



How Public Charter Schools Are **Funded**

We are often asked about the funding for public charter schools in Texas. The confusion is understandable, since special interest groups continually circulate incomplete and deliberately misleading information as they seek to exploit economic uncertainty caused by the pandemic.

As the public conversation about education funding continues, it's important to be clear on the facts. Below, you will find a short and easy to understand explanation of how public charter school funding actually works.

Key Takeaways

The most important points to know about funding for public charter schools are:

- **Charter schools do not receive more taxpayer funding than ISDs.** Overall, charters receive \$676 less per student than ISDs, according to TEA.
- **Charter schools receive no local revenue,** which accounts for more than half of ISD budgets. Unlike ISDs, 100% of charter school funding comes from state sources. So, it's no surprise that charters receive more funding from the state—it's the only funding they get.
- **Charters educate more traditionally disadvantaged students than ISDs,** but still face a funding disadvantage because so much local property tax revenue is sent to ISDs.

1. Where the Money Comes From: State vs. Local Sources

Under Texas law, all students are entitled to a basic allotment to fund their public education. In the 2019-20 school year, this basic allotment was \$6,160. The law then provides for additional funding allotments, most of which account for the extra resources and effort required to support "special populations" such as low-income students, students with disabilities, and English language learners.

Texas taxpayers provide public school districts—regardless of whether they are public charters or

Independent School Districts (ISDs)—with all of the funding corresponding to these allotments. But the specific revenue streams are different:

- ISDs typically receive about 55% of their funding from local property taxes and the remaining 45% from state sources such as the sales tax and proceeds from oil and gas.
- By contrast, public charter schools receive 100% of their funding from state sources. Unlike ISDs, they have no authority to levy local taxes and receive no local tax funds.

This is a very important distinction. You may hear that charters receive “more funding,” which is true in the narrowest sense—charters receive more funding *from the state budget* than ISDs. But for Texas taxpayers and students, it makes no difference which revenue stream the money comes from. Here’s a look at current average funding for public schools in Texas.

2. Overall, Public Charters Receive Less Funding

According to the Texas Education Agency’s official Summaries of Finance for 2019-20, obtained using a public information request in December 2019, **public charters on average receive \$676 less per student than ISDs**. This breaks down as follows:

Funding Source	Public Charter Funding (Per Student)	ISD Funding (Per Student)
State M&O	\$10,495	\$5,856
State I&S	\$226	\$16
Local M&O	\$0	\$3,986
Local I&S	\$0	\$1,539
Total	\$10,721	\$11,397

Notably, these numbers are nearly identical to the latest public charter vs. ISD average funding comparison published by TEA in August 2019, which was based on estimates from the Legislative Budget Board.¹

When critics such as Raise Your Hand Texas claim charters have a funding “advantage,” this is untruthful in two ways.

First, any fair analysis of per-student funding must include both state and local revenue sources. As the above chart shows, it’s very clear that Texas taxpayers are spending less *overall* on public charter schools than traditional district schools.

Second, critics generally focus on one example of supposed unfairness: a state funding allotment designed to support districts that are “small or mid-size” (fewer than 5,000 students) and therefore don’t benefit from the same economies of scale as larger districts. All charter schools, regardless of total enrollment, receive this allotment of \$1,030 per student.

¹ See slide 17 in TEA’s presentation “Charter School Funding,” available at: <https://tea.texas.gov/sites/default/files/HB3-Video-Series-Charter-School-Allotment.pdf>

What critics don't mention is that approximately 95% of charter districts in the state are in fact small or mid-size—in other words, small enough that they would qualify for the allotment even if they *weren't* charters.

Critics also deliberately ignore the many entitlements for which ISDs are eligible but charters are not. These are cumulatively worth hundreds of millions of dollars. Among the most significant examples is the Fast Growth Allotment. The state provides additional funding—totaling about \$305 million annually—to the fastest-growing traditional school districts as determined by TEA. Yet charters, regardless of how fast they might grow, are ineligible for it.²

3. Facilities Funding Drives the Difference

With the passage of House Bill 3 in 2019, the Texas Legislature created a more equitable school funding system. Texas now provides far more differential funding—that is, funding based on student need—than in the past.

HB 3 helped narrow the funding gap between charters and ISDs so that charters are able to adequately serve their high-need students from special populations. For example, according to TEA data, charters enroll 10% more low-income students and 9% more English learners. Public charters also enroll students with special needs at similar rates to ISDs of similar sizes. (Statewide, charters enroll 7% of special needs students compared with 10% in ISDs.³)

Despite serving a lower percentage of disadvantaged students than public charters, ISDs retain a funding advantage overall. This is mainly because they receive so much more than public charters in facilities funding: about \$1,700 per ISD student, on average, compared to about \$200 per charter student.⁴ This funding comes primarily from property taxes—a local revenue stream to which charters do not have access.

In ISDs with high property values, high property taxes, or both, this disparity is even larger. In Alamo Heights outside of San Antonio, for example, the district spends about \$7,900 per student on facilities. Northwest ISD, outside of Fort Worth, spends \$3,782.⁵

4. Case Study: IDEA Public Schools

In some cases, public charters do receive slightly more funding per student than a neighboring ISD. For example, in 2019-20, IDEA Public Schools—the state's largest charter district—received about \$100 more per student (or 0.01% more) than Houston ISD, where two IDEA campuses are located.⁶ The reason why IDEA received more funding is because it serves a higher percentage of high-needs students.

However, in most cases, ISDs have a large enough advantage in local revenue that their overall funding is higher. IDEA receives less total funding per student than 821 ISDs—the vast majority of them—including San Antonio, Austin, and Fort Worth. The chart below shows this is true of IDEA despite the charter network serving a larger share of English learners and students with the lowest household incomes, compared to those traditional districts.

2 See Sec. 48.111 of the Texas Education Code

3 Texas Education Agency, 2018-19 Texas Academic Performance Reports.

4 Based on aggregated capital outlays (charter vs. ISD) divided by total enrollment from TEA's PEIMS Financial Data Download.

5 Based on total capital outlays by district divided by total enrollment by district from TEA's PEIMS Financial Data Download.

6 Data from a public information request from TEA in December 2019.

IDEA vs. Major Metro ISDs Where IDEA Campuses are Located

District	Per Pupil Funding	Bilingual (ELL)	EcoDis Tier1*	EcoDis Tier 2*
San Antonio ISD	\$12,282	19%	4.7%	4%
Austin ISD	\$11,849	29%	8.6%	7.2%
Fort Worth ISD	\$11,494	32%	6.3%	6.8%
IDEA Public Schools	\$10,871	35%	9.3%	14.2%
El Paso ISD	\$10,853	30%	10%	16%
Houston ISD	\$10,797	32%	6.3%	7.9%

*One of the funding allotments expanded by HB 3 provides extra support for students who are low-income. Students are categorized into five "tiers" for this purpose, with tier 1 representing the lowest household incomes, tier 2 the second lowest, etc.

IDEA vs. ISD Funding in All Locations Where IDEA Campuses are Located

District	Per Pupil Funding	English Language Learners	Economically Disadvantaged
Northside ISD	\$13,247	10%	50%
Edgewood ISD	\$12,967	21%	95%
Hidalgo ISD	\$12,298	60%	91%
San Antonio ISD	\$12,282	20%	90%
Pflugerville ISD	\$12,045	22%	51%
Austin ISD	\$11,849	27%	54%
Harlandale ISD	\$11,802	17%	88%
Southwest ISD	\$11,683	17%	85%
Del Valle ISD	\$11,681	40%	84%
Fort Worth ISD	\$11,494	33%	86%
La Joya ISD	\$11,421	55%	93%
Donna ISD	\$11,341	51%	94%
Rio Grande City CISD	\$11,334	72%	90%
Edcouch-Elsa ISD	\$11,325	25%	98%
Brownsville ISD	\$11,268	35%	89%
Pharr-San Juan-Alamo ISD	\$11,134	42%	92%
Mission CISD	\$11,078	33%	86%
South San Antonio ISD	\$11,055	18%	91%
Hays CISD	\$10,974	17%	51%
Birdville ISD	\$10,881	21%	58%
IDEA Public Schools	\$10,871	36%	87%
El Paso ISD	\$10,853	30%	75%

IDEA vs. ISD Funding in All Locations Where IDEA Campuses are Located

District	Per Pupil Funding	English Language Learners	Economically Disadvantaged
San Benito CISD	\$10,830	22%	89%
Northeast ISD	\$10,622	13%	48%
Sharyland ISD	\$10,586	29%	65%
Edinburg CISD	\$10,421	34%	86%
McAllen ISd	\$10,368	33%	71%
Weslaco ISD	\$10,262	27%	86%
Socorro ISD	\$9,759	24%	74%

FOR MORE INFORMATION

We would love to be a resource for you. If you have any questions, please contact **Brian Whitley** at bwhitley@txcharterschools.org or **Dr. Timothy Mattison** at tmattison@txcharterschools.org.



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