set of assumptions for our analysis. In each district, our measure is based on actual student/teacher ratios rather than mandated class sizes—with the actual ratios being significantly more teacher-intensive and therefore costlier. In San Diego and East Side, we assumed that special education students enrolled in charter schools would—if they were in traditional public schools—require the same level of teachers and professional staff as the district's current student population. This is a conservative assumption, since we know that in each



case the special education students in traditional public schools are more likely to face more profound and costlier needs than those enrolled in charter schools. In Oakland, where charter schools enroll both a dramatically smaller overall share of special needs students and, among their special needs students, enroll students whose needs are disproportionately milder than those of OUSD students, we assumed that special needs staffing requirements would be less intensive for current charter students than for current district students. It is impossible to gauge exactly how large this effect might be, but for OUSD we have estimated that SPED teacher-student ratios for charter students would average 1:15 rather than 1:10, and that the need for other SPED-related professional staff would be half as intensive as it is for current district students. These estimates are based on the significant disparity both in the overall share of students who have special needs and in the distribution of those students between relatively milder or severer needs, as discussed in the “Equal Funding, Unequal Burdens” section of this report, above.

## Endnotes

- <sup>1</sup> Lake, Robin, "The charter movement's 'tipping point' strategy isn't working. What now?" Center for Reinventing Public Education blog, September 22, 2017. <https://www.crpe.org/thelens/tipping-point-strategy-isnt-working>.
- <sup>2</sup> Tadayon, Ali, "Oakland School Board to Cut \$15 million from mid-year budget," *East Bay Times*, November 9, 2017. <https://www.eastbaytimes.com/2017/11/09/oakland-school-board-to-cut-15-million-from-next-years-budget/>.
- <sup>3</sup> Parents United for Public Schools, quoted in "Layoffs likely, no guarantee classrooms will be spared in wake of \$15M Oakland school crisis," KTVU, November 29, 2017.
- <sup>4</sup> Tadayon, Ali, "Oakland students, parents, teachers rally against proposed budget cuts," *East Bay Times*, November 28, 2017. <https://www.eastbaytimes.com/2017/11/28/oakland-unified-students-parents-teachers-rally-against-proposed-cuts-to-schools>.
- <sup>5</sup> "Thirty percent of Oakland school libraries closed, district lays off head librarian," KTVU, December 20, 2017. <http://www.ktvu.com/news/thirty-percent-of-oakland-school-libraries-closed-district-lays-off-head-librarian>.
- <sup>6</sup> Saunders, Mark, "San Diego Unified asks parents what services should be cut due to budget shortfall," ABC 10 News, January 18, 2018. <https://www.10news.com/news/san-diego-unified-asks-parents-what-services-should-be-cut-due-to-budget-shortfall>.
- <sup>7</sup> Koran, Mario, "San Diego Unified Principals Are Bearing the Brunt of Budget Cuts," Voice of San Diego, October 30, 2017. <https://www.voiceofsandiego.org/topics/education/san-diego-unified-principals-bearing-brunt-budget-cuts/>.
- <sup>8</sup> Ibid.
- <sup>9</sup> McCallister, Toni, "San Diego Unified Declares Positive Fiscal Health, Planning \$47 Million in Cuts for 2018-19 School Year," Times of San Diego, December 12, 2017. <https://timesofsandiego.com/education/2017/12/12/san-diego-unified-declares-positive-fiscal-health-planning-47-million-in-cuts-for-2018-19-school-year/>.
- <sup>10</sup> Koran, Ibid.
- <sup>11</sup> McGlone, Ashley, "New Year, New Cuts Contemplated at San Diego Unified," Voice of San Diego, January 16, 2018. <https://www.voiceofsandiego.org/topics/education/new-year-new-cuts-coming-san-diego-unified/>.
- <sup>12</sup> Schroeder, Lauryn, "San Diego Unified faces \$47 million in cuts in coming year," *The San Diego Union-Tribune*, December 15, 2017. <http://www.sandiegouniontribune.com/news/education/sd-me-schools-budget-20171215-story.html>.
- <sup>13</sup> Noguchi, Sharon, "K-12: 'Tidal wave of expenses' in looming California school budget crisis," *Mercury News*, July 2, 2017. <https://www.mercurynews.com/2017/07/02/tidal-wave-of-expenses-in-looming-california-school-budget-crisis/>.
- <sup>14</sup> "Two-thirds of the districts I look at have problems in the third year with deficit spending," reported Ron Bennett, CEO of School Services of California and advisor to 850 of the state's approximately 1,000 districts. About one-third of these schools anticipated problems in the second year, and a handful were already planning large cuts in 2017-18. Quoted in Noguchi, Sharon, "K-12: 'Tidal wave of expenses' in looming California school budget crisis," *Mercury News*, July 2, 2017. <https://www.mercurynews.com/2017/07/02/tidal-wave-of-expenses-in-looming-california-school-budget-crisis/>.
- <sup>15</sup> In 2015-16, California's per-pupil funding ranked 41st among the 50 states. Jonathan Kaplan, "California's Support for K-12 Education is Improving, But Still Lags the Nation," California Budget and Policy Center, January 2017. <http://calbudgetcenter.org/resources/californias-support-k-12-education-improving-still-lags-nation>.
- <sup>16</sup> California Department of Education, 2017-18 Enrollment Multi-Year Summary for Charter and Non-Charter Schools, <https://data1.cde.ca.gov/dataquest/dq census/EnrCharterYears.aspx?cds=00&aggllevel=state&year=2017-18>.
- <sup>17</sup> Board of Trustees, Anaheim Union High School District, Notice of Regular Meeting, January 15, 2016.
- <sup>18</sup> Board of Education, Oakland Unified School District, Video of the Board of Education Meeting, November 8, 2017. President Harris begins speaking at 4:09:43.
- <sup>19</sup> Board of Trustees, East Side Union High School District, Regular Meeting Minutes, August 17, 2017. <https://www.cde.ca.gov/be/cc/cs/documents/accs-feb18item09a5.pdf>.
- <sup>20</sup> Current mandated class size caps for Oakland elementary schools are 24 in Kindergarten, 27 in grades 1-3, and 30 in grades 4-5. In 2015-16 there were a total of 20,532 students enrolled in grades K-5 in OUSD schools, and an additional 6,430 charter school students in those grades. To lower class sizes from the current caps to 18 would require the district hiring an additional 509 teachers. Based on the average salary for newly hired OUSD teachers in January 2018, we estimate the total compensation cost of adding 509 new teachers to total \$40 million. In January 2018, OUSD had 37.5 FTE Counselors and 23.8 FTE nurses. Based on average salaries for these positions in January 2018, doubling these numbers would entail an increased total compensation cost of \$6.6 million.
- <sup>21</sup> There is some precedent for such policy innovations. The first recommendation of the Pennsylvania Legislature's Budget and Finance Committee report (not yet adopted into law) is to "allow fiscal impact criteria to be taken into

account by school districts, the [state] Department of Education, the State Charter School Appeal Board, and the courts for new and expanded public school charter applications. Philip Durgin, Public Charter School Fiscal Impact on School Districts, Legislative Budget and Finance Committee, Pennsylvania General Assembly, May 2017, p. S-11. Additionally, until 2013 North Carolina's law required that the State Board of Education "shall consider the impact on the local school administrative unit's ability to provide a sound basic education to its students when determining whether to grant preliminary and final approval of the charter school." And Delaware statute allows consideration of financial impacts—including "projected increases and decreases in costs and in revenue received by local education agencies"—for setting conditions on charter applications.

<sup>22</sup> To calculate OUSD enrollment numbers, we used California Department of Education enrollment data to get OUSD's overall enrollment and OUSD-authorized charter school enrollment, and then added enrollment for each of the Alameda County-authorized charter schools. <https://dq.cde.ca.gov/dataquest/>.

<sup>23</sup> To calculate San Diego Unified enrollment numbers, we used California Department of Education enrollment data to get SDUSD's overall enrollment and SDUSD-authorized charter school enrollment, and then added enrollment for each of the State Board of Education-authorized charter schools. <https://dq.cde.ca.gov/dataquest/>.

<sup>24</sup> To calculate East Side Unified High School District enrollment numbers, we used California Department of Education enrollment data to get ESUHS's overall enrollment and ESUHS-authorized charter school enrollment, and then added enrollment for each of the Santa Clara County-authorized charter schools. <https://dq.cde.ca.gov/dataquest/>.

<sup>25</sup> Education Data Partnership, <https://www.ed-data.org/>.

<sup>26</sup> Among other factors, the following skew this estimate toward underestimating charter: first, we assumed that all current charter students would need to be accommodated in new classes with new teachers, when in reality some number of them could be accommodated in existing classes that are under-enrolled. Likewise, several of the studies in other cities considered teachers' salaries as the only variable cost through which districts might save money when students leave for charter schools. By comparison, our study includes potential savings from all enrollment-based occupations. (The Nashville study and one of the Philadelphia studies calculated teacher-student ratios based only on general education; our study separately calculates teacher-student ratios for special education, where many more students are in smaller classes. MGT Associates, Charter School Financial Impact Model for Metropolitan Nashville Public Schools, MGT, September 11, 2014) Finally, even when calculating how districts could reduce teaching expenses in the face of enrollment diverted to charter schools, some other studies based calculations solely on student-teacher ratios in general education classes. By including the smaller student-teacher ratios for special education classes, we provide a more generous accounting of potential district cutbacks and therefore a more conservative measure of the costs imposed by charter growth.

<sup>27</sup> In 2017-18 OUSD is operating 87 traditional public schools. OUSD Fast Facts, [https://drive.google.com/file/d/18vKVTDbTxKOTInQGSZmITyiuNI-1Am\\_R/view](https://drive.google.com/file/d/18vKVTDbTxKOTInQGSZmITyiuNI-1Am_R/view).

<sup>28</sup> School funding is based on the higher of the current or prior year's attendance. Thus there may be a one-year lag in funding adjustments. California Department of Education, Local Control Funding Formula Overview. <http://www.cde.ca.gov/fg/aa/lc/lcfoverview.asp>.

<sup>29</sup> Durgin, Philip. Public Charter School Fiscal Impact on School Districts, Legislative Budget and Finance Committee, Pennsylvania General Assembly, May 2017.

<sup>30</sup> Boston Consulting Group, Transforming Philadelphia's Public Schools: Key findings and recommendations, August 2012. [https://www.crpe.org/sites/default/files/BCG-Summary-Findings-and-Recommendations\\_August\\_2012.pdf](https://www.crpe.org/sites/default/files/BCG-Summary-Findings-and-Recommendations_August_2012.pdf).

<sup>31</sup> Durgin, Ibid.

<sup>32</sup> Durgin, Ibid., notes: "One rural district that had considered closing a high school with less than 50 graduates provided data showing if a charter school formed in response to the closing of the high school it would result in a \$2 million annual deficit."

<sup>33</sup> CCSA, Growth and Enrollment, <http://www.ccsa.org/understanding/numbers>.

<sup>34</sup> This concern was driven home in 2015-16, when a series of business scandals led to the cancellation of charters of two schools belonging to the Tri-Valley Learning Corporation in Livermore. Just before the start of the 2016-17 school year, the charter operator announced it was laying off teachers in order to pay down debt, prompting hundreds of students to abandon the school and flooding the nearby public schools at the start of the year. "TVLC Debt Hit \$3.5 Million; Teachers Have Been Laid Off," *Independent News*, September 15, 2016, [http://www.independentnews.com/news/tvlc-debt-hit-million-teachers-have-been-laid-off/article\\_d30803ea-7ad3-11e6-8d4b-8f4f54ea9038.html](http://www.independentnews.com/news/tvlc-debt-hit-million-teachers-have-been-laid-off/article_d30803ea-7ad3-11e6-8d4b-8f4f54ea9038.html).

<sup>35</sup> Jacobs Associates school-by-school capacity surveys can be found at <https://www.ousd.org/Page/17037>.

<sup>36</sup> There are five reasons a district can reject a charter school petition, but the two listed are the only substantive ones. The other three are: if the petition does not contain the required number of signatures from teachers and/or students demonstrating support for the school; if the petition does not contain a number of conditions regarding non-discrimination; and if the petition does not contain a reasonably comprehensive description of 16 required elements, including a description of the educational program, admissions requirements, means to reach a racial and ethnic balance reflective of the surrounding district, and others. California Education Code, Title 2, Division 4, Part 26.8, Chapter 2, Section 47605(b). [https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=EDC&division=4.&title=2.&part=26.8.&chapter=2.&article=](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=4.&title=2.&part=26.8.&chapter=2.&article=)

- <sup>37</sup> California School Boards Association, *Charter Schools: A Manual for Governance Teams*, 2009, [www.csba.org/EducationIssues/EducationIssues/~media/D3A48BACC09B45C89F35FC33ABC3A86A.ashx](http://www.csba.org/EducationIssues/EducationIssues/~media/D3A48BACC09B45C89F35FC33ABC3A86A.ashx).
- <sup>38</sup> Bifulco, Robert and Reback, Randall, "Fiscal Impacts of Charter Schools: Lessons from New York," *Education Finance and Policy*, vol. 9, No. 1, pp. 86-107, 2014.
- <sup>39</sup> Zernike, Kate, "A Sea of Charter Schools in Detroit Leaves Students Adrift," *The New York Times*, June 28, 2016. <https://www.nytimes.com/2016/06/29/us/for-detroits-children-more-school-choice-but-not-better-schools.html>.
- <sup>40</sup> Arsen, David and Ni, Yongmei, "The effects of charter school competition on school district resource allocation," *Educational Administration Quarterly* 48(1): 3-38, 2012.
- <sup>41</sup> Baker, Bruce, Exploring the consequences of charter school expansion in U.S. cities, Economic Policy Institute, November 30, 2016. <http://www.epi.org/publication/exploring-the-consequences-of-charter-school-expansion-in-u-s-cities>.
- <sup>42</sup> Thus one financial supporter of Bay Area charter schools recently complained about the problem of "five different [charter] operators ... looking at the same place— there's no coordination around who goes where. Three brand new schools start up in a half-mile radius." Lake, Robin, et al., *The Slowdown in Bay Area Charter School Growth: Causes and Solutions*, Center for Reinventing Public Education, January 2018. <https://www.crpe.org/sites/default/files/crpe-slowdown-bay-area-charter-school-growth.pdf>.
- <sup>43</sup> Ibid, pp. 13.
- <sup>44</sup> School funding is determined not directly by enrollment, but per pupil according to each school's total average daily attendance. Since there are always some number of students absent, the average daily attendance total is slightly lower than the total number of students enrolled in a school. But since funding follows students, for analytical purposes this report sometimes describes funding distribution between charter schools and traditional public schools as determined by enrollment.
- <sup>45</sup> There has been much written about the chronic underfunding of the mandate in the Individuals with Disabilities and Education Act, including the National Council on Disability, *Broken Promises: The Underfunding of IDEA*, February 7, 2018, [https://ncd.gov/sites/default/files/NCD\\_BrokenPromises\\_508.pdf](https://ncd.gov/sites/default/files/NCD_BrokenPromises_508.pdf).
- <sup>46</sup> Enrollment of special needs students by category of disability is reported for both charter and traditional public schools to their SELPAs through the CASEMIS data system. Oakland-area charter schools include those affiliated with the OUSD, Sonoma County and El Dorado County SELPAs.
- <sup>47</sup> 96 percent of OUSD's \$305 per student transportation expense was for students with disabilities. Education Resource Strategies and Oakland Achieves, *Informing Equity: Student Need, Spending, and Resource Use in Oakland's Public Schools*, June 2017, 33-34. [https://www.erstrategies.org/tap/informing\\_equity](https://www.erstrategies.org/tap/informing_equity).
- <sup>48</sup> Fiscal Crisis and Management Assistance Team, *Oakland Unified School District: Financial Health Risk Analysis*, August 15, 2017, 6. <http://fcmat.org/wp-content/uploads/sites/4/2017/08/Oakland-USD-final-report.pdf>.
- <sup>49</sup> Oakland Unified School District, *Newcomer Program Executive Summary*, February 2016. [https://docs.google.com/document/d/1dDz-QxReyZu0xH8r8XUhw8U5WBd2mQR769ovGE\\_Mh4/edit](https://docs.google.com/document/d/1dDz-QxReyZu0xH8r8XUhw8U5WBd2mQR769ovGE_Mh4/edit).
- <sup>50</sup> Oakland Unified School District, *Three-Year Newcomer Demographics*, June 2012-13 to June 2016-17.
- <sup>51</sup> Ibid.
- <sup>52</sup> This is the sum of all state and federal per-pupil funding, pro-rated for the share of the school year missed by students arriving in each month of the year.
- <sup>53</sup> California Education Code, [http://leginfo.ca.gov/faces/codes\\_displaySection.xhtml?sectionNum=48985.&lawCode=EDC](http://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=48985.&lawCode=EDC).
- <sup>54</sup> Conversation with OUSD Chief of Staff Curtiss Sarikey and Director of Research, Assessment and Data Jean Wing, November 28, 2017.
- <sup>55</sup> Moody's Investors Service, *Charter schools pose greatest credit challenge to school districts in economically weak urban areas*, October 15, 2013. [https://www.moody's.com/research/moodys-charter-schools-pose-greatest-credit-challenge-to-school-districts--pr\\_284505](https://www.moody's.com/research/moodys-charter-schools-pose-greatest-credit-challenge-to-school-districts--pr_284505).
- <sup>56</sup> In some cases, authors made overly optimistic assumptions, with the effect of underestimating the impact of charter schools. Research for Action's analysis of Philadelphia assumes that schools will be closed in exact proportion to the loss in student enrollment. The authors concede that "these decisions were not based on analysis of individual community needs, nor did they take into account the political and practical considerations that would necessarily be a part of any actual decisions to close schools. Rather, for the sole purposes of this study, experts compared the current average building capacity in each district to projected enrollment losses to determine mathematically when a district could close a building." They note that "taking into account these issues, it is likely the district would be unable to realize the level of savings our experts anticipated. Because building costs are a significant cost driver in our model, the negative fiscal impact would therefore be greater than projected." Lapp, David, et al., *The Fiscal Impact of Charter School Expansion: Calculations in Six Pennsylvania School Districts*, Research for Action, September 2017, pp. 15, 24.
- <sup>57</sup> MGT of America Consulting, *Fiscal Impact of Charter Schools on LAUSD*, May 2016, <http://thecostofcharterschools.org/ccs/eir>.

<sup>58</sup> Bifulco and Reback, *Ibid.*, pp. 86-107, estimate fixed costs as 33 percent of the total in Buffalo and 45 percent in Albany, NY. Albany and Buffalo have, respectively, the 10th and 15th highest percentage of students in charter schools of any major American school district. Arsen and Ni's study of Michigan (*Ibid.*) does not calculate an exact figure for fixed costs but reports that "revenues decline more rapidly than costs in districts losing students to charter schools," and as a result "higher levels of charter competition are strongly associated with declining district fund balances." It should be noted that even at the lowest estimate of fixed costs, the projected impact is significant: a 33 percent rate suggests that the growth of the charter sector in Los Angeles poses a net cost of \$300 million per year on district students.

<sup>59</sup> These figures are not strictly comparable with other estimates, as our analysis excluded conversion charter schools; their inclusion would impact our per-pupil cost estimate.

<sup>60</sup> In 2015-16, California's per-pupil funding ranked 41st among the 50 states. Kaplan, Jonathan, "California's Support for K-12 Education is Improving, But Still Lags the Nation," California Budget and Policy Center, January 2017. <http://calbudgetcenter.org/resources/californias-support-k-12-education-improving-still-lags-nation>.

<sup>61</sup> Oakland Achieves, Fourth Annual Public Education Progress Report, 2016. <https://oaklandachieves.org/2016-report>.

<sup>62</sup> Former OUSD teacher, interview with the author, January 30, 2018.

<sup>63</sup> Current mandated class size caps for Oakland elementary schools are 24 in Kindergarten, 27 in grades 1-3, and 30 in grades 4-5. In 2015-16 there were a total of 20,532 students enrolled in grades K-5 in OUSD schools, and another 6,430 K-5 students in charter schools. To lower class sizes from the current caps to 18 would require the District hiring an additional 509 teachers. Based on the average salary for newly hired OUSD teachers in January 2018, we estimate the total compensation cost of adding 509 new teachers to total \$40 million. In January 2018, OUSD had 37.5 FTE Counselors and 23.8 FTE nurses. Based on average salaries for these positions in January 2018, doubling these numbers would entail an increased total compensation cost of \$6.6 million.

<sup>64</sup> San Diego Educator Survey, In the Public Interest, Fall 2017.

<sup>65</sup> John Lee Evans, interview with Clare Crawford, April 19, 2018.

<sup>66</sup> In 2016-17, there were 25,538 students in grades K-2 in SDUSD schools. To reduce class size to 15 from the current cap of 24 would require hiring an additional 638 teachers. At current average compensation for new hire teachers (defined as equivalent to Step 5 on the teacher salary scale), this represents a total cost of \$58.6 million.

<sup>67</sup> California State Board of Education, Regular Meeting, March 14, 2018, webcast: <https://www.youtube.com/watch?list=PLgIRGe0-q7Safm1TwdTnlcV7aulbigPr&v=5pMJ64dX0Po>.

<sup>68</sup> Doubling the number of student advisors would cost \$3.7 million, doubling health care techs would cost \$387,000, and doubling number of social workers would cost the district \$1.9 million.

<sup>69</sup> Lapp, et al.

<sup>70</sup> Alameda County Board of Education, Regular Board Meeting, February 3, 2018. <https://view.earthchannel.com/PlayerController.aspx?PGD=alamedacoeduca&elD=49>.

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*

<sup>73</sup> Unfortunately, current law grants no discretion for such decisions, and in March 2018 the State Board of Education—following the letter of the law and ignoring the protestations of District officials—overrode both the District and County boards to authorize yet another charter school in East Side Union High School District. Board of Trustees, East Side Union High School District, Regular Meeting Minutes, March 14, 2018, <https://www.cde.ca.gov/be/cc/cs/documents/accs-feb18item09a5.pdf>.

<sup>74</sup> It seems likely that some number of families might choose to send students to private schools if charter schools were unavailable. We believe most families interested in private school have already made that choice, and therefore that this possibility would have only a slight impact. However, in the absence of data we were not able to provide an estimate for this effect.

<sup>75</sup> <https://dq.cde.ca.gov/dataquest/>

<sup>76</sup> [https://dashboards.ousd.org/views/LiveGo2015-16Forward\\_0/Introduction?embed=y&:showAppBanner=false&:showShareOptions=true&:display\\_count=no&:showVizHome=no#1](https://dashboards.ousd.org/views/LiveGo2015-16Forward_0/Introduction?embed=y&:showAppBanner=false&:showShareOptions=true&:display_count=no&:showVizHome=no#1)

<sup>77</sup> Conversion schools in SDUSD include Darnall, Gompers, Tubman, Keiller, King-Chavez Art, King-Chavez Athletics, King-Chavez Primary, and O'Farrell. Conversion schools in OUSD include: Achieve Academy, Cox Academy, Learning Without Limits, ASCEND, KIPP Bridge Charter Academy, and Lazear Charter Academy.

<sup>78</sup> Total of "Capacity with <680 SF Classrooms Removed," plus capacity of 351 for Foothill, the only stand-alone continuation school. Jack Schroeder & Associates, "Demographic Analysis & Enrollment Projection Study – 2012/2013," for East Side Union High School District, 2013.

<sup>79</sup> Funding under special Federal Titles is included within ESSA funding.

<sup>80</sup> In Oakland, the category of General Education teachers is defined to include the following job titles: teacher

structured English immersion, teacher 11 months/12-pay, teacher replacement, and teacher bilingual. The following teacher-related job titles were deemed not to be sensitive to general enrollment: teacher adult education, teacher on special assignment, pre-kindergarten and CDC teachers, department heads, ROTC teacher, adapted PE teacher, school improvement coaches, and STIP teachers.

<sup>81</sup> In Oakland, the category of special education teacher is defined to include the following job titles: speech therapist, teacher home/hospital, teacher RSP-SPED, Teacher SDC severely handicapped, teacher SDS non-severely handicapped, ten month classroom TSA-SPED, teacher hearing impaired, teacher visually impaired, teacher orientation/mobility, and teacher for educational enhancement/intervention program.

<sup>82</sup> In ESUHSD, the category of special education teacher includes the following: Teacher Special Education, Teacher Special Education AU, Teacher ISP, Teacher Adaptive PE, and Teacher Visually Impaired.

<sup>83</sup> OUSD, Audit Report for Fiscal Year Ending June 30, 2017. <https://drive.google.com/file/d/1f7MVwIFk3GvFLPXTppbykCMvMV7bXZlg/view>.

<sup>84</sup> Staffing for most positions depends on the total enrollment in a given school. Because this is impossible to project, we used conservative proxy estimates. Thus, mandated staffing for health technicians is on a sliding scale from 0.2 for 375 students and 0.8 for 2,258 students. Our estimate assumes 1.0 per 2,500 students, or 0.2 for every 500. Nurse staffing is set at 0.2 for schools of up to 592 students, and 1.0 for schools of 2,367 or more. Our estimate assumes 1.0 per 2,000 students, or 0.2 for every 400. Vice principals are mandated at one for each elementary or K-8 school as long as enrollment in the school totals at least 1,000; two for middle schools with more than 1,000 students, and two for each high school. Our estimate assumes one per 1,000 students in elementary school and one per 500 in middle or high school.

<sup>85</sup> Average costs were \$158 per student in elementary school, \$327 in middle school, and \$717 in high school. These figures are from OUSD, 2016-17 LCAP and Budget, First Reading and Public Hearing. June 8, 2016. <https://drive.google.com/file/d/0BypP2RUJHZUTa2xhZDB5dDZLZnc/view>.

<sup>86</sup> SDUSD, Sample School Budgets, shared with the author, December 2017.

<sup>87</sup> For the share of special needs students in OUSD schools see OUSD Fast Facts 2015-16, <http://www.ousddata.org/announcements/new-fast-facts-2015-16-now-available>; charter schools' special needs share of students is calculated by the author based on school-by-school data received from multiple SELPA authorities.

<sup>88</sup> MGT Associates, Charter School Financial Impact Model for Metropolitan Nashville Public Schools, MGT, September 11, 2014.