



School Finance in Dayton: A Comparison of the Revenues of the School District and Community Schools

Prepared for the Thomas B. Fordham Institute

By Public Impact

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Introduction

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The enemies of charter schools attack from many directions. Among the most deceitful of their assaults is the false assertion that public charter schools are getting more than their share of public education dollars. “Those upstart schools are stealing money that rightfully belongs to the public-school system” is the thrust of this complaint, “and in the process they are weakening the system itself.”

I’ve studied charter schools for more than a decade now, and have been involved with Dayton’s charter schools since their inception—Ohio being a place where this particular untruth has been spread with unusual vigor. I’ve come to understand that it has three roots. One is basic hostility to charter schools and education choice as policy ideas. If you think that charter schools (known in Ohio as “community schools”) are a bad idea, or that they aren’t truly “public” schools,” or that for any of myriad reasons parents and children ought not have the right to attend them, then of course you will strike at them with whatever weapons you can grab, including big lies about their finances. The vigor of your attack will typically rise in proportion to the “threat” that you believe charters pose to district-operated public schools. (In Dayton, they now enroll more than one in five of all the children in town. Note, though, that every single one of those youngsters moved into charter schools voluntarily, because they or their parents believed these to be better education options than the district’s offerings.)

Second is the belief that all public education dollars, whether from local, state, or federal sources, “belong” to the public school system rather than to the girls and boys whose education the taxpayer has undertaken to support. By this reasoning, teaching and learning that take place beyond the control of the school district don’t count as public education and ought not receive any public funding. By this reasoning, the children belong to the system rather than the system belonging to the public. Applied to other policy spheres, such reasoning would deny Pell Grants to students enrolled in private colleges, Medicaid payments to patients treated in voluntary hospitals, and housing subsidies to all who do not reside in public-housing projects.

Third is an erroneous factual understanding—or willful distortion—of charter school finances. According to propaganda disseminated by the Coalition for Public Education, a rabidly anti-charter Ohio group formed by the state’s teachers’ unions, “The state takes away more than \$5,000 from the student’s ‘home’ school district and gives it to the charter school instead. About 43 percent of that money, on average, comes from local property taxes.” This argument is simply wrong.

It is such misinformation and misunderstanding, some willful and some innocent, that Public Impact’s Bryan Hassel and Michelle Godard Terrell correct in the pages to follow. They show that Dayton’s charter/community schools receive only about two-thirds as much money per pupil as do district-operated schools (and some of what they get comes from private sources). The ten charter schools included in this analysis received \$7,510 per pupil in 2001-2 while the Dayton public school system received \$10,802, not counting capital funds for the construction and renovation of buildings, funds now showering down in vast sums upon the system, though not on charter schools.

There's one central reason for this discrepancy: under Ohio law, charter schools receive state dollars and are supposed to receive federal dollars (though this doesn't always happen) but they get not a penny from local taxes. Yet the Dayton city schools bring in nearly 30 percent of their operating budget from that source. Put differently, every time a child moves from a district-operated school to a charter school, per pupil spending rises for the remaining students in the district schools. Were charter schools so successful that only a few youngsters remained in the district schools, millions of dollars per pupil would be available for the education of those girls and boys.

The implications of this study go far beyond Dayton. Though the precise numbers will differ slightly from one city to the next, they basically apply to all Ohio charter schools. And while school finance systems differ somewhat in every state, the pattern described in this analysis is broadly true of charter schools across America: they receive (or should receive) state and federal dollars (though rarely for capital expenditures) but they almost never get locally generated tax dollars. Hence, they are typically and chronically under-funded, at least when compared with district-operated public schools.

Many criticisms can legitimately be leveled at charter schools in Dayton and elsewhere. The most important of these is that student achievement in far too many of them is not yet what it should be. (Thousands of parents nevertheless prefer them.) But one criticism that is wholly unwarranted in Dayton and most other places is the allegation that they're getting "more than their share" of public dollars. The fact is they're getting far less than the share that their pupils should rightfully receive. This report proves it.

Nobody is better qualified to prepare such an analysis than Bryan Hassel and Michelle Godard Terrell, who are among the most meticulous and respected education researchers in America. It is our hope at the Thomas B. Fordham Institute that we will be able to extend this pioneering comparison to cover more of America's public charter schools and the communities in which they are located.

My thanks to Bryan and Michelle for a job well done; to Fordham finance director Eric Osberg and program director Terry Ryan for conceptualizing and seeing it through; and to Doug Mangen and David House of Keys to Improving Dayton's Schools (K.I.D.S.) for providing essential on-the-ground assistance.

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School Finance in Dayton: A Comparison of the Revenues of the School District and Community Schools

Summary Findings

The pages that follow examine the revenue sources and levels of the Dayton Public School District and ten community schools¹ that were operating in Dayton in the 2001-02 school year. We also conduct a “what if” analysis to see how the community schools’ funding picture might change if its student population and/or funding level mirrored the district’s student population. Here are the principal findings from that analysis.

- The range of funding among community schools varied greatly, ranging from \$6,877 to \$9,159.
- Overall, community schools in Dayton received \$7,510 per pupil.
- On average, students attending Dayton district schools were funded at a level of \$10,802 each. This funding was nearly 44 percent higher than funding received by community schools in FY02.
- The Dayton Public School District received nearly 30 percent of its total revenue from local taxes. Community schools receive none of these funds. This factor is the primary source of the difference in funding between district and community schools.
- Community schools rely more on gifts, private grants, and contributions to boost their funding. In FY02, 5 percent of total community school revenue came from this source. By contrast, private contributions to the school district were negligible. Private funding, however, was not sufficient to make up the shortfall in public funds experienced by community schools.
- The Dayton district serves a more expensive student population (a greater percentage of children classified as needing special education, a smaller percentage of kindergarten children, and a greater percentage of students from low-income families). If community schools served the same student population as Dayton, overall funding for community schools would have risen by

¹ Academy of Dayton, City Day Community School, Colin Powell Leadership Academy, Dayton Academy School, Dayton View Academy, Omega School of Excellence, Rhea Academy, Richard Allen Academy Community School, Richard Allen Preparatory Community School, and World of Wonder (WOW) Accelerated Learning Community School. These schools had state audits from FY02 and had a full set of community school payment reports available. One additional school, ISUS Trade and Technology Prep Community School, that met that source criteria, was not used in this analysis because it has a unique education alternative and learning program, teaching hands-on building construction skills to an ungraded 16-21 year-old population, and operates on a very different funding mechanism. Its managing nonprofit organization, Improved Solutions to Urban Systems (ISUS), receives funding from AmeriCorps so that students can receive stipends while rehabilitating neighborhoods and properties, and it has received large federal grants for purchasing building materials and building-related technology.

approximately \$1.4 million (only \$421 per student) under the current community schools' funding formula.

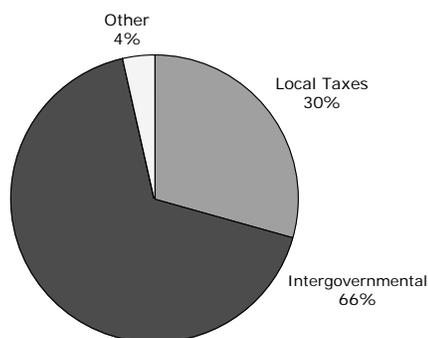
- If community schools in Dayton had received the same \$10,802 in per pupil revenue received by the district, overall funding for the remaining community schools would have risen by more than \$9 million, or more than \$900,000 per school.
- The funding gap between district and community schools is a persistent phenomenon in Dayton. The FY02 gap shown in this study is nearly identical to the FY00 gap found by a previous analysis.²
- These calculations understate the community school funding gap because they do not take into account hundreds of millions in funds the Dayton Public School District receives to cover facilities costs.

Primary Revenue Sources for the Dayton Public School District and Community Schools

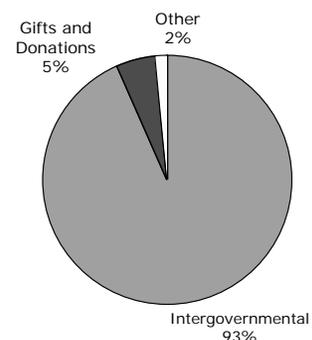
Over 96 percent of funding for Dayton Public Schools comes from governmental sources, including local taxes and other federal, state, and local government funds. Community schools do not have access to local tax funds, and as a group they received approximately 93 percent of their funding from all government sources. Total government funding for community schools in this analysis ranged from 81 percent to nearly 100 percent of total funding.

Community schools rely more than the district on gifts, private grants, and contributions, and during the reporting period received a total of \$1.2 million from these sources. In comparison, the district reported receiving a total of just \$6,184 in gifts and donations in 2002, or 0.002 percent of its total funding.

Primary Revenue Sources for DPS



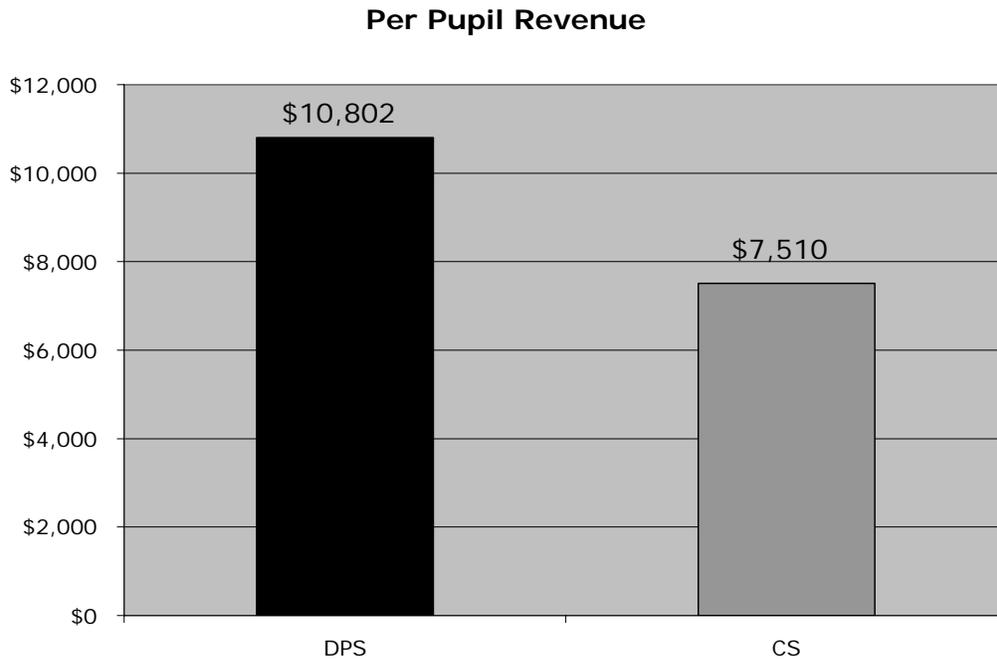
Primary Revenue Sources for CS



² "Ohio's Community School Funding Gap," by Bryan Hassel and Barbara Page. Commissioned by the Ohio Community School Center, 2002.

Per Pupil Revenues

In 2001-02, the total revenue for the district was \$267,830,406. Of this amount, the district transferred \$19,898,086 to the community schools, leaving \$247,932,320 for its own use. The total income in the same categories for the ten community schools was \$24,242,304 (see Appendix B for a more detailed breakdown of these revenues).



According to its FY02 audit, Dayton Public School District received \$10,802 per pupil, compared to an average \$7,510 per pupil in the community schools. This is a gap of \$3,292 per pupil. If only local, state, and federal government funds are taken into consideration, the gap grows to \$3,372 per pupil (\$10,375 per pupil in government revenues for Dayton versus \$7,003 per pupil in government revenues for community schools).

The Ohio Department of Education reports that in FY02, the average per pupil revenue in the state was \$8,041 (48 percent from state revenues; 46 percent from local revenues, and 6 percent from federal revenues).³ So while the Dayton Public School District received a higher-than-average level of revenue, Dayton's community schools were also under-funded relative to the state average.

Per Pupil Revenues: Adjusting for Student Demographics

One of the reasons that Dayton receives a higher level of per pupil funding is that it serves a higher percentage of students deemed more expensive in the state's system of

³ Ohio Department of Education, Shared Reports, available at <http://ilrc.ode.state.oh.us/>

school finance. In both the district and community school funding formulas, students who are identified as needing special education services and children from low-income families (identified by participating in Ohio Works First, the state's welfare-to-work program) are funded at higher levels than other students. Students in grades 1-12 are funded at higher levels than Kindergarten students.⁴

The total number of Kindergarten students, who make up approximately 13 percent of the community school population (in this analysis) compared to 7 percent of the district's total student population, are funded at one-half the amount of other grade levels. The district serves a higher percentage (21 percent of the total student population) of Ohio Works First-eligible children compared to that of community schools (12 percent). In addition, 15 percent of the district's total population were identified as students needing special education, compared to 5 percent of the students in the 10 community schools.⁵

The community school funding formula is based on several components, including the cost of doing business in Dayton, special education category weights in six categories, Kindergarten students, Ohio Works First, Safety, Security, and Remediation, Disadvantaged Pupil Impact Aid index, and Class Size Reduction figures. This figure is based on monthly ADM reports and calculated for each school in the monthly Community School Payment Reports. The current funding formula for the district is based on many additional categories, including taxable property valuation, general transportation, preschool classroom units, special education transportation, and adult education funds.⁶

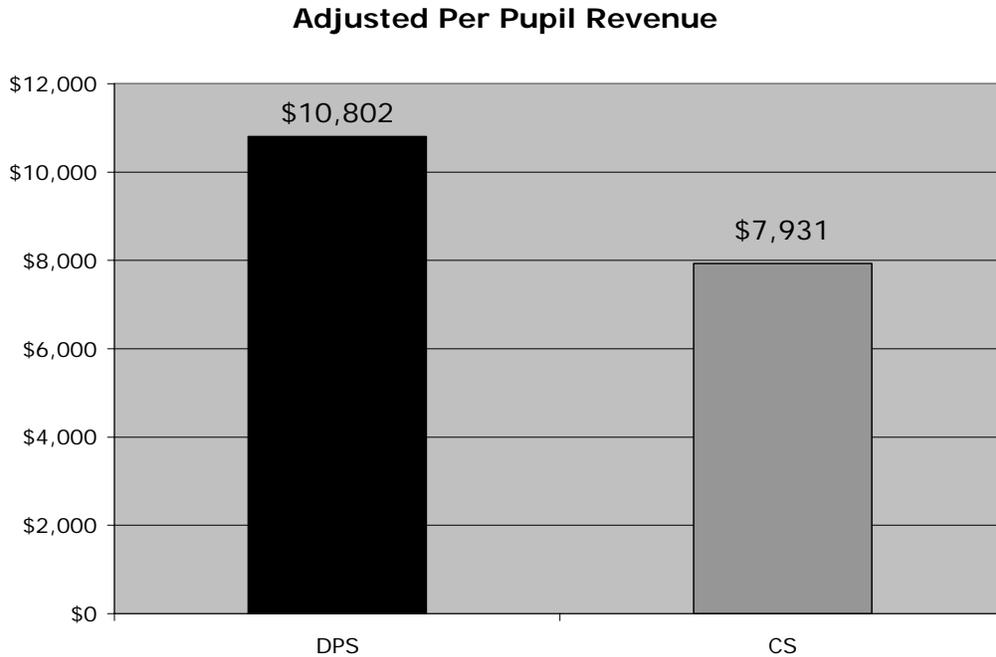
We calculated the change that would result to the community schools' total funding level if it had the exact same percentage of special student populations as Dayton Public Schools. In some cases this would give them more funding, and in some cases less; under this student population picture, community schools would lose some of their Kindergarten students and special education Kindergarten students, but gain numbers in special education students in grades 1-12, Ohio Works First-eligible children, and students in grades 1-12. This would result in a total increase of \$1,408,371 more funding for community schools, an increase of just \$421 per child. Even with this

⁴ The Dayton district also educates a higher proportion of high school students compared to the community schools, which concentrate more on elementary age children. Arguably, this increases the district's costs, but not by much. The Ohio Department of Education reports that in FY02, the district spent \$7,176 per pupil at the high school level and \$7,070 per pupil in the elementary grades – a difference of only about \$100. Annual expenditure reports for districts, available at <http://ilrc.ode.state.oh.us/>

⁵ Since community schools do serve a higher percentage of Kindergarten students for their total student population, they also serve a slightly higher percentage of Kindergarten children labeled as needing special education services.

⁶ The state reports that funding of K-12 public schools in Ohio is currently a joint effort with 6 percent coming from the Federal government, 48.3 percent coming from local sources and 45.7 percent coming from the state based on FY02 revenue. Of the approximately \$6.8 billion in state aid, about 80% is distributed through the Ohio School Foundation Program. In addition, another \$200 million is funneled through the foundation program to Ohio charter schools by deducting this funding from the regular school district's payments where the charter school pupil resides. (This analysis takes into consideration this transfer to community schools when discussing per pupil dollars.) Ohio's formula is a foundation program with the basic program cost for each district being calculated by multiplying the per pupil foundation level adjusted with a regional cost factor times the number of pupils residing in the district. The local share of the basic program cost is calculated as 23 mills (.023) times a measure of the district's total taxable property valuation called recognized value. (Source: The Form, SF-3, Line by Line, ODE.)

increase, community school funding would be far below that of district schools in Dayton (see table below).



Impact of Same Per Pupil Funding

To quantify the impact of this funding discrepancy on community schools, we estimated how much additional funding Dayton community schools would receive if they had received the same \$10,802 in per pupil revenue received by the district. Using the demographics-adjusted numbers in the previous figure, we calculate that overall funding for the community schools would have risen by over \$9 million, more than \$900,000 per school.

Multi-Year Evidence of Less Funding in Community Schools

A previous study, "Ohio's Community School Funding Gap,"⁷ conducted by one of the investigators of this analysis, found that community schools in Ohio's seven largest school districts received significantly less funding than the school districts. The districts' per pupil revenue from state and local sources during FY00 ranged from \$7,357 to \$8,701. In contrast, the per pupil funding for the state's community schools ranged from \$5,163 to \$5,952. The state and local funding gap between district schools and community schools was greatest in Dayton, with a per pupil difference of \$3,470 – about the same as the gap calculated for FY02. The funding gap between district and

⁷ "Ohio's Community School Funding Gap," by Bryan Hassel and Barbara Page. Commissioned by the Ohio Community School Center, 2002.

community schools appears to be an enduring feature of the education funding landscape in Dayton, not a temporary one.

Unequal Access to Facilities Funding

The revenue figures discussed here for the Dayton Public Schools do not include facilities funding for the construction and renovation of school buildings. Community schools must pay for facilities out of their funds listed in this analysis. School districts in Ohio have access to three funding sources that are unavailable to community schools: receipts from local tax revenues, state school construction funding through the School Facilities Commission, and any locally passed bonds. In 2002, voters in Dayton passed a \$245 million school bond, which allows Dayton Public Schools to renovate its school buildings. In addition, the Ohio School Facilities Commission – through its Big 8 program (which supports facilities funding in the state’s eight largest districts) and the Accelerated Urban Initiative (which accelerates the access to state funding for the six largest urban districts) – supports a facilities master plan in Dayton at a price tag of \$488 million (\$297 million in state funding).⁸ As a result, the funding gaps calculated in this study actually *underestimate* the degree of funding inequity between district and community schools.

Conclusion

This analysis makes clear that community schools in Dayton receive considerably less operating money per student than schools within the Dayton Public School District. This conclusion would hold true even if the demographics of students in the two types of schools were identical. The primary culprit is the schools' lack of access to local tax dollars, a critical source of funds for the district. Community schools make up some of the shortfall with private fund raising, but grants and donations do not come close to covering the funding gap.

As a consequence, community schools must make do with less day-to-day funding than their district counterparts, to the tune of nearly \$1 million per school. The children attending these schools therefore do not receive an equal share of the resources that the taxpayers devote to public education in Ohio. Claims that community schools are somehow siphoning off an unfair share of public dollars are not supported by the data about school finance in Dayton. We hope that this report sheds some much-needed light on this important problem.

⁸ Ohio School Facilities Commission, available at:
<http://www.osfc.state.oh.us/Programs/AcceleratedUrban/AcceleratedUrban.htm>

Appendix A: Research Sources

The sources for this research, except when noted in footnotes, are as follows:

- The Ohio Department of Education no longer collects annual reports for all districts and community schools that detail expenditures and revenues. John Mills, director of the Department's Financial and Management Services, recommended the audits of financial statements filed by the Auditor of State as the most complete picture of the district and the community school's financial records. The **revenue amounts and sources** for both the district and ten community schools located in Dayton are posted in the FY02 Auditor of State Financial Audit (and can be viewed at <http://www.auditor.state.oh.us/audits/>). For this analysis, we use the nine revenue category labels (Taxes [local], Intergovernmental, Interest, Tuition and Fees, Charges for Services, Gifts and Donations, Extracurricular Activities, Rentals, and Miscellaneous) from the district statement of revenue (page 70 of the 2002 Dayton City School District, <http://auditsearch.auditor.state.oh.us/RPIE/OnlineReportDetails?reportIndex=7&publicSearch=yes>).
- Most of the **enrollment figures for the district** were available on the district's final version of the 2002 SF-3 Report (available at http://www.ode.state.oh.us/School_Finance/foundation/default.asp). The percentage of the district's Ohio Works First children comes from the FY02 Cupp Report. (Data for 2002 is no longer provided online and was given to the researchers in an Excel file by Mr. Daria Shams in the Financial and Management Services division at the Ohio Department of Education.)
- **Community schools' enrollment figures** were listed on each school's final FY02 community school payment reports (available at http://webapp1.ode.state.oh.us/school_options/F2002/Default.asp).
- In the analysis that adjusts for student demographic differences between the district and community schools, we used the **community schools' funding formula** that was posted on the final FY02 community school payment report (available at http://webapp1.ode.state.oh.us/school_options/F2002/Default.asp).

Readers should be aware that different public organizations within Ohio provide different per pupil revenue amounts for FY02. For example, the Ohio Department of Education does provide some revenue calculations for the district in its Power Download Reports online (available at http://ilrc.ode.state.oh.us/Power_Users.asp) and the FY2002 Cupp Report. In these two reports, the final 2002 revenues for the district are \$297,871,056—a figure that is \$30,040,650 higher than the total governmental fund revenues taken from the financial statements and reported by the State Auditor's Office. To provide the comparison between the district and the community schools, the researchers felt it was more cautious to use the \$267 million figure used throughout the audit when discussing total governmental fund revenues. (Keep in mind that

researchers also considered the district's transfer to community schools of \$19,898,086 to yield a working total of \$247,932,320). The ODE Power Report for Dayton and Cupp Report estimate a \$12,978 per pupil revenue funding level, compared to the \$10,802 per pupil figure used for this analysis. We chose to use the audits published by the state auditor (<http://www.auditor.state.oh.us/>) because they are conducted by an objective third-party and provide a reliable source for comparison of the financial support of district and community schools.

Appendix B: Comparing the Funding Level and Sources of the Dayton Public School District and Community Schools, FY02

	Dayton District		Community Schools Total	
		<i>% of Total Revenue</i>		<i>% of Total Revenue</i>
Local Taxes	\$79,139,322	29.5%		
Intergovernmental	\$178,886,128	66.8%	\$22,604,490	93.2%
Interest	\$2,217,766	0.8%	\$86,258	0.4%
Tuition and Fees	\$691,382	0.3%		
Rentals	\$265,736	0.1%		
Charges for Services	\$3,520,991	1.3%	\$175,175	0.7%
Gifts and Donations	\$6,184	0.002%	\$1,223,012	5.0%
Extracurricular Activities	\$879,625	0.3%		
Miscellaneous	\$2,223,272	0.8%	\$153,360	0.6%
Totals from Audits	\$267,830,406	100.0%	\$24,242,295	100.0%
Transfer to Community Schools	-\$19,898,086			
Total for Per Pupil Calculation	\$247,932,320			
Enrollment	22,952		3,228	
Per Pupil Revenue	\$10,802		\$7,510	

Appendix C: Funding Level and Sources of Individual Dayton Community Schools, FY02

	Academy of Dayton	City Day	Colin Powell Leadership Academy	Dayton Academy School	Dayton View Academy	Omega School of Excellence	Rhea Academy	Richard Allen Academy	Richard Allen Prep	World of Wonder Accelerated Learning	Community Schools Total
Intergovernmental	\$607,051	\$1,188,946	\$1,629,204	\$6,371,956	\$5,694,740	\$1,148,535	\$665,768	\$1,470,421	\$1,414,761	\$2,413,108	\$22,604,490
Interest		\$2,606	\$1,418	\$38,553	\$30,009	\$188				\$13,484	\$86,258
Charges for Services	\$139	\$388	\$1,889	\$81,602	\$79,231	\$11,926					\$175,175
Gifts and Donations			\$245,847	\$365,000		\$228,320		\$45,376	\$64,917	\$273,552	\$1,223,012
Miscellaneous	\$562	\$9,435	\$11,484	\$2,451	\$47,889	\$33,626	\$22,714	\$14,684	\$2,056	\$8,459	\$153,360
Totals Revenues	\$607,752	\$1,201,375	\$1,889,842	\$6,859,562	\$5,851,869	\$1,422,595	\$688,482	\$1,530,481	\$1,481,734	\$2,708,603	\$24,242,295
Enrollment	69	173	209	982	827	156	91	209	215	296	3,228
Per Pupil Revenue*	\$8,795	\$6,937	\$9,047	\$6,988	\$7,073	\$9,113	\$7,550	\$7,319	\$6,877	\$9,159	\$7,510

*Note: Per Pupil Revenue figures differ slightly from Total Revenues divided by Enrollment due to rounding.

About the Authors

BRYAN C. HASSEL is co-director of Public Impact. He consults nationally on charter schools and the reform of existing public schools. In the charter school arena, he is a recognized expert on state charter school policies, accountability and oversight systems, and facilities financing. Other areas of education reform in which he has worked extensively include school district restructuring, comprehensive school reform, and teaching quality. President Bush appointed him to serve on the national Commission on Excellence in Special Education, which produced its report in July 2002. In addition to numerous articles, monographs, and how-to guides for practitioners, he is the author of *The Charter School Challenge: Avoiding the Pitfalls, Fulfilling the Promise* and co-editor of *Learning from School Choice*, published by the Brookings Institution Press in 1999 and 1998. Dr. Hassel received his doctorate in public policy from Harvard University and his masters in politics from Oxford University, which he attended as a Rhodes Scholar.

MICHELLE GODARD TERRELL is an independent consultant who has been working with Public Impact since 1999. She has been involved in extensive research and writing about accountability issues and other charter school topics. She served as coordinator for the Charter Friends National Network's Accountability Initiative, managed a two-year national project on "Building Excellence in Charter School Authorizing" for the National Association of Charter Schools, and helped to develop the application and accountability processes for charter schools authorized by the Mayor of Indianapolis. Prior to working with Public Impact, she worked as Director of Policy Research at the Public School Forum, an education think tank in North Carolina, as well as in education-related positions at the North Carolina State Department of Public Instruction and Harvard University. She holds a Masters in Public Administration from North Carolina State University and received a B.A. in political science from Guilford College.

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