



REVIEW OF *SHOULD CHARTER SCHOOLS PAY RENT?*

Reviewed By

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Summary of Review

The recently released report *Should Charter Schools Pay Rent?* from the Manhattan Institute reflects concerns of charter advocates and operators regarding potential policy changes under New York City's new mayor, Bill de Blasio. The report asserts that charging charter schools rent would cause many to run budget deficits large enough to result in staffing reductions, likely leading to a reduction in high-performing charter schools and thus, "fewer good schools" overall. The report presents a handful of poorly documented tables and graphs listing potential budget deficits, speculative layoffs, and average proficiency rates of co-located and non-co-located charter schools, few if any of which actually validate the author's conclusions regarding the impact of charging rent on the growth of "good schools." But the central problem with the report is that the author assumes that there exists no possible downside when resources are transferred from city schools to charter schools. The assumption is that providing these subsidies benefits charters and harms no one and that not providing these subsidies harms charters and benefits no one. The policy brief entirely ignores the broader and more complex policy questions of what it takes to manage a balanced and equitable portfolio of schooling options.

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REVIEW OF *SHOULD CHARTER SCHOOLS PAY RENT?*

Bruce D. Baker, Rutgers University

I. Introduction

Manhattan Institute researcher Stephen Eide recently produced the report, *Should Charter Schools Pay Rent? Implications for Staffing and Growth*.¹ The report is in response to concerns among charter school advocates and operators that New York City's new mayor, Bill de Blasio will seek to charge the city's charter schools rent for use of district owned school facilities. The premise of this report is simple.

1. Support for charter schools increases the number of high-quality schooling options for children in New York City.
2. Charter schools would run budget deficits on the order of 10% if they were charged rent for the space they currently use in city owned buildings.
3. This reduction in available funds would necessarily lead to staffing cuts which may compromise future growth or even current levels of high-performing charter schools.

There are numerous problems with the report's assumptions and with its poorly documented and oversimplified analyses. But the central problem is that the report assumes that there exists no downside when resources are transferred from city schools to charter schools. That is, the report assumes city subsidies for charter schools to be a one-way street. To wit, readers are expected to begin with the premise that providing these subsidies benefits charters and harms no one and that not providing these subsidies harms charters and benefits no one. The policy brief ignores the broader and more complex policy questions of what it takes to manage a balanced and equitable system of schooling options.

II. Findings and Conclusions of the Report

The central finding of the report is stated as follows:

It finds that charging rent in line with the IBO's [New York City's Independent Budget Office's] recommendation would have forced 71 percent of colocated charters into deficit in 2011–12, the last year for which data are readily

available. The average deficit would have been \$682,983, or 10.7 percent of budget. Given that personnel costs constitute, on average, 70 percent of colocated charter school budgets, teacher layoffs would likely have been required to offset the cost of rent (executive summary).

That is, the report concludes that charging rent causes budget deficits, which likely cause staff layoffs. These layoffs, in turn, would likely cause the reduction of available high-performing charter schools. Further, the finding assumes that there could be no possible other beneficial use of the resources in question, such as the city recapturing the space currently inhabited by charter schools or the city generating revenue for city schools through rent charged to charter operators.

III. The Report's Rationale for Its Findings and Conclusions

The rationale behind the report's findings is simple. As the report notes: "Had the DOE charged rent to this cohort at the rate then recommended by the IBO (\$2,400 per pupil), 60 schools, or 71 percent, would have run a budget deficit (see Appendix 2)" (p. 3).

The report provides no detail on the calculation of "deficit" for each school. It does include a table in the Appendix indicating the "budget induced deficit" and citing to calculations based on the schools' IRS 990 filings. But, the report does not state whether this deficit is determined simply by subtracting from current year spending, whether schools carried a balance (which would reduce the induced deficit) or the extent of net assets held by the schools or their parent organizations.

This is not an abstract or speculative concern. Success Academy Charter Schools, Inc. reports over \$10.6 million in assets on their 2012 IRS 990, and the company carried a balance of \$3.35 million.² This does not include individual schools in the network. Harlem Success Academy 3 (a single school in the network) carried its own balance of over \$2.1 million and nearly \$5 million in net assets.³ The complete lack of detail in the Manhattan Institute report on "deficit" calculations makes it impossible to know whether any of these factors were considered.

Presumably, because the Manhattan Institute report does indicate that some schools would not have run a deficit, fund balances (though not other assets?) were included in this determination. Otherwise, the extraction of any rent would induce a deficit for all schools. However, it is unknown whether fund balances of school sites only were considered, or whether fund balances of parent organizations were also considered.

Taking the deficit figures as reported, the report then asserts:

Salaries and benefits are colocated charter schools' main expenses, constituting 70 percent of the average colocated charter school's budget.²⁹ Were colocated charter schools required to pay rent, staff layoffs would be likely. Assuming an average teacher compensation (salary and benefits) package of \$71,000,³⁰ the

collective \$41 million deficit would mean a potential 577 teacher layoffs at these 60 schools. (p. 4)

That is, these rent-induced deficits will necessarily lead to almost 600 layoffs in charter schools. Notably, while the 70% figure may or may not be close to accurate, the report presents no attempt to validate that it is; footnote No. 29 merely says “author calculation,” with no mention of what data may or may not have been used or how he made this calculation.

Next, the report presents average proficiency rates on co-located and non-co-located charter schools relative to districtwide averages in order to make the case that the harm induced by charging rent will reduce the number of high-quality charters, and “good schools” more generally. The report notes:

The effect that charging rent would have on student performance is uncertain. Colocated charter schools and non-colocated schools seem to have produced roughly equivalent student outcomes in 2011–12, although precise measurement is impossible because of the small sample size (see Appendix 3).

Further:

Extremely high-performing schools may be found in both cohorts [co-located and not co-located] (Appendix 4). Colocation allowed for more schools of roughly equivalent quality, that is, a quality generally above that of district public schools (Appendices 1 and 3).

The report is asserting that charging rent may specifically harm high-quality charter schools that are currently co-located. But the argument is highly speculative. The report’s performance data are not up to the task of supporting this assertion, and the data used in the appendices are unhelpful even for the report’s own claims. As the report notes, non-co-located charter schools are performing as well as co-located charter schools. Thus, by the report’s own account there is no apparent harm exacted on non-co-located charters, which presumably pay rent to someone or access facilities by some other means.

The report presents no information on the distribution of outcomes across charter schools that might shed light on which and how many “high-performing” charter schools exist. It does not, for example, show how many “high-performing” (or low-performing) charter schools are found in each cohort (co-located and not). Rather, to add support to the claim of harm inflicted on high-performing charters, the report cherry-picks two co-located charter schools (out of 84 in the data set, accepting the report’s own figure on page 3) and presents them in a separate table along with two non-co-located schools, merely showing that their average proficiency rates are higher than the average for all district schools. The report provides no clear evidence (other than listed deficits) of how performance of these particular schools might be negatively affected by charging rent.

The final bold conclusion drawn by this report is that harm inflicted on high-performing co-located charter schools by charging them rent will result in fewer good schools citywide.

Charging rent may or may not weaken student performance at high-performing schools but will likely result in *fewer good schools overall*” (p. 4, emphasis added). Again, the report tenuously assumes that there can be no other better, equitable use of the same resources and that only charter schools and not district schools can add to the pool of “good schools overall.”

IV. The Report’s Use of Research Literature

The report relies on a selective and imbalanced review of literature. It cites the 2009 CREDO report as validation of the successes of New York City Charter Schools. The report attributes those successes to the city’s ability to “attract and cultivate high-quality charter management organizations.” It does not cite the handful of additional studies that may have helped support their contention of particularly successful charter management organizations, some of which are addressed in an earlier report by me and my co-authors.⁴ There are indeed some charter schools run by CMOs that appear to be providing good educational opportunities to some of New York City’s schools. But the picture is much more complex than suggested by the new report.

The new report does acknowledge reports produced by the New York City IBO. These reports have shown that in recent years provision of facilities to charter operators has provided these schools with an “overcorrection” in resources. That is, when the current rent value of facilities is considered, resources provided to co-located charter schools exceed those provided to the city’s own schools.⁵ And this difference exists without a) comparing to schools serving similar student populations or b) considering additional private fundraising by charters.

Yet after Eide cites the IBO findings, he emphasizes a report by an organization named “Save our States” which attempted to discredit those findings.

A 2013 report by Save our States criticized the IBO analysis for neglecting to properly account for the full “present value” of retirement benefits.²⁷ New York City district schools offer traditional defined benefit pensions and retiree health care to teachers, but charter schools do not do so. According to Save our States, when the costs of these long-term liabilities are accounted for, colocated charter schools receive hundreds of dollars less in per-pupil public support than district schools do. (p. 3)

One problem with the assertions made in the Save our States critique is the inappropriateness of comparing long-term pension and health liabilities of a fully matured public school district with charter schools that have been in existence on average fewer than 10 years and thus have few or no accumulated retirees as of yet, and few teacher with more than 10 years’ experience. (They presumably will at some point.)

More problematic is that Eide fails to acknowledge that IBO thoroughly rebutted the “Save our States” critique in October of 2013, long before production of this Manhattan Institute

report. The IBO blog explains in detail the incorrect assumptions and inaccurate calculations and thus the complete lack of validity of the Save our States claims.⁶ Ignoring this rebuttal, which was available to the author prior to release of his report, is very troubling.

V. Review of the Report's Methods

The report's methods are haphazard and sketchy, involving a handful of poorly documented tables and graphs that actually do little to support the author's claims. First, as noted above, the report presents (in Appendix 2) a calculation of the deficits induced by charging charter schools rent at \$2,400 per pupil. Next, it asserts that if 70% of co-located charter school budgets are consumed by teacher salaries, these induced deficits will result in layoffs, providing a back-of-the-napkin calculation.

Next, the report presents graphs of average performance of co-located and non-co-located charters in an attempt to assert that the deficits will harm co-located charters, despite the fact that its poorly conceived data summaries suggest that non-co-located charters are doing as well as co-located charters. The report concludes by showing the higher average performance of four cherry-picked co-located and non-co-located charters. This finding is used to make the assertion that charging rent would reduce the number of "good schools" available citywide.

The report fails to acknowledge or account for the significant variations in student populations served by New York City charter schools and the differences in student population characteristics of charter versus district school students (see Table 1 of the appendix to this review).⁷ Similarly, the report ignored recent NEPC reports that document variations in access to resources across New York City charter schools, including the fact that many spend thousands of dollars more per pupil than district schools serving similar student populations, while some indeed spend less (see Table 2).

Table 2 shows that 17 of 18 charter operators (management companies and "affiliations", many governing multiple schools) spent more per pupil and some far more than district schools serving similar students. Eight of 18 spent over \$2,400 more per pupil more than district schools, and many of these were co-located. The problem here is not in the averages; the problem is in the variation. New York City charter schools have widely varied access to resources.

Resource variations among New York City charter schools are also reflected in class size variations, further compromising the report's assertions. While the report contends that the deficits will be offset by staffing reductions which would likely lead to class size increases, Many well-known New York City charter operators provided much smaller class sizes than district schools between 2008 and 2010 (see Table 2). In addition to smaller class sizes, many of these well-known New York City charter operators also pay their relatively inexperienced teachers a substantial premium for additional hours worked (See

Table 3). Indeed, these are important strategies for providing quality schooling, whether in district schools or charters.

Figures 1 and 2 show that district schools' class sizes have continued to grow in recent years, well above the 30 student mark. Coupled with widely reported overcrowding in district schools,⁸ it seems strange for the Manhattan Institute author to assert that the only equitable solution is the continued transfer of city resources to charter schools that already provide smaller classes and higher salaries. The report simply ignores any and all data on district school conditions and any potential downside to the consumption of facilities space by charter operators or lost revenue that might be generated by renting that space at fair market rates.

Finally, by presenting only average proficiency rates, the report conflates differences in proficiency with differences in student populations, thus providing no evidence that the "high-performing" charter schools cited would be equally high-performing if they served similar student populations to district schools. As an illustration, Table 1 shows that Icahn schools and Success Academies (identified by the author as "high-performing") do not serve populations comparable to same grade-level district schools in the same borough.⁹

VI. Review of the Validity of the Findings and Conclusions

The report's central conclusion that charging charter schools rent will reduce the number of high-quality schools in the city is particularly misguided and hardly supported by the crude, poorly connected and poorly documented analyses presented. As noted above, there exists no clear explanation of how deficits were calculated, including whether available assets of individual schools were considered or whether parent organizations' ending balances or assets were considered. Clearly these are of relevance for determining the fiscal impact of paying rent.

Second, the assertion that existing charter schools are of "quality generally above that of district public schools" (p. 4) cannot be supported by comparisons of average proficiency rates without regard for students served or existing resource advantages.

Third, the report cherry-picks "high-performing" charters to draw broad conclusions regarding the negative impact of charging rent on the future distribution of "good schools." Considering that the city remains responsible for approximately 1 million school children spread across approximately 1,700 schools, the assertion that charging rent to these two cherry-picked charters, or all 84 co-located charters in the author's sample, will lead to "fewer good schools overall" (p. 4) is an enormously unwarranted stretch.

Finally, the report fails to acknowledge that the fiscal constraints facing both the city district schools and by extension the charter schools that rely on the city budget, are in large part caused by persistent underfunding of the state school finance formula (shown in Table 4). The state continues to underfund New York City schools by \$2.6 to \$2.8 billion,

placing increased pressure on the district to find resources to offset burgeoning class sizes. In other words, the health of the charter sector depends on the health of the host, but the Manhattan Institute report ignores entirely the broader economic conditions of the district.

VII. Usefulness of the Report for Guidance of Policy and Practice

The Manhattan Institute report provides little useful guidance for New York City with respect to the narrow question of whether the city should charge rent to charter operators. It provides even less useful guidance regarding the broader more important question of how a city can manage the distribution of equitable and adequate educational options for children under a portfolio model including both privately managed and governed¹⁰ charter and district operated public schools.

The report assumes a one-way street with no downside to the transfer of resources to charter schools. It also assumes that the only approach to increasing the number of “good schools” citywide is by maintaining a disproportionate subsidy to charter schools. Indeed, this transfer has assisted charter schools in the past. By having the additional \$2,400 per pupil available for operations, they can provide smaller classes and additional compensation for additional time, to the likely benefit of their students. Losing this funding, given that it is substantial, may indeed reduce the quality of services these schools can provide. But that is only one half (at most) of the equation.

New York City maintains a school site budgeting formula for “Fair Student Funding” where the policy objective is that variations in funding should reflect variations in need. Current charter disparities compromise that goal.¹¹ While it may be difficult to determine an equitable “taxing” (or rental rate) policy for charters given the large variation within that sector, it makes little sense for the district to heavily subsidize schools serving less needy children that already have access to more adequate resources. It makes even less sense to make these transfers of facilities space (or the value associated with that space) as city class sizes mushroom and as the state indicates the likelihood that its contributions will continue falling well short of past promises.

Appendix

Table 1. Comparing Students Served by NYC Charter Organizations Relative to District Schools a) serving same grades and b) in same borough. [2008-2010]

Affiliation	% Free Lunch Relative to District	% ELL Relative to District	% Special Education Relative to District
Believe	-26.48	-6.96	1.13
Uncommon Schools	-22.65	-11.31	-6.57
Icahn	-21.33	-13.22	-12.27
Explore Schools	-19.59	-13.69	0.39
Victory Education Partners	-18.31	-12.8	-9.64
Beginning with Children	-17.63	-11.86	-3.32
Lighthouse Academies	-16.04	-11.29	-8.06
Public Prep	-15.51	-18.52	-8.59
Achievement First	-14.84	-11.2	-4.56
KIPP	-12.95	-10.68	-3.19
Harlem Children's Zone	-11.18	-11.98	-3.83
Success Charter Network	-10.71	-17.38	-6.05
Independent	-9.36	-10.13	-2.95
Democracy Prep	-2.34	-14.41	-4.69
Village Academies	-0.92	-13.41	-5.9
Green Dot	-0.09	-6.78	-5.13
Hyde Charter	3.73	-7.66	-3.96
National Heritage Academy	15.54	-14.69	-8.25

Note: Based on regression model of student demographic data (2008-10) from New York State Education Department School Report Cards (<https://reportcards.nysed.gov/>) linked to data on individual charter school characteristics including charter network membership at: http://www.nyccharterschools.org/sites/default/files/resources/resource_operating_charters_042812.xls. Schools are compared against other schools a) of the same grade range and b) in the same borough of New York City.

Additional Source information:

Baker, B.D., Libby, K., Wiley, K. (in press) Charter School Expansion & Within District Equity: Confluence or Conflict? Education Finance and Policy

Baker, B.D. (2012). Review of "New York State Special Education Enrollment Analysis." Boulder, CO: National Education Policy Center. Retrieved February 18, 2014, from <http://nepc.colorado.edu/thinktank/review-ny-special-ed>.

Table 2. Charter School Per-Pupil Spending, Class Sizes Relative to District Schools Serving Similar Populations, Grade Ranges, and In Same Borough [2008-2010]

Affiliation	Spending Relative to District Schools	Elementary Class Size Relative to District Schools	Grade 8 Math Class Size Relative to District Schools	Grade 8 ELA Class Size Relative to District Schools
Achievement First	\$1,271	-2.39	-16.23	-5.16
Beginning with Children	\$630	0.29	-4.46	-3.13
Believe	\$4,116			
Democracy Prep	\$6,605	-1.62	-1.52	-1.82
Explore Schools	\$814	-4.72	-2.90	-1.38
Green Dot	\$757			
Harlem Children's Zone	\$3,958	-6.18	-7.84	-11.90
Hyde Charter	-\$178	-1.24	-0.34	0.67
Icahn	\$3,360	-6.88	-2.85	4.42
Independent	\$2,265	-1.96	-4.60	-3.96
KIPP	\$5,359	0.08	-6.65	-4.46
Lighthouse Academies	\$1,589	-2.34		
National Heritage Academy	\$1,802	1.43	1.73	2.98
Public Prep	\$4,525	-1.51		
Success Charter Network	\$2,072	-0.14		
Uncommon Schools	\$4,091	-0.91	-8.89	-11.99
Victory Education Partners	\$3,348	-0.95		
Village Academies	\$966		0.60	-5.97

Spending Variation: Estimates based on regression model of per-pupil spending excluding Building Services, district expenditure on Charter Schools, Non-Pub/Non-NYC, Other Regional Costs, Regional Support, Building Maintenance, Charter Schools, Energy, Food Services, Transportation, Text Books, Summer & Evening School, Debt Service, Pass-Throughs, System-Wide Costs, Other Systemwide Obligations, Regional Costs. See: <http://schoolfinance101.wordpress.com/2012/05/07/no-excuses-really-another-look-at-our-nepc-charter-spending-figures/> for sensitivity analysis regarding system-wide costs & see: <http://nepc.colorado.edu/publication/spending-major-charter> for more detailed explanations. Regression model includes parameters listed above, with Model 1 using a measure of % free or reduced price lunch and Model 2 using % Free Lunch only. Data are compiled from a) NYC site based budget data system (<http://schools.nyc.gov/Offices/DBOR/SBER/default.htm>) b) New York State School Report Cards and c) NCES Common Core of Data (www.nces.ed.gov/ccd/bat) for years 2007-08 to 2009-10. Data on charter network membership at: http://www.nyccharterschools.org/sites/default/files/resources/resource_operating_charters_042812.xls Class Size Variation: Based on regression model of class size data (2008-10) from New York State Education Department School Report Cards (<https://reportcards.nysed.gov/>) linked to data on individual charter school characteristics including charter network membership at: http://www.nyccharterschools.org/sites/default/files/resources/resource_operating_charters_042812.xls. Population Characteristics included in model include % free lunch, % LEP/ELL and % in special education.

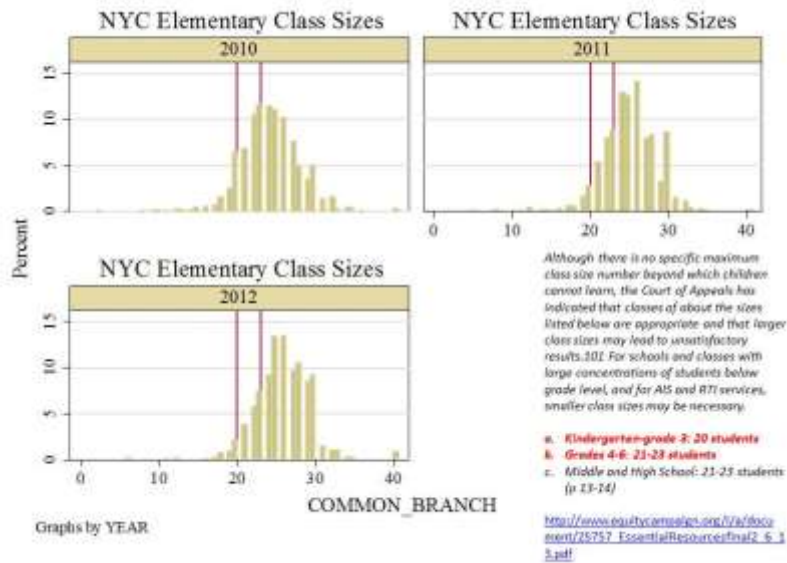
Table 3. Predicted Annual Salaries of Teachers by Experience Level at Same Degree Level and in Similar Job Codes (Classroom teachers) [2008-2010]

Experience	District Schools	Achievement First	Harlem Children's Zone	KIPP	Success Academies	Uncommon Schools	Village Academies
0	\$54,439	\$56,749	\$53,227	\$56,299	\$51,182	\$60,164	\$54,942
1	\$56,248	\$58,558	\$56,484	\$57,469	\$53,731	\$62,195	\$57,646
2	\$56,528	\$63,264	\$57,340	\$55,399	\$56,543	\$63,923	\$56,251
3	\$57,114	\$65,917	\$57,508	\$54,367	\$57,874	\$64,924	\$57,486
4	\$58,027	\$67,490	\$58,502	\$56,400	\$57,337	\$66,003	\$59,770
5	\$59,502	\$69,354	\$60,786	\$57,573	\$58,710	\$67,791	\$60,727
6	\$61,026	\$79,612	\$62,676	\$63,087	\$62,997	\$70,239	\$65,329
7	\$63,906	\$72,900	\$68,814	\$65,038	\$61,826	\$77,157	\$60,890
8	\$66,259	\$79,022	\$69,401	\$67,183	\$64,021	\$77,637	\$70,496
9	\$66,986	\$76,802		\$67,549	\$64,451		\$72,514
10	\$68,384	\$81,270	\$68,478	\$73,921			\$67,825
11	\$69,315			\$69,977		\$79,467	\$70,581
12	\$69,857			\$70,130		\$80,025	
13	\$70,800			\$77,170			
14	\$71,322			\$71,859			
15	\$73,034			\$79,759			

Note: Based on regression model of individual teacher salary data (2008-10) from New York State Education Department Personnel Master File, linked to data on individual charter school characteristics including charter network membership at:

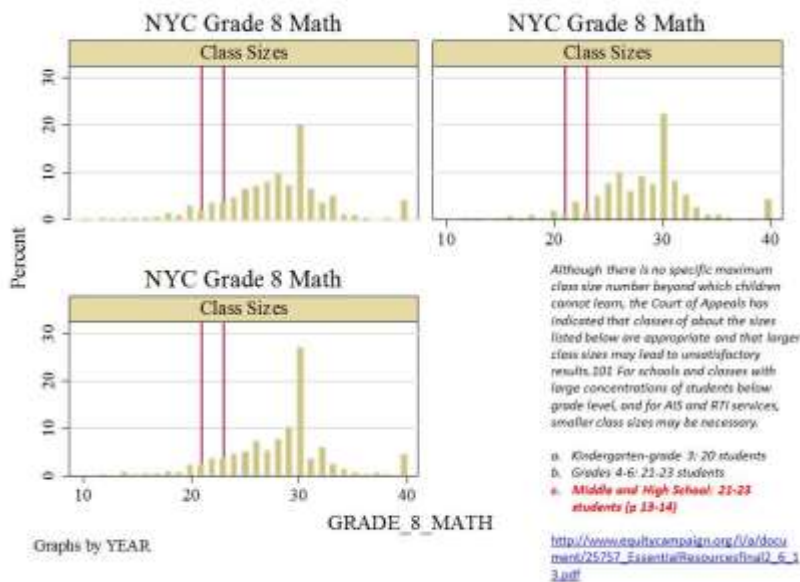
http://www.nyccharterschools.org/sites/default/files/resources/resource_operating_charters_042812.xls.

Teacher salaries estimated with controls for years of experience and degree level.



Data Source: Class sizes from New York State Education Department School Report Cards Database (2011-12)

Figure 1. New York City Elementary Class Sizes Compared with Campaign for Fiscal Equity Benchmarks



Data Source: Class sizes from New York State Education Department School Report Cards Database (2011-12)

Figure 2. New York City Grade 8 Math Class Sizes Compared with Campaign for Fiscal Equity Benchmarks

Table 4. New York State Aid Shortfalls and Cuts to New York City

	Adopted Budget 2013-2014	Governor's Budget 2014-2015
Enrollment ^[1]	1,057,158	1,064,046
Based Funding ^[2]	\$6,515	\$6,458
Pupil Needs Index	1.784	1.775
Regional Cost Index	1.425	1.425
Adj. Foundation per Pupil	\$16,562	\$16,335
Selected TAFPU ^[3]	\$1,257,606	\$1,278,107
Adequacy Target	\$8,810,661,876	\$8,768,542,541
Frozen Foundation	\$6,369,029,691	\$6,374,443,639
Gap Elimination Adjustment Applied	\$5,866,443,993	\$6,032,257,666
Funding Shortfall	\$2,944,217,883	\$2,736,284,875
Funding Shortfall per DCAADM	\$2,785	\$2,572

[1] Enrollment is Duplicated Combined Average Daily Membership for 2010-11 (for 2013-14) analysis and 2011-12 (for 2014-15 analysis) acquired from Fiscal Profiles

[2] The 2013-14 NYSED Primer on State Aid [<http://www.oms.nysed.gov/faru/PDFDocuments/Primer13-14B.pdf>] conveniently neglects to present Base Funding estimates for 2011-12 and 2012-13 which were in fact higher than \$6,515. The state has inexplicably cut the base funding level in recent years leading to a false impression that formula funding gaps have been reduced for many districts. The prior year primer [<http://www.oms.nysed.gov/faru/PDFDocuments/Primer12-13A.pdf>] explains: "The Foundation Amount is the cost of providing general education services. It is measured by determining instructional costs of districts that are performing well. It is adjusted annually to reflect the percentage increase in the consumer price index. For 2007-08 aid, it is \$5,258. It is further adjusted by the phase-in foundation percent. For 2009-10, the adjusted amount is: \$5,410 x 1.038 (CPI) x 1.025 (phase-in), or \$5,756. For 2010-11, the adjusted amount is: \$5,708 x 0.996 x 1.078, or \$6,122. For 2011-12, the adjusted amount is: \$5,685 x 1.016 x 1.1314, or \$6,535. For 2012-13, the adjusted amount is: \$5,776 x 1.032 x 1.1038, or \$6,580."

[3] Total Aidable Foundation Pupil Units (includes some weights for special education and other factors)

Notes and References

- 1 Eide, Stephen (2014) *Should Charter Schools Pay Rent? Implications for Staffing and Growth*. New York: Manhattan Institute for Policy Research. Retrieved February 18, 2014, from http://www.manhattan-institute.org/html/cr_84.htm#.Uv4MQfumVLM.
- 2 Success Academy Charter Schools (2013). IRS Form 990, Return of Organization Exempt from Income Tax, July 2011-July 2012. Retrieved February 19, 2014, from <http://www.guidestar.org/FinDocuments/2012/205/298/2012-205298861-095c435d-9.pdf>.
- 3 Success Academy Charter Schools (2013). IRS Form 990, Return of Organization Exempt from Income Tax, July 2011-July 2012. Retrieved February 19, 2014, from <http://www.guidestar.org/FinDocuments/2012/205/298/2012-205298861-095c435d-9.pdf>.
- 4 Baker, B.D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing charter school and local public district financial resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center. Retrieved February 18, 2014, from <http://nepc.colorado.edu/publication/spending-major-charter>.

This report was not referenced or apparently considered by the author of the Manhattan Institute study, despite its direct relevance. Nor was another study that I authored, also dissecting the finances of New York City charter schools and comparing the finances of New York City charter schools with district schools.

Baker, B.D. & Ferris, R. (2011). *Adding Up the Spending: Fiscal Disparities and Philanthropy among New York City Charter Schools*. Boulder, CO: National Education Policy Center. Retrieved February 18, 2014, from <http://nepc.colorado.edu/publication/NYC-charter-disparities>.

Both of these reports address the various technical issues involved in making such comparisons between the finances of New York City charter schools and the finances of New York City charter schools to district schools.

Studies supporting the successful CMO argument include the Mathematica national study of charter CMOs, which I discuss here:
<http://schoolfinance101.wordpress.com/2011/11/06/mpr%E2%80%99s-unfortunate-sidestepping-around-money-questions-in-the-charter-cmo-report/>.

For a discussions of other studies by Fryer and colleagues, see:

Baker, B.D., Libby, K., & Wiley, K. (2012). *Spending by the Major Charter Management Organizations: Comparing charter school and local public district financial resources in New York, Ohio, and Texas*. Boulder, CO: National Education Policy Center, 3. Retrieved February 19, 2014, from <http://nepc.colorado.edu/publication/spending-major-charter>.

- 5 NYC Independent Budget Office (2013, October 10). *Answering back: SOS report on IBO's comparison of public funding for charter & traditional schools doesn't make the grade*. Retrieved February 19, 2014, from <http://ibo.nyc.ny.us/cgi-park/?p=763>;

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6 From the IBO Blog, October 20, 2013:

The authors of the SOS report, Harry J. Wilson and Jonathan Trichter, contend that our finding was flawed and that the amount of public support that charter schools receive is thousands less per general education student than the true cost of educating students at traditional district schools. What was the flaw? They say we failed to consider the underfunding of the city's pension plans and commitments for retiree health care benefits for school staff and should have accounted for those *future* costs when totaling the amount of support for the traditional public schools.

The problem with their contention is that our focus is the current level of *actual* public spending in support of charters and traditional schools in a given school year, as presented in the Bloomberg Administration's financial plan. (Moreover, estimates of future costs and when they will come due, particularly for retiree health care benefits, vary considerably.) We clearly state the basis of our comparison in the fiscal brief and blog.

But even if we did take unfunded pension and retiree health care liabilities into account, the SOS contention fails to hold water. Why? Because there are two sides to the ledger. The formula in state law that determines the allocation to charter schools for each student enrolled includes an amount based on the pension and fringe benefit costs of personnel at traditional schools. So, for example, if the city administration chose to increase the amount spent for pensions each year to more fully reflect future liabilities for staff at traditional public schools, that amount would also go into the formula for charters, thereby increasing the per student allocation for charters as well.

In short, the difference in public support between traditional and charter schools would remain unchanged. Of course, given that charters tend to rely on cheaper 401(k) plans for retirement benefits, taking unfunded pension costs into account would increase the public subsidy to charters even though their retirement costs have not increased.

The SOS report is framed as a critique of IBO's analysis of comparative public support for the city's charter and traditional public schools. While the report provides important insights into the critical municipal finance issue of unfunded pension and health care costs, it offers nothing to undermine our core findings on public support for charters and traditional public schools.

Retrieved February 19, 2014, from <http://ibo.nyc.ny.us/cgi-park/?p=763>.

7 See also:

Baker, B.D., Libby, K., Wiley, K. (in press) Charter School Expansion & Within District Equity: Confluence or Conflict? *Education Finance and Policy*;

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9 See also:

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11 See Baker, B.D., Libby, K., Wiley, K., (in press) Charter School Expansion and Within District Equity: Confluence or Conflict? *Education Finance and Policy*.

NYC Independent Budget Office (2013, April). Is it getting fairer? Examining five years of school allocations under fair student funding. New York: Author. Retrieved February 19, 2014, from <http://www.ibo.nyc.ny.us/iboreports/fsf2013.pdf>.

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