

New Jersey Charter School Funding

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New Jersey Charter School Funding

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Executive Summary

Are New Jersey charter schools underfunded relative to district schools?

Advocates' claims that charter schools are receiving almost 50% less than they should convinced the Christie Administration and the New Jersey Legislature to shift an additional \$107.6 million from school districts to charter schools for the combined 2014-15 and 2015-16 academic years.

However, claims of dramatic underfunding of charter schools are based on faulty comparisons and are not accurate. The reality of charter school funding is much more complicated than advocates suggest.

There are differences in the per-pupil funding levels of individual charter schools, just as there are differences in funding levels among school districts. However, all New Jersey charter schools are receiving at least what they should under the state's charter school law. And, some charter schools are actually funded at higher levels than their sending school districts, particularly when considering their much less expensive to educate student populations.

What Explains Variation in Charter School Funding?

There are three main reasons for differences in per-pupil funding levels among charter schools:

- 1. Charter schools that educate smaller percentages of Free or Reduced Price Lunch, Limited English Proficient, special needs, and high school students receive less funding than those that educate higher percentages.**

New Jersey charter schools receive most of their funding in the form of revenue transfers from the resident school districts of their students. New Jersey's school funding formula, which stipulates how both district and charter schools are funded, allocates additional resources to both district and charter schools that enroll higher percentages of students from low-income families (as indicated by eligibility for Free or Reduced Price Lunch); students who are Limited English Proficient; and students with special needs, because those schools face a greater cost burden than schools that enroll smaller percentages of such students. The school funding formula also allocates additional resources for students enrolled in high school.

- 2. Charter schools that draw students from districts with smaller local tax levies receive smaller tax levy-based payments than charter schools that draw students from districts with larger local tax levies.**

New Jersey school districts are funded by a combination of local school taxes and aid from the state. Local tax levies vary in size based on how much district residents are willing and able to pay for their public schools. Wealthier districts rely on local tax levies for a greater percentage of their total school funding than districts with less affluent residents. Less affluent districts require school funding aid from the state to provide an adequate education for their students.

Charter schools receive 90% of a sending district's local school tax levy, on a per-pupil basis. Districts with smaller local tax levies make smaller tax levy-based payments to charter schools than districts with larger local tax levies.

3) Charter and district school funding is negatively impacted by the Christie Administration's underfunding of New Jersey's school funding formula and failure to follow the formula in allocating state aid to school districts.

Most school districts are unable to provide an adequate education to their students based solely on their local school tax levy. State aid is intended to make up the difference. New Jersey's school funding law includes a funding formula that calculates individual district's ability to raise local revenue and determines the additional state funding necessary to fill any remaining gaps. Districts share that state aid with charter schools.

However, the Christie Administration underfunded the amount of state aid that the formula indicates New Jersey districts require by more than \$7 billion between the 2009-10 and 2015-16 academic years. The Administration also has not followed the school funding law's formula in how it has allocated state aid. Instead, the Administration has used the primacy of the annual State Budget to distribute aid to schools in ways that do not conform to the school funding law. This has increased inequality of school funding among districts, among charter schools, and between districts and charter schools.

As a result of the underfunding and failure to follow New Jersey's school funding formula, wealthier school districts are better funded per pupil, on average, than districts with greater poverty. This reflects wealthier districts' ability to raise more of their school funding from local tax levies while districts with greater poverty require financial assistance from the state to adequately fund their public schools, and are thus impacted more severely by the Administration's underfunding of public education. For example, when adjusted for student demographics, the Franklin Lakes Borough School District (0% low-income students), had \$9,845 more funding per pupil in 2014-15 than the nearby Fairview Borough District (72% low-income students). The difference in funding between these two districts actually increased by \$6,265 between 2008-09 and 2014-15 as a result of state underfunding of the Fairview Borough School District.

For charter schools, the impact of the Administration's underfunding has resulted in lower funding levels for many charter schools as the State's underfunding of school districts is passed on to the charter schools that educate students from those districts. Charter school funding levels also have been negatively impacted by the Administration's failure to follow the school funding formula. Specifically, the Administration has chosen to fund schools via forms of state aid that are not factored into district revenue transfers to charter schools rather than the aid stipulated by New Jersey's school funding formula, which would be shared with charter schools.

Conversely, the Administration's failure to follow the state's school funding formula has resulted in some charter schools being funded at higher per-pupil funding levels than their sending school districts. For example, in 2013-14, the Red Bank Charter School's total funding was approximately \$1,700 more per pupil than the Red Bank Borough School District's, and \$4,300 more per pupil if the demographic composition of the district and charter school are factored into the calculation.

Comparing Charter and District Funding

The confusion surrounding charter school funding is understandable given the complexity of the charter school funding formula and the fact that the New Jersey Department of Education (NJDOE) does not make charter school funding information accessible to the public, as it does school district data. This has encouraged inappropriate comparisons of charter school and district funding.

Methodologically credible comparisons of district and charter funding should:

1) Be based on comparable revenue sources.

Comparing total district revenue to the funding that charter schools receive from districts is not appropriate because it incorporates all sources of district funding (including dollars that do not stay in the district), while excluding many sources of charter school funding.

2) Incorporate the financial impact that demographic differences between district and charter schools have on both funding and spending.

District revenue transfer amounts to charter schools are based on the demographic composition of charter school students, with charter schools that educate fewer Free or Reduced Price Lunch eligible, Limited English Proficient, or special needs students, and charter schools that educate elementary and middle school rather than high school students, funded at lower levels under New Jersey's school funding law. These funding differences must be factored into credible district and charter school funding comparisons.

When charter schools educate a less expensive to educate student population than their sending districts, the more expensive to educate students become concentrated in the district schools. This increases the costs to the district, which must fund the special education, bilingual education and social services that those students require. These higher district costs also must be factored into any district vs. charter funding comparisons.

3) Address the very different financial obligations of school districts.

School districts have many financial obligations that charter schools do not have. Those include serving as a pass through for state and federal funding to private schools; paying private school tuition for district residents with significant special education needs; paying tuition for residents attending charter schools, county vocational schools, and schools in other districts; paying for the education of residents who are in institutions; and funding transportation for residents attending district, charter and private schools. These district obligations, as well as additional obligations born by only some districts (e.g., districts funding sports programs for both district and charter students), must be accounted for in any credible funding comparisons.

The NJ Department of Education can facilitate credible comparisons by:

- Providing publicly available reports that show how much each charter school receives from each sending school district and that include spending categories that align with those in the User Friendly Budgets that school districts must make publicly available.
- Incorporating student demographic characteristics into the publicly-available funding and spending data for both district and charter schools.

These changes are necessary to allow stakeholders to evaluate the funding levels and financial efficiency of charter versus district schools.

It also is important to recognize the financial impact that New Jersey's rapidly growing charter school sector is having on sending school districts. Research from other states has documented that charter school funding transfers have a negative impact on school districts by creating excess costs. Districts are less able to absorb those excess costs when the costs are increasing rapidly as a result of significant charter school growth.

Between the 2009-10 and 2014-15 academic years, the number of New Jersey charter school seats increased by 72%. This rapid pace of charter school growth has made it more challenging for New Jersey districts to adjust to the reductions in funding caused by charter revenue transfers, without lowering the quality of education that they provide to their own students.

Charter school growth also negatively impacts school district finances if it leads to a concentration of the more expensive to educate students in the district schools. This concentration is evident in the distribution of Free Lunch, Limited English Proficient and special needs students between New Jersey's district and charter schools. Recommendations to address the segregative impact of charter school expansion include¹:

- Having the NJ Department of Education conduct the lottery process for all charter schools, with one application deadline, to increase lottery and waiting list transparency and to make it easier for economically disadvantaged and Limited English Proficient families to apply.
- Using weighted lotteries to make it easier for charter schools to admit higher percentages of students who are eligible for Free Lunch and Free or Reduced Price Lunch, who are Limited English Proficient, and who have special education needs at various cost levels.
- Requiring charter schools to replace any students who leave and, whenever feasible, to do so from comparable demographic categories in terms of Free Lunch, Free or Reduced Price Lunch, Limited English Proficiency and special education rates at various cost levels
- Tying demographic parity in terms of Free Lunch, Free or Reduced Price Lunch, Limited English Proficiency, and special education rates at various cost levels to a charter school's funding. For example, charter schools that fail to match at least 90 percent of their host district's demographic composition on these variables would receive a lower reimbursement rate per student.

The data strongly suggests that the New Jersey Commissioner of Education, who authorizes new charter schools and approves expansions of existing charter schools, is not following the New Jersey Supreme Court's mandate to consider the demographic and financial impact of any authorizing decision on host districts and to use the full powers of the Commissioner's office to avoid segregation. Given the negative educational and financial impacts that result from current policies, New Jersey's charter school law should shift decision-making to those most directly affected by such negative impacts by including a requirement for local community approval of charter school expansion and the creation of new charter schools.

¹ These recommendations were initially proposed in New Jersey Charter Schools: A Data Driven View, Part I: Enrollment and Student Demographics, by Mark Weber and Julia Sass Rubin. Available at: http://www.saveourschoolsnj.org/save/corefiles/wp-content/uploads/2014/10/NJ-Charter-School-Report_10.29.2014.pdf

Are New Jersey charter schools underfunded relative to district schools?²

This question has received substantial attention of late. Some charter school advocates have argued that New Jersey charter schools receive “35% less [per pupil] than traditional schools”³ and that “in Jersey City, Camden, Trenton and Newark, these funding gaps are even larger, with charter schools in those districts receiving as little as 51 percent of per-pupil funding.”⁴

These arguments convinced the Christie Administration and the New Jersey Legislature to shift an additional \$107.6 million from school districts to charter schools for the 2014-15 and 2015-16 academic years.⁵ But are these claims of dramatic charter school underfunding accurate?

When it comes to school funding equity, the reality is much more complicated than the advocates suggest. All New Jersey charter schools are receiving at least what they should under the state’s charter school law. And, some charter schools are actually funded at higher levels than their sending school districts, particularly when considering their much less expensive to educate student populations.

New Jersey Charter School Funding

New Jersey charter schools are funded through revenue transfers from the school districts in which their students live (referred to as sending school districts), along with a variety of other sources that include grants; loans; tax credits; and individual contributions from state and federal governments, private foundations, corporations, and individuals. Sending school district revenue transfers are the largest source of New Jersey charter school funding.⁶

New Jersey’s charter school law requires sending districts to provide charter schools:

“...an amount equal to the lower of either 90% of the program budget per pupil for the specific grade level in the district or 90% of the maximum T&E [thorough and efficient] amount.”

² This report excludes Renaissance charter schools, which operate under different funding and enrollment rules from traditional charter schools. The first Renaissance charters opened in Camden in the fall of 2014.

³ <http://njcharters.org/understand-charter-schools/faqs/>

⁴ <http://jerseycan.org/sites/jerseycan.org/files/90%25%20myth.pdf>

⁵ Source: http://www.njleg.state.nj.us/legislativepub/budget_2016/DOE_analysis_2016.pdf

⁶ According to the 2014-15 User Friendly Budgets, school districts were expected to transfer \$542 million to charter schools in the 2014-15 academic year.

The technical nature of this language has led to a mischaracterization of the charter law as requiring districts to provide charter schools with 90% of all district funding, on a per-pupil basis, for each district resident who attends the charter school. This has fostered claims of charter underfunding based on comparisons of total revenues of districts versus those of charter schools.⁷

In reality, charter schools are not entitled to 90% of all district revenues. The amount that New Jersey's charter law requires districts to transfer to charter schools is based on each district's school tax levy, along with specific forms of state and federal aid.

Calculations of revenue transfers to charter schools exclude some sources of district revenue because those dollars do not stay in the district. For example, district funding transfers to charter schools do not include state and federal grants to private schools for which districts act as a pass through. Charter schools also are not entitled to funding that the district earns directly, such as private donations; revenues generated from the rental of school property; and state and federal grants that are not part of the school funding formula and that districts obtained on their own.⁸ Likewise, charter schools that earn funding from such sources do not have to share that funding with their sending school districts. Other forms of revenue, such as subsidies to offset the cost of employee benefits, are provided by the State of New Jersey directly to both charter and district schools.⁹

Since charter schools are not entitled to 90% of all district revenues, claiming that charter schools are underfunded because they receive less than 90% of district per-pupil revenues is inaccurate. New Jersey charter schools are receiving at

⁷ See, for example, the University of Arkansas Department of Education Reform 2014 report that compared school district and charter school funding on the basis of total revenues for all New Jersey school districts and charter schools. <http://www.uaedreform.org/wp-content/uploads/2014/charter-funding-inequity-expands-nj.pdf> Bruce Baker has detailed some of the methodological concerns with the University of Arkansas report <http://nepc.colorado.edu/files/ttruarkcharterfunding.pdf>. Similarly, a publication by the advocacy group JerseyCAN claimed that "New Jersey charter schools are entitled to 90 percent of the per-pupil funding that traditional public schools receive." <http://jerseycan.org/sites/jerseycan.org/files/90%25%20myth.pdf>.

⁸ Under New Jersey law, school districts should be funded on the basis of a formula that went into effect in 2008-09. The formula is referred to as SFRA, which stands for the School Funding Reform Act of 2008, the legislation that created the formula. SFRA allocates additional funding to schools that enroll higher percentages of students from low-income families (as indicated by eligibility for Free or Reduced Price Lunch); students who are Limited English Proficient; and students with special needs, because those schools face a greater cost burden than schools that enroll smaller percentages of such students. SFRA also allocates additional resources for students enrolled in high school. See Appendix A for additional information about SFRA.

⁹ Funding that is not factored in when calculating the amount that districts must transfer to charter schools includes private donations; revenues that districts generate from local activities such as the rental and sale of school property; tuition for educating students from other districts; state and federal grants that are not part of the school funding formula and that districts must obtain on their own; state and federal grants that districts are required to pass on to private schools; categorical aid that is not factored into charter school funding; facilities funding; and funding that helps to offset the cost of employee benefits. Charter schools are eligible to receive most of this type of funding as well, but not as a pass through from the sending districts.

least what the charter law stipulates that they should. And, as a result of changes to FY 2015 and FY 2016 budget language, New Jersey charter schools are receiving \$107.6 million more in 2014-15 and 2015-16 than what's required under the state's charter school law.

There are differences in the amounts of funding that New Jersey charter schools receive from sending school districts. These differences are caused by the same factors responsible for funding differences among school districts - variations in the demographic composition of students; in the size of the sending districts' school tax levies; and in the types and amounts of state school aid that the districts receive.

These differences have increased since 2010 because the Christie Administration has underfunded New Jersey's school funding law by more than \$7 billion in allocating state aid to school districts. The Administration also has used the annual State Budget process to distribute aid to districts in ways that do not conform to the school funding formula stipulated by that law. This has increased inequality of school funding among districts, among charter schools, and between districts and charter schools.

As a result of the underfunding and failure to follow New Jersey's school funding formula, wealthier school districts are funded at higher per pupil levels, on average, than districts with greater poverty.¹⁰ For charter schools, the impact of the underfunding and failure to follow the funding formula is more fragmented. For example, it has resulted in some charter schools being funded at higher per-pupil levels than their sending school districts while other charter schools are receiving less funding than they would if the Administration followed the school funding law.

The confusion surrounding charter school funding is understandable given the complexity of the charter school funding formula and the fact that the New Jersey Department of Education (NJDOE) does not make charter school funding information easily accessible to the public. For example, there is no charter equivalent of the User Friendly Budget Summaries, which the NJDOE makes available for each school district.¹¹ The NJDOE also does not make public the charter aid summaries, which show the amount of funding that each charter school receives from each sending school district and how that amount is calculated. In contrast, the NJDOE publishes detailed aid summaries for all school districts.

¹⁰ See <http://www.edlawcenter.org/research/school-funding-data.html> for more on the growing funding inequity between school districts. Comparisons are based on funding adjusted for student demographics to account for the additional resources required to educate students living in poverty, students who are Limited English Proficient, and students with special needs.

¹¹ User Friendly Budget Summaries show district revenues, expenditures, and detailed salary and benefits information for each "district employee whose annual base salary exceeds \$75,000, and who is not a member of a collective bargaining unit." Source: <http://www.state.nj.us/education/finance/fp/ufb/>

This report is intended to help dispel the confusion around charter school funding by providing a detailed explanation of the mechanics of that funding. The report does so in part by examining several specific school districts. The first district—Jersey City—was selected because it is home to a large number of charter schools. Jersey City also is frequently singled out as having particularly inequitable charter school funding. Several Jersey City charter schools have even filed a lawsuit challenging the amount of funding that they receive from the district.¹²

The second district—Red Bank—was selected because it is home to a charter school that draws students only from that school district and serves the same grade span as the district, facilitating a more direct comparison of district and charter school funding. The Red Bank case study helps highlight some of the methodological challenges of such comparisons.

This report also examines trends related to charter and district student demographic composition in the nine districts with the largest charter school enrollments. Appendixes A, B, and C to the report provide additional specifics about New Jersey’s charter school funding, including facility funding. The report concludes with policy and research recommendations.

I. Revenue Transfers from School Districts to Charter Schools

The amount of per-pupil funding that school districts transfer to charter schools varies significantly. The funding differences can be seen in the funding of charter schools that draw students from the same school district; in the funding a specific charter school receives from a specific school district in different years; and in the amount of funding that different school districts provide to a specific charter school. These differences can make charter school funding appear random and incomprehensible, contributing to the confusion surrounding this issue. To understand how New Jersey charter school funding works requires a closer examination of each of those situations.

A. Differences in Per Pupil Funding Among Charter Schools in a District

In 2014-15, Jersey City was home to 11 different charter schools. The Jersey City school district provided most of the revenue to fund these charter schools. However, the amount of funding that the district transferred to each charter school varied greatly, with funding differences between some charter schools of more than \$4,300 per student.

What explains this funding variation?

¹² See

<http://www.njspotlight.com/stories/15/05/21/charter-schools-in-jersey-city-claim-they-re-being-shortchanged-by-state/>

The funding variation is not the result of the Jersey City school district withholding funding from some charter schools. The NJDOE calculates the revenue amounts that districts are required to transfer to charter schools. If a district fails to make a payment, the NJDOE can forcibly transfer the funds.

So why the dramatic variation in funding among individual Jersey City charter schools? Because charter schools are funded on the basis of their student demographics. And, in this case, the 11 Jersey City charter schools educated demographically differed student populations.

New Jersey's school funding law provides additional resources to schools that enroll higher percentages of students from low-income families (as indicated by eligibility for Free or Reduced Price Lunch); students who are Limited English Proficient; and students with special needs due to the fact that those schools face a greater cost burden than schools that enroll smaller percentages of such students.¹³ New Jersey's school funding law also allocates additional resources for students enrolled in high school.

The funding law provides these additional resources by "weighting" the amount of funding that schools receive for each student who is Limited English Proficient, Free or Reduced Price Lunch Eligible, or attends high school or middle school. Some student characteristics are weighted by greater percentages than others. For example, the weighting for a student eligible for Free or Reduced Price Lunch is almost three times that of a student attending high school (.42 to .46 versus .16), and the additional weighting for a high school student is four times that of a middle school student (.16 versus .04). [For more information on how student characteristics are "weighted" under the School Funding Reform Act of 2008 (SFRA), see Appendix A.]

Figure 1 shows the 2014-15 per-pupil funding that Jersey City charter schools received from the district and the Free or Reduced Price Lunch eligibility, Limited English Proficiency and special needs status of the Jersey City students that they educated, along with the percentage of those students who attended high school. Charter schools that enrolled more Jersey City residents who were Free or Reduced Price Lunch, Limited English Proficient, had special needs, or were attending high school received larger per-pupil funding amounts from the Jersey City school district.

¹³ Students who qualify for Free Lunch live in households with incomes below 130% of the poverty line. Reduced Price Lunch students' households have incomes at 131% to 185% of the poverty line.

Figure 1: 2014-15 Demographic Composition & Funding of Jersey City Charter Schools (Jersey City Students & Jersey City District Funding Only)

Charter Schools	% Students Free & Reduced Price Lunch Eligible	% Students Limited English Proficient	% Students Requiring Special Education	% Students Requiring Speech Only Assistance	% Students Attending High School	\$ District Transfers to Charter Schools, per K-12 pupil
Jersey City Global CS	43%	0%	5%	0%	0	\$9,900
Learning Community CS	32%	0%	9%	1%	0	\$10,097
The Ethical Community CS	36%	0%	11%	0%	0	\$10,345
Soaring Heights CS	59%	0%	6%	2%	0	\$10,755
Beloved Community CS	74%	13%	2%	2%	0	\$10,973
Jersey City Golden Door CS	69%	2%	8%	2%	0	\$11,445
Dr Lena Edwards Academic CS	89%	0%	6%	0%	0	\$11,854
Jersey City Community CS	88%	0%	6%	4%	0	\$11,954
M E T S Charter School	73%	1%	10%	1%	58%	\$12,794
Great Futures Charter HS	70%	0%	15%	0%	100%	\$13,680
University Academy CS	76%	0%	18%	0%	100%	\$14,234

Source: 2014-15 Charter State Aid Notices as of the October 2014 enrollment count.

For example, University Academy Charter School enrolled almost twice the Free or Reduced Price Lunch students and more than three times the special education students than did Jersey City Global Charter School. University Academy also enrolled only high school students while Jersey City Global enrolled only elementary school students. These demographic differences explain the \$4,334 difference in per pupil funding between the Greater Futures Charter High School and the Jersey City Global Charter School.

What explains changes in the amount that a school district transfers to the same charter school in different years?

B. Year-to-Year Differences in Charter School Funding

Beyond the demographic composition of a charter school’s students, the amount of funding that a charter school receives is also impacted by changes to the sending district’s Base Per Pupil Amount (BPA). The BPA is the foundation of New Jersey’s charter school funding formula.

The Base Per Pupil Amount is calculated by dividing the available funding (local school levy + some forms of state and federal aid) by the total weighted population of both district and charter students who reside in the district. If a district’s funding stays flat, while resident enrollment grows and/or student

demographics become more challenging, the Base Per Pupil Amount shrinks, since the same amount of funding is divided by a larger weighted enrollment. Such a situation results in both district and charter schools receiving less funding with which to educate each of their students.

That is what happened in Jersey City. The district’s total K-12 resident enrollment (district and charter) increased by 4% between 2013 and 2015. Total funding for these students, however, stayed the same. As a result, the amount of local, state and federal funding on a per-pupil basis actually declined by 4% (see Figure 2).

Figure 2: Jersey City Funding & Enrollment, K to 12

	2012-13	2014-15	% Change
Subtotal -- Revenues from Local Sources	\$110,987,023	\$111,950,735	+1%
Subtotal – Revenues from State Sources	\$420,522,721	\$420,256,969	0%
Subtotal -- Revenues from Federal Sources	\$1,340,548	\$ 764,973	-43%
Total Local, State & Federal Funding	\$532,850,292	532,972,677	0%
District Enrollment	24,771	25,423	+3%
Charter Enrollment	3,942	4,509	+14%
Total Enrollment	28,713	29,932	+4%
Per Pupil Funding ¹⁴	\$18,558	\$17,806	-4%

Sources: Charter Schools – Charter State Aid Notices as of 10-15-12 and 10-15-14; District Schools – 2012-13 and 2014-15 State Enrollment Files; Revenues - 2014-15 User Friendly Budget Summary.

Not only did Jersey City’s total resident enrollment increase, but so did the percentage of Free or Reduced Price Lunch and Limited English Proficient students in the district. This further reduced the district’s Base Per Pupil Amount by increasing the weighted enrollment—the number by which the total available funding is divided.

Jersey City’s aggregate charter funding also has been negatively impacted by the fact that the more expensive to educate students are concentrated in the district’s schools. Under New Jersey’s charter school funding formula, the district received a greater share of the available funding because it is educating a more expensive population of students than the charter schools (see Figure 3).

Figure 3: Jersey City District and Charter Student Demographics, 2014-15

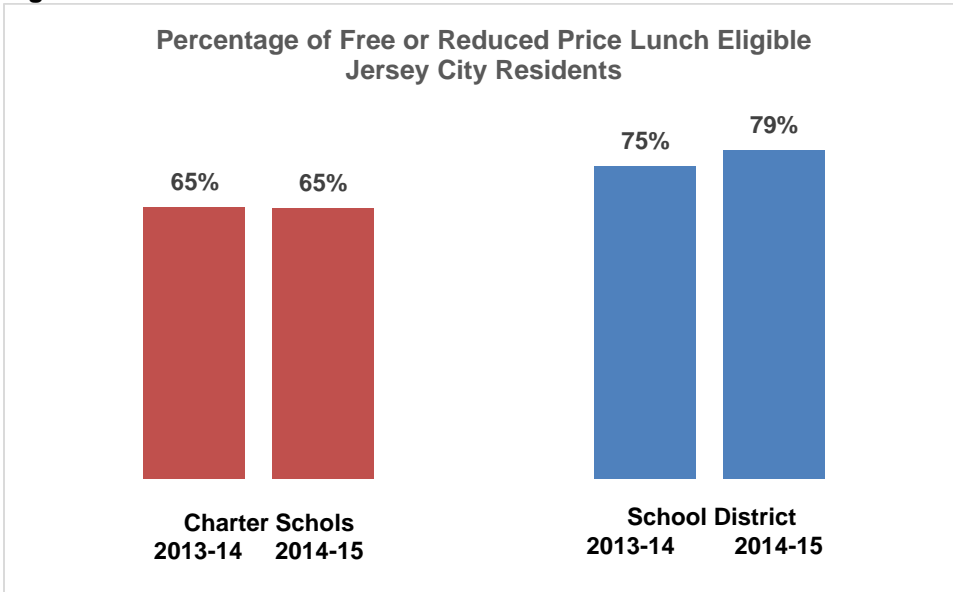
	Free & Reduced Price Lunch	Limited English Proficient	Special Education & Speech Only
Jersey City District Students	79%	14%	15.4%
Jersey City Charter Students	65%	2%	9.6%

Source: District Special Education & Speech and Charter Schools - 2014-15 Charter State Aid Notices as of October 15, 2014; District Free & Reduced & LEP 2014-15 State Enrollment Files

¹⁴ For this analysis, per pupil funding consists of the total amount of revenues from local, state and federal subtotals, as detailed in the District’s User Friendly Budget, divided by the total district and charter school enrollment.

Furthermore, that concentration intensified as the total percentages of the more expensive to educate students residing in the district grew. Figures 4, 5 and 6 document that the growth in Free or Reduced Price Lunch eligible, Limited English Proficient; and special needs students in Jersey City was absorbed almost entirely by Jersey City district schools while the percentage of those students among all Jersey City charter school students stayed basically the same.

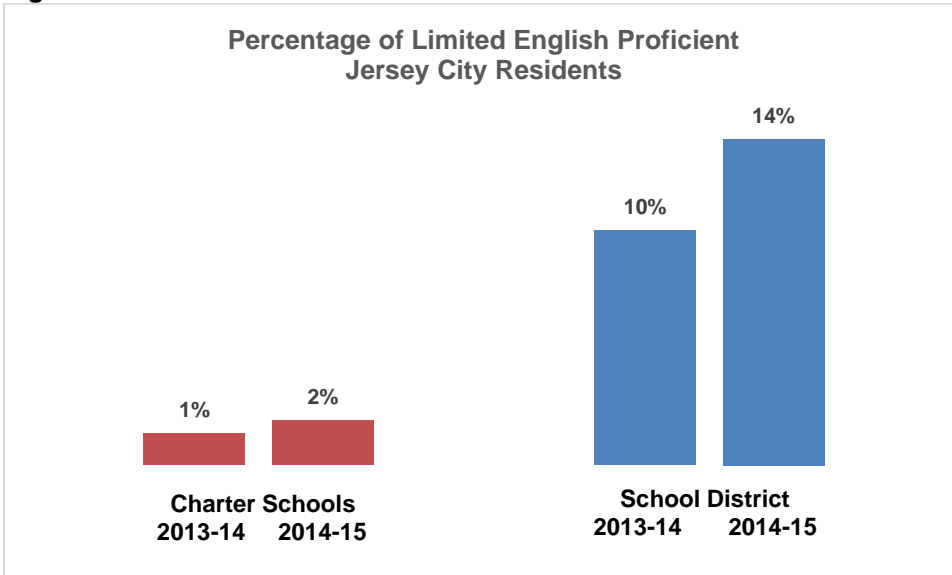
Figure 4



Source Charter Schools: 2012-13 and 2014-15 Charter State Aid Notices
Source District: NJDOE Enrollment Files.¹⁵

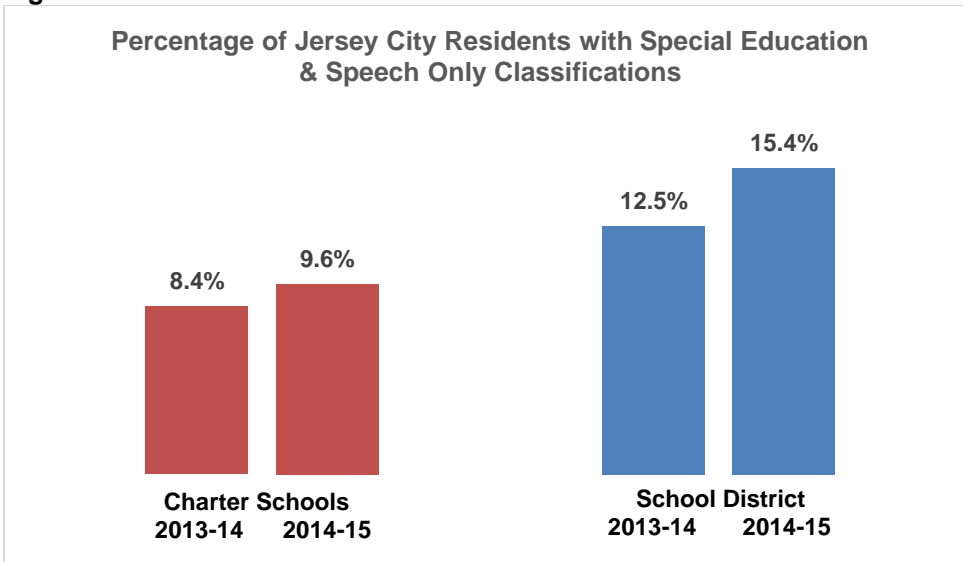
¹⁵ Jersey City charter school data is based on Charter State Aid notices, which allow charter school students to be differentiated by district of residents. This analysis also used the Aid notices rather than the NJDOE enrollment files because the NJDOE enrollment files appear to reflect incorrect Free or Reduced Price Lunch data for the Dr. Lena Edwards Charter School. The Dr. Lena Edwards data in the enrollment files skews downward the percentage of all Jersey City charter school students eligible for Free and Reduced Price Lunch to 64 percent in 2012-13 and 61 percent in 2014-15.

Figure 5



Source Charter Schools: 2012-13 and 2014-15 Charter State Aid Notices;
Source District: NJDOE Enrollment Files.

Figure 6



Includes both special education & speech only students.
Source for charter schools and district: 2012-13 and 2014-15 Charter State Aid Notices

In summary, Jersey City's total population of charter and district students is growing, and so are the percentages of Free or Reduced Price Lunch, Limited English Proficient, and special needs students. Because school funding is not keeping up with those population changes, the Base Per Pupil Amount (total funding divided by district and charter weighted enrollment) for all Jersey City students is shrinking. This results in less per-pupil funding for both charter and district schools.

At the same time, the demographic composition of Jersey City resident students who attend charter schools is becoming less reflective of the City's total publicly funded student population. While Jersey City's total student population becomes more expensive to educate, the charter school population is largely staying the same. This further reduces funding for Jersey City charter schools in the aggregate as, under New Jersey's charter school funding formula, they receive a smaller share of the total funding to reflect their less expensive to educate student population.

So, differences in funding among Jersey City charter schools are the result of differences in the student demographic composition of individual charter schools; differences in the demographic composition of Jersey City charter schools in aggregate relative to the Jersey City school district; and school funding that has not kept up with Jersey City's growing student enrollment.

What about differences in charter school funding between school districts, what accounts for those?

C. Differences in Charter School Funding Among School Districts

The amounts that New Jersey school districts must transfer to charter schools vary greatly. For example, in 2014-15, the Charter-Tech High School for the Performing Arts in Somers Point received more than twice the amount of per-pupil funding (\$20,425) for educating students from the Sea Isle City School District as it did from the Millville City School District (\$9,046). The students were not Limited English Proficient or Free or Reduced Price Lunch eligible, and did not have special needs, so what explains this dramatic funding difference?

Differences in the amount of funding that school districts provide to charter schools reflect variations in the two main sources of both district and charter school funding—local school tax levies and the school funding aid that districts receive from the State. These differences also explain the significant variation in funding levels among districts.

Local School Tax Levies

Charter schools receive 90% of a sending district's local school tax levy on a per-pupil basis. Local tax levies vary in size based on how much district residents are willing and able to pay for their public schools. Wealthier districts rely on local tax levies for a greater percentage of their total school funding than districts with less affluent residents. Less affluent districts require school funding aid from the State to provide an adequate education for their students.¹⁶

State Funding

The largest source of State aid to school districts under New Jersey's school funding law is Equalization Aid. In 2014-15, it accounted for 76% of all New

¹⁶ The State of New Jersey determines adequacy based on the minimum level of funding required to deliver State academic standards to all students.

Jersey State school aid funding. Equalization Aid is intended to augment what a district is able to raise via the local school tax levy in order to provide an adequate education to all the students in that district. Charter schools receive 90% of the sending district's Equalization Aid, on a per-pupil basis.

The State also provides aid to school districts via specific pools of funds that are jointly referred to as Categorical Aid. (See Appendix B for detailed information about various forms of Categorical Aid.) There were 12 forms of Categorical Aid in the 2014-15 State Budget, five of which were created by the Christie Administration since FY 2013. Some forms of Categorical Aid are included in the calculations of funding that districts must transfer to charter schools. For example, districts must transfer to charter schools all Security Aid and Special Education Aid to which charter school students are entitled.¹⁷ Jointly, Security and Special Education Aid accounted for 12% of all 2014-15 New Jersey State school aid funding.

Other forms of Categorical Aid do not have to be shared with charter schools because they are intended to pay for services that are provided only by school districts. For example, charter schools are not eligible for Transportation Aid because school districts are responsible for providing and paying transportation costs for all students who reside in the district, whether they are enrolled in charter, district or private schools. Charter schools also are not eligible for School Choice Aid because they do not participate in the Interdistrict Public School Choice program that this form of aid is intended to support. Transportation and School Choice Aid jointly accounted for 3% of all 2014-15 New Jersey State school aid funding.

However, other forms of Categorical Aid to districts are intended to pay for services provided by both district and charter schools. Nevertheless, those forms of Categorical Aid are not included when calculating district funding transfers to charter schools. The largest of such sources of Categorical Aid is Adjustment Aid, which accounted for 7% of all New Jersey State school aid funding in 2014-15.

Adjustment Aid

Adjustment Aid was created to ensure that no school district or charter school would experience a reduction in funding as a result of the adoption of New Jersey's school funding law, the School Funding Reform Act (SFRA) of 2008. Adjustment Aid was intended to offset any short-term funding reductions by maintaining school districts and charter schools at FY 2008 funding levels.¹⁸

Both districts and charter schools receive Adjustment Aid directly from the State. Because the purpose of Adjustment Aid was to hold districts and charter schools

¹⁷ Source: <http://www.state.nj.us/education/finance/rda/charter/0809/csauditaa.pdf>

¹⁸ Ibid

harmless as a result of the new formula, districts or charter schools created since 2008 are not eligible for this Aid.

The expectation was that Adjustment Aid would decrease and be replaced by Categorical Aid or Equalization Aid as districts adjusted to the new funding formula. However, the Christie Administration has never fully funded SFRA and has not followed the SFRA formula in allocating school funding among districts. Instead, the Administration has used Adjustment Aid and new forms of Categorical Aid to allocate State Aid in ways consistent with the Administration's own priorities.¹⁹

The Administration's failure to fund or follow SFRA in allocating Aid has increased funding inequality between charter schools and school districts.²⁰ For example, the Red Bank Charter School receives substantial Adjustment Aid payments from the State, to ensure its total funding is at least at 2008 levels. In contrast, the Red Bank Borough School District receives no Adjustment Aid and is generally underfunded by the Christie Administration. As a result of the Adjustment Aid, The Red Bank Charter School is being funded at higher levels than its student population would warrant under New Jersey's school funding formula and (as the case study presented in the next section of this report highlights) at substantially higher levels than the Red Bank Borough School District.

Conversely, some charter schools that are not eligible for Adjustment Aid from the State because they were created after 2008, are receiving less funding than they would if the Administration allocated Aid based on SFRA rather than relying so heavily on Adjustment Aid. Figure 7 shows the percentage of total revenues that Adjustment Aid constituted in 2014-15 for the nine districts with the largest charter school enrollments (referred to as the "Big 9") and the percentage of total revenues that Adjustment Aid would have constituted in 2014-15 if State school aid allocations were based on New Jersey's school funding formula (SFRA) and if that formula were fully funded.²¹ In 2014-15, seven of the Big 9 districts received Adjustment Aid. However, under SFRA, only five districts should have received Adjustment Aid, and the Aid would have accounted for lower percentages of those districts' total funding. By 2015-16, only three of the Big 9 districts should have received Adjustment Aid under SFRA.²²

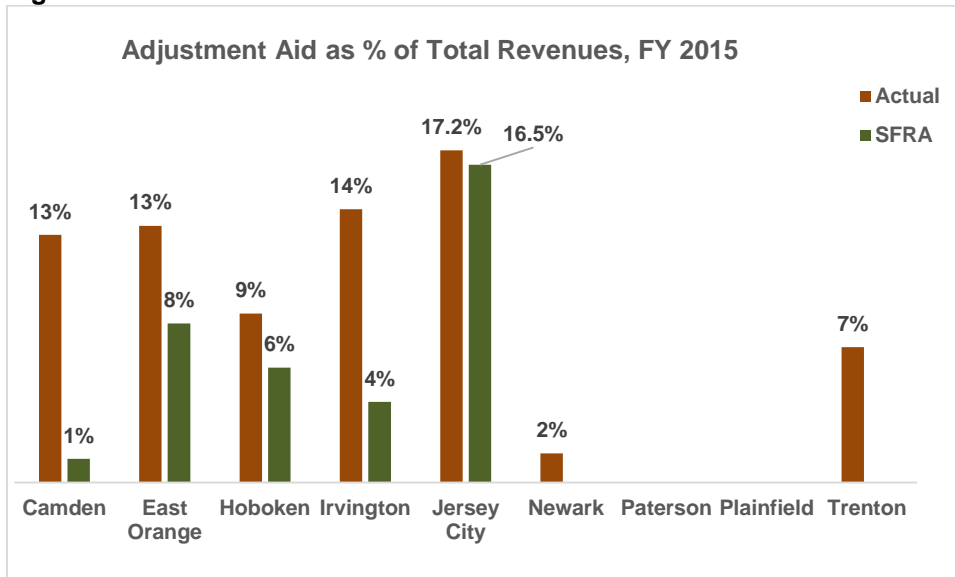
¹⁹ The Christie Administration underfunded New Jersey's school funding formula by more than \$7 billion between the 2009-2010 and 2015-16 academic years. Source: <http://www.edlawcenter.org/research/school-funding-data.html>. The Administration did not follow the SFRA formula in allocating Aid to districts, including Adjustment Aid. Between FY 2010 and FY 2013, the Administration reduced the amount of Adjustment Aid and then froze it at FY 2013 levels. The Administration also created several new forms of Categorical Aid for specific purposes (See Appendix B for a fuller discussion of Categorical Aid).

²⁰ The charter schools that received the largest amounts of direct Adjustment Aid from the State in 2014-15 were Red Bank CS; Hoboken CS; Elysian CS; Princeton CS; Englewood on the Palisades CS; Learning Community CS; and Classical Academy CS.

²¹ Jointly, these nine districts account for 79 percent of all New Jersey charter school students.

²² The remaining Adjustment Aid for Camden and Irvington would be replaced with Equalization Aid.

Figure 7



Sources: 2014-15 User-Friendly Budget Summaries; FY 2015 and 2016 NJDOE Informational State Aid Notices

The districts that would no longer receive Adjustment Aid would have received additional Categorical Aid or Equalization Aid to replace the Adjustment Aid. Unlike Adjustment Aid, Equalization Aid and some forms of Categorical Aid are factored into charter school transfer calculations.

Therefore, it would have resulted in additional funding for most of the charter schools that draw students from the Big 9 school districts.²³ In fact, even if the Administration had not fully funded SFRA but had allocated Equalization Aid to districts instead of Adjustment Aid, it would have resulted in additional funding for these charter schools.

The three districts that would continue to receive Adjustment Aid under SFRA – East Orange, Hoboken and Jersey City – are not eligible for additional Equalization Aid or Categorical Aid to completely replace the Adjustment Aid that they receive. If those districts were able to increase their local school taxes, the charter schools that draw students from those districts would receive additional funding (because local school taxes are included in charter school revenue transfer calculations).^{24,25}

²³ The funding for some of the charter schools that draw students from these districts would not increase because those charter schools are receiving Adjustment Aid directly from the State and the amount of that Aid would decrease to offset the greater district transfer amounts.

²⁴ Some districts are not able to raise the amount of local taxes that SFRA projects as their local fair share because their residents are too impoverished or because doing so would exceed the school tax caps imposed in 2010. Districts also may have lower school tax levels because of tax abatements granted to businesses by their municipalities, to entice them to locate in those communities.

²⁵ As with Equalization Aid, not all charter schools would benefit if local school taxes were increased. For example, two of the three charter schools located in Hoboken were created before 2008 and receive Adjustment Aid directly from the State. In 2014-15, Hoboken Charter School received \$799,103 (\$2,797 per pupil) and Elysian Charter School received \$488,160 (\$1,695 per pupil). If Hoboken increased local school taxes, the amount of district revenue transfers to charter schools would increase. However, the amount of direct Adjustment Aid from the State to these two charter schools would decrease to offset the larger district revenue transfer amounts.

In addition to Adjustment Aid, district transfers to charter schools also exclude Adequacy Aid and several forms of Categorical Aid created since FY 2013. These forms of Categorical Aid jointly accounted for 2% of all State school aid funding. Including them in district aid transfers would have minimal financial impact on most charter schools.²⁶

Summary

Variations in the amounts that school districts transfer to charter schools reflect differences in the demographic characteristics of the district residents who attend the charter schools; differences in the size of those districts' school tax levies; and differences in the amount and types of state aid that the districts receive. Some forms of state Categorical Aid are not factored into district revenue transfers to charter schools. The largest of those forms of Categorical Aid—Adjustment Aid—is distributed directly by the State to school districts and charter schools that were created before 2008.

Adjustment Aid was intended as a short-term response, to ensure that districts and charter schools did not experience significant funding reductions as a result of the 2008 adoption of the SFRA school funding formula. However, the Christie Administration never fully funded SFRA and has not followed that formula in allocating school funding among districts. If the Administration had followed and funded SFRA, Adjustment Aid would have been replaced by Equalization Aid for the majority of school districts with the largest charter school enrollments, resulting in additional funding for most of the charter schools that draw students from those districts.

The Christie Administration's failure to allocate school aid based on SFRA and the Administration's significant underfunding of that formula has also increased funding inequities among school districts, with wealthier school districts having more funding per pupil, on average, than districts with greater poverty. For example, when adjusted for student demographics, the Franklin Lakes Borough School District (0% low-income students), was funded at \$9,845 more per pupil in 2014-15 than the nearby Fairview Borough District (72% low-income students). The difference in funding between these two districts actually increased by \$6,265 between 2008-09 and 2014-15 as a result of ongoing State underfunding of the Fairview Borough School District.²⁷

As the first part of this report has documented, charter and district funding comparisons are much more complex than some have suggested. Claims that New Jersey charter schools are receiving 35% to 50% less than they should from school districts are inaccurate. However, there are differences in per-pupil

²⁶ See Appendix B for additional information about these forms of Categorical Aid.

²⁷ The difference in weighted funding between the two districts grew from \$3,580 in 2008-09 to \$9,845 in 2014-15 as Franklin Lakes weighted funding increased from \$13,102 to \$16,685 and Fairview Borough's declined from \$9,522 to \$6,840. Source: <http://www.edlawcenter.org/research/school-funding-data.html#FWP>

funding among charter schools, as there are among school districts. The reasons for these differences are demographic variations in charter schools' student compositions; the Christie Administration's failure to follow the school funding formula in allocating State Aid; the Administration's more than \$7 billion underfunding of that formula through the 2015-16 academic year; and differences in the sizes of local school tax levies, including some levies that are lower than New Jersey's school funding formula suggests they should be, based on the district's capacity to raise revenue.

Comparing school district and charter school funding is complicated and requires an understanding of the mechanics of that funding. However, as Baker and Ferris (2011) demonstrate in their analysis of charter and district funding in New York, it is possible to undertake such comparisons in a methodologically rigorous way.²⁸

II. Comparing New Jersey Charter and District School Funding

Comparing New Jersey district and charter school funding is methodologically challenging for a number of reasons. First, as discussed previously, the NJDOE does not make charter funding and detailed charter spending data accessible to the public. Specifically, there is no charter equivalent of the User Friendly Budget Summaries, which show the revenues, expenditures, and detailed salary and benefits information for each "district employee whose annual base salary exceeds \$75,000, and who is not a member of a collective bargaining unit."²⁹ The NJDOE also does not make public charter aid summaries that show the amount of funding each charter school receives from each sending school district. In contrast, district aid summaries, showing how much each district receives in State aid, are readily available on the NJDOE web site.

The only public source of data on charter school funding is the Comprehensive Annual Financial Report (CAFR), which both districts and charter schools must submit to the NJDOE. However, the lengthy and technical CAFRs are not user friendly. Furthermore, while districts must publish the User Friendly Budgets by the spring prior to the relevant academic year, the earliest that CAFRs become available is August of the subsequent academic year, and the deadline for submitting them to NJDOE is early December – almost two years later than the publication timing for the User Friendly Budgets.

The CAFRs also do not provide all the information detailed in the User Friendly Budgets. For example, CAFRs do not include the salaries of individual employees. They also do not require charter schools to itemize other types of expenses, such as the amount spent on the provision of special education, bilingual education, or other student services.

²⁸ Baker, B.D. & Ferris, R. (2011). Adding Up the Spending: Fiscal Disparities and Philanthropy among New York City Charter Schools. Boulder, CO: National Education Policy Center. <http://nepc.colorado.edu/publication/NYC-charter-disparities> , p. 10.

²⁹ Source: <http://www.state.nj.us/education/finance/fp/ufb/>

The second reason that charter and district funding comparisons are so challenging is that districts and charter schools have different financial obligations. As noted previously, school districts are responsible for providing transportation to all students who reside in the district, whether they are enrolled in charter, district, or private schools. Even with transportation aid from the State, the cost of transportation is a major expense for school districts. For example, in 2012-13, State transportation aid covered just under 27% of the transportation expenses for the nine districts with the largest charter enrollments.³⁰

Transportation is not the only expense funded solely or primarily by New Jersey school districts. Districts also pay the cost of out-of-district special education placements for both district and charter students. This is a significant expense that is only partially reimbursed by the State.³¹ In addition to revenue transfers to charter schools, school districts also must pay tuition to other school districts, to county vocational schools, and to State facilities that provide education to students who reside in the district. Many districts also offer adult education, which is provided by many fewer charter schools.

Furthermore, school districts—particularly the large urban districts that host the majority of charter schools in New Jersey—have obligations to maintain buildings that, in many cases, are old and in serious disrepair. In 2013, the Education Law Center obtained an unpublished report from the NJDOE that found at least one-third of New Jersey’s urban students attend school in buildings that fail to meet basic health, safety, and educational suitability standards.”³²

School district finances also are impacted by the need to provide services for those more-challenging students who often are concentrated within district schools. These include in-district special education; bilingual education; social workers; and other services to address the needs of children living in poverty.³³

The demographic differences between district and charter students also impact school revenues, which further complicates direct funding comparisons between district and charter schools. As discussed previously, New Jersey’s school funding law allocates additional resources for students who are Free or Reduced Price Lunch eligible; Limited English Proficient; or have special needs. The funding law also allocates additional funding for high school students.

The first report in this series documented that charter schools across New Jersey have lower percentages of students who are Free or Reduced Price Lunch

³⁰ Source: 2014-15 User Friendly Budget Summaries. The most current confirmed data available via the 2014-15 User Friendly Budget Summaries is for the 2012-13 academic year.

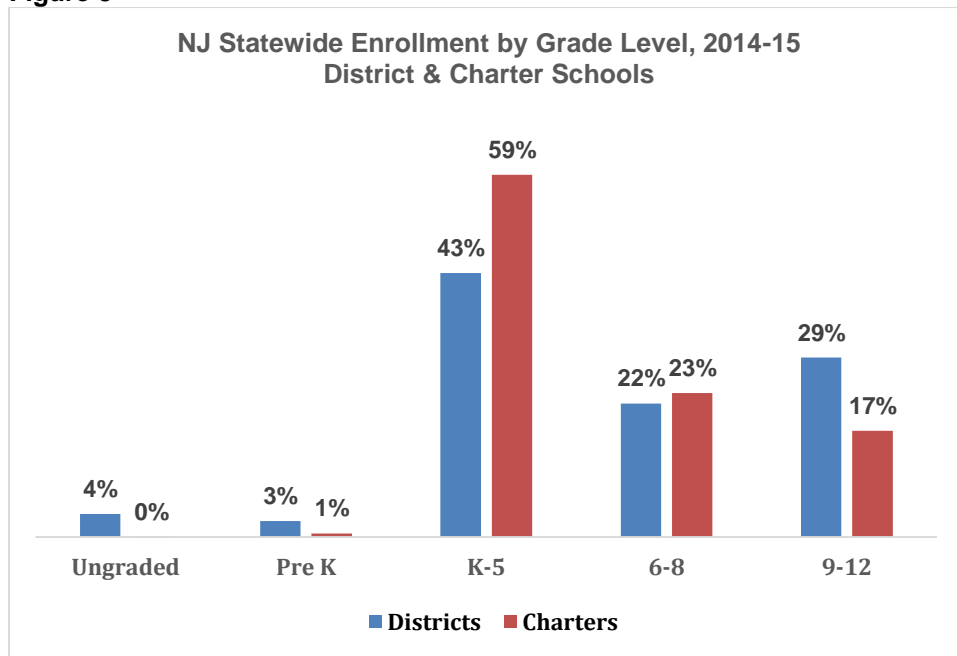
³¹ This is discussed more fully in Appendix A.

³² “Report Shows Over One-Third of NJ Urban Students in Unfit, Dilapidated School Buildings” December 16, 2013. Education Law Center, Newark, NJ. <http://www.edlawcenter.org/news/archives/school-facilities/report-shows-over-one-third-of-nj-urban-students-in-unfit-dilapidated-school-buildings.html>

³³ Charter school and district spending differences are discussed more fully in the third report in this series.

eligible; Limited English Proficient; or have special needs.³⁴ Charter schools and district schools also educate different grade levels of students. New Jersey charter schools, in aggregate, are more likely to enroll elementary school students and less likely to enroll high school students than district schools (see Figure 8). This impacts both funding and spending because New Jersey’s school funding formula allocates substantial additional funding for students enrolled in high school, to reflect the greater cost of providing a high school education.

Figure 8



Source: NJDOE Enrollment Files, 2014-15

Finally, comparing charter and district school funding is complicated because most New Jersey charter schools draw students from multiple school districts. As has been previously discussed, school district payments to charter schools vary significantly, reflecting differences between districts in the size of their school levies and State aid. However, the amount that a school district transfers to charter schools and the amount that a charter school receives from school districts are both reported only in aggregate on the CAFR, which prevents direct funding and spending comparisons between individual charter schools and school districts.

Some of these challenges can be overcome by examining funding for a charter school that draws its enrollment entirely from one school district and educates students in the same grades as that school district. The Red Bank Charter School and the Red Bank Borough School District provide a good example of such a situation. The Red Bank Charter School draws students exclusively from

³⁴ http://www.saveourschoolsnj.org/save/corefiles/wp-content/uploads/2014/10/NJ-Charter-School-Report_10.29.2014.pdf

the Red Bank Borough School District, with both educating students from grade K to grade 8.

Red Bank Case Study

Figure 9 compares funding and spending for the Red Bank Borough School District and the Red Bank Charter School for the 2013-14 and 2012-13 academic years. Line 4 shows total 2013-14 revenues on a per-pupil basis for each, and line 18 shows the same information for 2012-13.³⁵ At first glance, these figures suggest that the Red Bank Borough School District and the Red Bank Charter School have comparable per-pupil funding levels, with the Charter School receiving approximately \$160 more per student in 2013-14 (see line 5) and the District receiving approximately \$260 more per student in 2012-13 (see line 19).

Figure 9: Red Bank Borough School District & Red Bank Charter School Funding

2013-14 Academic Year		District	Charter
1	Enrollment K-8	1,023	179
2	Enrollment pre-K (in district 136 + contracted pre-school 243)	379	15
3	Total Revenues	\$ 24,726,279	\$ 3,452,115
4	Total Revenues Per Pupil pre-K to 8	\$17,636	\$17,794
5	Difference		+ \$158
6	Pre-K expenses	\$ (4,434,961)	\$ (190,920)
7	Additional Pre-K special education expenses	\$ (49,064)	
	District only expenses		
8	Transfer to Charter	\$ (1,643,367)	
9	Transportation for charter, private & district students	\$ (854,604)	
10	Tuition to private schools and other districts	\$ (624,824)	
11	Private school state pass through aid	\$ (234,583)	
12	Total Adjusted Revenues	\$16,884,876	\$3,261,195
13	Adjusted Revenues Per Pupil	\$ 16,505	\$ 18,219
14	Difference		+ \$ 1,714

³⁵ This comparison is based on total revenues, which includes State funding for facilities and subsidies for employee benefits and pensions. It also includes private sources of funding for both the district and the charter school. According to the CAFR reports, private sources of revenue consisted of \$8,446 in 2013-14 and \$18,743 in 2012-13, for the charter school. Private sources of revenue are not detailed in the Red Bank Borough District's CAFR.

	2012-13 Academic Year	District	Charter
15	Enrollment K-8	978	177
16	Enrollment pre-K (in district 156 + contracted pre-school 171)	327	0
17	Total Revenues	\$ 23,329,644	\$ 3,117,629
18	Total Revenues Per Pupil pre-K to 8	\$ 17,877	\$ 17,614
19	Difference	+ \$263	
20	Pre-K expenses	\$ (4,554,114)	
21	Additional Pre-K special education expenses	\$ (89,911)	
	District only expenses		
22	Transfer to Charter	\$ (1,640,718)	
23	Transportation for charter, private & district students	\$ (829,398)	
24	Tuition to private schools and other districts	\$ (459,556)	
25	Private school state pass through aid	\$ (230,298)	
26	Total Adjusted Revenues Net District Only Expenses	\$ 15,525,649	\$ 3,117,629
27	Per Pupil Funding Net District Only Expenses	\$ 15,875	\$ 17,614
28	Difference		+ \$1,739

Sources: 2013 and 2014 Comprehensive Annual Financial Reports for the Red Bank Borough School District and the Red Bank Charter School. Red Bank Charter School enrollment and Red Bank Borough in-district enrollments - NJDOE Enrollment File. Red Bank Borough District contracted pre-school enrollments – 2014-15 User Friendly Budget. Private school state pass through aid - 2014-15 User Friendly Budget.

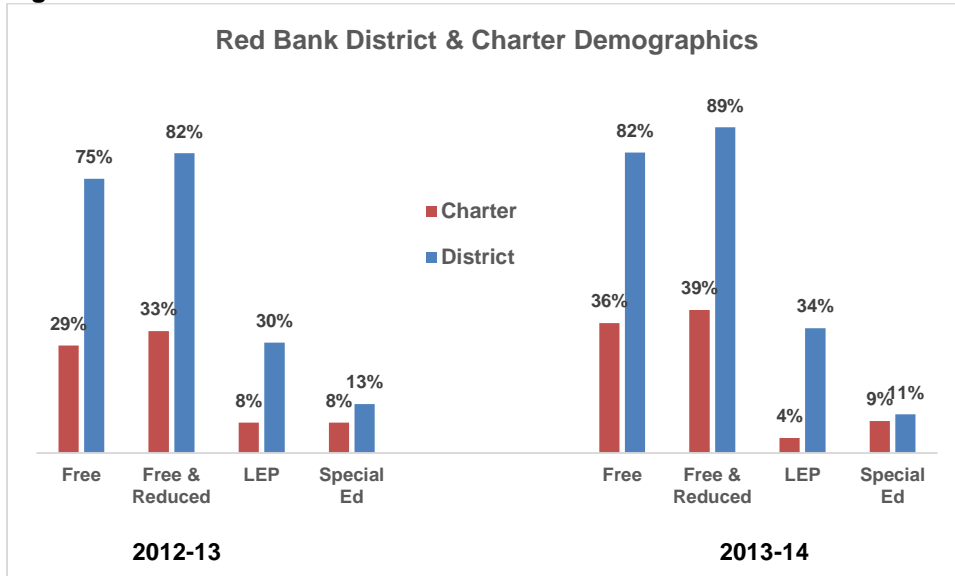
However, comparing total revenue is a very inaccurate way to evaluate actual district and charter school per pupil funding. Such comparisons double count the funding that the district must transfer to the charter school, treating it as if it were revenue for the district as well. Total revenue also includes other funding that the district cannot use in its schools. This includes grants from state and federal governments that the district must pass on to private schools attended by district residents; tuition for district residents with special needs who attend private schools; and tuition for district residents who attend public schools in other districts or who are in correctional facilities. Total revenue also includes expenses that only the district absorbs, such as transportation for charter, district and private school students. In Red Bank's case, total revenue also includes funding for pre-kindergarten, which the Red Bank Charter School did not offer until 2013-14.

When those expenses are deducted, the comparison changes significantly. Now, the Red Bank Charter School appears to be much better funded than the Red Bank Borough School District, receiving approximately \$1,700 more per pupil in 2013-14 (see line 14) and in 2012-13 (see line 28).

The funding disparity between the Red Bank Charter School and the Red Bank Borough School District is further exacerbated by the fact that the district is educating a much more challenging population of students than the charter school. As Figure 10 documents, the district has more than twice the percentage

of students eligible for Free or Reduced Price Lunch as the charter school and more than eight times the percentage of Limited English Proficient students.

Figure 10



Sources: State Enrollment Files and District Classification Rates, Ages 3-21

The high percentages of Free or Reduced Price Lunch, Limited English Proficient and special needs students have a direct impact on the Red Bank Borough School District’s finances, since the district must provide services to address those students’ needs. In addition to out-of-district private placements, these services include provision of in-district special education, bilingual education, and access to social workers, which are necessary to help mitigate some of the negative impacts of poverty.

The analysis presented in Figure 9 included the cost of out-of-district special education placements but did not include the cost of in-district services. The Red Bank Borough School District spent an additional \$2.1 million in 2013-14 on the provision of in-district services for its special education, Limited English Proficient, and Free and Reduced Price lunch students (\$1,248,583 for special education instruction; \$812,931 for bilingual instruction; and \$37,422 for social work services).

It is not possible to compare those in-district costs for the Red Bank Borough School District and the Red Bank Charter School because the charter school’s Comprehensive Annual Financial Report does not itemize special education, bilingual education or social work expenses. However, the very different demographic composition of the Red Bank Borough School District and the Red Bank Charter School students suggests that the charter school’s costs are lower.

For example, in 2013-14, only 4% of the charter school population -- 8 students -- were Limited English Proficient, versus 34% -- or 409 -- of the district's students. The cost of providing bilingual education services to 8 students is substantially smaller, in absolute and relative terms, than the \$812,931 that the district spent on bilingual education. Because the Red Bank Borough School District has a much larger proportion of students that require bilingual education and other special services, including these costs in any comparison would further increase the funding advantage that the Red Bank Charter School has over the Red Bank Borough School District.

One way of measuring the financial impact of the Red Bank School District's much higher Free or Reduced Price Lunch and Limited English Proficient populations is to divide the available funding for the district and the charter school by the weighted rather than the actual enrollment of each. The weighted enrollment reflects some of the additional costs of educating a higher proportion of students living in poverty and of students who do not speak English.

Figure 11 shows the results of such an analysis for the 2013-14 academic year. Using weighted rather than absolute enrollments increases the Red Bank Charter School's funding advantage over the Red Bank Borough School District from \$1,714 to \$4,339 more per pupil (an increase of \$2,625). This reflects the District's much more expensive to educate student population, with significantly higher rates of Free or Reduced Price Lunch and Limited English Proficient students than for the Charter School.

Figure 11

2013-14 Academic Year	District	Charter
Total Adjusted Revenue	\$ 16,884,876	\$3,261,195
Weighted Enrollment	1,549	214
Funding Per Weighted Student	\$ 10,901	\$ 15,239
Difference		\$ 4,339

Source: Charter and District weighted enrollments from 2013-14 Charter Aid Summary, as of June 2014 count.

The Red Bank case study illustrates the danger of basing public policy on simplistic comparisons of district and charter school funding. In reality, such comparisons are methodologically complicated, even when the charter school only serves students from a single school district and when both the district and the charter school educate the same grade span.

Any credible comparison of district and charter funding must:

- 1) Be based on comparable revenue sources.

Comparing total district revenue to the funding that charter schools receive from districts is not appropriate because it incorporates all sources of district funding (including dollars that do not stay in the district), while excluding many sources of charter school funding.

- 2) Incorporate the financial impact that demographic differences between district and charter schools have on both funding and spending.

District revenue transfers to charter schools are based on the demographic composition of charter school students. Charter schools that educate a less challenging student population (e.g., fewer Free Lunch eligible, Limited English Proficient, or special needs students), and charter schools that educate elementary and middle school rather than high school students are funded at lower levels under New Jersey's school funding law because less funding is required to provide their students with an adequate education. It is not credible to compare district and charter school funding without factoring in these demographic differences.

When charter schools educate a less challenging student population than their sending districts, the more expensive to educate students become concentrated in the district schools. This increases the costs to the district, which must fund the special education, bilingual education and social services that such students require. These higher district costs also must be factored into any district versus charter funding comparisons.

- 3) Address the very different financial obligations of school districts.

School districts have many financial obligations that charter schools do not have. Those include serving as a pass through for state and federal funding to private schools; paying private school tuition for district residents with significant special education needs; paying tuition for residents attending charter schools, county vocational schools, and schools in other districts; paying for the education of residents who are in institutions; and funding transportation costs for residents attending district, charter and private schools. These district obligations must be accounted for in any credible funding comparison.

The Red Bank case study also highlights the need for better data on charter school funding and spending. Publicly available reports should show how much each charter school receives from each sending school district and include spending categories that align with those in the User Friendly Budgets. The New Jersey Department of Education also should incorporate student demographic characteristics into the publicly-available funding and spending data for both district and charter schools. These changes are necessary to allow stakeholders to evaluate the funding levels and financial efficiency of charter versus district schools.

So far, this report has focused primarily on the financial impact that district funding has on charter schools. However, as the Red Bank case study suggests, charter schools are also having a financial impact on their sending school districts.

III. Impact of Charter Schools on Sending School Districts

What is the impact of New Jersey charter schools on their sending school districts? Bifulco and Reback's study of charter school finance in New York (2014) can provide helpful insights. They found that charter schools can generate excess costs for sending school districts for a number of reasons:

“First, charter schools can be expected to attract some number of students from private schools ... transfers from private to charter schools ... shift educational costs from the private schools and their parents to the public sector and taxpayers, thus creating fiscal impacts for public education systems. Second, charter schools might cause more personnel resources to be used to educate a given number of students... it is difficult to reduce the number of teachers when enrollment losses are spread across a large number of schools and grades. For instance, if five students are the most any particular grade in a school loses to charter schools, it might not be possible to reduce the number of classroom teachers in the district... Third, charter school entry into a district typically increases the number of school buildings used to serve students, increasing facility and related maintenance costs. Finally, in many states, districts are required to provide several services for charter school students including transportation, special education evaluation, and health services. The costs of these services might be higher as a result of charter schools because the services have to be delivered to students spread across a larger number of schools and locations.”³⁶

The negative financial impact is exacerbated if the charter school enrollments are growing rapidly, making it more challenging for school districts to adjust to the reductions in funding caused by charter revenue transfers, without lowering the quality of education that they provide to their own students. Between the 2009-10 and 2014-15 academic years, the number of New Jersey charter school students increased by 72%.³⁷ This dramatic growth has taken place even as districts have been grappling with rising costs and with the impact of more than \$7 billion of State aid cuts and underfunding.

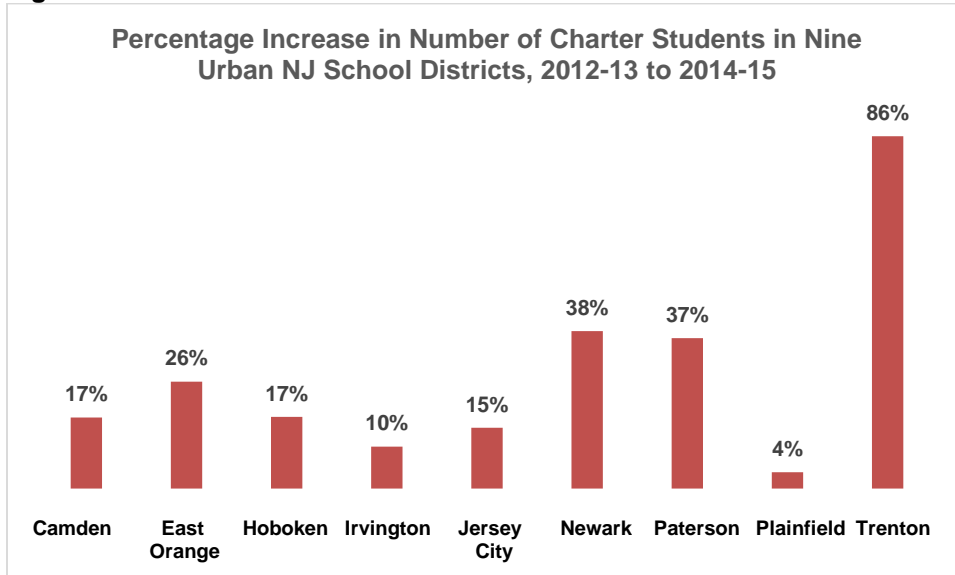
Charter school enrollment growth also negatively impacts school district finances if it leads to a concentration of the more expensive to educate students in the district schools. This concentration is evident in the distribution of Free Lunch; Limited English Proficient; and special needs students between New Jersey's district and charter schools.

³⁶ Bifulco, R. & Reback, R. (2014). Bifulco, R., & Reback, R. (2014). Fiscal Impacts of Charter Schools: Lessons from New York. *Education Finance and Policy*, 9(1), pp. 89-90.

³⁷ Between the 2009-10 and 2014-15 academic years, total New Jersey charter school enrollments grew from 21,687 to 37,259. Source: State enrollment files.

A closer look at the Big 9 school districts, which account for 79% of all New Jersey charter school students, documents both trends – the rapid growth in the number of charter school students and the resulting concentration of the more expensive to educate students in district schools. The growth in charter school enrollments has been most dramatic in these Big 9 districts (see Figure 12).

Figure 12

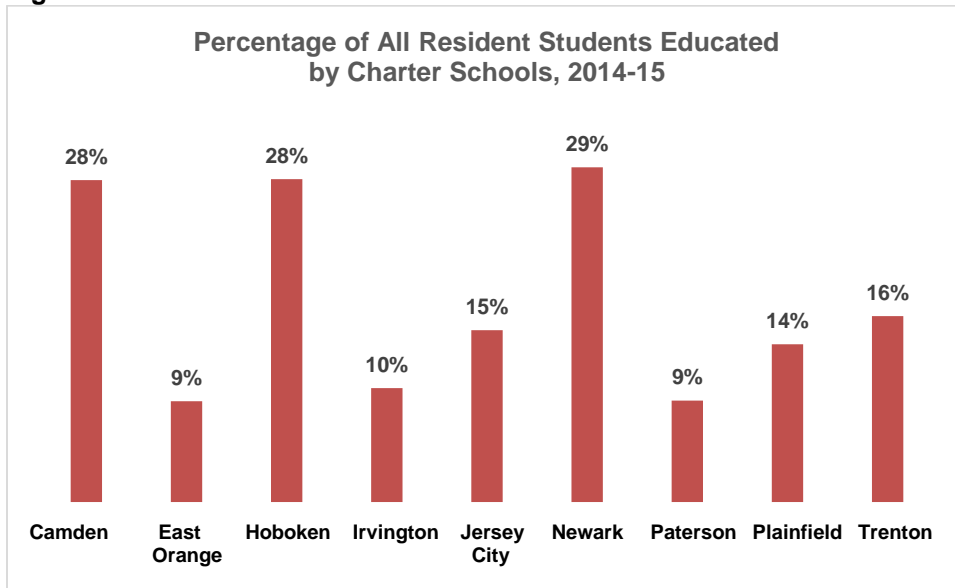


Sources: 2012-13 and 2014-15 Charter State Aid Notices.

In 2014-15, charter schools in three of those districts—Camden, Hoboken, and Newark—educated almost 30% of those districts’ publicly funded school students (see Figure 13).³⁸

³⁸ This analysis excludes Camden students being educated by Renaissance charter schools. If Renaissance charter students are included, total charter students as a percentage of all of Camden’s publicly-funded students would increase.

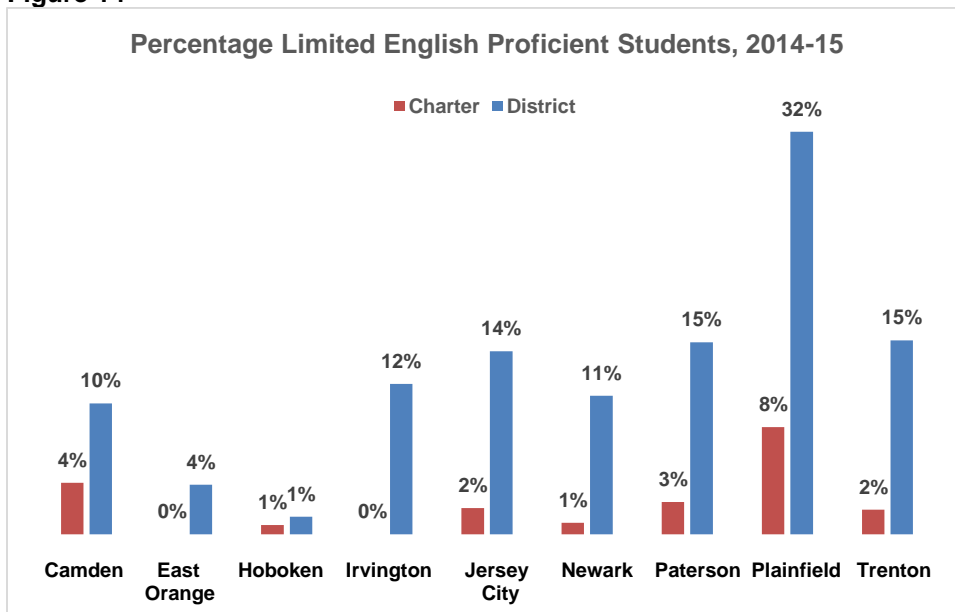
Figure 13



Source: Source: Charter State Aid Notices; District Enrollment Files

The majority of these districts have large percentages of Limited English Proficient, Special Education, and Free Lunch students, all of whom are underrepresented among their charter school students (See Figures 14 to 16).³⁹

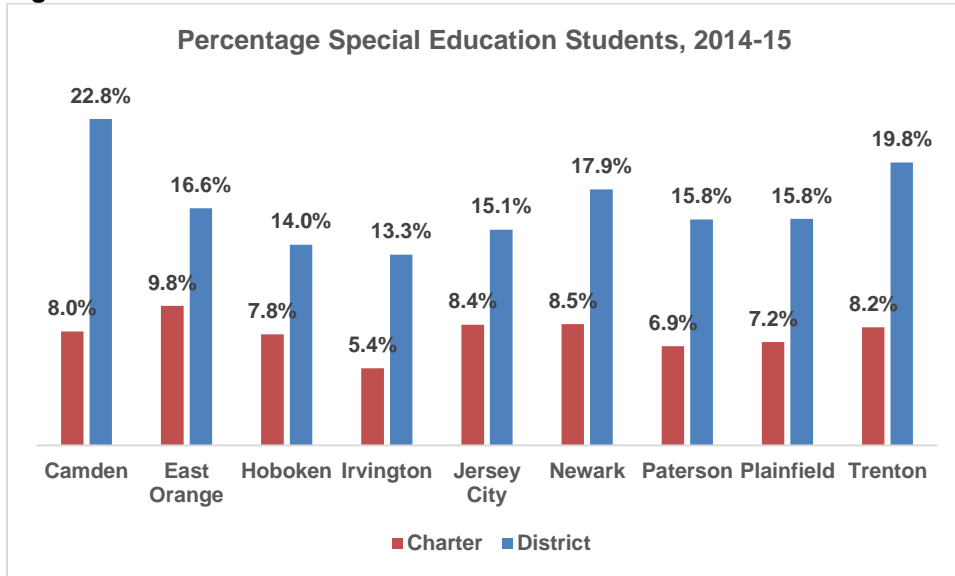
Figure 14



³⁹ The percentages of Reduced Price Lunch charter schools students in several of the districts make the combined Free or Reduced Price percentage comparable to that of the district schools. In high-poverty communities, Reduced Price Lunch is a sign of relative advantage http://www.saveourschoolsnj.org/save/corefiles/wp-content/uploads/2014/10/NJ-Charter-School-Report_10.29.2014.pdf Appendix A. Also see Bruce Baker <https://schoolfinance101.wordpress.com/2011/03/25/measuring-poverty-in-education-policy-research/>

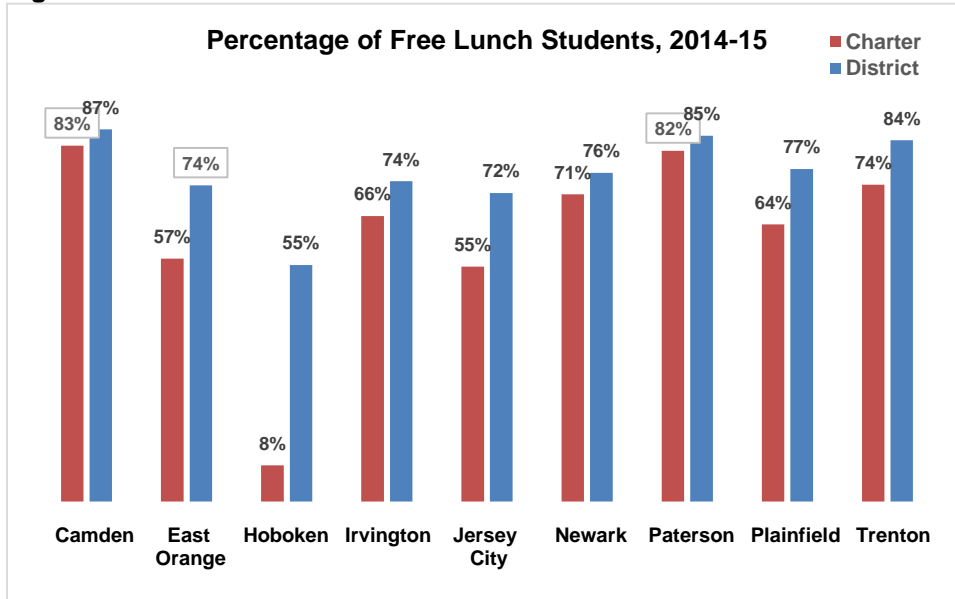
Sources: Charter includes all district residents attending charter schools, based on 2014-15 Charter State Aid Notices, updated 10/15; District based on 2014-15 State Enrollment Files, as of 10/15.

Figure 15



Source: 2014-15 Charter State Aid Notices, updated 10/15. Does not include speech only students. Charter includes all district residents attending New Jersey charter schools.

Figure 16



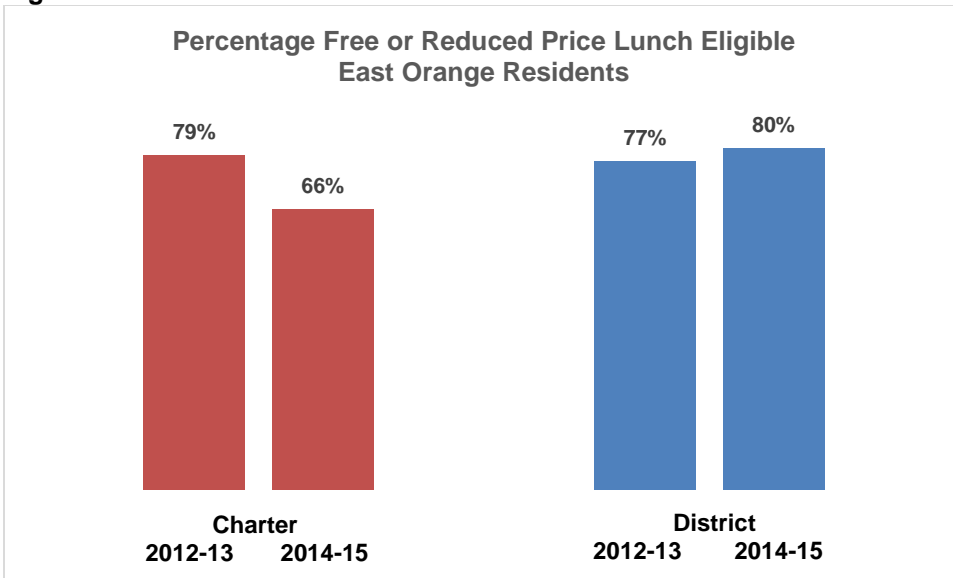
Source: Charter - 2014-15 Charter State Aid Notices, updated 10/15. Includes all district residents attending New Jersey charter schools. District – State Enrollment Files as of 10/15. Paterson based on combination of Charter State Aid Notice and State Enrollment Files due to incomplete data in State Enrollment Files.

Furthermore, the growth in the number of charter school students has increased the concentration of Limited English Proficient, special needs, and Free or Reduced Price Lunch eligible students in many of these districts' schools. As documented previously, the Jersey City school district experienced an increase

in the percentage of all three categories while the percentages of such students attending charter schools stayed largely the same.

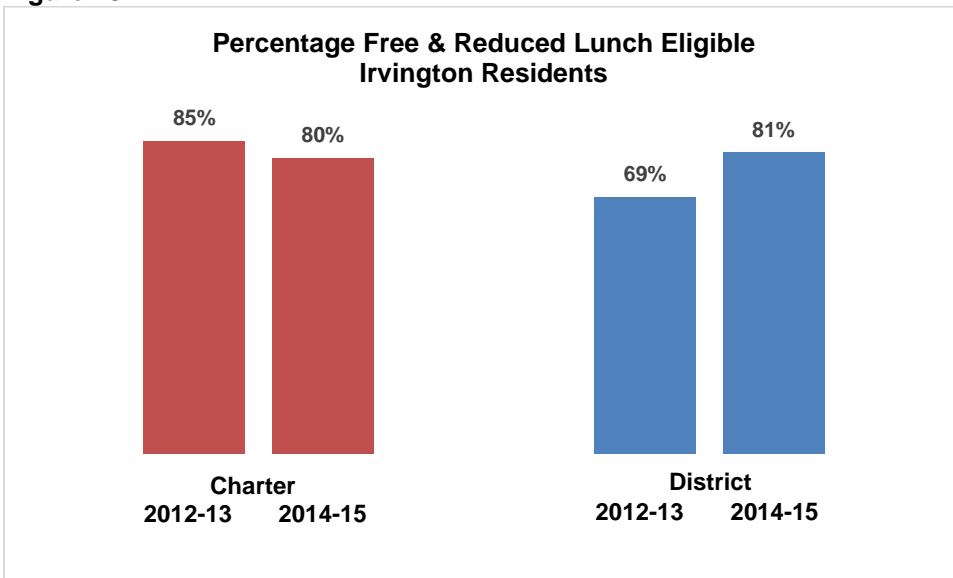
In East Orange and Irvington, the demographic trends for charter and district students are even more dramatic. As those districts' total charter enrollments grew, the percentages of charter school students eligible for Free or Reduced Price Lunch actually declined (see Figures 17 and 18).

Figure 17



Source: Charter - State Aid Notices; District – State Enrollment Files

Figure 18



Source: Charter - State Aid Notices. District – State Enrollment Files.

Concentrating the most challenging and expensive to educate students in district schools has negative consequences both financially and educationally. Financially, it increases the resources that districts need in order to provide an adequate education to their students.

Miron and Urschel (2010) found that “the average additional cost of each child qualifying for free or reduced-price lunch and each [Limited English Proficient] child likely exceeds 100% of the (average) cost of achieving the same outcomes for the non-EL or non-low-income child. That is, the cost per pupil more than doubles.”⁴⁰

Although SFRA (the School Funding formula adopted in 2008) was designed to address these additional costs, that effort was undermined by the Christie Administration’s underfunding of the formula by more than \$7 billion since 2010. The negative impact of that underfunding has been felt most significantly by school districts that educate high proportions of the state’s highest need students.⁴¹

The additional costs associated with a more expensive to educate student population combined with the underfunding from the State has squeezed school districts financially, making it very challenging for many of them to provide their students with an adequate education. The increasing outflow of resources to charter schools has only exacerbated that situation.

Concentrating Free Lunch, Limited English Proficient, and special needs students in district schools also has negative educational impacts. As decades of research have documented:

“High concentrations of school poverty threaten the opportunities of poor and non-poor students alike to obtain basic and essential skills...Research also finds that there is a “tipping point” at which the effects of poverty concentration “become more deeply ingrained and therefore less susceptible to correction from the school itself.”⁴²

⁴⁰ Miron, G. & Urschel, J.L. (2010). Equal or fair? A study of revenues and expenditure in American charter schools. Boulder and Tempe: Education and the Public Interest Center & Education Policy Research Unit, as cited in Baker, B.D. & Ferris, R. (2011). Adding Up the Spending: Fiscal Disparities and Philanthropy among New York City Charter Schools. Boulder, CO: National Education Policy Center. <http://nepc.colorado.edu/publication/NYC-charter-disparities> , p. 10.

⁴¹ A 2014 Education Law Center report found that New Jersey’s “most deeply inadequate districts are those that serve the state’s least affluent students. Under the SFRA, most of these districts were positioned to receive an influx of state aid, but failed implementation of the funding formula means many are far below the resource levels required to deliver State academic standards.” Accessed June 10, 2015 <http://www.edlawcenter.org/assets/files/pdfs/publications/Shortchanging%20New%20Jersey%20Students.pdf>, p. 2.

⁴² Poverty & Race Research Action Council (2010). The Impact of School-Based Poverty Concentration on Academic Achievement & Student Outcomes,” p. 3. Accessed June 15, 2015 http://www.prrac.org/pdf/annotated_bibliography_on_school_poverty_concentration.pdf.

In summary, the rapid growth of charter schools since 2010, particularly in the nine communities with the largest charter school enrollments, has reduced the financial resources that those districts need in order to provide an adequate education for their students. The growth of charter schools also has increased the concentration of Free Lunch eligible, Limited English Proficient, and special needs students in district schools. This has negative educational and financial consequences for those schools. The negative consequences are made more acute by the Christie Administration's significant underfunding of New Jersey's school funding formula and failure to follow the formula in allocating aid to school districts.

Recommendations

- 1) The New Jersey Department of Education should establish clear, transparent, consistent, and public standards for charter school funding reports that are comparable to the User Friendly Budgets for school districts. These reports should include revenue transfer amounts between individual school districts and charter schools, and charter school spending categories that align with those provided for school districts in the User Friendly Budgets.
- 2) The New Jersey Department of Education should incorporate student demographic characteristics into the funding and spending data for both school district and charter schools, to better account for the financial impact of such demographic differences.
- 3) Comparisons of district and charter school finances must:
 - a. Be based on similar sources of revenue.
 - b. Incorporate the financial impact that demographic differences between district and charter schools have on both funding and spending.
 - c. Address the very different financial obligations imposed on school districts as distinct from charter schools.
- 4) Policy makers must consider the impact that New Jersey's rapidly growing charter school sector -- and the resulting concentration of Limited English Proficient, special needs, and Free or Reduced Price Lunch eligible students in districts' schools -- has on sending district's finances and ability to deliver an adequate education to district students.

Recommendations to address the current segregative impact of charter school expansion:⁴³

- Having the NJ Department of Education conduct the lottery process for all charter schools, with one application deadline, to increase lottery and waiting list transparency and to make it easier for economically disadvantaged and Limited English Proficient families to apply.
- Using weighted lotteries to make it easier for charter schools to admit higher percentages of students who are eligible for Free Lunch and Free or Reduced Price Lunch, who are Limited English Proficient, and who have special education needs at various cost levels.

⁴³ These recommendations were initially proposed in New Jersey Charter Schools: A Data Driven View, Part I: Enrollment and Student Demographics, by Mark Weber and Julia Sass Rubin. Available at: http://www.saveourschoolsnj.org/save/corefiles/wp-content/uploads/2014/10/NJ-Charter-School-Report_10.29.2014.pdf

- Requiring charter schools to replace any students who leave and, whenever feasible, to do so from comparable demographic categories in terms of Free Lunch, Free or Reduced Price Lunch, Limited English Proficiency, and special education rates at various cost levels.
- Tying demographic parity in terms of Free Lunch, Free or Reduced Price Lunch, Limited English Proficiency, and special education rates at various cost levels to a charter school's funding. For example, charter schools that fail to match at least 90 percent of their host district's demographic composition on these variables would receive a lower reimbursement rate per student.

The data strongly suggests that the New Jersey Commissioner of Education, who authorizes new charter schools and approves expansions of existing charter schools, is not following the New Jersey Supreme Court's mandate to consider the demographic and financial impact of any authorizing decision on host districts and to use the full powers of the Commissioner's office to avoid segregation. Given the negative educational and financial impacts that result from current policies, New Jersey's charter school law should shift decision-making to those most directly affected by such negative impacts by including a requirement for local community approval of charter school expansion and the creation of new charter schools.

Appendix A: New Jersey Charter School Funding

The New Jersey Charter School Program Act of 1995 states:

The school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to the lower of either 90% of the program budget per pupil for the specific grade level in the district or 90% of the maximum T&E amount. The per pupil amount paid to the charter school shall not exceed the program budget per pupil for the specific grade level in the district in which the charter school is located. The district of residence shall also pay directly to the charter school any categorical aid attributable to the student, provided the student is receiving appropriate categorical services, and any federal funds attributable to the student.⁴⁴

The “T&E” (thorough and efficient) amount is determined under the School Funding Reform Act of 2008 (SFRA),⁴⁵ where it is referred to as the “adequacy budget.”⁴⁶ Adequacy is directly related to student population characteristics. Under the provisions of SFRA, New Jersey’s education funding laws recognize that additional resources are required to provide a thorough and efficient education to students eligible for Free or Reduced Price Lunches; who are Limited English Proficient; or who have special needs. The intent is to provide additional resources to schools that enroll higher percentages of such students since they face a greater cost burden than schools that enroll smaller percentages of such students.

New Jersey’s school funding formula, developed under SFRA, addresses this greater need by “weighting” student enrollments in order to provide additional funding for districts and charter schools that enroll greater percentages of Free or Reduced Price Lunch eligible and Limited English Proficient students. SFRA also provides additional weighting for older students, under the premise that middle and high schools require more funding per student than elementary schools.

The weights under SFRA are as follows:⁴⁷

Figure A: SFRA Weights

Elementary	Middle School	High School	Vocational-Technical
1.0	1.04	1.17	1.31 + High School Weight

Free or Reduced Price Lunch < 20%	Free or Reduced Price Lunch 20% to 40%	Free or Reduced Price Lunch > 40%
+.47	+.48 to .56	+.57

⁴⁴ Source: <http://www.state.nj.us/education/chartsch/cspa95.htm>

⁴⁵ Source: http://www.edlawcenter.org/assets/files/pdfs/School%20Funding/500_I2.pdf

⁴⁶ SFRA was passed in 2008, many years after the passage of the initial Charter School Program Act in 1995 and its amendment in 2000, which explains the difference in terms.

⁴⁷ Source: <http://nj.gov/education/sff/reports/AllChildrenAllCommunities.pdf>,

Limited English Proficient	Limited English Proficient and Free or Reduced Price Lunch
+ .50	+ .125

On December 14, 2012, the Christie Administration submitted an Education Adequacy Report to the Legislature that proposed a series of changes to SFRA, including lowering the weights for Free or Reduced Price Lunch; Limited English Proficient; and combination students to those detailed in Figure B. The Legislature rejected those specific changes to SFRA.⁴⁸ Despite the Legislature's rejection of the changes, the Christie Administration based the Fiscal Year 2013, 2014 and 2015 charter funding calculations on the lower weights detailed in the Adequacy Report.

Figure B: SFRA Weights as Proposed in 2012 Adequacy Report

Elementary	Middle School	High School	Vocational-Technical
1.0	1.04	1.16	1.26

Free or Reduced Price Lunch < 20%	Free or Reduced Price Lunch 20% to 40%	Free or Reduced Price Lunch > 40%
+ .42	+ .42 to .46	+ .46

Limited English Proficient	Limited English Proficient and Free or Reduced Price Lunch
+ .45	+ .098

For Fiscal year 2016, the Christie Administration used the correct SFRA weights for calculating charter school funding. However, the Administration inserted language into the FY 2016 State Budget that provided charters with the higher of either the 2014 or the 2016 per pupil calculation.⁴⁹

Special Education

Charter school special education aid, for both special education and “speech only” students, is calculated on the basis of the number of special education and “speech only” students that a charter school enrolls. Charter schools receive 90% of the available special education and speech aid attributed to each special education and speech student that they enroll. The funding amounts are based on special education and “speech only” per-pupil funding in each sending school district. Though the SFRA funds special education in districts using the census method, providing each district with additional funding at the state average classification rate, the funding to charter schools represents the actual funds available per each enrolled special education student.⁵⁰ In other words, the

⁴⁸ Source: http://www.njleg.state.nj.us/2014/Bills/ACR/118_IL.PDF

⁴⁹ Source: http://www.njleg.state.nj.us/legislativepub/budget_2016/DOE_analysis_2016.pdf Higher weights increase a district's total weighted enrollment and reduce the Base Per Pupil Amount (total available funding divided by the weighted enrollment), which is used to calculate the amount of funding districts must transfer to charter schools.

⁵⁰ To determine the special education portion of the district's adequacy budget, SFRA multiplies a district's total student enrollment by New Jersey's average special education classification rate, New Jersey's

available per pupil funds may be above or below the SFRA-defined excess costs, depending on whether the district's classification rate is above or below the state average. Individual charter schools also may apply for reimbursement of extraordinary special education expenses associated with educating their students.

New Jersey charter schools are not responsible for the cost of out-of-district special education placements of their students. Those costs are paid by the sending school districts.

SFRA helps defray the cost of particularly high-cost special education students, both in district and in private placement, by having the state reimburse a portion of the costs above \$40,000 for in-district students and a smaller portion of the costs above \$55,000 for private placement students. "1. If a special education student is educated in an in-district public school program with non-disabled peers, whether run by a public school or by a private school for the disabled, and the cost of providing direct instructional and support services for this student exceeds \$40,000, then for those direct instructional and support services costs in excess of \$40,000 a district will receive aid equal to 90% of the amount of that excess. [In-district is] not confined solely to a resident district but means "in a public school district. 2. If a special education student is educated in a separate public school program for students with disabilities and the cost of providing direct instructional and support services for this student exceeds \$40,000, then for those direct instructional and support services costs in excess of \$40,000 a district will receive aid equal to 75% of the amount of that excess. 3. If a special education student is educated in a separate private school for students with disabilities and the tuition for this student exceeds \$55,000, then for tuition costs in excess of \$55,000 a district will receive aid equal to 75% of the amount of that excess."⁵¹

average additional cost of providing special education services to a student, and the geographic cost adjustment for different parts of the state.

⁵¹ Source: Special Education Extraordinary Aid Frequently Asked Questions. <https://homeroom.state.nj.us/exaid/doc/15FAQEXAID.pdf>

Appendix B: Categorical Aid

The School Funding Reform Act of 2008 created seven forms of categorical aid: Special Education; Extraordinary Special Education; Security; Transportation; School Choice; Adequacy and Adjustment Aid.⁵² The Fiscal Year 2014 State Budget created three additional categories of aid: Under Adequacy Aid; Additional Adjustment Aid; and Supplemental Enrollment Growth Aid. The Fiscal Year 2015 State Budget added Per Pupil Growth Aid; and PARCC Readiness Aid categories. Charter schools are eligible for Special Education, Extraordinary Special Education, Security, and direct Adjustment Aid.

Transportation and School Choice Aid

Charter schools do not receive Transportation and School Choice Aid because these aid categories are intended to offset district-specific expenses. Charter schools do not receive Transportation Aid because the sending school districts are responsible for providing and paying transportation costs for all students who reside in the district, whether they are enrolled in charter, district or private schools. Charter schools do not receive School Choice Aid because they do not participate in the Interdistrict Public School Choice program that the aid is intended to support.

Adequacy and Under Adequacy Aid

The State of New Jersey determines adequacy based on the minimum level of funding required to deliver State academic standards to all students. Adequacy Aid is intended to provide additional assistance to school districts that are spending below adequacy and they “are failing and/or municipally overburdened.”⁵³ Under Adequacy Aid “provides up to \$500,000 to regular districts that are spending more than 10% below their adequacy budget.”¹⁴ The state awarded between \$82 and \$99 million of Adequacy and Under Adequacy Aid in Fiscal Years 2013, 2014 and 2015 (see Figure 6). Adequacy and Under Adequacy Aid are not included in charter schools transfer calculations. Of the nine districts with the largest charter school enrollments, only Plainfield and Jersey City received Adequacy Aid. Jersey City’s allocation accounted for less than 0.2% of its total budget while Plainfield’s was 6% of its total budget.

Figure B: Adequacy Aid (In millions)

	2012-13	2013-14	2014-15
Adequacy Aid	\$82.4	\$82.4	\$82.4
Under Adequacy Aid	-	\$16.8	\$16.8
Total Adequacy Aid	\$82.4	\$99.2	\$99.2

Source: State Aid Summaries

⁵² Source: <http://nj.gov/education/sff/reports/AllChildrenAllCommunities.pdf>

⁵³ Data Source: A Formula for Success, NJDOE

<http://nj.gov/education/sff/reports/AllChildrenAllCommunities.pdf>, p. 26.

Supplemental Enrollment Growth Aid

Supplemental Enrollment Growth Aid was introduced in FY 2014 to provide aid “to districts that experienced enrollment growth greater than 13% from October 2008 to October 2011.”⁵⁴ The FY 2014 and FY 2015 State Budgets each included \$4.1 million in Supplemental Enrollment Growth Aid, which was distributed to 13 school districts. None of the nine districts with the largest charter school enrollments received Supplemental Enrollment Growth Aid. This Aid is not included in charter schools transfer calculations.

Adjustment Aid

Adjustment Aid was intended to ensure that school districts and charter schools would not lose funding as a result of the adoption of the School Funding Reform Act (SFRA) of 2008.⁵⁵ Both districts and charter schools receive Adjustment Aid directly from the State. Only charter schools and school districts created before 2008 are eligible for this aid. In Fiscal Year 2014, the State Budget kept Adjustment Aid at the previous year’s levels and created a new category called Additional Adjustment Aid, in order to ensure that no district received less state aid than in the prior year.

School districts received approximately half a billion dollars in Adjustment Aid in Fiscal Years 2013, 2014 and 2015. Over this time period, the state allocated direct aid to charter schools ranging from \$8.7 to \$16 million.⁵⁶

Figure C: Adjustment Aid (In Millions)

	2012-13	2013-14	2014-15
Adjustment Aid	\$556.6	\$555.8	\$555.8
Additional Adjustment Aid	NA	\$ 11.1	\$ 12.9
Total Adjustment Aid	\$556.6	\$566.9	\$568.7
Charter Adjustment & Non-Public Aid	\$8.7	\$16.0	\$12.0

Sources: State Aid Summaries

Per Pupil Growth Aid and PARCC Readiness Aid

Per Pupil Growth Aid and PARCC Readiness Aid categories were introduced in the FY 2015 state budget. The funding amounts for each form of aid was based on \$10 for each projected district and charter student enrolled (\$13.46 million for each form of aid). This funding level was held constant in the FY 2016 State Budget. Per Pupil Growth Aid and PARCC Readiness Aid are not included in charter schools transfer calculations. If districts distributed this aid based on charter school enrollments, it would have resulted in \$20 of additional funding for each charter school student in 2014-15.

⁵⁴ Source: <http://www.state.nj.us/treasury/omb/publications/15budget/pdf/FY15BudgetBook.pdf> p. 159

⁵⁵ http://www.njleg.state.nj.us/legislativepub/budget_2016/DOE_analysis_2016.pdf

⁵⁶ Direct aid to charter schools includes both Adjustment Aid and Non-Public Aid. Non-Public Aid funds the first year for private school students who enroll in a charter school. Subsequent years are funded by revenue transfers from the students’ resident school districts. According to the Charter Aid Summary, updated though fall 2014, New Jersey charter schools received \$2.25 million of Non-Public Aid and \$3.5 million of Adjustment Aid, directly from the State.

Appendix C: Charter School Facilities Funding

New Jersey charter schools are not eligible for facilities funding that districts receive from the Schools Development Authority and the NJ Department of Education. However, charter schools are eligible for subsidized facilities funding from other state and federal government agencies.

Charter schools qualify for tax-exempt bond financing through the New Jersey Redevelopment Authority “for land and building acquisition; new construction or expansion; purchase of new equipment and machinery; debt/refinancing; and working capital.”⁵⁷ Charter schools also can access facilities funding in the form of tax-exempt bonds, low-cost loans and loan guarantees through the New Jersey Economic Development Authority (NJEDA) program for nonprofit organizations.

The NJEDA provided New Jersey charter schools with an additional \$170 million in Qualified School Construction Bond (Q-Bond) Program funding from the federal government. The Q-Bond program was a component of the federal stimulus bill - The American Recovery and Reinvestment Act (ARRA) of 2009. The federal government allowed the Q-Bond program to be used for both school district and charter school facilities construction rehabilitation or repair; acquisition of land for school facilities; and furniture and equipment.

In addition to Q-Bonds, the federal government also provides subsidies for charter school facilities via the Qualified Zone Academy Bond program. Another direct source of financing help for charter school facilities is the US Department of Education’s Credit Enhancement for Charter School Facilities Program. The USDOE credit enhancement has been awarded to several community development financial intermediaries that serve regional or national geographies that include New Jersey. It also was awarded to New Jersey Community Capital (NJCC), a nonprofit community development finance intermediary that serves primarily the state of New Jersey. NJCC received \$8 million in USDOE credit enhancement and uses that almost exclusively to finance New Jersey charter school facilities.

Other federal subsidy programs that can be used for charter school facilities include the Community Facilities Program of the U.S. Department of Agriculture; as well as both the New Markets Tax Credit program and the Community Development Financial Institutions Bond Guarantee Program of the US Department of the Treasury.⁵⁸

⁵⁷ Source: Local Initiatives Support Corporations 2014 Charter School Facility Finance Landscape, p. 55. Retrieved 5/20/15, <http://www.lisc.org/docs/resources/effc/2014CSFLandscape.pdf>

⁵⁸ Ibid

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