

CHALLENGES FACING UTAH CHARTER SCHOOLS

HIGHLIGHTS

- Utah charter schools have not achieved funding parity with district schools when comparable, ongoing funds are examined. In 2004, charter schools received \$801 per pupil less than district schools.
- A significant portion of the funding difference is caused by differing student populations. Charter schools do not enroll as many disadvantaged students who qualify a school for certain types of federal aid.
- Another, even larger, portion of the difference is the exclusion of several revenue sources from the "local replacement funding" formula for charter schools. These include debt service revenues and state funds that supplement local property taxes.
- A significant proportion of charter school funding is dependent on competitively awarded federal grants, carrying the risk of losing funds in the future if Utah does not succeed in renewing the grants.
- A federal grant for charter school facilities was meant to aid the state in creating a new facilities funding program, but such a program has not been created.
- Because of limited capital-raising capacity and questions about their borrowing ability, most charter schools must lease their facilities.
- State funding for administrative costs has fallen dramatically as the charter school population has grown.
- Charter schools are paying much lower salaries and benefits than districts, which may be a sign of fiscal difficulty or simply the result of a younger teaching staff.

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Charter schools have faced many challenges in Utah since their inception. This report examines financial and administrative challenges that inhibit the success of Utah's charter schools. It includes an analysis of charter school funding levels compared to traditional public schools, the ability of charter schools to secure appropriate, affordable and reliable facilities for their students, administrative costs and funding, and teacher retention and compensation.

Charter schools are public schools under the supervision of the state, and they typically operate independent of local school districts. Utah passed its first charter school law in 1998. Since then, the number of charter schools has increased from eight in the fall of 1999 to 36 by fall 2005.

It is difficult to discuss challenges charter schools face without understanding funding levels and sources for charter schools and traditional public schools. Comparing funding equity between charter schools and traditional public schools is discussed first in order to set the context for discussions of specific challenges facing charter schools.

In order to ensure that the challenges described in this report are indeed important issues faced by charter schools, Utah Foundation supplemented interviews with charter school directors and leaders in the charter school community with an online survey of charter school administrators. The survey was designed not only to capture the challenges facing charter schools and provide a forum for potential solutions, but also to allow Utah Foundation to measure levels of concern about the issues. Survey topics included revenue concerns, administrative challenges, facilities (location, challenges, attractiveness, and cost), WPU funding, and personnel issues (benefits, retention, etc.).

CHARTER SCHOOL BASICS

Specific definitions of charter schools are difficult given the varying nature of state statutes and the types of charter schools that have been created nationwide. Put simply, charter schools are state funded, independent public schools. The charter school movement originated with a number of school reform efforts ranging from school choice, community and parental empowerment, and school privatization. Charter schools receive a contract, or charter, that allows them to operate independently of ordinary public schools or districts.

Figure 1: Utah's Charter Schools

Charter School	District	Grades Taught	Number of Students Approved for	Opening Date
Academy for Math, Engineering & Science (AMES)	Granite	9-12	250	Fall 2003
American Leadership Academy	Nebo	K-12	1275	Fall 2005
American Preparatory Academy	Jordan	K-9	530	Fall 2003
Beehive Science & Technology Academy (BSTA)	Granite/Salt Lake	7-8	150	Fall 2005
CBA Center	Millard	9-12	40	Fall 1999
City Academy	Salt Lake	7-12	200	Fall 2000
DaVinci Academy	Ogden/Weber	9-12	375	Fall 2004
East Hollywood High	Granite	9-12	600	Fall 2004
Entheos Academy	Granite	K-8	450	Fall 2006
Fast Forward	Logan	9-12	200	Spring 2003
Freedom Academy	Provo	K-8	350	Fall 2003
George Washington Academy	Washington	K-6	350	Fall 2006
Itineris Early College High School	Jordan	11-12	150	Fall 2004
John Hancock	Alpine	K-8	185	Fall 2002
Lakeview Academy	Alpine	K-6	525	Fall 2006
Legacy Preparatory Academy	Davis	K-9	500	Fall 2006
Lincoln Academy	Alpine	K-8	480	Fall 2005
Moab Community School	Grand	K-8	84	Fall 2004
Mountainville Academy	Alpine	K-8	675	Fall 2006
Navigator Pointe Academy	Jordan	K-8	515	Fall 2005
Noah Webster Academy	Alpine	K-6	525	Fall 2006
North Davis Preparatory Academy	Davis	K-6	525	Fall 2004
North Star Academy	Jordan	K-8	450	Fall 2005
Northern Utah Academy for Math, Engineering and Sciences (NUAMES)	Davis/Ogden/Weber	9-12	500	Fall 2004
Odyssey Charter School	Alpine	K-6	375	Fall 2005
Ogden Preparatory Academy	Ogden	K-8	550	Fall 2003
Paradigm High School	Jordan	9-12	500	Fall 2006
Pinnacle Canyon Academy	Carbon	K-8	340	Fall 1999
Ranches Academy	Alpine	K-6	360	Fall 2004
Reagan Academy	Nebo	K-8	675	Fall 2005
Renaissance Academy	Alpine	K-8	600	Fall 2006
Salt Lake Arts Academy	Salt Lake	5-8	243	Fall 2003
Soldier Hollow	Wasatch	1-6	90	Fall 1999
South Ridge Academy	Jordan	K-8	650	Fall 2006
Spectrum Academy	Davis	K-8	150	Fall 2006
SUCCESS Academy	Iron	9-12	200	Fall 2005
Success School	Granite	7-12	200	Fall 1999
Summit Academy	Jordan	K-6	525	Fall 2004
Thomas Edison Charter School-North	Cache	K-7	417	Fall 2002
Thomas Edison Charter School-South	Cache	K-7	324	Fall 2005
Timpanogos Academy	Alpine	K-8	505	Fall 2002
Tuacahn High School for the Performing Arts	Washington	9-12	210	Fall 1999
Uintah River	Uintah	9-12	80	Fall 1999
Utah County Academy of Sciences (UCAS)	Alpine	10-12	200	Fall 2005
Walden School of Liberal Arts	Provo	7-10	90	Fall 2004
Wasatch Peak Academy	Davis	K-6	350	Fall 2005
Schools Currently in Operation	36		12,593	
Schools Approved for 2006 Opening	10		4,925	
Total Charter Schools Approved	46		17,518	

Source: Utah State Office of Education (USOE), Utah Charter Schools Association

As public schools, charter schools cannot charge tuition and are required to enroll all eligible students who submit applications (if the school has room for them); Utah charter schools are forbidden from accepting students based on merit or ability. If more students apply than enrollment space will allow, charter schools must determine admission in an equitable manner such as a lottery. Charter schools are, however, allowed to give admission preferences to students whose parents are or were actively involved in starting the school or those who have siblings currently enrolled. Utah law also allows a preference for students who reside near the school; however, charter schools that choose to give preference to students residing nearby are not eligible to receive certain federal funds or grants, and none have implemented this preference.

Minnesota developed the nation's first charter school law in 1991 based on three central tenets: opportunity, choice and school responsibility for results.¹ Principles guiding Utah's public charter

schools include providing educational diversity and choice in schools and encouraging the development of unique educational opportunities.² Charter school legislation first passed in Utah in 1998, and the majority of Mountain West states have followed suit including Nevada, Idaho, Wyoming, Colorado, New Mexico and Arizona. Currently, 42% of all U.S. charter schools are located in Arizona, California, and Florida.³

Today, over 40 states, the District of Columbia, and Puerto Rico have charter school enabling legislation, and the number of schools in existence totals over 3,400. For the past school year, 2004-2005, more than 400 new charter schools opened in 32 states.⁴ Approximately 1.5% of all students nationwide are enrolled in charter schools.⁵ In Utah's 2005 legislative session, Senate Bill 178 passed, removing the cap on the number of charter schools that can open each year in Utah, signaling a potential for increased growth rates for Utah charter schools.⁶

Charter schools in Utah are monitored by the State Charter School Director and the State Charter School Board, with ultimate authority over them residing with the State School Board. The State Charter School Board is responsible for the authorization of new charter schools as well as annual reviews of performance of existing charter schools. The State Charter School Board monitors schools to ensure adherence to local, state and federal regulations and is involved in the legislative process pertaining to charter schools. In addition, other staff at the Utah State Office of Education are frequently involved in charter school oversight and training, including financial reporting, legal issues, personnel issues, and others.

Despite the national charter school movement's emphasis on deregulation of schools, charter schools in Utah are subject to nearly all of the requirements that apply to regular public schools. This includes reporting, testing, hiring, spending, and core curriculum.⁷ Charter schools may petition the State Board of Education for exemption from some requirements, but such exemptions are rare. Failure to adhere to required regulations or poor performance may result in the loss of a charter. Charter schools also must conform to federal regulations and accounting rules common to other public agencies or groups receiving public funds.

While charter schools operate as public schools, there are several notable differences between charter schools and district schools. Charter schools generally place greater emphasis on parent, student, and faculty involvement in school governance. It is not uncommon for parental or educational advocacy groups to establish a charter school. While parental involvement is commonly considered a cornerstone of charter school establishment, schools are not legally allowed to make it a requirement (or tie parental involvement to admission for their children).

While charter schools in Utah are required to follow the same basic state education guidelines, charter schools have the ability to pursue unique education missions. Some schools serve special needs

populations, while other schools serve student populations who have had academic or disciplinary problems in traditional public schools. Other schools integrate a subject-specific emphasis into the state core curriculum such as performing arts, fine arts, or environmental issues. Many schools focus on traditional academics, using curricula that are similar to private schools.

A trend in recent years is the emergence of early college and high-tech high school charter schools, with the stated goal of providing high school students more access to college level course material as well as recruiting more students into math and science-based fields. The Academy for Math, Engineering and Science (AMES) in Salt Lake City was the first of these charter high schools to open.⁸ As part of former Governor Leavitt’s New Century High School Initiative, AMES provides high school students with increased access to math, science, technology, engineering, and computer science courses, while still offering core classes in social sciences, languages, and the arts.

The charter school enabling legislation in Utah was designed with several purposes in mind. These purposes may be a helpful context in which to analyze the equity of charter school funding and facilities issues. According to the Utah Charter Schools Act⁹, the purposes of charter schools are to:

1. Continue to improve student learning;
2. Encourage the use of different and innovative teaching methods;
3. Create new professional opportunities for educators that will allow them to actively participate in designing and implementing the learning program at the school;
4. Increase choice of learning opportunities for students;
5. Establish new models of public schools and a new form of accountability for schools that emphasizes the measurement of learning outcomes and the creation of innovative measurement tools;
6. Provide opportunities for greater parental involvement in management decisions at the school level; and
7. Expand public school choice in areas where schools have been identified for school improvement, corrective action, or restructuring under the No Child Left Behind Act of 2001, 20 U.S.C. Sec. 6301 et seq.

In addition to the purposes set forth by the state, individuals in the charter school arena have suggested that charter schools also:

1. Encourage market-type competition between traditional schools and charter schools, creating an incentive for increasing school performance;

2. Have the ability to serve the needs of special needs populations;
3. Empower schools to focus more on education results than compliance with regulations; and
4. Relieve pressure on high enrollment growth districts by providing additional schools for new students to attend.

Figure 2: FY 2004 Charter School Funding by Source

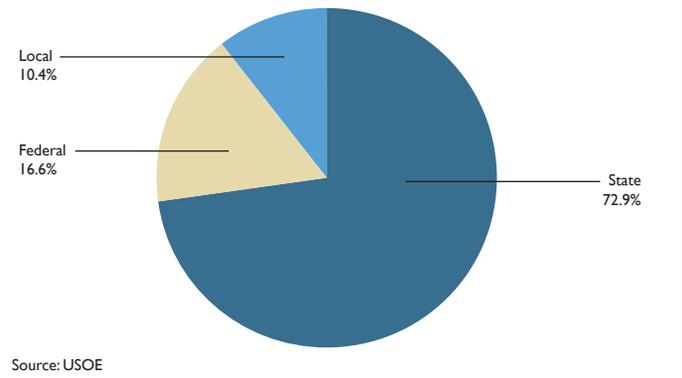
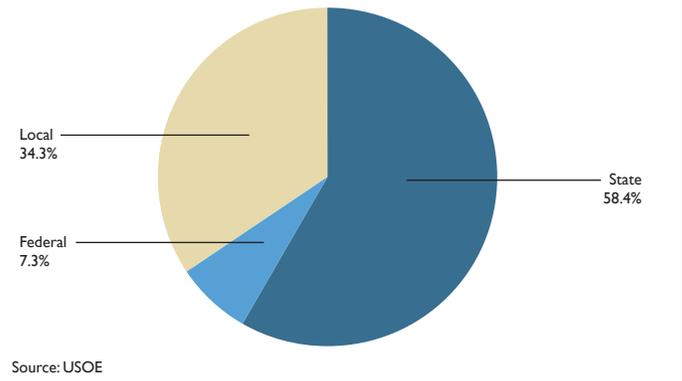


Figure 3: FY 2004 Districts Funding by Source



UTAH’S SCHOOL FUNDING SYSTEM

Public schools in Utah receive revenue from three main sources: the federal government, the state government, and local revenues generated by their own property tax levies. Figures 2 and 3 depict the percentages of funding levels for both charter schools and districts. Federal revenues for charter schools approach 17%, but are only 7% for districts¹⁰. Roughly 73% of charter school revenue is from state sources, as compared to 58% for districts. Charter schools are unable to capture local revenues in the same way districts can (i.e. levy property taxes). More than one-third of district funding is from local revenue sources—namely property tax. Each of these revenue categories will be discussed in more detail below.¹¹

FEDERAL FUNDING

As noted above, charter schools rely on federal funding at nearly twice the rate of traditional districts as seen in Figure 2. Most federal money

comes in the form of grants and NCLB funds for students in high-poverty schools and food service programs, as well as Individuals with Disability Education Act (IDEA) special education funding.¹²

There are three potential avenues in which charter schools can receive federal grants: under the Public Charter Schools Program (PCSP), the State Charter School Facilities Incentive Grants Program and the Credit Enhancement for Charter School Facilities program. Utah currently receives funding from two of these programs: the PCSP and the Facilities Incentive Grants Program.

Public Charter Schools Program (PCSP)

Under the PCSP, approximately \$1 billion has been awarded nationally to charter schools since 1994.¹³ The PCSP was designed to increase the number of quality charter schools. Charter schools are eligible to receive PCSP grant monies for three years in order to offset start-up costs incurred during their first years of operations. The grant money must be used to offset costs incurred for obtaining education materials and supplies, developing curriculum, and other limited operational costs. PCSP grant money is designed to serve as a reimbursement for monies already spent by charter schools. It is possible, however, to request disbursement of grant money without having incurred any start-up or implementation costs so long as the grant money is spent within 30 days of receipt.¹⁴ States agencies receiving PCSP grant monies are allowed to retain up to five percent of grant monies to offset charter school administrative costs and 10% of their grant monies to support dissemination activities.¹⁵

State Charter School Facilities Incentive Grants Program

Charter schools are also able to receive grant monies under the State Charter School Facilities Incentive Grants Program which began in FY 2004-2005. Implemented under the Elementary and Secondary Education Act and amended by the No Child Left Behind Act (NCLB) Act of 2001, the Facilities Incentive Grants Program is designed to encourage states to expand facilities and to help share in the costs associated with charter school facilities. Through the Department of Education, states compete for grants of up to five years in length. In order for states to be eligible to compete for grants, they must have a program currently in place and specify in state law a provision for per-pupil funding on an annual basis for charter school facilities. Over the five year period, grant funds diminish each year until they are entirely phased out.¹⁶ States that meet certain requirements are given preference in the award process. Examples of preferential criteria include states that provide for evaluations and reviews of charter schools by a centralized board or agency every five years and states that demonstrate increasing progress in the number of quality charter schools.

Funding for these grants is contingent upon sufficient resources. Total appropriations for the Public Charter Schools Program must exceed \$200 million in order for grants to be available to states. When more than \$300 million is appropriated to the program, half of the amount over \$300 million must be used for the Facilities Incentive Grants Program. The total money appropriated nationally for the grants for

Fiscal Year 2004 was \$18.7 million.¹⁷

Utah was one of only four states thus far to receive a federal grant under the State Charter School Facilities Incentive Grants Program. For Fiscal Year 2005, the Utah State Office of Education received \$2,785,655 from this grant. The funds are used to match a portion of the property tax replacement funding provided to charter schools by the state. Following state law, at least 10% of the property tax replacement money must be used for charter school facilities.

This report focuses on budgetary data for FY 2004, which was the latest final data available at the time of this analysis. In FY 2005, this grant added \$427 per pupil to charter school revenues; however, the per-pupil value of this grant will decline as the charter school population grows and the federal revenue phases down. Other recipients include: California (\$9.85 million), Minnesota (\$5 million) and the District of Columbia Public Schools (\$1.05 million).¹⁸

Credit Enhancement for Charter Schools Facilities Program

Under the Credit Enhancement for Charter Schools Facilities Program, state and local education agencies and nonprofit organizations are able to compete for funds to secure facilities either through an outright purchase, lease, or donation. The funds can also be used to construct or renovate facilities.¹⁹ Support for this program is contingent upon appropriation of funds. Organizations that receive credit enhancement grants are able to provide charter schools with leverage to acquire capital for new construction or renovation of current facilities.

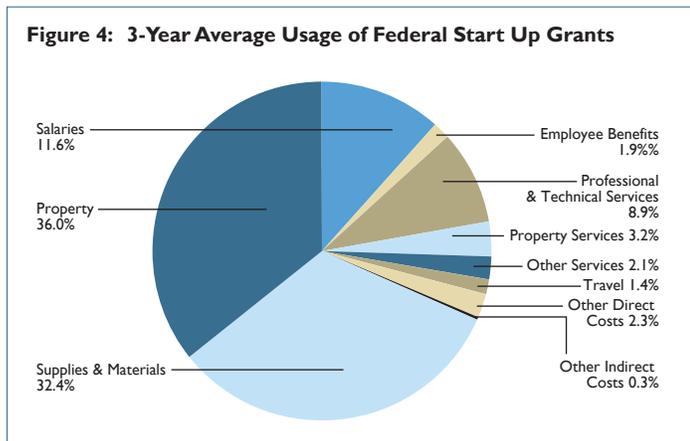
Currently, no Utah organization is a recipient of a Credit Enhancement Grant, though organizations have submitted applications in the past. Charter schools can apply individually, but the U.S. Department of Education encourages schools to seek services from current grantees rather than applying directly. Grant applicants must be able to demonstrate substantial expertise in investment banking to successfully implement their proposals to provide credit enhancement to schools. Although Utah charter schools may apply for assistance from national groups who are participating in this program, none of Utah's charter schools have received funds from this program.

ADEQUACY OF FEDERAL START-UP GRANTS

Based on Utah Foundation survey results, charter school leaders are divided on the adequacy of federal start-up grants. Forty percent of respondents felt that federal start-up grants were ample and provided for needed equipment and supplies. This means that 60% of respondents felt the amount of federal start-up grants they received were at least somewhat deficient and prevented them from equipping their schools in the same manner as traditional public schools.

Federal start-up grant funds are provided to the state, which then grants the money to new charter schools during their first three years of operation. Utah Foundation examined grant data for charter schools that had passed their third year of operation to

understand how they spent their start-up grants over their three-year implementation period.²⁰ The average amount received by a charter school during those three years was about \$540,000. Figure 4 shows how those schools spent their start-up funds. Note that more than two-thirds of the grant money was spent on property (school equipment) and supplies. New charter schools also spent some of the grant funds for personnel costs, professional services, and other services related to the opening of a new school.



To provide an indication of the adequacy of these start-up grants, Utah Foundation asked Alpine School District, which has opened new schools in recent years, to describe its start-up costs for a new elementary school.²¹ The district provided details on its spending for equipment and supplies, but spending for personnel or services associated with opening a new school was not available.²² The Alpine School District budgets around \$480,000 to be spent on equipment and supplies when opening a new school. The data from charter schools show about \$370,000 spent on equipment and supply needs. The federal PCSP grants provide a valuable source of funding for charter school start-up needs, but some concerns about this funding are evident:

First, these funds are limited, at least compared to Alpine School District, which has experienced significant growth. Additionally, as the number of charter schools has grown, the amount provided in start-up grants has diminished markedly. Several years ago, some of the new charter schools received more than \$600,000 cumulatively over three years for implementation costs. New charter schools are now limited to \$150,000 a year, or \$450,000 over three years.

Second, Utah has recently succeeded in winning renewal of the PCSP grants for the coming three years, but significant risk exists for future years. The PCSP is a competitive grant program, and the time may come when Utah does not receive these grant funds. It would be extremely difficult to start new charter schools without millions of dollars in state funding to compensate for lost federal grants.

Third, as with some of the other funding mechanisms for charter schools, this funding source diminishes in value as a larger number of charter schools open each year. The funds must be spread among more

schools, reducing the amount that any one school will receive.

LOCAL REVENUE

School districts can levy property taxes for 13 different programs. These programs include: minimum basic levy, capital outlay, debt service, voted leeway, board leeway, 10 percent additional basic, voted capital outlay leeway, federal impact aid supplement, recreation, special transportation, tort liability, judgment recovery and the K-3 Reading Program. Charter schools do not have boundaries or taxing authority and so are unable to levy property taxes for these programs. Until 2003, districts provided to charter schools 50% of their per-pupil local property tax revenue for the number of pupils enrolled in charter schools. In 2003, the Legislature enacted changes that allow districts to retain all local revenues derived from property tax collection and created 'local replacement funding' for charter schools. This will be discussed in more detail below.

STATE REVENUE

The largest portion of revenue for education is derived from state sources, mainly the Uniform School Fund, which is funded primarily through personal and corporate income taxes. Governed by the Minimum School Program Act (MSP), the state distributes funds to districts and charter schools using a myriad of formulas based on enrollment, student characteristics and school location. The relevance of these programs and allotment formulas to charter schools will be explained in more detail below. The MSP is designed in part to equalize funding capacity between poorer and richer districts.²³ The Basic Program provides support to all public schools for students in grades K-12. The basis for distribution of this program is the Weighted Pupil Unit, or WPU.

Weighted Pupil Unit: WPU

Weight Pupil Unit (WPU) is a measurement unit calculated according to program specific formulas usually involving prior year average daily membership (ADM) plus growth. The Legislature determines the dollar value of the WPU annually during the General Session. How many WPUs a district or charter school generates is contingent upon various student characteristics. For charter schools, Kindergarten students generate 0.55 WPUs, students in grades 1-6 generate 0.9 WPUs, grades 7-8 generate 0.99 WPUs, and grades 9-12 generate 1.2 WPUs. One WPU for FY 2003-2004 was \$2,150; for FY 2006 it is valued at \$2,280.

Under the MSP, every district in the state must levy the basic minimum property tax rate in order to qualify for funding from the state's Uniform School Fund. The basic levy rate is applied uniformly to all districts statewide. The more revenues an individual district receives from the levy, the less revenue that district receives from the state. School districts are also then able to impose levies in addition to the basic rate. As discussed above, charter schools do not have the ability to levy taxes.

In lieu of charter schools collecting property taxes or receiving funding from individual school districts, the state of Utah provides charter schools with local replacement funding, sometimes referred

to as property tax replacement funding.²⁴ At the time of this report, the FY 2006 local replacement funding rate for charter schools is \$1,051 per student, an increase of \$45 per student from FY 2005. While charter schools have discretion in what this funding can be used for, 10% of all charter school local replacement funding must be spent to offset facilities costs.

While the MSP provides funding for the majority of educational activities, there are some limitations on what the money can be used for. Regular Basic School Program funding can be used for any educational purpose. Restricted Basic School Program funding must be used for the specific programs for which they are earmarked. Related to Basic Program funding is designed exclusively for retirement, transportation, Social Security, and other programs. Additional MSP funding is categorized as Special Populations funding, which is limited to funding activities for given populations of students, and Other Programs which provide unrestricted funding for programs such as electronic high schools and school land trust programs.²⁵ Figure 5 shows which programs within the Minimum School Program receive funding based on WPU's.²⁶

Figure 5: Utah Minimum School Program

Basic School Programs	Funding Generated
Regular Basic School Programs	
Kindergarten	WPU
Grades 1-12	WPU
Necessarily Existent Small Schools*	WPU
Professional Staff	WPU
Administrative Costs	WPU
Restricted Basic	
Special Education**	WPU
Pre-school Special Education	WPU
Extended Year for Severely Disabled	WPU
Special Education--State Programs	WPU
Applied Technology Education--District	WPU
Applied Technology Education--District Set Aside	WPU
Class Size Reduction	WPU
Related to Basic School Programs	
Related to Basic	
Social Security & Retirement	WPU
Pupil Transportation To & From School	
Transportation Levy	
Block Grants	
Quality Teaching Block Grant	
Local Discretionary Block Grant	
Interventions for Student Success Block Grant	
Special Populations	
Highly Impacted Schools	
Youth At Risk [^]	
Adult Education	
Accelerated Learning Program ^{^^}	
Other	
Electronic High School	
School Land Trust	
Charter School in Lieu of Local Funding	WPU
University of Utah Reading Clinic	
Reading Achievement--State	

Notes:

- *Charter schools do not qualify for necessarily existent small schools funding
- **Included in this are the Regular Special Education programs, Add-On WPU's and Self-Contained WPU's
- [^] Includes: At Risk Regular, Homeless and Minority, MESA, Gang Prevention and Youth In Custody
- ^{^^} Gift & Talented, Advanced Placement, Concurrent Enrollment

Source: USOE

Figure 6: FY 2004 Funding Comparison by Revenue Source

Funding Source	Total Dollars		Per Pupil		Difference Charters - Districts
	All Charters	All Districts	Charters	Districts	
MAINTENANCE & OPERATION					
Local Sources	\$1,948,151	\$496,698,958	\$598	\$1,038	-\$440
Property Taxes ¹	0	433,750,489	0	906	-906
Earnings on Investments	5,731	10,472,581	2	22	-20
Contributions & Donations	1,123,932	160,405	345	0	344
Other ²	818,488	52,315,483	251	109	142
State Sources	\$13,599,402	\$1,580,671,822	\$4,172	\$3,302	\$869
Regular Basic Program ³	7,091,759	762,281,414	2,175	1,592	583
<i>Restricted Basic Program</i>					
Special Education ⁴	864,215	143,927,080	265	301	-36
Class Size Reduction	417,731	64,276,812	128	134	-6
Applied Technology	8,324	48,888,192	3	102	-100
Social Security & Retirement	1,359,841	230,629,256	417	482	-65
State Block Grants ⁵	592,091	93,706,298	182	196	-14
<i>Special Populations</i>					
At-Risk Regular	16,451	5,220,143	5	11	-6
Other At-Risk	41,082	19,138,593	13	40	-27
Accelerated Learning Gifted & Talented	12,853	1,859,857	4	4	0
Other Accelerated Learning	4,840	7,346,297	1	15	-14
Transportation ⁶	0	54,948,160	0	115	-115
School Land Trust	31,350	8,048,918	10	17	-7
Board and Voted Leeway Guarantees	0	109,586,346	0	229	-229
Charter School Local Replacement	2,593,920	0	796	0	796
Miscellaneous ⁷	46,901	22,722,027	14	47	-33
Other ⁸	518,044	8,092,429	159	17	142
Federal Sources	\$3,103,323	\$197,441,993	\$952	\$412	\$539
Charter School Start-Up Grants (PCSP)	2,497,021	0	766	0	766
Other Federal	606,302	197,441,993	186	412	-226
Total M&O Funding	\$18,650,876	\$2,274,812,773	\$5,721	\$4,752	\$969
TOTAL M&O LESS CHARTER START-UP GRANTS					
	\$16,153,855	\$2,274,812,773	\$4,955	\$4,752	\$203
DEBT SERVICE FUND					
Property Taxes	0	195,011,016	0	407	-407
Other Local, State Sources	0	2,106,409	0	4	-4
TOTAL DEBT SERVICE FUND	\$0	\$197,117,425	\$0	\$412	-\$412
CAPITAL PROJECTS FUND⁹					
Property Taxes	0	228,410,212	0	477	-477
Other Local	0	23,627,354	0	49	-49
Capital Outlay Foundation (State)	0	26,948,900	0	56	-56
Other Sources	0	4,541,000	0	9	-9
TOTAL CAPITAL PROJECTS FUND	\$0	\$283,527,466	\$0	\$592	-\$592
Grand Total¹⁰	\$18,650,876	\$2,755,457,664	\$5,721	\$5,756	-\$35
GRAND TOTAL LESS CHARTER START-UP GRANTS					
	\$16,153,855	\$2,755,457,664	\$4,955	\$5,756	-\$801
Pupil Count (Average Daily Membership)	3,260	478,675			

Notes on Line Items:

- ¹ Includes basic levy, board and voted leeways, special transportation, Utah government immunity (tort liability) and judgment recovery. Fees in lieu of taxes are included in each tax, not as a separate line item.
- ² Tuition, transportation fees, local governmental units other than LEAs, student activities, other revenues from local sources, rentals, textbooks, and miscellaneous.
- ³ Kindergarten, 1-12, Necessarily Existent Small Schools, Professional Staff and Administrative Costs. Basic levy revenue subtracted for traditional schools.
- ⁴ Special Ed Preschool not included because it is accounted for in the non-K-12 programs fund.
- ⁵ Quality Teaching (Professional Development and Professional Development Days) and Local Discretionary block grants.
- ⁶ Pupil Transportation and Transportation Levy Guarantee.
- ⁷ Includes Out-of-State Tuition, Highly Impacted Schools, Driver Education Behind the Wheel, Supplementals / Other Bills and revenues from other state agencies.
- ⁸ Other Revenues from State Sources (Non-MSP).
- ⁹ Capital Outlay, Voted Capital and all Ten Percent Additional Basic Taxes.
- ¹⁰ Does not include Non K-12 Programs Fund, Building Reserve Fund, Food Service Fund, and Other Governmental and Enterprise Funds.

Source: All tax revenue data taken from Fiscal Year 2004 Annual Financial Report. Federal Charter School Start-Up Grants provided by the Utah State Office of Education. Enrollment figures from the 2003-2004 Annual Report of the State Superintendent of Public Instruction

CHALLENGES FACING CHARTER SCHOOLS

FUNDING PARITY

Ensuring funding parity between charter schools and districts has been a concern for many legislators, educational professionals, and the charter school community since the inception of charter schools in Utah. Figure 6 provides Utah Foundation's comparison of charter school and district funding levels. As in other figures in this report, these data are from Fiscal Year 2003-04, since they are the only final numbers available from the state at this time. Revenues are categorized under Maintenance and Operations, Debt Service, and Capital Projects funds in Figure 6.

Although charter schools appear to have no capital projects or debt service funds, they do spend revenues from their general funds on capital facilities (usually lease payments). These revenues include the state-provided local revenue replacement funding that was described above. The local revenue replacement funding is specifically crafted to replace what a charter school would have received in property taxes if it were part of a district, including funds the districts collect for capital facilities financing. Therefore, this comparison of funding parity includes the debt service and capital projects funds for the districts, even though the charter schools have no revenue in those funds.

To accurately gauge ongoing fiscal capacity for the typical charter school, this analysis emphasizes totals that exclude the three year federal start-up grants received by new charter schools, because these funds are to be spent on initial one-time costs only and not for ongoing operations. The start-up grants are shown in Figure 6 but are deducted from the bottom line comparison of per-pupil revenues.

Charter schools received \$4,955 per pupil in ongoing funds in FY 2004, while districts received \$5,756 per pupil. This places charter school funding at about 86% of traditional public schools' funding. Per-pupil columns in Figure 6 help illustrate where funding differs the most between charter schools and districts.

The \$801 per pupil gap in funding between charter schools and district schools is the result of three primary forces: 1) differences in student populations served, 2) ineligibility for some funds, and 3) a local revenue replacement funding formula which does not fully compensate charter schools for the lack of property tax revenues. Each of these reasons for the funding gap is explained below.

1) Differences in student populations: Many of the federal funds received by districts are Title I funds and other funds designed to address the educational needs of economically disadvantaged students, including ethnic minorities. Compared to districts, Utah charter schools educate smaller populations of students who would qualify a school for these funds. Utah charter schools would qualify for some of these funds if they had enough students from disadvantaged groups. Much of the \$226 per pupil difference in "other federal" revenue shown in Figure 6 is the result of these differences in student populations.

In addition, charter schools do not use state funds for applied technology to a great extent. These funds are for vocational programs for high school students, and if charter schools offered the programs, they could receive the funds. This accounts for \$100 of the per-pupil funding difference.

2) Ineligibility for funds: Figure 6 also shows that charter schools do not receive transportation funding, which provides \$115 per pupil to districts. Because their students come from a wider geographical area than neighborhood schools, the Legislature has decided that it is impractical to provide transportation funding to charter schools. However, some charter schools provide public transit passes to their students, and some arrange for charter buses to bring students from various staging points in the community. If transportation funding were available to charter schools, it would help pay for some of these costs or increase the number of schools offering transportation services.

3) Local revenue replacement funding issues: Several shortfalls in the formula for replacing local property tax revenues account for half of the per-pupil funding gap between charter schools and districts. The formula created by 2003 legislation²⁷ attempted to provide state funds equal in per-pupil amount to the property taxes levied by districts. However, at the time, it was thought that the districts' debt service revenues included the proceeds from bond sales as well as the taxes levied to pay back the principal amounts on those bonds. To avoid double counting the debt proceeds and the taxes used to pay the debt, the formula was crafted to only count the interest expenditures on debt. It has become clear since that legislation was passed that bond proceeds are not included in debt service fund revenues.²⁸ Therefore, the formula excludes over \$100 million in district property taxes that should be counted in providing parity to charter schools. In 2004, including these taxes would have provided \$267 per pupil to charter schools.

Another shortfall in the local revenue replacement formula is that it does not count state guarantees used to supplement local property taxes in districts with low property values. These revenues might be considered a "quasi-property tax" and are used for the same purposes as the local property taxes. In 2004, the state provided \$109 million to districts to supplement local board and voted leeway taxes and \$27 million to supplement local capital projects levies. Including the leeway guarantees in the local replacement formula would have provided \$229 per pupil to charter schools in 2004. Including the Capital Outlay Foundation funds would have provided another \$56 per pupil to charter schools.

Figure 7 shows all of the above-described reasons for the funding gap between charter schools and district schools. The first section shows items that explain legitimate reasons for funding differences – programs that provide funds for student populations that the charter schools are not serving in large numbers. The second and third sections show areas where changes could be made to provide more equitable funding for Utah charter schools. Note that the total of the items in Figure 7 is larger than the funding gap shown in

Figure 7: Major Components of Per-Pupil Funding Differences Between Charter Schools and Districts

	Per Pupil Funds
Student population differences:	
Federal funds (largely for disadvantaged populations)	\$226
Applied technology funding	100
Subtotal	\$326
Funding eligibility issue:	
Ineligibility for transportation funds	\$115
Local revenue replacement formula issues:	
Exclusion of principal amounts from debt service taxes	267
Exclusion of state guarantees for leeway taxes	229
Exclusion of state Capital Outlay Foundation revenues	56
Subtotal	\$552
Total	\$993

Source: USOE

Figure 6. This is because there are other line items in Figure 6 where charter schools are ahead of district schools in per-pupil revenues. For example, charter schools report \$344 per pupil in contributions and donations, while the districts report a tiny amount.²⁹

Since Utah Foundation last performed this analysis in 2003 (for FY 2002) both charter schools and districts have seen an increase in per-pupil revenues of nearly three percent. Hence, charter schools in FY 2004 were in about the same situation as two years earlier when measuring funding parity with traditional public schools.

If fiscal year 2005 data were available, they would show a smaller per-pupil funding gap between charter schools and districts. Nevertheless, the gains for charter schools will be temporary unless changes are made to current funding programs. This narrower gap is because of the federal grant from the State Charter School Facilities Incentive Grants Program that increased charter school funding in FY 2005 by about \$427 per pupil. That money was not available in FY 2004 and is therefore not included in the above analysis of parity. Clearly, the facilities grant helps charter schools get closer to funding parity in the immediate past fiscal year (2005). The additional \$427 per pupil closes about half of the \$800 per-pupil gap shown in this

Figure 8: Funding Comparison by Charter School

Charter School	Total Per Pupil Revenues	Federal Start-Up Grants	Per Pupil Revenues Less Startup Grants
Ogden Preparatory Academy	\$3,896	\$0	\$3,896
Dream Foundation	8,161	3,670	4,491
American Preparatory Academy	5,350	1,351	3,999
Freedom Academy	4,563	711	3,852
AMES	6,949	711	6,238
CBA Center	5,949	0	5,949
Jean Massieu School	18,941	0	18,941
Pinnacle Canyon Academy	5,869	0	5,869
Center City School	6,588	0	6,588
Success School	4,376	0	4,376
Soldier Hollow	4,572	0	4,572
Tuacahn HS For Performing Arts	5,332	255	5,078
Uintah River Alternative High	12,863	0	12,863
John Hancock	5,957	1,244	4,712
Thomas Edison	5,062	1,019	4,043
Timpanogos Academy	3,967	283	3,684
Park City Learning Center	2,328	1,399	929
Salt Lake Arts Academy	6,925	1,926	4,999
Fast Forward Charter High School	8,881	3,767	5,114
Averages:			
Mean	\$6,659		\$5,800
Mean excluding Jean Massieu, Uintah	\$5,572		\$4,611
Median	\$5,869		\$4,712

Source: USOE

analysis. However, the federal grant begins phasing down in the current fiscal year and will provide smaller per-pupil amounts each year until it disappears after five years. The State Charter School Director estimates current-year (FY 2006) funding from this grant at only \$200 per pupil.

Figure 8 provides additional detail regarding charter schools' per pupil funding. Note that two specialized schools exert a significant impact on any averages of charter school funding. Jean Massieu School was a charter school created to serve deaf students but has since converted to a school within the Utah Schools for the Deaf and Blind. When it was a charter school, it received very large per-pupil funding from donations, state special education funding, and federal funds. Uintah River High School serves Native American children and receives significant funding from the Ute Indian Tribe and from state and federal sources designated for assisting at-risk students.

To obtain a clearer picture of the typical charter school's funding situation, Figure 8 provides averages excluding the two specialized schools, as well as a median that is not skewed by the outliers. Eight of the 19 schools did not receive federal startup grants because they had been in operation longer than three years.

FACILITIES

Finding, securing, and financing adequate facilities is one of the biggest challenges charter schools face. Appropriate, affordable facilities that are both adequate in size and in desirable locations are not easily found. Facilities needs are not unique to new start-up charter schools; existing charter schools are confronted with retaining facilities as well as addressing whether their current facilities allow for adequate school growth or increased program offerings. In both instances, the challenges to acquiring and paying for appropriate facilities are coupled with a charter school administrator's need for sufficient legal and finance expertise to help them navigate the facilities acquisition process.

While traditional public schools can rely on districts for assistance, charter schools, as independent schools, are ultimately responsible for their own facilities situation. Often, new charter schools begin operation with a limited number of grades and classrooms and expand their offerings thereafter. This presents many challenges when a charter school simply outgrows its original facility.

About 30% of respondents to Utah Foundation's survey of charter schools responded that initial facilities costs were among their highest-rated cost concerns. The Facilities Incentive Grant obtained by Utah is intended to assist the state in implementing its own facilities funding strategies.³⁰ As has been mentioned before, the funds are temporary and phase out over five years. The state is expected to increase its participation in funding facilities as the federal money phases out. Although the federal government agreed to allow Utah to use its 10% set-aside of local replacement revenues as a state facilities funding match, the set-aside funds are not programmed to grow to replace the phased-out federal funds. If this is not changed,

the federal Facilities Incentive Grant is merely a temporary infusion of money for charter schools, rather than being leveraged to create an ongoing state program for funding charter school facilities as the federal government intended.

Traditional public schools receive revenue for facilities by levying local property taxes for capital outlay. Revenue generated from capital outlay funds provides for school construction and renovations. Simply by levying capital outlay taxes at the local level, school districts are eligible for the state Capital Outlay Foundation Program if their local property taxes do not produce sufficient funds because of low property values per pupil. Schools experiencing rapid growth are also eligible for additional funding through the Enrollment Growth Program. Short term loans are also available through the Capital Outlay Loan Program. As charter schools are not able to levy property taxes, they are not eligible to receive facilities funding through the Capital Outlay Foundation Program. Charter schools are required to set aside 10% of their local replacement funding for facilities, but this amount does not match the benefits traditional public schools receive.

While many charter schools occupy former commercial space that has been renovated to suit their needs, a growing number of charter schools are in specially constructed new facilities. Despite the type of facility, the greatest physical concerns for charter school administrators include: sufficient classroom and library space and grounds and outdoor facilities. Although some charter schools use other community facilities to meet the needs of student activities, the majority do not. Also from the Utah Foundation survey, we note that 72% of those surveyed do not believe that their current space can accommodate increased enrollment.³¹ Despite these issues, the majority of charter school administrators are satisfied with their current facility and believe that it positively impacts their school's attractiveness to students and parents.

Based on Utah Foundation's survey of charter schools, the most commonly cited reason why charter schools are in their current space is simply because it was what was available in the desired location and what was affordable at the time. In order to pay for facilities, most charter schools have entered into lease agreements for their facilities. The specifics of each individual lease are as different as the spaces in which schools occupy. Typical lease terms vary from year-to-year leases to long-term leases of 10 to 30 years. The cost of individual facilities varies more dramatically than lease lengths, with some spending a few thousand dollars a year and some over \$200,000. Half of all schools surveyed reported spending more than \$150,000 per year in facilities payments.

One concern with leasing buildings for school use involves property tax expenses. Private taxpayers pay local property taxes on the buildings they own and lease out. Those taxes are passed through as part of the monthly or annual lease payments. Charter schools are not immune to this, and property tax payments are frequently passed along to charter schools as part of their rent to cover the

cost of their landlords' property taxes. This is a cost burden that traditional schools do not shoulder, because districts own their buildings, making them tax exempt. To relieve charter schools of this burden, some have proposed exempting charter schools from paying property taxes on leased facilities, but this would require changes to the state constitution. A more efficient way in which to address this problem has been proposed by charter school leaders: to create a reimbursement formula in which the state compensates charter schools for property taxes paid.

Not all charter schools are leasing their facilities; a handful of charter schools have opted to purchase facilities or enter into lease-to-own arrangements. Several Utah charter schools have sought the help of educational management corporations such as *Academica Corporation* and *US Charter Development* (formerly known as *Charter One*) to aid in both their management and facilities acquisitions. Educational management corporations—both for-profit and non-profit offer an extensive menu of services for school operators ranging from initial development and submission of charter, curriculum design, personnel recruitment assistance, school marketing, contract negotiations with outside vendors as well as facilities and financial management.

When acting as financial facilitators, educational management corporations provide charter schools with access to financing as well as assistance in school building design, new construction and retro-fitting buildings for school use. The assessment of educational management corporations has overall been positive; many however do question the role of private enterprise in public education as well as concerns over the political connections and motivations of management groups. The *Salt Lake Tribune* has highlighted potential conflicts of interest with management company employees' or partners' family members sitting on boards of charter schools that contract with their company. Some argue that these connections have allowed charter schools to obtain facilities at lower cost than they otherwise would have paid, but the situation does cause concern about open bidding processes for government contracts.

While several charter schools in Utah have entered into lease-to-own agreements or have financed the purchase or building of their school facilities, their ability to borrow is in question. No state law specifically enables charter schools to borrow money, and one analysis states that without such a provision in law, charter schools are not legally authorized to borrow.³² If that is the case, they are only authorized to rent or engage in rental-style leases (not a lease-to-own contract). However, most charter schools are also incorporated as 501(c)(3) nonprofit entities, and the laws governing nonprofits would seem to allow them to enter into debt obligations. In this sense it appears that charter schools have a dual identity—on the one hand they are public government entities, and on the other are organized as non-profit corporations with the ability to borrow money. Giving charter schools as a government entity the ability to borrow money is a potentially complicated step that may subject schools to greater regulation by state facilities authorities, including oversight by the Division of Facilities Construction and Management. Legislators

involved in this arena are concerned that such a change would increase bureaucratic difficulties and ultimately increase the costs of charter school buildings.

Setting aside identity problems of whether a charter school is first a public government entity or a non-profit corporation, problems related to the act of borrowing money still exist. When financing new construction or purchasing a building, a percentage of purchase price is typically required in the form of a down payment. Charter schools would need to save money over a period of years in order to meet lender requirements. While a school or individual district is not required to expend all of the funds it receives in a given year, revenues may be carried forward, but within the specific line item in which funding was generated, making it difficult to find savings that could be carried forward to build equity for a facilities purchase.

With limited funding anyway, charter schools are not necessarily in a position to set funds aside for savings. As such, charter schools face economic barriers to building equity and may not be able to build up large cash reserves. Donations made to schools undoubtedly would expedite a school's savings rate; many schools, however, do not have a sizable donor base on which to rely for cash gifts.

ADMINISTRATIVE FUNDING

Based on Utah Foundation's survey of charter schools, administrative cost funding is one of the most concerning issues facing charter

school leaders. Forty-four percent of survey respondents consider administrative funding to be one of the revenue areas that present the greatest level of concern or problems in the management of their charter school.³³

The issue of administrative funding is two-fold for charter schools. First, there is concern that individual charter schools will be adversely affected by the diminishing nature of administrative funding relative to enrollment growth. Second, and closely related to administrative functions, are the difficulties in establishing economies of scale to efficiently implement administrative and bureaucratic tasks. Both of these will be addressed in this section in more detail below.

Figure 10: WPU Funding Formula for Administrative Costs

Enrollment (# of Students)	WPU
Less than 2,001	53
2,001-10,000	48
10,000-20,000	25
Over 20,000	16

Source: USOE

Figure 11: Administrative Costs: Funding History for Charter Schools

Fiscal Year	Charter Schools	Charter Enrollment	WPUs Generated	WPU Value	Administrative Funding Generated	Administrative Funding Per Student
2003	12	1,526	53	2,132	113,607	74.45
2004	18	3,253	48	2,150	103,202	31.73
2005	24	6,237	48	2,182	104,736	16.79
2006	38	12,224	25	2,280	57,000	4.66

Source: USOE

Figure 9: Administrative Funding Comparisons FY2003-2004

District	WPU	Dollars (WPU Value: \$2,150)
Alpine	16.00	34,400
Beaver	53.00	113,950
Box Elder	25.00	53,750
Cache	25.00	53,750
Carbon	48.00	103,200
Daggett	53.00	113,950
Davis	16.00	34,400
Duchesne	48.00	103,200
Emery	48.00	103,200
Garfield	53.00	113,950
Grand	53.00	113,950
Granite	16.00	34,400
Iron	48.00	103,200
Jordan	16.00	34,400
Juab	53.00	113,950
Kane	53.00	113,950
Millard	48.00	103,200
Morgan	53.00	113,950
Nebo	16.00	34,400
North San Pete	48.00	103,200
No. Summit	53.00	113,950
Park City	48.00	103,200
Piute	53.00	113,950
Rich	53.00	113,950
San Juan	48.00	103,200
Sevier	48.00	103,200
So. San Pete	48.00	103,200
So. Summit	53.00	113,950
Tintic	53.00	113,950
Tooele	25.00	53,750
Uintah	48.00	103,200
Wasatch	48.00	103,200
Washington	16.00	34,400
Wayne	53.00	113,950
Weber	16.00	34,400
Salt Lake	16.00	34,400
Ogden	25.00	53,750
Provo	25.00	53,750
Logan	48.00	103,200
Murray	48.00	103,200
Charters	48.00	103,200

Source: USOE Pre-Final Booklet

Through the State-supported Minimum School Program, administrative cost funding is granted to school districts as a line item.³⁴ The formula provides additional funding to smaller districts, intended to help them overcome poor economies of scale in providing and maintaining administrative services. This helps ensure greater equity with larger districts. Districts and charter schools are granted a certain number of WPUs based on their enrollment. The formula for awarding administrative cost funding treats charter schools as a group, as one district.³⁵ This issue of treating all charter schools as members of one district is especially salient with the rapid growth in the number of charter schools operating each year. Increasing numbers of charter schools will increase the size of the charter school "district" and simultaneously decrease the amount of funding received by individual charter schools in two ways. First, the larger the district (in terms of student population), the smaller the funding provided by the state for this purpose.³⁶ Second, more charter schools cause this lump-sum amount to be diluted among more recipients, dramatically reducing the amounts received by any one school.³⁷

As enrollment increases in charter schools as a whole, their cumulative total as a district increases in size. Figure 12 shows that charter school enrollment has been almost doubling each year since 2001. It is expected that approximately 12,200 students will be enrolled in Utah public charter schools for the 2005-2006 school year. When administrative funding for charter schools began in FY 2003, the

Figure 12: Enrollment by District, October 1, 2000-2004, CDC* Projected 2005

District	2000	2001	2002	2003	2004**	2003-2004 Change	Percent	2000-2004 Average%	2005 Projected***
Alpine	47,096	48,266	49,159	51,118	52,825	1,707	3.3%	2.9%	55,209
Beaver	1,426	1,451	1,469	1,472	1,508	36	2.4%	1.4%	1,539
Box Elder	10,927	10,850	10,660	10,529	10,561	32	0.3%	-0.8%	10,590
Cache	13,170	13,189	13,081	13,315	13,388	73	0.5%	0.4%	13,627
Carbon	4,100	3,911	3,827	3,622	3,488	-134	-3.7%	-4.0%	3,352
Daggett	164	147	130	132	136	4	3.0%	-4.6%	143
Davis	58,867	58,900	59,536	60,025	60,606	581	1.0%	0.7%	61,679
Duchesne	4,140	4,054	3,993	3,900	3,894	-6	-0.2%	-1.5%	3,876
Emery	2,714	2,508	2,442	2,434	2,366	-68	-2.8%	-3.4%	2,318
Garfield	1,115	1,052	1,040	969	947	-22	-2.3%	-4.0%	928
Grand	1,560	1,494	1,455	1,474	1,418	-56	-3.8%	-2.4%	1,454
Granite	70,608	70,596	69,600	69,072	68,568	-504	-0.7%	-0.7%	68,541
Iron	7,176	7,276	7,240	7,443	7,788	345	4.6%	2.1%	8,126
Jordan	73,137	73,471	73,808	74,761	75,716	955	1.3%	0.9%	77,385
Juab	1,830	1,844	1,872	1,939	1,963	24	1.2%	1.8%	1,993
Kane	1,335	1,312	1,235	1,200	1,196	-4	-0.3%	-2.7%	1,213
Logan	5,778	5,791	5,858	5,872	5,821	-51	-0.9%	0.2%	5,877
Millard	3,321	3,191	3,142	3,083	2,957	-126	-4.1%	-2.9%	2,885
Morgan	2,019	2,024	1,984	1,955	1,967	12	0.6%	-0.7%	1,957
Murray	6,481	6,364	6,336	6,482	6,492	10	0.2%	0.0%	6,574
Nebo	21,066	22,070	23,078	23,900	24,887	987	4.1%	4.3%	25,830
No. Sanpete	2,489	2,451	2,443	2,370	2,313	-57	-2.4%	-1.8%	2,269
No. Summit	993	963	968	969	986	17	1.8%	-0.2%	1,012
Ogden	12,750	12,855	13,141	12,963	12,684	-279	-2.2%	-0.1%	12,877
Park City	3,921	3,923	3,957	4,059	4,212	153	3.8%	1.8%	4,395
Piute	354	318	312	307	345	38	12.4%	-0.6%	374
Provo	13,241	13,298	13,177	13,103	13,359	256	2.0%	0.2%	13,749
Rich	473	468	473	454	429	-25	-5.5%	-2.4%	410
Salt Lake	24,921	24,648	24,382	23,966	23,595	-371	-1.5%	-1.4%	23,482
San Juan	3,146	3,038	2,978	2,979	2,957	-22	-0.7%	-1.5%	2,861
Sevier	4,477	4,442	4,370	4,316	4,305	-11	-0.3%	-1.0%	4,285
So. Sanpete	2,741	2,724	2,792	2,772	2,739	-33	-1.2%	0.0%	2,712
So. Summit	1,280	1,278	1,320	1,312	1,322	10	0.8%	0.8%	1,344
Tintic	267	309	275	250	262	12	4.8%	-0.5%	262
Tooele	9,177	9,507	10,034	10,508	11,039	531	5.1%	4.7%	11,661
Uintah	5,974	5,938	5,682	5,607	5,642	35	0.6%	-1.4%	5,693
Wasatch	3,678	3,777	3,916	4,022	4,136	114	2.8%	3.0%	4,156
Washington	18,261	18,823	19,617	20,317	21,584	1,267	6.2%	4.3%	22,980
Wayne	550	538	520	518	517	-1	-0.2%	-1.5%	516
Weber	28,009	28,101	28,315	28,196	28,527	331	1.2%	0.5%	29,029
Subtotal	474,732	477,160	479,617	483,685	489,445	5,760	1.2%	0.8%	495,400
Charter Schools	537	641	1,526	3,253	6,237	2,984	91.7%	84.6%	10,000
TOTAL:	475,269	477,801	481,143	486,938	495,682	8,744	1.8%	1.1%	505,400

* Common Data Committee

** Excludes 187 students from out of state

*** Subtotal excludes 3,763 students who represent new and growing charter schools

Source: USOE; <http://www.usoe.k12.ut.us/data/ar/04ar/Statistics/ENROLLMENT/Falenn04.xls>

number of students enrolled in charter schools totaled less than 2,000 students; as such, those charter schools were awarded the value of 53 WPUs, or a per-student allocation of \$74. Without any changes to the current funding formula, as a result of the tremendous growth in charter school enrollment, the per-student administrative funding amount for FY 2006 will be less than \$5.³⁸ In other words, a 300-student charter school will have lost 94% of its state provided administrative cost funding between FY 2003 (\$22,334) and FY 2006 (\$1,398).³⁹ Figure 11 shows this in more detail.

The issue of administrative cost funding is a significant inequity between charter schools and traditional public schools. Proposals for changing funding formulas have been raised by the charter school community and by USOE staff. Charter schools propose that funding for administrative costs be converted to provide a base level of funding of 10 WPUs for all charter schools, regardless of enrollment size.⁴⁰ In addition to the base funding of 10 WPUs, additional funding would be awarded based on enrollment size, capped at 27.5 WPUs for any individual school.⁴¹ Efforts are underway to draft bills for the 2006 legislative session on these issues.

While changes in administrative funding formulas will certainly help charter schools financially, not all of their administrative cost

issues can be solved through increased state aid. As mentioned above, charter schools and small districts have difficulties establishing effective economies of scale in regards to administrative tasks in the way that larger districts can. While large districts are able to purchase various supplies in bulk for individual schools, charter schools do not have the same buying power. Instead, individual schools are left to purchase necessary supplies and equipment on an individual basis. Bureaucratic tasks and reporting are additional challenges facing charter schools. State reporting and compliance procedures are complex, and obtaining requisite information and developing advanced knowledge in this area proves difficult for many charter schools.

Charter schools are known for their volunteerism, but according to Utah Foundation's survey of charter school directors, very little of an individual charter school's administrative tasks are performed by volunteers.⁴² These tasks are often so important that they can't be effectively delegated to a volunteer. To help assist schools with these responsibilities, 65% of survey respondents support the creation of some form of centralized agency, network, or organization. The establishment of a centralized administrative agency may prove difficult given the diversity of charter schools, different curricula used, and geographic distance between schools. The most commonly

Figure 13: Teacher Salary and Benefits FY2004

DISTRICT	Minimum Salary with Bachelor's Degree	Maximum Salary with Master's Degree	Average Contract Salary	Social Security	Retirement	Health Insurance	Dental Insurance	Life Insurance	Industrial Insurance	Unemployment Insurance	Long-Term Disability
Alpine	25,181	49,403	39,012	2,984	5,150	8,115		37	117	20	128
Beaver	27,158	45,349	37,551	2,873	4,957	10,908	805	54	127	38	110
Box Elder	24,689	45,273	37,491	2,868	4,949	7,278		6	107	25	
Cache	24,153	47,467	38,640	2,956	5,100	6,590		17	66	39	64
Carbon	25,342	41,064	37,644	2,880	4,969	7,410		58	136	38	72
Daggett	24,620	42,593	35,839	2,742	4,731	9,840	60	354		147	
Davis	27,083	49,593	39,991	3,059	5,279	7,809	874	48	57	11	76
Duchesne	24,544	42,400	35,881	2,745	4,736	6,218		61	60	23	118
Emery	26,110	44,860	41,377	3,165	5,462	9,840	737	56	300		69
Garfield	25,445	46,899	37,194	2,845	4,910	9,264	1,224	149	129	37	24
Grand	24,895	44,277	37,695	2,884	4,976	7,680		51	303	38	165
Granite	26,428	48,410	39,270	3,004	5,184	7,298		86	294	20	
Iron	26,205	45,667	36,304	2,777	4,792	8,298	587	66	123		120
Jordan	25,614	47,022	37,514	2,870	4,952	6,563		61	300	38	157
Juab	25,896	46,125	37,264	2,851	4,919	8,636		42	205	37	146
Kane	27,243	43,892	36,400	2,785	4,805	9,840	1,037	48	90	95	204
Logan	25,332	47,112	38,149	2,918	5,036	7,308			179	79	111
Millard	26,060	47,835	40,699	3,113	5,372	8,712	907	42	244	41	139
Morgan	25,860	45,704	36,770	2,813	4,854	8,132		87	101	37	114
Murray	28,208	51,503	40,877	3,127	5,805	9,750		90	200	41	135
Nebo	24,912	47,359	36,518	2,794	4,820	7,143		52	87	37	70
North Sanpete	26,039	44,336	36,785	2,814	4,856	10,908		52	231	7	106
North Summit	25,660	43,406	39,172	2,997	5,171	9,838	768	31	216	1	185
Ogden	27,370	48,179	41,359	3,164	5,459	7,491	598	28	83	83	168
Park City	29,946	58,456	45,144	3,454	5,959	6,780	414	49	293	144	122
Piute	25,912	43,952	38,448	2,941	5,075	9,840		61	186	38	75
Provo	24,831	49,421	39,339	3,009	5,193	7,117		44	393	39	138
Rich	25,383	46,291	42,596	3,259	5,623	8,712	847	50	221	43	210
Salt Lake	29,950	51,348	47,592	3,641	6,520	5,055	585	71	151	60	210
San Juan	27,126	47,108	38,645	2,956	5,101	8,436		52	247	39	133
Sevier	26,119	44,760	38,401	2,938	5,069	5,525		45	246		161
South Sanpete	26,070	42,794	37,517	2,870	4,952	10,908		50	375	98	158
South Summit	29,960	46,710	37,756	2,888	4,984	7,308	480	2	321	0	113
Tintic	24,895	46,554	41,233	3,154	5,443	9,840	1,224	21	3	41	180
Tooele	24,366	42,850	33,946	2,597	4,481	9,900	248	47	98	34	67
Uintah	26,309	44,676	39,567	3,027	5,223	8,436		72	445	40	146
Wasatch	25,865	44,875	36,939	2,826	4,876	7,968	1,224	24	111	37	133
Washington	25,206	43,304	37,727	2,886	4,980	6,320	601	36	208	38	130
Wayne	24,315	40,120	35,843	2,742	4,731	8,604	1,052	72	65	36	177
Weber	26,431	47,892	37,947	2,903	5,009	7,485		68	133	38	95
DISTRICT MEDIAN	25,881	45,915	37,851	2,896	4,996	8,123	768	51	179	38	130
CHARTER SCHOOL MEDIAN			28,914	2,212	3,825	4,873	726	44	83	29	132

DISTRICT	Total Benefits	Total Compensation	Health & Dental Insurance as a Percent of Total Benefits	Health & Dental Insurance as a Percent of Total Compensation	Retirement as a Percent of Total Compensation	Total Benefits as a Percent of Total Compensation
Alpine	16,551	55,563	49.0	14.6	9.3	29.8
Beaver	19,872	57,423	58.9	20.4	8.6	34.6
Box Elder	15,233	52,723	47.8	13.8	9.4	28.9
Cache	14,832	53,472	44.4	12.3	9.5	27.7
Carbon	15,562	53,206	47.6	13.9	9.3	29.2
Daggett	17,874	53,713	55.4	18.4	8.8	33.3
Davis	17,213	57,204	50.4	15.2	9.2	30.1
Duchesne	13,962	49,843	44.5	12.5	9.5	28.0
Emery	19,629	61,006	53.9	17.3	9.0	32.2
Garfield	18,582	55,776	56.4	18.8	8.8	33.3
Grand	16,096	53,790	47.7	14.3	9.3	29.9
Granite	15,886	55,155	45.9	13.2	9.4	28.8
Iron	16,764	53,067	53.0	16.7	9.0	31.6
Jordan	14,940	52,454	43.9	12.5	9.4	28.5
Juab	16,835	54,099	51.3	16.0	9.1	31.1
Kane	18,903	55,303	57.5	19.7	8.7	34.2
Logan	15,631	53,780	46.8	13.6	9.4	29.1
Millard	18,571	59,270	51.8	16.2	9.1	31.3
Morgan	16,137	52,907	50.4	15.4	9.2	30.5
Murray	19,147	60,024	50.9	16.2	9.7	31.9
Nebo	15,002	51,520	47.6	13.9	9.4	29.1
North Sanpete	18,974	55,759	57.5	19.6	8.7	34.0
North Summit	19,206	58,379	55.2	18.2	8.9	32.9
Ogden	17,073	58,432	47.4	13.8	9.3	29.2
Park City	17,214	62,358	41.8	11.5	9.6	27.6
Piute	18,216	56,664	54.0	17.4	9.0	32.1
Provo	15,934	55,272	44.7	12.9	9.4	28.8
Rich	18,964	61,560	50.4	15.5	9.1	30.8
Salt Lake	16,293	63,885	34.6	8.8	10.2	25.5
San Juan	16,964	55,610	49.7	15.2	9.2	30.5
Sevier	13,984	52,385	39.5	10.5	9.7	26.7
South Sanpete	19,411	56,927	56.2	19.2	8.7	34.1
South Summit	16,097	53,852	48.4	14.5	9.3	29.9
Tintic	19,906	61,138	55.6	18.1	8.9	32.6
Tooele	17,472	51,418	58.1	19.7	8.7	34.0
Uintah	17,389	56,955	48.5	14.8	9.2	30.5
Wasatch	17,199	54,138	53.4	17.0	9.0	31.8
Washington	15,199	52,926	45.5	13.1	9.4	28.7
Wayne	17,479	53,321	55.2	18.1	8.9	32.8
Weber	15,732	53,678	47.6	13.9	9.3	29.3
DISTRICT MEDIAN	17,019	55,214	52.2	16.1	9.0	30.8
CHARTER SCHOOL MEDIAN	10,066	39,364	55.6	14.2	9.7	25.6

Source: USOE, Superintendent's Annual Report 2003-2004: <http://www.usoe.k12.ut.us/data/ar/04ar/Statistics/STAFF/salary%20&%20benefits%20FY04.xls>

cited tasks that schools would like to see centralized include: special education⁴³ services, testing and data collection, purchasing of basic office supplies, teacher licensing, and various state reporting requirements.

A centralized agency may help charter schools overcome their inability to effectively establish economies of scale, but the creation of a bureaucratic structure seems counter to the charter school movement. Concerns of the rigidity of such an agency and potential inefficiencies would need to be weighed with the benefits of such a network.

While charter school operators do express a high level of concern over their ability to effectively navigate bureaucratic tasks and state requirements, they are not without any resources or assistance. The Technical Assistance Project for Utah Charter Schools (TAP) is a clearinghouse of information for new and existing charter schools and is funded by a federal charter school dissemination grant through City Academy. It has thus far proved indispensable to both new and existing charter schools.

Currently operated by Steve Winitzky and Ram Prasad Boppana, the goal of TAP is to provide technical assistance to new and existing charter schools.⁴⁴ By acting as a clearinghouse, TAP provides vital information via a website⁴⁵; additional assistance for charter school operators is offered through a variety of workshop and training sessions as well as onsite visits.

PERSONNEL ISSUES (TEACHER RETENTION, SALARY/BENEFITS & RECRUITMENT)

Recruiting, paying, and retaining qualified teachers ranks high on the list of challenges facing charter school operators. While the annual turnover rate charter school operators reported varied from 0-80% (the majority reported 5-10% turnover), there is concern over the ability of charter schools to attract quality teachers and to provide district-comparable salary and benefits.

Figure 13 shows that the median total compensation for charter school teachers is approximately 30% less than for teachers employed in district schools. There has been speculation that due to the lower pay and benefits, charter schools can only attract teachers with qualifications lower than those employed in districts. While it is possible to comment on the overall teacher compensation reported by charter schools, it is difficult to correlate this with the quality of teachers working at charter schools. Individual, highly qualified teachers may be willing to sacrifice pay or benefits in exchange for working in a school that encourages creativity or has adopted a curriculum they find favorable. Some charter school leaders told Utah Foundation that despite less generous benefits, they are able to pay slightly higher salaries than districts in order to attract teachers.

Half of all survey respondents reported that 50% or more of their teachers were recent graduates or individuals new to the profession (with less than two years experience). The lower benefits and salary

reported by charter schools compared to districts may simply reflect the large numbers of new teachers employed by charter schools. Or, vice-versa, it may be that charters attract newer teachers because they cannot afford more experienced ones. Many charter school administrators reported that the majority of their teachers had considerable educational instruction experience and this may be representative of teachers who accept lower compensation in exchange for non-traditional educational settings, greater academic freedom, and in some cases, lower class sizes.

Benefit costs account for approximately 30% of total salaries and wages for districts and 25% for charter schools. Within this total, health and dental insurance account for roughly half of the median benefits offered by districts and charter schools. When looking at charter schools in more detail, it is apparent from Figure 14 that health and dental insurance costs vary widely. Several schools devote over 60% of their total benefits compensation to health and dental insurance. Survey respondents consider health insurance benefits to be of special concern to their school; with rising health care insurance cost trends, charter school operators are likely to face further challenges in affording quality insurance.

The ability to provide competitive retirement packages is also a concern for charter schools. Most charter schools do offer some form of retirement options ranging from private accounts such as a 401(k) or 403(b) or participation in the Utah Retirement System. Some charter schools, however, do not provide any form of retirement benefits. As with health insurance, the range of school contributions to retirement plans varies widely. The majority of charter schools contribute between 1-15% of teachers salaries (not including teacher contributions) to retirement plans. Figure 13 shows that when compared to districts, the median for retirement benefits as a percentage of total compensation is slightly higher for charter schools. Figure 14 shows when focusing on specific charter schools, a number of schools devote over 10% of their total compensation to providing retirement benefits; Salt Lake School District is the only district to match this (see Figure 13).

Figure 14: Select FY 2004 Charter Schools Benefits

Charter Schools	Health & Dental Insurance as a Percent of Total Benefits	Health & Dental Insurance as a Percent of Total Compensation	Retirement as a Percent of Total Compensation	Total Benefits as a Percent of Total Compensation
AMES	31.3	9.3	7.8	29.8
American Prep	55.0	9.8	0.0	17.8
CBA Center	60.0	21.6	8.5	36.0
Center City	69.9	14.3	0.0	20.5
Dream	0.0	0.0	10.9	17.3
Fast Forward	36.5	9.2	9.9	25.1
Freedom	46.4	13.4	9.4	29.0
Jean Massieu	0.0	0.0	10.9	17.3
John Hancock	53.1	16.4	9.1	30.9
Ogden Prep	51.3	7.4	0.0	14.3
Pinnacle Canyon	67.0	18.9	0.0	28.2
Salt Lake Arts	8.5	1.6	10.7	18.7
Soldier Hollow	56.6	8.8	0.0	15.6
Success	49.9	15.5	9.6	31.1
Thomas Edison	65.6	18.8	2.3	28.7
Timpanogos	43.5	12.2	10.2	28.0
Tuacahn High	59.1	20.1	8.7	34.1
Uintah River	0.0	0.0	10.9	17.3
CHARTER SCHOOL MEDIAN	55.6	14.2	9.7	25.6

Source: USOE

Making charter schools benefit packages more competitive with traditional districts is not out of the question. Undoubtedly, benefit costs will continue to rise and will continue to occupy larger and larger portions of total compensation for individual schools. Charter schools, as public schools, have the ability to participate in the Utah Public Employees Health Program (PEHP). While a handful of members currently participate in PEHP, the majority of charter schools provide independent insurance for their employees. Eighty-one percent of survey respondents expressed a desire to participate in a pool of charter schools for health insurance, retirement, and other employee benefits. While participating in a collective could allow charter schools an ability to obtain better rates and packages, the creation of such an agency would necessarily be subject to the same concerns of bureaucratic inefficiencies as are raised in discussions of administrative agencies. It is also difficult to see why creating a new pool would be better than the existing pool available through PEHP.

KNOWLEDGE OF ADMINISTRATIVE PROCEDURES & STATE REQUIREMENTS

Some charter school leaders expressed a desire for more standardized sharing of information about state procedures and requirements. One option to help alleviate concerns over lack of knowledge on proper administrative procedures and rules is the creation of a state-wide resource book that is supplied to schools. TAP is providing many services for charter schools directly and has also helped as a liaison between charter schools and staff at the Utah State Office of Education. There are other knowledge based improvements that can be undertaken to improve the ability of charter operators to effectively manage their schools. A resource manual may help operators stay on top of administrative tasks. This manual could serve as a policy guidebook provided to charter operators and periodically updated to inform administrators of any change in policy or procedures that could affect their schools.

CONCLUSION

As of Fiscal Year 2004, charter schools have not gained ground in funding parity with traditional public schools. The gap between charter schools and districts in ongoing per-pupil funding is about the same as it was two years ago: about \$801 per pupil. A portion of this difference is legitimate – some funds are not provided to charter schools because they simply do not have the student characteristics that would call upon those funds. These differences accounted for \$326 of the \$801 per pupil funding difference.

However, much of the funding gap is due to charter schools ineligibility for certain funds and to shortfalls in the local revenue replacement formula, which was designed to provide per-pupil funds to charter schools equivalent to districts' local property tax revenues. The largest portion of the formula shortfall was the exclusion of principal payments from the districts' debt service taxes, amounting to \$267 per pupil in FY 2004. Another significant shortcoming in the formula is the exclusion of state supplements to local property taxes for operations and capital outlay purposes. These amounted to

\$229 per pupil in operations revenues and \$56 per pupil in capital outlay revenues. In addition, charter schools have not been eligible to receive state funding for student transportation, although some of the charter schools do arrange for transportation on public transit systems or charter buses.

A significant portion of charter school finances are tied to federal grants, which adds a great deal of risk to charter schools' financial future. The federal start-up grants that have made the creation of new charter schools feasible are only available through a national competition, with states fighting for their share. If Utah were to lose these funds in the next round of grant applications, the state would face great pressure to provide millions of dollars to replace those funds. Without these grants, starting a new charter school would be extremely difficult.

The new federal Facilities Incentive Grant has helped Utah provide funding for charter school facilities, but it was designed to be a temporary boost to the state, providing leverage for the creation of a new facilities funding system at the state level. That grant will phase out over five years, and Utah does not have a new facilities funding system prepared to "take up the slack" as the federal money phases out. Therefore, this grant is only providing a temporary boost to charter school funding. That boost probably reduced the funding parity gap by about half in 2005, but the gap will begin growing again immediately as funds diminish and the pupil count grows.

If policymakers desire to reduce the funding gap between charter schools and districts, they should focus on revenues that are provided to charter schools on a per-pupil basis. Funding sources that are provided as lump sums may be useful in the short run but do not help in the medium-to-long run.

There are several potential solutions for providing greater aid to charter schools on a per-pupil basis:

1. Increase local revenue replacement funds provided by the state by adjusting the formula to count all district debt service taxes;
2. Increase local revenue replacement funds by including state guarantees that supplement local property tax levies;
3. Provide transportation funds to those charter schools that can provide transportation to their students, either through their own buses, public transit passes, or charter buses; or
4. Create an ongoing per-pupil facilities grant for charter schools in the spirit of the state match that should accompany the federal Charter School Facilities Incentive Grant.

Any combination of these options would help ensure that charter school students receive equitable resources compared to other public

school students. The fourth option would additionally ensure that Utah is in full compliance with the federal grant. Such a program could be structured to phase in as the federal money phases out, making it easier to afford in the early years

The financial difficulties caused by rapid growth also cause some concern about the removal of the cap on how many charter schools can be authorized in a year. Some form of financial analysis to inform the State Charter School Board approval process would be beneficial. Board members should be aware of how the number of new school openings can affect the amount of federal grant money and state funds that have already been received or allocated to charter schools.

For the most part, charter school operators are satisfied with their school's facilities. It may be advisable to clear up the confusion over the legal right for charter schools to enter into lease-to-own arrangements or debt to purchase school buildings. However, some legislators feel that clarifying this law would increase charter school building costs and would run counter to the nature of charter schools as entities that are less inhibited by burdensome state regulations.

Related to this, the issue of charter schools saving money for facilities purchases should be addressed. With limited funding, it is not clear how to accomplish this goal, but it is also clear that the current system ties charter schools to reliance on companies that can lease facilities to them.

The role educational management corporations serve in the charter school community will always be met with mixed reviews. Whether for-profit organizations are appropriate in schools is not necessarily of concern for this report; but if charter schools need assistance in marketing, teacher recruitment, finance or any other matter, then it is probably safe to say that these types of organizations are providing a valuable service and have a positive impact on the charter school community.

TAP is currently funded by a federal dissemination grant. By relying on federal grant money, the financial stability and future vitality of TAP will always be in question. Based on the success of TAP in providing the charter school community with needed information, resources, and training, additional funding would not only be beneficial but would also increase the likelihood of future success as new charter schools are created.

The Utah Charter Schools Office within the State Office of Education has undertaken another important step to aid in charter school creation. Previously staffed by only a director and executive secretary, the office has doubled in size with the creation of two new positions this past summer. The addition of new staff members helps ensure that both existing and new charter school administrators will find the assistance they need.

Charter schools have grown rapidly in Utah since their inception.

That growth is an indication of acceptance by parents and enthusiasm for the kinds of choices offered by charter schools. The enthusiasm for charter schools, however, also brings growing pains, including significant challenges in adequately funding charter schools. If policymakers feel that the charter school experiment is working, some attention must be paid to creating funding systems that will allow charter schools to continue to succeed by reducing their financial risks and allowing adequate resources to perform their educational responsibilities well.

ENDNOTES

¹ U.S. Charter Schools. "History." Available from: http://www.uscharterschools.org/pub/uscs_docs/o/history.htm. Accessed 4/18/2005.

² Utah Association of Public Charter Schools Guiding Principles.

³ Charter School Leadership Council. State of the Charter School Movement 2005: Trends, Issues and Indicators. 2005, 5. Available from: <http://www.charterschoolleadershipcouncil.org/pdf/sotm2005.pdf> Accessed 4/20/2005.

⁴ <http://www.edreform.com/index.cfm?fuseAction=document&documentID=1964>

⁵ United States General Accounting Office. "Charter Schools: New Charter Schools Across the Country and in the District of Columbia Face Similar Start-Up Challenges." Report to Congress Requesters, number 03-899, 1.

⁶ The benefits and ramifications of this bill are discussed in more detail below.

⁷ While charter schools are required to follow state mandated core curriculum in Utah, charter schools are allowed to experiment with alternative methods and programs that fulfill the requirements.

⁸ Northern Utah Academy for Math, Engineering and Science (NUAMES), Itineris Early College High School, SUCCESS Academy and Utah County Academy of Sciences (UCAS) are other early college, high-tech high schools currently in operation in Utah.

⁹ Utah Code, Section 53A-1a-503.

¹⁰ These figures exclude funds for non K-12 programs, building reserves, "other governmental and enterprise" funds, and food services funds. These charts include federal startup grants for charter schools.

¹¹ When comparing school finances for both traditional public and charter schools, this report relies on budget data for fiscal year 2003-2004.

¹² Many charter schools do not meet all the requirements for Title I funding and many other schools opt out of NCLB funding. Very few charter schools opt to receive NCLB funding, citing the length of the paperwork in relation to the dollar amount awarded as the reason why it is not advantageous to participate.

¹³ United States General Accounting Office. "Charter Schools: New Charter Schools Across the Country and in the District of Columbia Face Similar Start-Up Challenges." Report to Congress Requesters, number 03-899, 1.

¹⁴ It is against federal regulations to accrue interest on grant monies. As such, all monies must be spent within 30 days.

¹⁵ U.S. Department of Education, No Child Left Behind Charter Schools Program. Title V, Part B: Non Regulatory Guidance. Available from: <http://www.ed.gov/policy/elsec/guid/cspguidance03.doc>.

¹⁶ States receive 90 percent of an agreed-upon per-pupil amount from the federal grant in the first year, phasing down to 20 percent in the fifth year before being completely phased out. U.S. Department of Education, State Charter Schools Facilities Grant Incentive Program. Available from: <http://www.ed.gov/programs/statecharter/index.html>

¹⁷ U.S. Department of Education, State Charter Schools Facilities Grant Incentive Program. Available from: <http://www.ed.gov/programs/statecharter/funding.html>

¹⁸ U.S. Department of Education, State Charter Schools Facilities Grant Incentive Program. Available from: <http://www.ed.gov/programs/statecharter/2004announcement.html>

¹⁹ U.S. Department of Education, Credit Enhancement for Charter School Facilities. Available from: <http://www.ed.gov/programs/charterfacilities/index.html>

²⁰ The figures reflect the experience of eight charter schools. Some schools were not included because the state charter school office did not have complete copies of the spending reports from each school for each year.

²¹ Data provided by Robert Smith, business administrator for Alpine District. New secondary schools often cost more, but most of Utah's charter schools have been elementary schools, making this the most relevant comparison.

²² This is not meant to imply that Alpine was unwilling to provide data. Rather, a key staffer was on remote military duty and unable to follow up with additional information about services and personnel spending.

²³ Utah Code Section 53A-17a.

²⁴ In FY 2003-2004 \$3,092,825 was appropriated for local replacement dollars; FY2004-2005 \$5,002,450 and \$12,559,950 for FY 05-06 per HB 382, Utah Code 53A-17a-104(2)(bb).

²⁵ USOE <http://www.sao.state.ut.us/sulcag/soe1.htm>

²⁶ Above the Line Programs includes the Regular Basic School Program and Restricted Basic School Program.

²⁷ Utah Code Section 53A-1a-513(4).

²⁸ Bond proceeds are counted as an "other financing source" in several funds but not counted as a revenue.

²⁹ It is worth noting that donations are an unstable source of funding, and future years may show much smaller per-pupil donation amounts for charter schools.

³⁰ The intent is stated clearly at the federal Department of Education website: "The purpose of the State Charter School Facilities Incentive Grants program is to assist charter schools with school facility costs by providing Federal funds to states to establish or enhance and administer per-pupil facilities aid programs. The program is intended to encourage states to develop and expand per-pupil facilities aid programs and to share in the costs associated with charter schools facilities funding." (<http://www.ed.gov/programs/statecharter/index.html>).

³¹ Increasing size is not an issue for many charter schools. In many cases enrollment numbers are written into the charter. However, some schools do petition to expand their charter schools in terms of the number of grade levels served.

³² Memo by Kent Michie, Zions Bank Public Finance, 10/19/2004, used with permission.

³³ Other top concerns included: MSP revenues (25% rated it as a highest-level concern), Differentiated WPU's, Start-up Funds and Donations and Grants (19% each).

³⁴ Other programs are awarded funding based on district status as MSP line items. These include: Local Discretionary Block Grants, Interventions for Student Success Block Grants, At Risk Regular and School Lands Trust Funding.

³⁵ Each charter school essentially operates as a one-school district; recognizing the challenges this presents, the State Office of Education began awarding charter schools administrative funding in FY 2003.

³⁶ Larger districts receive less funding for administrative costs with the understanding that their general revenues are sufficient to accommodate administrative needs.

³⁷ Recent attention has been focused on alleviating the issue of administrative funding for charter schools. It is likely that there will be changes to administrative funding in the near future. No remedies have been created at the time of this report.

³⁸ USOE

³⁹ Ibid.

⁴⁰ The value of 10 WPU's would pay for the cost of one-half of one administrator.

⁴¹ USOE

⁴² All respondents reported that less than 10% of their administrative tasks were performed by volunteers.

⁴³ Pinnacle Canyon Academy in the Carbon School District recently obtained a federal grant to provide special education services to all Utah charter schools. This proactive measure will be beneficial for all members of the charter school community.

⁴⁴ TAP

⁴⁵ Ibid.

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