Introduction

This chapter compares district and charter school revenues statewide, and for Wilmington, for fiscal year 2011 (FY11). Comparisons are made to previous research for FY03 and FY07, based on the same methodology. Funding disparities between districts and charter schools for the same matched geographic area are explored. The weighted values in the analysis match comparative per pupil funding assuming districts had the same urban vs. suburban proportion of enrollment as charter schools (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. Also included in the monograph is a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.
Highlights of the FY11 Analysis

- Delaware’s 19 charter schools received 26.2 percent less funding than district schools; $10,327 vs. $13,996 per pupil, respectively, a difference of $3,669 per pupil.
- Wilmington’s 9 charter schools received 19.8 percent less funding than district schools: $10,725 vs. $13,378 per pupil, a difference of $2,653 per pupil.
- Delaware’s charter schools received $10,327 per pupil, but district schools would have received less money to educate the same students, an estimated $13,869 – a difference of $3,542 or 25.5 percent. The weighted district PPR therefore decreases the funding disparity by $127 per pupil from the unweighted statewide difference above.
- Delaware’s charter schools educate 7.5 percent of the state’s public school students but received 5.6 percent of total revenue.
- Magnitude of Disparity: If all Delaware districts received the same level of per pupil funding as charter schools, districts would receive over 400 million dollars less in total revenues ($433,905,652).

Probable Causes of the Disparities

- During the year of this study, charter schools did not have access to capital funding, while the state provided funds to school districts for capital construction.²
- The state funding formula provides funding based on employee salaries, as defined by state salary schedules. While this study did not review personnel records, it is possible that some of the variance in funding could be related to employee experience differences between districts and charters.
- Delaware’s districts serve a higher percentage of students requiring special education services than the state’s charters. The increased number of students with special needs could account for some of the additional funding the state’s districts receive.

Where the Money Comes From

In Delaware, 59 percent of all public funding originates from state sources. A formula determines how much state funding is provided based on 1) the salaries of employees on the state salary schedule, 2) operational costs, including energy, and 3) additional funds (state equalization) for the poorest schools in the state. The state provides additional funding for transportation, staff development, as well as for other programs. Property taxes generate approximately 28 percent of public funding for education with the remainder originating from federal sources.
## Summary Data Table

<table>
<thead>
<tr>
<th>FY2010-11</th>
<th>Statewide</th>
<th>Statewide Weighted by Charter Enrollment</th>
<th>Wilmington</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per Pupil Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District</td>
<td>$13,996</td>
<td>$13,869</td>
<td>$13,378</td>
</tr>
<tr>
<td>Charter</td>
<td>$10,327</td>
<td>$10,327</td>
<td>$10,725</td>
</tr>
<tr>
<td>Difference</td>
<td>$(3,669)</td>
<td>$(3,542)</td>
<td>$(2,653)</td>
</tr>
<tr>
<td>% of District</td>
<td>(26.2%)</td>
<td>(25.5%)</td>
<td>(19.8%)</td>
</tr>
<tr>
<td><strong>Per Pupil Revenue by Source</strong></td>
<td>District</td>
<td>Charter</td>
<td>District</td>
</tr>
<tr>
<td>Federal</td>
<td>$1,353</td>
<td>$917</td>
<td>$1,391</td>
</tr>
<tr>
<td>State</td>
<td>$8,085</td>
<td>$6,592</td>
<td>$7,799</td>
</tr>
<tr>
<td>Local</td>
<td>$3,683</td>
<td>$1,267</td>
<td>$3,852</td>
</tr>
<tr>
<td>Other</td>
<td>$474</td>
<td>$1,551</td>
<td>$506</td>
</tr>
<tr>
<td>Public-Indeter.</td>
<td>$400</td>
<td>$0</td>
<td>$322</td>
</tr>
<tr>
<td>Indeterminate</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total</td>
<td>$13,996</td>
<td>$10,327</td>
<td>$13,869</td>
</tr>
</tbody>
</table>

| **Enrollment** | | | |
| District | 118,252 | Focus Area Districts Educate 2.8% of All District Students | 32,672 |
| Charter | 9,525 | Focus Area Charters Educate 42.5% of All Charter Students | 4,049 |
| Total Enrollment | 127,777 | N/A | 36,721 |
| Charter Schools | 21 | N/A | 9 |

| **Revenue** | | | |
| District | $1,655,065,477 | N/A | $437,089,549 |
| Charter | $98,362,373 | N/A | $43,424,249 |
| Total Revenue | $1,753,427,850 | N/A | $480,513,798 |

| **Percentage of Revenue by Source** | District | Charter | District | Charter | District | Charter |
| Federal | 9.7% | 8.9% | 10.0% | 8.9% | 11.5% | 9.8% |
| State | 57.8% | 63.8% | 56.2% | 63.8% | 50.0% | 57.8% |
| Local | 26.3% | 12.3% | 27.8% | 12.3% | 33.6% | 12.9% |
| Other | 3.4% | 15.0% | 3.6% | 15.0% | 4.7% | 19.5% |
| Public-Indeter. | 2.9% | 0.0% | 2.3% | 0.0% | 0.1% | 0.0% |
| Indeterminate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

**District funding change, if subject to charter per pupil funding**: 
- District: $(433,905,652)
- Charter: $(86,692,645)

*The 19 charter schools noted in Figure 3 are the number of charter schools that can be separately identified for purposes of revenue and enrollment analysis, and were analyzed. The state had 21 charter schools reporting revenue in FY11, but two of those schools reported no enrollments and therefore were removed from the analysis.*
How Delaware Funds its Districts

Delaware provides funding to school districts based on a three-tiered system. Division I funding provides the state's portion of costs related to salaries for teachers and other staff and benefits. Pupil counts and the staff units needed to provide services drive Division I formulas. The state of Delaware determines how many pupils a teacher can work with based on specific factors. Part of the formula addresses education levels, while the majority of the formula addresses the needs of special populations of students. Based on the number of pupil units, districts will also earn administrative and support positions.

Division II funding covers operating components of running a school system, such as materials and supplies, maintenance, utilities and contracts. Division II relies on a funding formula based on an annual student count. For each Division I unit a district will earn a Division II unit. Division III funding is based on pupil counts and acts as an equalizer to compensate districts in communities that cannot raise sufficient education funding through the local tax base. Poor property tax districts therefore receive a higher share of Division III funds than wealthier property tax districts. Districts can use these funds for any purpose.

In addition to Division funding, the state provides funding for transportation, Minor capital, and funding for certain other expenditures.

Delaware school districts have autonomous taxing authority, which the district uses to meet its component of the funding formula described above. Taxes on property serve as the income generator for school districts and the three vocational education districts. The funds raised cover the local district’s portion of the current operating expenditures.

Property tax rates for current operating expenditures must be established through referenda at the local district level, while tax rates for minor capital and special education costs can be determined by the school board without voter approval. Capital funding requires local district voter approval and is necessary to qualify for state matching capital funds. In addition, property poor tax districts must contribute at least 20 percent of the cost of capital projects, while wealthy property tax districts must contribute up to 40 percent of the cost of capital projects, to qualify for state capital funding.

How Delaware Funds Its Charter Schools

Delaware charter schools receive revenue via the same funding formula used for districts and have more flexibility with these funds. The state transmits state resources directly to each charter based on the number of units they have earned, while the sending district transmits to the charter school the appropriate local revenue based on
the student (and his or her accompanying needs). The sending district’s per-pupil expenditure from the prior year determines the amount of local funding charters receive. Charter schools will also earn administrative and support positions the same way districts do with the exception of a superintendent. Charter schools do not earn a superintendent position but the districts do.

The Delaware charter law provides funding for charter school transportation at 80 percent of the average cost per student for transporting students within the vocational district in which the charter is located. Each of the state’s three counties has a vocational district.

**Funding for Public School Facilities**

The state of Delaware does not provide major capital funding to charter schools; they do not have access to local tax revenue related to capital construction. However, charter schools can access tax-exempt bond financing through either the Delaware Economic Development Authority or the county in which the school is located. Recent changes to the state’s charter school law (2013) will allow charters to be eligible for conduit bond funding that is available in the state for nonprofits. Additionally, state law requires districts to make available vacant buildings for charter use. However, charters must negotiate for the space and any rent, services, or maintenance charges the district requires for using the space.

**Long-Term Funding Patterns**

For Delaware, we now have three point-in-time snapshots of public education funding for FY03, FY07, and FY11. Please note that in the presentation and discussion of longitudinal data that follows, the figures used are inflation adjusted to FY07 dollars and differ from figures presented in Figure 3, which includes actual and weighted per pupil revenues representing FY11 only. The inflation adjusted per pupil revenues in Figures 6 – 8 are for comparative purposes only. Refer to the Methodology section for more on inflation adjustments.

**Total Funding**

Delaware followed a similar pattern to other states that have three years of point-in-time financial data; funding increases were highest between FY03 and FY07 and then funding level increases drop during the downturn in the US economy.

When all revenue sources are combined, funding for Delaware’s districts declined modestly by 2.4 percent between FY03 and FY11, falling from $13,190 to $12,876 per pupil. Statewide, funding for Delaware’s charter schools, however, increased by a near equal rate of 2.9 percent, rising from $9,233 in FY03 to $9,501 in FY11, an increase of $267 per pupil. However, prior to the decline in the economy, both districts and charters recorded increases in total funding: between FY03 and FY07, Delaware’s district funding grew by 3.5 percent, while charter funding grew by 8.2 percent.

Wilmington’s districts received slightly higher funding increases between FY03 and FY11 - 2.3 percent, rising from $12,027 per pupil to $12,308 per pupil in FY11. Wilmington’s charters also recorded total funding increases between FY03 and FY11 of 25.4 percent, rising from $7,866 to $9,867 per pupil. However, funding increases were considerably higher prior to the downturn in the economy. Wilmington’s districts recorded a 22.7 percent increase in funding between FY03 and FY07 but a 16.6 percent decline between FY07 and FY11. Wilmington’s charter schools recorded a 29.0 percent increase in funding between FY03 and FY07 but a 2.8 percent decline between FY07 and FY11.

**Total Funding Less Other**

Our study includes total funding whether the funds originate from public or private sources. Other is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Therefore,
we have removed Other dollars from this level of analysis to determine if funding from public sources is distributed equitably to districts and to charter schools. Public includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate.

Statewide Public funding for education from local, state and federal sources for Delaware’s school districts declined by $346 per pupil between FY03 and FY11, or 2.7 percent, due to the downturn in the economy. However, the decline in public funding occurred between FY07 and FY11, falling by 5.0 percent, or $655 per pupil. Statewide charter schools on the other hand, saw a significant decrease in public dollars of $1,111 per pupil, a decline of 12.1 percent, between FY03 and FY11. The majority of that decline occurred between FY07 and FY11 - $632 per pupil. Wilmington’s districts recorded a modest decline in public funding between FY03 and FY11 - $27 per pupil. However, the decline in funding during the economic downturn of $2,470 more than offset robust funding increases of $2,443 between FY03 and FY07. Charters in Wilmington recorded a modest gain in public funding between FY03 and FY11 - $141 per pupil. But, as we saw with the Wilmington districts, the downturn in the economy eroded most of the gains the charters recorded between FY03 and FY07, with a gain of $945 in that period turning to a decline of $804 per pupil between FY07 and FY11.
Figure 7

Total Funding Less Other -- Inflation Adjusted -- Over Time

<table>
<thead>
<tr>
<th></th>
<th>District FY03</th>
<th>Charter FY03</th>
<th>District FY07</th>
<th>Charter FY07</th>
<th>District FY11</th>
<th>Charter FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03</td>
<td>$12,786</td>
<td>$9,184</td>
<td>$11,758</td>
<td>$7,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY07</td>
<td>$13,095</td>
<td>$8,705</td>
<td>$14,201</td>
<td>$8,745</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY11</td>
<td>$12,440</td>
<td>$8,073</td>
<td>$11,731</td>
<td>$7,941</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Per Pupil Revenue

Other Funding

Other revenue encompasses all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, and philanthropy. Of all the sources included in Other revenue, philanthropy has often served an important role in charter school financing to narrow the equity gap, and it is the largest source of funding in this category. As seen in Figure 8, revenue from other sources declined since FY07 for districts statewide.

Statewide, district revenue from Other sources has plummeted, falling from $560 per pupil in FY07 to $436 in FY11 – a decline of 22.1 percent. However, due to a significant increase in Other funding between FY03 and FY07 of 38.4 percent, districts statewide recorded an increase of 7.8 percent between FY03 and FY11. For the state’s charters, Other revenue had increases in FY07 and FY11; statewide charter Other revenues rose to $1,285 in FY07 and to $1427 per pupil in FY11, an increase of 2,770 percent since FY03. Other revenues for both district schools and charters in Wilmington rose between FY07 and FY11. Districts in Wilmington recorded slight gains in Other dollars between FY07 and FY11 - $24 per pupil, or 4.4 percent. Wilmington charter schools’ Other revenues, however, rose 37.1 percent between FY07 and FY11, or $521 per pupil. Since FY03, Other funding for Wilmington’s charters has risen $1,860 per pupil, or 2,838.7 percent, since FY03. Therefore, the increased funding from Other sources has helped to narrow the funding disparity between the districts and the charters in Wilmington and to a lesser degree, statewide.
Changes in Funding Results

Figure 9 shows the percentage increase/decrease in funding between FY03 and FY11 by each type of revenue stream. Because of the complications and changes in data availability and reporting quality for many states in this study for charter schools, the data reported in this figure may be somewhat misleading. The large percentile increases in Federal funding represent the attempt by the federal government to compensate for the decline in Local and State funding during the downturn in the economy. Delaware school districts recorded a 12.0 percent decline in State funding from FY03 to FY11, while charter schools received 8.9 percent more in State funding. However, both districts and charter schools statewide lost Local funding during this period due to the economic decline; only Wilmington’s district recorded an increase in Local funding.
Finally, Figure 10 shows changes to the difference in funding between Delaware’s districts and charter schools for FY03, FY07 and FY11. The variance represents the difference in funding between a district and the charters located within the boundaries of the district. When the percentage nears or is at zero, the district and the charters are being funded equitably. Statewide, the variance has narrowed between districts and charters from 30.0 percent in FY03 to 26.2 percent in FY11. Wilmington’s disparity narrowed the most, from 34.6 percent to 19.8 percent.

**Figure 10**

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>FY2003</th>
<th>FY2007</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide</td>
<td>-30.0%</td>
<td>-26.8%</td>
<td>-26.2%</td>
</tr>
<tr>
<td>Wilmington</td>
<td>-34.6%</td>
<td>-31.2%</td>
<td>-19.8%</td>
</tr>
</tbody>
</table>

**Figure 11: Select Enrollment Characteristics**

Figure 11 below shows data for both charter and district school demographics. We include this data, if available, to look at possible differences in the types of students served to discern if high need student populations may be resulting in higher levels of funding for either charters or district schools.

Statewide, fewer Delaware district schools were Title I eligible than Delaware charter schools, 82.7 percent versus 94.7 percent, respectively. However, the data indicate that the districts serve a higher percentage of students qualifying for free and reduced price lunch – 48.5 percent versus 37.8 percent in the charter schools. For special education, Delaware districts serve significantly more students with special needs, 11.0 percent of total students versus 6.5 percent for Delaware’s charter schools, which could contribute to the disparity in funding.
Select Enrollment Characteristics

<table>
<thead>
<tr>
<th>Student Group &gt;&gt;&gt;</th>
<th>Percentage of Total Enrollment</th>
<th>Year &gt;&gt;&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Free &amp; Reduced Lunch</td>
<td>Title I</td>
</tr>
<tr>
<td>Statewide District</td>
<td>FY03</td>
<td>FY07</td>
</tr>
<tr>
<td>Statewide Charter</td>
<td>17.9%</td>
<td>32.3%</td>
</tr>
</tbody>
</table>

Funding Practice Summary

This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>GRADE</th>
<th>FUNDING</th>
<th>REF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do charter schools have access to this funding source according to state statutes?</td>
<td>Y Y Y N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In practice, do charter schools have at least as much access to this funding source as districts have?</td>
<td>N N N N 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?</td>
<td>N N N N 1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DATA AVAILABILITY

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>GRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?</td>
<td>Y</td>
</tr>
<tr>
<td>Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?</td>
<td>Y</td>
</tr>
</tbody>
</table>

FUNDING FORMULA

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>GRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are charter schools treated as LEAs for funding purposes?</td>
<td>Y</td>
</tr>
<tr>
<td>Does the state provide funding for charter schools and districts based primarily on student enrollment?</td>
<td>Y</td>
</tr>
</tbody>
</table>

1~ Delaware implemented changes to its charter school law in 2013 that will provide charter schools with access to capital funding via conduit funding, as well as a Charter School Performance Fund. While these changes do not impact the analysis of FY11 revenues in this study, they do indicate positive steps that can help to narrow the disparity in funding in the state.

2~ See 1 above.
Endnotes

1 The Delaware Department of Education provided data from the 2010-11 District and Charter Revenue Receipts.

2 Revisions to Delaware’s charter law in 2013 include the ability of charter schools to apply for conduit bond funding, which is available to nonprofits in the state, if better sources of funding are not available.

3 Delaware Department of Education.


5 National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: [http://nces.ed.gov/ccd/elsi/](http://nces.ed.gov/ccd/elsi/). NCES had no Title I or F&RPL data entered for 1 charter school or 5.0% of all charter schools. Likewise, the file had no Title I or F&RPL data entered for 10 district schools or 5.0% of all district schools statewide. These schools were omitted from the tally.