

How Public Charter Schools Are **Funded**

Public charter schools are often asked how their funding works. It's important to be clear on the facts.

Both public charter schools and ISDs are publicly funded. The state provides a baseline amount per student, with additional "allotments" depending on the students they educate and the programs they offer.

However, there are important differences between public charter schools and ISDs – especially in terms of facilities funding. As a result, public charter schools receive less overall funding per student. This gap has grown over time.

Below, you will find an easy-to-understand explanation of how public charter schools are funded.

Key Takeaways

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

- **Public charter school students get less.** According to the Texas Education Agency, public charter schools receive \$1,278 less per student than ISDs.¹
- **Public charter schools receive no local revenue.** While public charter schools and ISDs both receive funding from the state, only ISDs receive funding from local sources such as property taxes. ISDs use these local dollars to fund their facilities.
- **Public charter schools educate a larger share of traditionally disadvantaged students than ISDs,** but still face a funding disadvantage.

1. Where Public School Funding Comes From: State vs. Local Sources

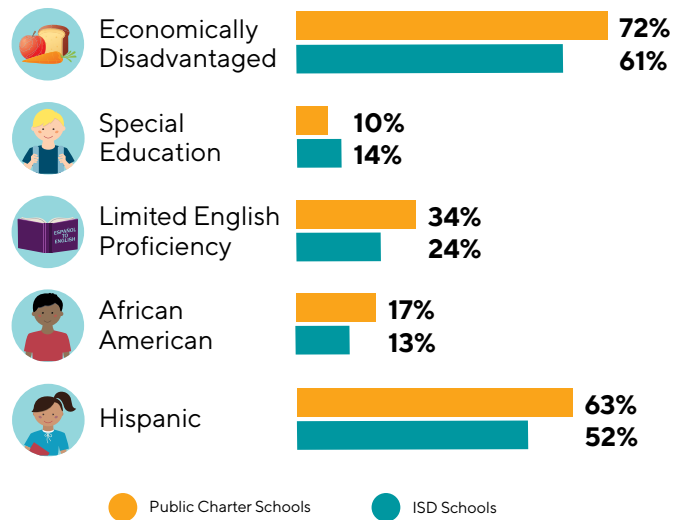
Both public charter schools and ISDs receive public funding as determined by "allotments" in Texas law.² The Basic Allotment – a fixed amount of funding for every student – is the largest and simplest. During the 2023-24 school year, it was \$6,160.

In addition, the law provides “weighted” funding and other allotments that are specific to certain students or programs. Most of these account for the extra resources required to support “special populations,” such as low-income students, at-risk students, students with disabilities, and English language learners.

Taxpayers provide the funding based on these allotments to all public schools. **However, the specific revenue streams are different for ISDs and public charter schools:**

- ISDs typically receive a majority of their public funding from local property taxes, with the rest coming from state sources.
- 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.

Student Demographics at Texas Public Schools

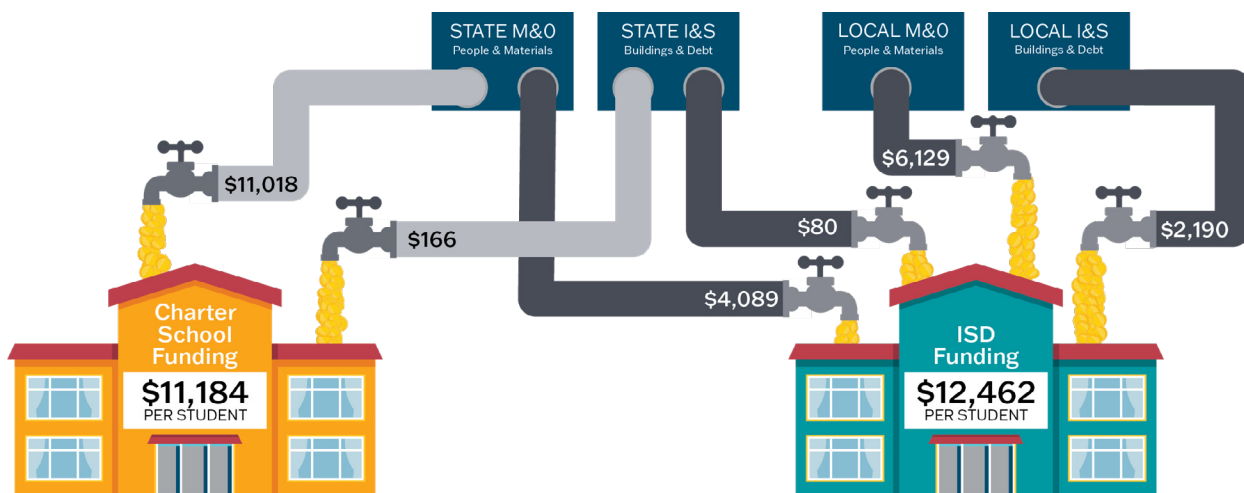


This is a very important distinction. Opponents sometimes claim public charter schools receive more “state funding” per student. That’s technically true – if you only look at dollars coming from the state budget. But for Texas taxpayers and students, it makes no difference which revenue stream the money comes from.

What does matter?

2. Overall, Public Charter Schools Receive Less Funding

According to TEA’s official Summaries of Finance for 2022-23, public charters on average receive \$1,278 less per student than ISDs. This breaks down as follows:



Any fair analysis of per-student funding must include both state and local revenue sources. TEA data shows very clearly that Texas taxpayers are spending less overall on public charter schools than traditional district schools.

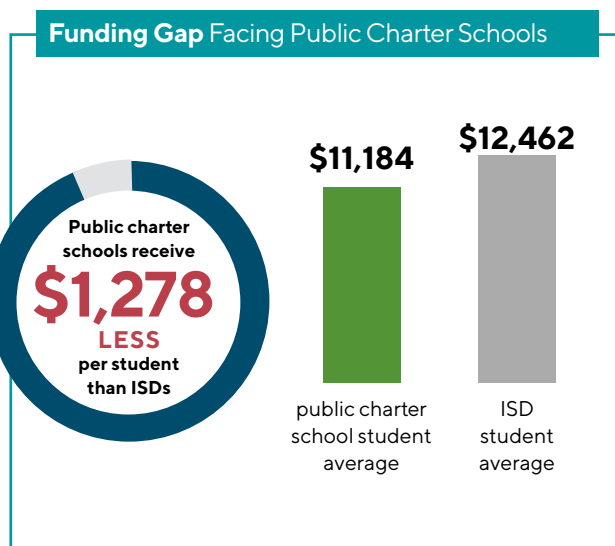
There are two allotments specific to public charter schools: the Charter Allotment and Charter Facilities Funding. But these do not close the funding gap with ISDs.

On top of not receiving local funding, public charter schools are also ineligible for some of the funding allotments that ISDs receive. These include:

- Fast Growth Allotment
- Small/Mid-Sized Allotment
- Instructional Facilities Allotment
- Existing Debt Allotment

In fact, the total funding available through the Charter Facilities Funding allotment has been frozen since 2017 – despite growing public charter school enrollment and rising inflation.

Which means...



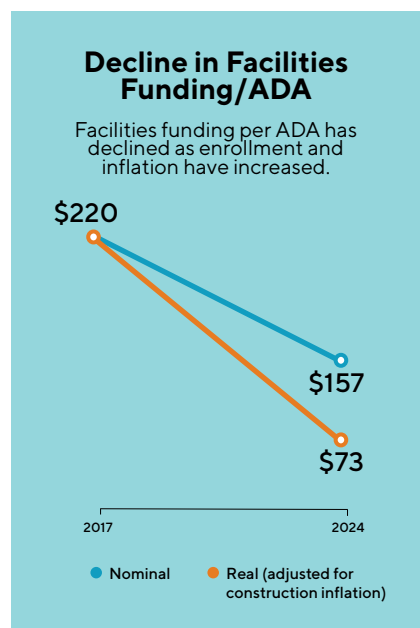
3. Facilities Funding Drives the ISD–Public Charter School Funding Gap

ISDs use local property tax dollars to fund their buildings. As facilities-related costs increase, they issue bonds that are paid for by property taxpayers. By contrast, public charter schools don't receive any property tax revenue and cannot levy any taxes.

As Commissioner Morath summarized, “\$1,500 per kid is the average I&S level of funding statewide, and charters essentially just don't get any of that funding.”³

In 2017, the Legislature created a funding allotment for public charter school facilities – but capped it at \$60 million to be shared among all qualifying schools statewide.⁴ That cap hasn't changed, despite growing enrollment and sharply-rising construction costs.

Today, public charter schools receive about \$157 per student for facilities. This does not cover facilities-related costs, so educators have no choice but to divert funds from other priorities such as teacher raises, technology, and tutoring.



The problem and the solution are clear. In order to address the large and growing funding gap between ISDs and public charter schools, we need the Legislature to update the 2017 law that caps funding for public charter school facilities.

Endnotes:

1. Rider 59 of TEA's Summaries of Finance for 2022-23

(<https://tea.texas.gov/about-tea/government-relations-and-legal/government-relations/public-education-state-funding-transparency-may-2024.pdf>)

2. Public schools also receive federal funding, but this makes up a relatively small share of their total revenue (about 8%). (Legislative Budget Board, 2022)

3. Mike Morath at SBOE Meeting, 21 June 2023, at approx. 0:38:00.

(Video - https://www.adminmonitor.com/tx/tea/committee_of_the_full_board/20230621/)

4. TEC 12.106(e) (e) A charter holder is entitled to receive funding under Subsection (d) only if the most recent overall performance rating assigned to the open-enrollment charter school under Subchapter C, Chapter 39, reflects at least acceptable performance. This subsection does not apply to a charter holder that operates a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital.

Questions? Contact research@txcharterschools.org.