

The distance between desk and home:

The policy and finance implications of school choice policies

Purpose

This paper presents the results of three inter-related studies that examine the broad impact of changing enrollment patterns on local funding and state general funds. To date, the existing literature has focused on funding disparities between traditional public and charter schools (Flaker, 2014; Maloney, Batdorf, May & Terrell, 2013; Reed & Rose, 2015), differential funding structures (Green, Baker & Oluwole, 2013; Sugarman, 2002), and financial accountability (Brent & Finnigan, 2009; DeJarnatt, 2012). This paper provides a detailed snapshot of Arizona's school choice policies and the implications for the updating the historic structure of school funding formulas.

Historic School Funding Formulas

Like most other states, Arizona's current school finance system was designed within the context of enrollment policies that almost ensured that a student's desk and home shared the same geographical and administrative boundaries. This congruence influenced school funding policies in three key ways:

1. Basic school funding is based on geography. Resources are a combination of state (general fund) and district effort (property taxes). The Arizona funding formula specifically accounts for differences in district property wealth by equalizing local and state effort.
2. Funding beyond the basic formula is available to individual school districts through the passage of bonds and overrides.

3. A sizeable portion of special education funding is provided equally across all school districts and charter schools, regardless of the number of special education students enrolled.

These policies matched school district funding needs and student enrollment patterns so long as the assumption held true that a student's desk and home resided in the same school district. A combination of state and local funding allowed financial responsibility to be shared across multiple levels of government, and just as importantly, it allowed the state to level the playing field for districts with relatively low property wealth by contributing a larger share of their funding.

With respect to bonds and overrides, the voting population was rather easily defined as all residents living within a school district boundary. Thus, school districts could make a clear argument to voters about which schools and students would benefit from their efforts to raise local property taxes. In addition, it was rather safe to assume that most parents in the district were invested voters in local school district elections because their children most likely attended the local public school.

In the case of special education funding for mild to moderate disabilities (what Arizona calls "Group A"), the assumption of proximal desk and home allowed for policies that avoided encouraging the over-identification of special education students. By providing a small "Group A" funding weight to *every* student enrolled, assuming that students with mild to moderate disabilities were evenly distributed across all school districts and the state could fund special education and related interventions without creating an incentive for districts to identify more students to receive more funds.

The Financial Implications of School Choice Policies

Beginning in 1994, Arizona instituted some of the most far-reaching school choice laws in the country. The introduction of charter schools and open enrollment in Arizona has changed the dynamics of student enrollment patterns. Approximately, 16% of Arizona students attend a charter school. Statewide open enrollment figures are not available but likely nearly as many students are enrolled outside their home school district as attend charter schools.

In Arizona, school choice has widened the distance between desk and home. The historic assumptions driving school funding policies no longer hold true. Yet, there has been little research on the collective implications of these shifting enrollment patterns for school districts or the state as whole. How, if at all, should state level funding policies change to reflect the new realities of student enrollment patterns under school choice policies?

Bonds and overrides. This section includes a historical overview of bond and override trends and an analysis of the relationship between the magnitude of school choice and passage rates of local and bonds and override elections. The analysis is based on an 11-year, longitudinal database of all school district bond and override elections during this period. The descriptive statistics of these data indicate that after a decade-long decrease in the percentage of successful local bonds and overrides elections, the percentage of bonds and overrides passing has increased in the last three election cycles (Figure 1). Despite a higher percentage of successful elections, however, passage rates have declined steadily (Figure 2). In 2015, over half of all successful school district elections were passed by slim margins - less than 1,000 votes (Figure 3). The next step in the analysis is to match the bond/override data with estimates of both charter school and open

enrollment by school district to test the relationship between the magnitude of school choice and election results. We test the proposition that as school choice increases, the number of voters with an immediate investment in the passage of the bond and override elections decreases because neither the parents of open enrollment students nor charter schools have a direct benefit from passing the bond and override in their local school district. Likewise, the parents of students attending a school district via open enrollment cannot vote for a bond and override that will benefit their student directly. And, given the slim outcome margins, the number of school choice parents may be large enough to influence local election results.

Special Education funding. This section examines special education enrollment patterns across the state, its counties and traditional district and charter schools. “Group A” portion of special education funding assumes that certain mild to moderate disabilities are even distributed across the state. The analysis of statewide special education enrollment data indicates that this assumption does not hold. Using weighted student enrollment to provide a measure of special education severity and presents a more nuanced evaluation of the special education population, we can identify those school districts that serve the most severely impacted students. Our analyses show the enrollment of special education students varies widely (Figure 4). This finding suggests that parents of students with special needs seek out communities (counties or school districts and charters) where services best match their student’s needs. The section will build upon a descriptive analysis (presented here) of the school districts (Figure 5) and charter holders with the largest special education enrollments (Figure 6).

The findings may have implications for Arizona's school funding formula going forward. Without a relatively even distribution of special education students across the state, the assumption of equal distributions of specific disabilities does not hold and the special education funding must be reviewed and updated. This is particularly true for those districts and charters that are serving a greater proportion of special education and weighted special education students as these varying special education enrollment patterns present differing funding implications for individual districts and charter schools.

Charter schools and the state general fund. The state equalization formula funds schools through a combination of general fund dollars and local district property taxes. The state share of the equalization formula varies across school districts, largely based on property wealth. High property wealth districts receive a smaller share of their formula funding from the state and a greater share from their local property taxes. Poor property wealth districts receive a larger share of formula funding from the state and a smaller share from the local property wealth (Figure 7).

In Arizona, charter schools are not geographically based and have no access to local property wealth or the revenues generated from it (<http://www.azed.gov/charter-schools/>). As a result, 100 percent of a charter school's formula funding comes from the state general fund. As charter enrollment grows, so does the relative burden on the general fund. In fiscal year 2016, nearly 16 percent of students attended charter schools but they accounted for 27 percent of general fund revenues for K-12 (Figure 8).

An Excel-based tool developed by the authors allows for the calculation of the state funding formula, by school district and charter. This tool allows the simulation of

various scenarios projecting growth in charter school enrollment over the next 15 years (Figure 9). The results make clear that continued expansion of school choice via charter schools will have a significant effect on the general fund over the next decade and beyond. Furthermore, the district of residence of charter school students will have a significant impact on just how much charter enrollment the current system can sustain (Figure 10). This section examines the impact of charter school growth on the general fund and the state's ability to sustain continued charter growth.

Scholarly and Policy Significance

Proponents advocate for the expansion of school choice policies and bringing successful models to scale. To the extent that school choice policies remain popular among policy makers, the implications of these analyses may inform the future design of school funding formulas such that charter and traditional public schools match the new realities of student enrollment patterns.

References

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Figures

Figure 1 – Percent of Bond and Override Elections Passed by Year, Arizona, 2004-2015

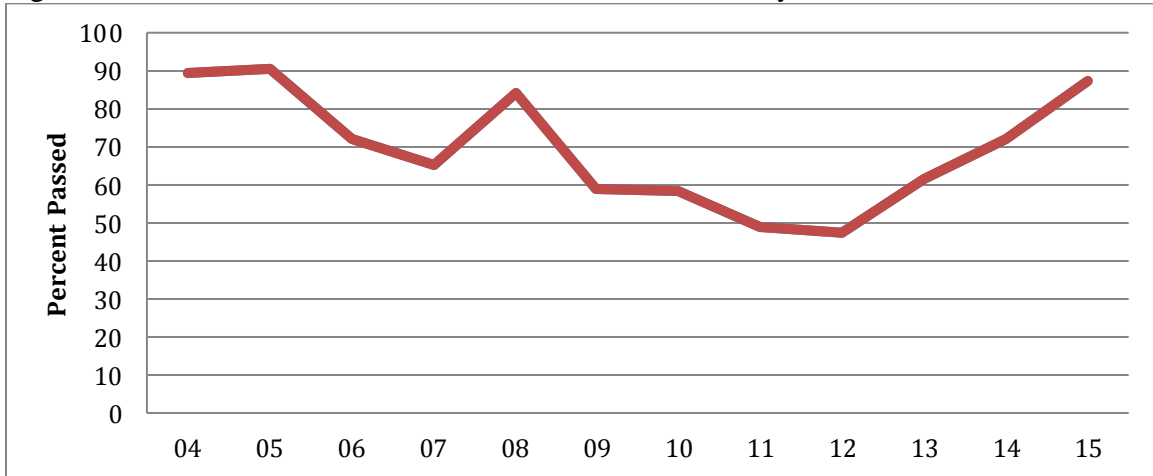


Figure 2 – Average Passage Rates by Year, Arizona, 2004-2015

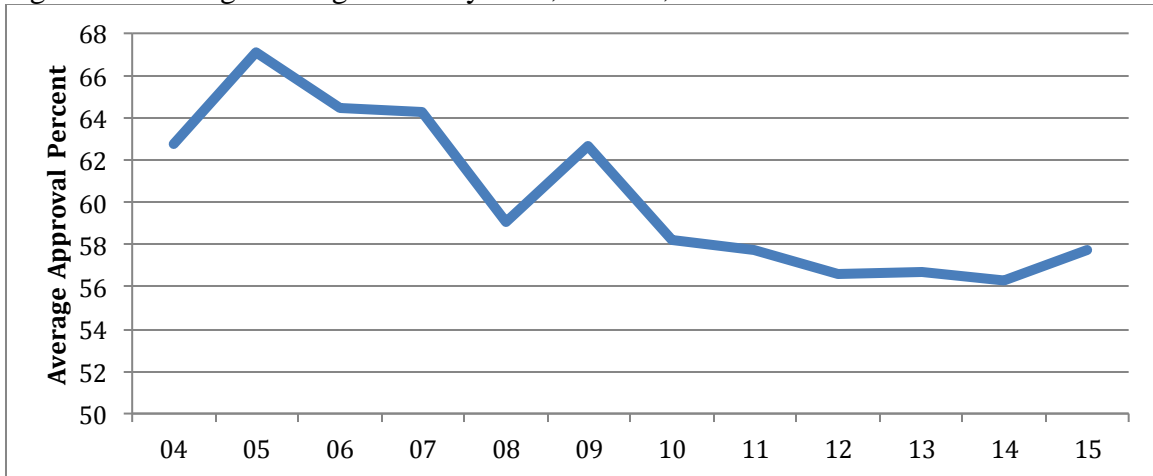


Figure 3 – Vote Count Differentials, Maricopa County, 2015 Election Results

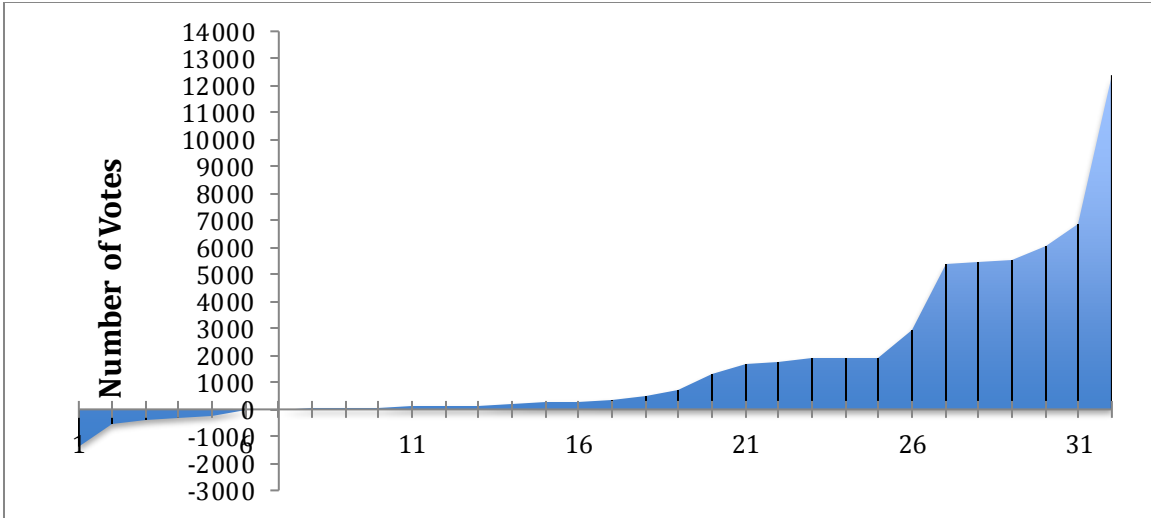


Figure 4 – Weighted Special Education Counts, 2015, by Sector

	Total Enrollment	SPED Enrollment	Weighted SPED Enrollment	SPED Percentage of Total Enrollment	Weighted SPED Percentage of Total Enrollment
Charter	160,595	14,048.80	8,989	9	6
District	895,643	107,554.16	99,349	12	11
Grand Total	1,056,237	121,602.96	108,338		

Figure 5 – Weighted Special Education Enrollment, 2015, Largest School Districts

Name	Total Enrollment	SPED Enrollment	Weighted SPED Enrollment	Percent SPED	Percent Weighted SPED	SPED Severity
Mesa Unified District	60,157	7,486	7,847	12%	13%	Higher
Tucson Unified District	46,794	6,984	5,452	15%	12%	Lower
Chandler Unified District #80	39,714	4,679	4,909	12%	12%	Higher
Gilbert Unified District	36,028	4,399	5,198	12%	14%	Higher
Peoria Unified School District	35,212	4,613	3,871	13%	11%	Lower
Deer Valley Unified District	31,963	2,992	3,207	9%	10%	Higher
Paradise Valley Unified District	31,030	3,876	4,854	12%	16%	Higher
Phoenix Union High School District	26,208	3,006	3,304	11%	13%	Higher
Dysart Unified District	24,630	3,179	3,011	13%	12%	Equal
Scottsdale Unified District	23,890	2,563	2,631	11%	11%	Higher
Washington Elementary School District	21,742	3,235	2,965	15%	14%	Lower

Figure 6 – Weighted Special Education Enrollment, 2015, Largest Charter Holders

Name	Total Enrollment	SPED Enrollment	Weighted SPED Enrollment	Percent SPED	Percent Weighted SPED	SPED Severity
Arizona Autism Charter Schools, Inc.	79	79	428	100%	543%	Higher
Sequoia School for the Deaf and Hard of Hearing	63	63	334	100%	527%	Higher
PS Charter Schools, Inc.	66	63	282	96%	430%	Higher
Crown King Elementary District	*	*	0	42%	0%	Lower
Redington Elementary District	10	4	0	42%	0%	Lower
Visions Unlimited Academy, Inc.	43	17	42	39%	98%	Higher
Franklin Phonetic Primary School, Inc.	*	*	13	38%	159%	Higher
Founding Fathers Academies, Inc	101	35	60	35%	60%	Higher
Hermosa Montessori Charter School	188	62	11	33%	6%	Lower
Double Adobe Elementary District	41	13	33	32%	80%	Higher
Concho Elementary District	150	46	34	31%	22%	Lower
Pinnacle Education-WMCB, Inc.	42	12	0	30%	0%	Lower

Figure 7: State Share of Formula Funding, 2015, Select School Districts

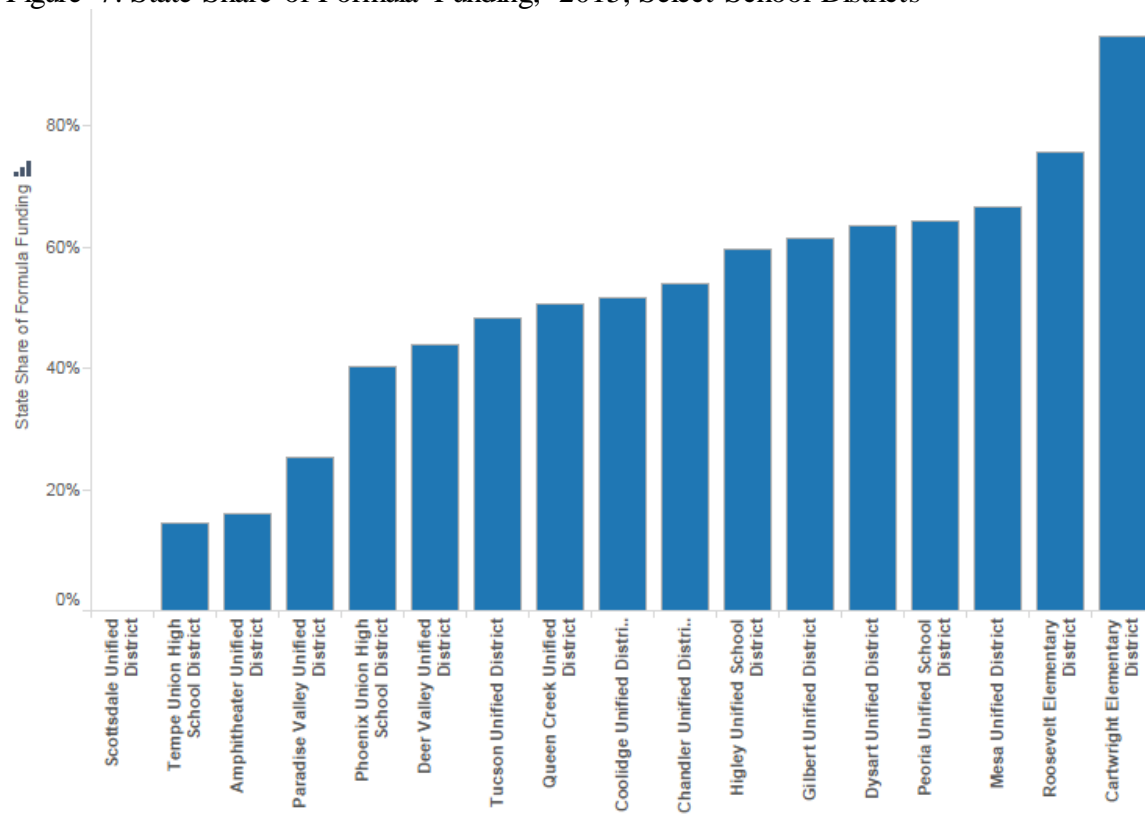


Figure 8 – Impact of Charter Enrollment on General Fund

	Student Enrollment	Equalization Formula Funding	Average Funding Per Pupil
Charter	170,755	\$ 1,078,229,491	\$ 6,314.48
District	916,988	\$ 4,836,470,873	\$ 5,274.30
State Total	1,087,743	\$ 5,914,700,364	\$ 5,437.59
Local Tax Levy		\$ 2,037,984,691	
State Share of Equalization Formula		\$ 3,876,715,673	
Charter Portion of State Enrollment		15.70%	
Charter Portion of State Share		27.81%	

Figure 9 – State General Funding Projects to 2022

	2016	Projected	
		2022	Difference from 2016
State Enrollment (NCES @ 2%)	1,087,743	1,232,150	144,407
Charter (@ 5%)	170,755	228,828	58,073
District (@ 1.5%)	916,988	1,003,322	86,334
Charter Funding (no PP change)	\$ 1,078,229,032	\$ 1,444,930,026	\$ 366,700,994
District Funding (no PP change)	\$ 4,836,469,808	\$ 5,291,822,434	\$ 455,352,625
Total Formula Funding (no PP change)	\$ 5,914,698,841	\$ 6,736,752,460	\$ 822,053,619
QTR (local share) @ 1.5%	\$ 2,037,984,691	\$ 2,229,860,525	\$ 191,875,834
State Share of Formula Funding	\$ 3,876,715,673	\$ 4,506,891,934	\$ 630,176,261
Percent State Share	65.54%	66.90%	1.4%
Charter Share of State Enrollment	15.70%	18.57%	2.9%
Charter Share of State Formula Funding	27.81%	32.06%	4.2%

Figure 10 – Hypothetical Impact on General Funds, Select School Districts

District	Charter Enrollment	State Share	If Enrolled in District	If Enrolled in Charter	Additional Reliance on General Fund
Tucson Unified District	11518	48.28%	\$ 2,546.31	\$ 6,314.48	\$ 3,768.17
Mesa Unified District	9759	66.54%	\$ 3,509.36	\$ 6,314.48	\$ 2,805.12
No District (Online Schools)	8962		\$ -	\$ 6,314.48	
Phoenix Union High School District	7721	40.38%	\$ 2,129.52	\$ 6,314.48	\$ 4,184.96
Deer Valley Unified District	6829	43.83%	\$ 2,311.77	\$ 6,314.48	\$ 4,002.71
Chandler Unified District	6591	53.99%	\$ 2,847.82	\$ 6,314.48	\$ 3,466.66
Dysart Unified District	5896	63.50%	\$ 3,349.09	\$ 6,314.48	\$ 2,965.39
Queen Creek Unified District	5832	50.68%	\$ 2,672.83	\$ 6,314.48	\$ 3,641.65
Higley Unified School District	5264	59.57%	\$ 3,142.04	\$ 6,314.48	\$ 3,172.44
Roosevelt Elementary District	4857	75.70%	\$ 3,992.53	\$ 6,314.48	\$ 2,321.95
Gilbert Unified District	4805	61.43%	\$ 3,239.86	\$ 6,314.48	\$ 3,074.62
Scottsdale Unified District	4741	0.00%	\$ -	\$ 6,314.48	\$ 6,314.48