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COMMENTARY

# Do Charter Schools Spend Revenue Differently than Traditional Public Schools?

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While nearly 6,500 charter schools operated across the nation in 2013–2014, over 1,200 charter schools have closed since 1992. The most prominent reason—contributing to 42% of charter school closures—is financial deficiencies. If quality charter schools are closing merely due to financial problems, it is critical to understand the funding and spending patterns that may contribute to the financial viability of schools.

Using nine years of finance data from California, we describe charter school spending for various purposes (e.g., instruction, administration, pupil support, and operations) and compare spending patterns for charter schools and traditional public schools in this study. We also explore how school characteristics (e.g., total enrollment, percent of students eligible for free and reduced lunch and geographic location) explain differences in spending patterns.

Charter schools in California spend less than traditional public schools. The lower spending by charter schools is due to the fact that they receive less general fund revenue and save more than traditional public schools. On average, charter schools receive 10% less per pupil in local, state and federal revenue than traditional public schools. From this revenue, charters spend 96% and save 4%, whereas traditional public schools spend 98% and save 2% of their general fund revenue.

The lower spending by charter schools is most notable in the areas of instruction and pupil support services. Charter schools spend an average of 23% less on instruction and 50% less on pupil support services than traditional public schools. Although prior national studies suggest that the lower spending by charter schools is explained by differences in the students served, student characteristics explain little of this difference in California. Other research suggests charter schools may spend less on teacher salaries while maintaining teacher-pupil ratios similar to traditional public schools because, on average, charter school teachers have fewer years of experience (Perez et al., 2006; Zimmer et al., 2003).

The lower spending on instruction and pupil support is offset, not by administrative costs, but by higher spending on consulting services and operations. Charter schools in California spend less per pupil on administrative costs than traditional public schools. In contrast, charter schools spend nearly $600 more per pupil on consulting services compared to traditional public schools, possibly purchasing pupil support and administrative services through part-time consultant services. Further, charter schools spend nearly $490 more per pupil than traditional public schools on operations.

The resource allocation practices revealed in this study, combined with findings from existing research, shed light on how charter schools may avoid financial deficiency and ensure their sustainability. Charter schools may exercise their fiscal flexibility by hiring less experienced teachers and using lower cost part-time consultants rather than employing full-time personnel for pupil support and administrative services. The savings resulting from this spending pattern may in turn improve charter schools' ability to save for economic uncertainty. This sort of fiscal flexibility and efficiency may lead to the sustainable operation of quality charter schools.

On the other hand, the resource allocation patterns observed in this study may contribute to concerns about the sustainability of charter schools. Our evidence challenges the claim that charter schools granted autonomy and freed from regulation spend more on instruction. Lower spending on instruction and pupil support may undermine consumer demand for charter schools. Further, if the lower spending on instruction, pupil support and administration results in lower quality instructional experiences and poorer academic performance of students, charter schools may not be able to sustain operations.

*The full study is in Reed, S. & Rose, H. (2015). Charter School Spending and Saving in California. Journal of School Choice: International Research and Reform, 9(3), 407-445.*

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