

Center for Public Education



# Research Brief

## How States Fund Charter Schools

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AN **nsba** PUBLICATION



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## Introduction

Charter schools are public schools of choice, according to the Nation’s Report Card ([NAEP](#)). The U.S. Department of Education uses the term “[public charter school](#).” A public charter school is a publicly funded school that is typically governed by a group or organization under a legislative contract—a charter—with the state, district, or other entity.

The first law allowing the establishment of public charter schools was passed in Minnesota in 1991. As of January 2020, charter school legislation had been passed in 45 states and the District of Columbia. The states without public charter school legislation are Montana, Nebraska, North Dakota, South Dakota, and Vermont.

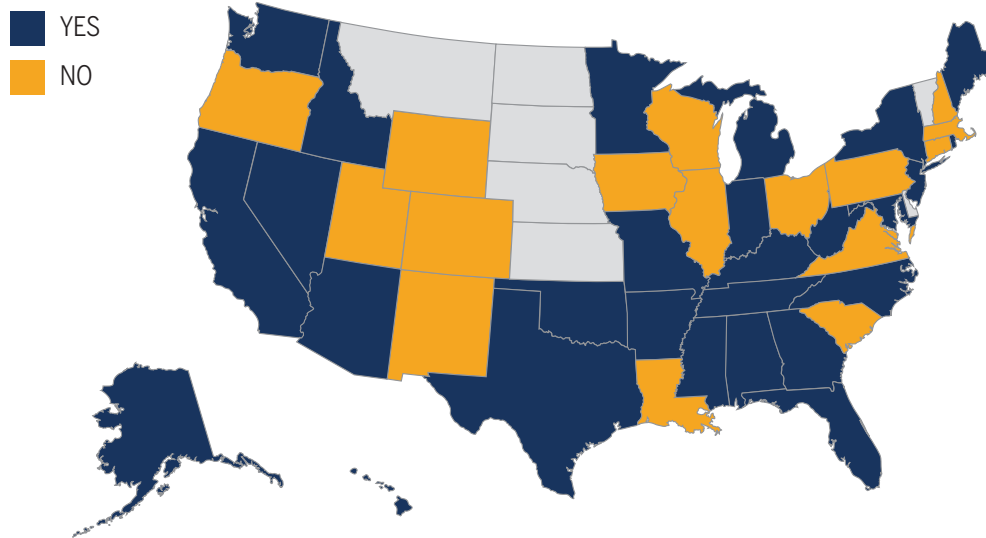
In general, states fund charter schools through the following channels:

- Same state formula as funding traditional public schools.
- Eligibility for federal/state grants and/or categorical programs.
- Different funding sources based on authorizers or types of charter schools.
- Calculation methods that differ from distributing funds for traditional public schools.

### States Using Federal/State Funds Equally for Both Charter and Traditional Public Schools

As Figure 1 shows, 28 states, approximately 61% of the states that have charter school laws, allocate federal and state funds to charter schools in the same manner as to traditional public schools, without any additional condition.

**Figure 1. States where federal/state dollars are used to fund charter schools in the same manner as traditional public schools**



Source: [Charter Schools: How is the funding for a charter school determined? \(force.com\)](#)

Note: As of January 2020, [five states have not enacted charter school laws](#). The information about West Virginia is from SB 758 Text ([wvlegislature.gov](http://wvlegislature.gov)) which just recently passed legislation in 2019.

- In **Alaska** and **Florida**, the amount generated for a student enrolled in a charter school is determined in the same manner as it is for a student enrolled in another public school in that school district.
- In **Arizona**, in addition to a base support level from the state, charter schools are given equal access to all applicable categorical federal and state funding.
- In **Colorado, Hawaii, Michigan, Mississippi, New York, and North Carolina**, charter schools receive federal/state funding based on per-pupil allocation.
- In **Delaware, Georgia, Idaho, Kentucky, Maine, Missouri**, and the **District of Columbia**, state funding for charter schools is based on the unit funding formula used for traditional public schools.
- In **Alabama, Indiana, Maryland, Minnesota**, and **Oklahoma**, charter schools receive the same state and federal funding as traditional public schools.

### **States Allocating Local Funds to Charter Schools in the Same Manner as to Traditional Public Schools**

Among the 28 states, nine states fund charter schools and traditional public schools equally, regardless of whether it is at the federal/state level or local level. The nine states are California, Florida, Maryland, New York, Nevada, North Carolina, Rhode Island, Tennessee, and Texas. Among their approaches:

- **California**—Charter schools receive a combination of state aid and local funds according to the same weighted student funding formula applied to traditional public schools. Charter schools are eligible for a transfer of funds from their sponsoring school districts in lieu of property taxes.
- **Florida**—Students enrolled in a charter school are funded the same as students enrolled in other public schools in the school district. Federal, state, local, discretionary lottery, and discretionary millage levy funds are allocated according to the same funding formula as funds allocated to other public schools.
- **North Carolina**—The school district in which a charter school student resides must transfer to the charter school an amount equal to the per-pupil share of the local current expense fund of the school district for the fiscal year.
- **Tennessee**—District-authorized charter schools receive an amount equal to the per-pupil state and local funds received by the school district and all appropriate allocations under federal law or regulation.
- **Texas**—Like traditional public schools, charter schools are funded through a two-tier system. Tier I allocations are determined by substituting the statewide average adjusted allotment in place of the district's calculated adjusted allotment. Tier II allocations are determined by substituting a statewide average enrichment tax rate in place of the district's calculated enrichment tax rate.

### **States Specifying How to Fund Charter Schools at Federal and State Level**

In at least 10 states, the charter school law specifies how to fund charter schools at federal and state level. While charter schools in some states receive per-pupil funding according to the state funding formula for traditional public schools, there are conditions, such as that the state may reserve a percentage of funds. The

regulations include how charter schools receive federal and state categorical programs, what methods are used to calculate the amount of funds for charter schools, and what grants charter schools are eligible to apply for. (Please refer to Table 2)

### **States Specifying Local Funding for Charter Schools**

Local funding for charter schools often differs from state to state. In Louisiana, all charter schools have access to local revenues, but in some states (e.g., Arizona, Arkansas, Georgia, Oklahoma, Kentucky), charter schools do not have access to local revenue from property taxes and bond measures. In other states, charter schools may be funded partially through local taxes and bonds, but there are limitations about how and what local revenues charter schools can receive. (Please refer to Table 3)

### **States Specifying How to Fund Different Types of Charter Schools**

In over 10 states, the charter school law describes clearly how to fund charter schools based on who authorizes charters. In many states, the state provides funds for state-authorized charter schools and school districts provide funds for charter schools authorized by local school boards. For example, in Colorado, New Hampshire, and Oklahoma, school districts provide funds for charter schools authorized by local school boards, while charter schools authorized by the state or other charter school institutes are funded by the state. (Please refer to Table 4)

### **States Specifying Administration Costs of Charter Schools**

It is a common practice for states or charter school authorizers to retain a certain percentage of charter funding, usually 2%-5%, for charter school administrative fees. For instance, in Georgia, authorizers can deduct up to 3% of charter funding for administrative fees, while in Illinois, the state commission charges the charter school it authorizes up to 3% of the school's revenue to cover administration costs. More examples can be found in Table 5.

### **States Emphasizing the Role of Local School Boards in Funding Charter Schools**

In at least 16 states, the charter school law makes it clear that the authorizer of a charter school provides funds for the school. In more than 10 states (e.g., Alaska, Florida, Iowa, Pennsylvania, West Virginia), the school district is the one that provides funds for charter schools. In some states, the law makes clear the role of local school boards in funding charter schools.

- **Alaska**—A local school board provides an approved charter school with an annual program budget.
- **Colorado**—For charter schools authorized by local school boards, 100% of the per-pupil revenue flows to charter schools, less an amount for specified administrative costs based on actual district spending as reported to the state.
- **Virginia**—The local school board establishes by contract an agreement stating the conditions for funding the charter school.

It should be noted that since a local school board can be an authorizer of charter schools, some state school boards associations provide advice about how to handle financial issues related to charter schools. The advice is based on each state's law and practices. For instance, the [Alabama School Boards Association](#) points out that in the event a charter school could not meet its financial obligations or was otherwise sued for some incident, the school board authorizer would not necessarily be the entity automatically responsible, as the school board authorizer does not operate the school or otherwise monitor its daily activities.

## COVID-Related Dollars for Charter Schools

According to the National Charter School Resource Center (NCSRC), charter schools should receive funding allocated by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Education leaders will have the flexibility to use funds from the Elementary and Secondary School Education Relief Fund (ESSER Fund) for immediate needs, such as tools and resources for distance education, ensuring student health and safety, and developing and implementing plans for the next school year. State Education Agencies should adjust allocations to ensure that new and expanding charter schools in the 2020-2021 school year receive funds.

The SBA (7A) Paycheck Protection Program is a loan program for small businesses, including 501(c)(3) organizations, to keep their staff on the payroll. The U.S. Small Business Administration (SBA) will forgive the loan if all employees are kept on the payroll for eight weeks and funds are used for payroll, rent, mortgage interest, or utilities. The National Alliance for Public Charter schools has compiled guidance for charter schools considering an SBA Loan.

Additionally, the National Alliance for Public Charter schools has compiled guidance for charter schools considering another SBA Loan, namely, the SBA Economic Injury Disaster Loan Emergency Advance. This SBA funding program provides up to \$10,000 to small businesses, including private nonprofits, to withstand the loss of revenue due to the COVID-19 pandemic.

School Emergency Response to Violence (Project SERV) funds short-term and long-term education-related services for local educational agencies—including charter schools that are local education agencies (LEAs). In response to the pandemic, the CARES Act increases Project SERV by \$100 million for sanitizing facilities and for expanding distance learning.

## Conclusions

As shown in Table 1, 28 states or jurisdictions make it clear that charter schools and traditional public schools are equally funded at the federal and state level, and nine states provide local funds for charter schools same as for traditional public schools. In 15 states, charter school funding depends on who authorizes the charter school. Additionally, [a national report](#) in 2019 provides a snapshot of state policies about how to fund facilities of public charter schools.

- A. Eighteen states provided a per-pupil facilities allowance to charter schools.
- B. Fifteen states created a charter school facility grant program.
- C. Eleven states ensured that charter schools have equal access to all existing state facilities programs and revenues for district-run public schools in a state.
- D. Fourteen states provided a charter school facility loan program.
- E. Five states provided charter schools with access to local property tax dollars generated for facilities.

In summary, no uniform funding system for charter schools exists across the country. In some states, charter schools are funded just like traditional public schools, but in other states, how to fund charters is determined by the entity that authorizes charter schools. The current trend is that states and local school boards are considering their own situation in terms of students' needs and creating more diverse funding programs for public schools.

**Table 1. A Summary of How States Fund Charter Schools**

State	Charter School Law	Equal Federal/ State Funding	Equal Local Funding	Depending on authorizers	Facilities Funding
Alabama	√	√			C
Alaska	√	√			C, E
Arizona	√	√			A1, BNo
Arkansas	√	√		√	A2, BYes, DNo
California	√	√	√		A1, BYes, DYes
Colorado	√			√	A3, C, DYes, E
Connecticut	√			√	BYes, DYes
Delaware	√	√			BNo, C
District of Columbia	√	√			A1, BYes, DYes
Florida	√	√	√		A2, E
Georgia	√	√		√	A1, BYes
Hawaii	√	√		√	
Idaho	√	√			A3
Illinois	√				DNo
Indiana	√	√			A2, BNo, DYes
Iowa	√				
Kansas	√				
Kentucky	√	√			
Louisiana	√			√	DNo
Maine	√	√		√	
Maryland	√	√	√		
Massachusetts	√			√	A2
Michigan	√	√			
Minnesota	√	√			A1, C
Mississippi	√	√			
Missouri	√	√			
Montana	x				
Nebraska	x				
Nevada	√	√	√		DYes
New Hampshire	√			√	BNo, C
New Jersey	√			√	
New Mexico	√				A2, BNo, C, E
New York	√	√	√		A1, BYes

State	Charter School Law	Equal Federal/ State Funding	Equal Local Funding	Depending on authorizers	Facilities Funding
North Carolina	√	√	√		
North Dakota	x				
Ohio	√				A3, DNo, E
Oklahoma	√	√		√	BNo, C
Oregon	√			√	
Pennsylvania	√				A3, BNo
Rhode Island	√	√	√		C, DNo
South Carolina	√			√	DYes
South Dakota	x				
Tennessee	√	√	√	√	A3, BYes, DYes
Texas	√	√			A3
Utah	√				A3, DYes
Vermont	x				
Virginia	√				
Washington	√	√			C
West Virginia	√	√	√		
Wisconsin	√			√	
Wyoming	√				C
	46 states	28 states	9 states	15 states	

Note:

- A. Providing a per-pupil facilities allowance to charter schools
  - A1 – more than \$1,000 per pupil
  - A2 – \$351-\$999 per pupil
  - A3 – less than \$350
- B. Creating a charter school facility grant program
  - BNo – created, but not funded
  - BYes – funded
- C. Ensuring that charter schools have equal access to all existing state facilities programs and revenues for district-run public schools in a state
- D. Creating a charter school facility loan program
  - DNo – created, but not funded
  - DYes – funded
- E. Providing charter schools with access to local property tax dollars generated for facilities



**Table 2. States Specifying How to Fund Charter Schools at Federal and State Level**

State	How to fund charter schools at federal and state level
Arizona	Charter schools are eligible for results-based funding. Schools may receive funds at a rate of \$250/student for schools with less than 60% of students eligible for free or reduced price lunches, or \$400/student in schools where over 60% of enrolled students qualify for free or reduced price lunch provided the schools scored in the top 10% of all schools on statewide assessments.
Illinois	Funding is negotiated with the sponsoring school district and specified in the charter, but must not be less than 97% or more than 103% of the per-pupil funding for traditional public schools. Charter schools may apply for any grant administered by the state board that is available to school districts.
Iowa	A charter school is considered a part of the school district in which it is located for purposes of state school foundation aid, but funding is specified in the charter.
Massachusetts	Charter schools have equal access to all applicable categorical federal and state funding. School districts are eligible to receive full or partial reimbursement of charter school expenses from state appropriations. The reimbursement amount is equal to 100% of the increase in the year it occurs, and 25% in the 2nd, 3rd, 4th, 5th, and 6th years following. Cumulative surplus revenue in excess of 20% of a charter school's operating budget and capital costs must be returned by the charter school to the sending district or districts and the state in proportion to their share of tuition paid during the fiscal year.
Ohio	Charter schools receive state foundation aid based on full-time enrollment and targeted assistance aid for career-technical, special education, economically disadvantaged, and limited English proficiency students.
Pennsylvania	Charter schools receive no less than the average district per-pupil budgeted expenditure of the previous school year, minus the budgeted expenditures for nonpublic school programs, adult education programs, community/junior college programs, student transportation services, special education programs, facilities acquisition, construction and improvement services, and other financing uses.
Wyoming	Charter schools are guaranteed 100% of foundation program funding generated by the charter school's average daily membership less any district level amounts generated by the charter school's membership, 100% of the charter school's proportion of major maintenance payments based upon the proportion that the charter school educational building gross square footage contributes to the district educational building gross square footage, and 100% of the amount generated by the payroll of the charter school's employees in allocating any school district salary adjustment. An applicant charter school may also be funded through a specific budget mutually agreed upon by the school district and the charter school.

**Table 3. States Specifying Local Funding for Charter Schools**

State	Description of local funding for charter schools
<i>States that limit charter schools' access to local revenue from property taxes and bond measures</i>	
Arizona	Charter schools do not have access to local revenue from property taxes and bond measures; however, the state provides charters with “additional assistance” funds to make up for the lack of local revenues.
Georgia	State-chartered special schools do not receive local tax dollars, unless approved by the voters of the school district.
Kentucky	Charter schools do not receive local capital outlay funds that are for restricted use or other financing mechanisms for new construction and renovation projects for school facilities. Additionally, public charter schools do not receive transportation funding if the district does not provide transportation to charter schools.
Maine	Charter schools are not permitted to levy taxes or issue bonds.
Minnesota	A charter school is eligible to receive other aids, grants, and revenue as though it were a school district unless a levy is required to obtain the aid, grant, or revenue.
Ohio	Although charter schools cannot levy taxes or issue bonds secured by tax revenues, school districts can levy taxes for charter schools sponsored by exemplary sponsors.
Oklahoma	The governing body of a charter school cannot levy taxes or issue bonds.
<i>States that limit amount of local revenues used to fund charter schools</i>	
Alabama	Up to 10 mills of local funds are directly associated with each child enrolled at the public charter school. All local money above and beyond the 10 mill match remains with the local school system. (Note: A mill is one one-thousandth of a dollar; in property tax terms, it equals to \$1.00 tax for each \$1,000 of assessment.)
Delaware	Local funding is based on the previous year's per-pupil expenditure in a student's school district of residence.
New Jersey	Charter schools receive 90% of per-pupil funds budgeted for the current school year and the pre-budget year general fund tax levy per-pupil inflated by the CPI rate most recent to when the calculation is made.
Nevada	Charter schools are entitled to receive a proportionate share of local sources that the school or the pupils who are enrolled in the school are eligible to receive.

State	Description of local funding for charter schools
Mississippi	The local contribution amount received is proportionate to that in the school district in which the charter school student resides. Charter schools are paid a per-pupil amount equal to the ad valorem tax receipts and in-lieu payments received per-pupil for the support of the local school district in which the student resides as well as pro rata ad valorem receipts and in-lieu receipts include all levies for the support of the school district. For charter schools enrolling students within the district they reside, the money comes from the local school district. For charter schools enrolling students from outside of the district in which they reside, the funds come from the state department of education.

**Table 4. States Specifying How to Fund Different Types of Charter Schools**

State	Description of how to fund different types of charter schools
Arkansas	<p>Conversion charter schools are considered a part of the school district and receive funds equal to the amount apportioned by the district from state and local revenue per average daily membership.</p> <p>Open-enrollment charter schools receive funds equal to the amount that a public school would receive, as well as any other funding that the public charter school is entitled to receive, except they do not have access to local revenue from property taxes. Funding for open-enrollment charter schools is determined annually by the state board of education.</p>
Colorado	<p>For charter schools authorized by local school boards, 100% of the per-pupil revenue flows to charter schools, less an amount for specified administrative costs based on actual district spending as reported to the state.</p> <p>For charter schools authorized by the state charter institute, 100% of the per-pupil revenue flows to charter schools.</p>
Connecticut	<p>For local charter schools, the school district is responsible for funding the schools at a level at least equal to the product of the per-pupil cost for the fiscal year two years prior to the fiscal year for which support will be provided and the number of students in the charter in the current fiscal year. In addition, the state board may approve a per-pupil grant not to exceed \$3,000 for each student enrolled in a local charter school provided that the local or regional board of education and the representatives of the exclusive bargaining unit for certified employees mutually agree on staffing flexibility in the local charter school, and the agreement is approved by the state board.</p> <p>For state charter schools, the state pays a per-pupil amount to the town in which a state charter school is located; however, funding for state charter schools is directly dependent on the state's annual appropriation.</p>

State	Description of how to fund different types of charter schools
Georgia	<p>Local charter schools (authorized by local school boards and approved by the state board): The local school board provides funds.</p> <p>State-chartered special school (authorized by the state board): The state provides funds.</p> <p>System charter schools (charter held by a local school board and authorized by the state board): Funds are distributed to schools by the charter system as determined in the school's charter.</p>
Louisiana	<p>Charter schools fall into five categories, and there is some variation in funding requirements depending upon the charter type.</p> <p>For schools authorized by a local board, the school district provides funds for charter schools.</p> <p>For schools authorized by the state or a local charter authorizer, the state provides the funds.</p>
Maine	<p>For charter schools authorized by the Maine Charter School Commission, the state provides funds.</p> <p>For other charter schools, students' resident school districts forward the students' per-pupil allocation.</p> <p>For students in charter schools not authorized by the commission, the school districts where the students reside may retain up to 1% of the per-pupil allocation to cover associated administrative costs.</p>
Massachusetts	<p>Horace Mann charter schools receive a tuition amount that is determined annually as part of their local school committee's budget process. Funding levels deemed inequitable can be appealed to the commissioner. Commonwealth charter schools receive a tuition amount which is the sum of the per-pupil amount from each district sending students to the charter schools. Tuition amounts for each sending district must be adjusted to reflect, as much as practicable, the actual per-pupil spending amount that would be expended in the district if the students attended the district schools.</p>
New Hampshire	<p>Charter schools authorized by a local school district receive per-pupil funding that cannot be less than 80% of the district's average cost per-pupil. All other charter schools receive the state's annual per-pupil funding amount plus adequacy and disparity aid.</p>
New Jersey	<p>For students not included in the district's projected resident enrollment for the school year, the state pays 100% of the amount required for the first year.</p>

State	Description of how to fund different types of charter schools
Oklahoma	For charter schools authorized by their local school district, the school district provides funds. For all others, the state provides funds.
Oregon	Charter schools authorized by the local school district receive an amount at least equal to 80% of average daily membership for students in grades K-8 and 95% for students in grades 9-12. Charter schools authorized by the state department of education or institutions of higher learning within the boundaries of local school districts receive an amount at least equal to 90% of average daily membership for students in grades K-8 and 95% for students in grades 9-12.
South Carolina	District-authorized charter schools receive state, county, and district funding according to the same formula as local school districts. Charter schools authorized by the South Carolina Public Charter School District or universities are provided funding by the General Assembly.
Tennessee	<p>District-authorized charter schools receive an amount equal to the per-pupil state and local funds received by the school district and all appropriate allocations under federal law or regulation. Allocations must be based on 100% of state and local funds received by the school district, including current funds allocated for capital outlay purposes, but excluding the proceeds of debt obligations and associated debt service. Allocations to the charter school cannot be reduced by the school district for administrative, indirect, or any other category of cost or charge except as specifically provided in a charter agreement.</p> <p>State board-authorized charter schools receive funding according to the same provisions, except that the district in which the charter school operates pays to the department 100% of the per-pupil share of the local and federal funding that is due to the charter school, the department withholds from the district 100% of the per-pupil share of state and the federal funding in the custody of the department that is due to the charter school, and 100% of these funds are disbursed to the charter school.</p>
Wisconsin	A charter school authorized by a city, county, university, or technical college receives a per-pupil amount determined by the state. The law does not specify how charter schools authorized by the district are funded. The school funding formula is updated regularly and is used to calculate funding for charter and traditional public schools.

**Table 5. States Specifying Administration Costs of Charter Schools**

State	Description of administration costs of charter schools
Colorado	<p>For charter schools authorized by local school boards, the amount for specified administrative costs based on actual district spending is limited to 5%.</p> <p>In districts with 500 or fewer students, charter schools receive either 100% minus the administrative fees or 85% of the district per-pupil revenue.</p> <p>For charter schools authorized by the state charter institute, less up to 3% shall be retained for the state charter school institute's administrative costs and up to 1% shall be for the state department of education's administrative costs.</p>
Georgia	Authorizers can deduct up to 3% of charter funding for administrative fees.
Illinois	The state commission can charge a charter school it authorizes up to 3% of the school's revenue to cover administration costs.
Kentucky	A charter school authorizer shall retain 3% of total funding allocated the charter school.
Louisiana	Authorizers can charge a 2% fee for administrative costs.
Maine	Authorizers are allowed to take a 3% authorizer fee in addition to a 1% fee that is retained by the district.
Michigan	Authorizers can collect 3% of funding for monitoring and administrative expenses.
Mississippi	The state authorizer receives a 3% annual fee of each charter school's per-pupil funding.
Missouri	The state department of education retains 1.5% of a charter school's state and local funding (not to exceed \$125,000) for administrative fees and gives the retained amount to the charter school's authorizer.
Nevada	Authorizers can deduct up to 2% of the total amount of money apportioned to the charter school for administrative fees, but charter schools meeting certain requirements can request to lower the amount retained.
Ohio	Authorizers can retain up to 3% of the total amount of payments for operating expenses that the charter school receives for administration fees.
Oklahoma	Authorizers can deduct up to 5% administrative fees from the school's state aid allocation.
Oregon	Authorizers can retain up to 20% of funding for K-8 students and up to 5% of funding for 9-12 students for administrative fees.



The National School Boards Association (NSBA) is the leading advocate for public education. For 80 years, we have been leading the effort to support and enhance public education. We are succeeding in creating the best possible environment in which students can realize their dreams.

NSBA is a federation of 49 state associations and the U.S. territory of the Virgin Islands, representing their more than 90,000 school board officials. These local officials govern more than 13,600 local school districts serving more than 50 million public school students. Working with and through our state associations, and serving as their Washington, D.C., office, NSBA advocates for equity and excellence in public education through school board governance.

We believe public education is America's most vital institution. It is a civil right necessary to the dignity and freedom of the American people, and all children deserve equal access to an education that allows them to reach their potential.

In pursuit of these beliefs, NSBA and our members will continue to lead the national conversation about public education, advocate for public policies that ensure all students everywhere have access to a great public education where they live, create a better understanding of the importance of school boards and the benefits of local governance, and enhance the effectiveness of school boards.