PUBLIC SCHOOL ACADEMIES IN MICHIGAN

by

Joe Carrasco, Jr.
Fiscal Analyst

Kathryn Summers-Coty
Fiscal Analyst

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INTRODUCTION

Public Act 362 of 1993 established public school academies (PSAs) as public schools for purposes of Article VIII, Section 2 of the State Constitution of 1963 (which provides for State funding of public schools). Public school academies, also known as charter schools, may be authorized by the board of a local school district, an intermediate school board, a community college board, or the governing board of a State public university. The combined total number of contracts for PSAs issued by all State public universities, however may not exceed 150 under current law. (There is no cap for other authorizers.)

The authorizing bodies act as overseers and fiscal agents for the PSAs, and in fact, receive school aid payments for the schools and then forward those payments to the academies. An authorizing body is allowed to charge oversight fees of up to 3% of the total State school aid received by the schools it has authorized.

The authorizing bodies are responsible for ensuring that each PSA is in compliance with statute, rules, and the terms of the chartering contract. The State Board of Education has an oversight function as well, but with respect to the authorizing bodies. If the Board finds that an authorizing body is not engaging in appropriate continuing oversight of its PSAs, then the Board may suspend the power of the authorizing body to issue new contracts. The State Board also may promulgate or prescribe rules to regulate applications, or reject the contracts of academies if they are determined invalid.

Charter schools may not be organized by a church or other religious organization, and must not have any organizational or contractual affiliation with or constitute a church or other religious organization, to the extent disqualified under the State or Federal Constitution. As described in Section 511 of the Revised School Code, PSAs may be established to achieve the following purposes:

- Improve pupil achievement for all pupils.
- Stimulate innovative teaching methods.
- Create new opportunities for teachers at innovatively designed schools.
- Achieve school accountability for pupil educational performance.
- Provide parents and pupils with greater choices.
- Determine whether State educational funds can be more effectively utilized by allocating funds directly to the school rather than through school district administration.

This issue paper is designed to provide a summary of the existing laws governing charter schools; examine the "basics" - how many PSAs are operating, where are they located, and who is authorizing them; study the student population and makeup of existing charters; analyze revenues and expenditures, along with fund balances and the role of the management corporation (if applicable) in the fiscal operation of the schools; compare teacher salaries and class sizes with statewide averages; and contrast a specific K-12 academy with a similar-sized K-12 local district. The research in this paper is designed to address a fundamental question, "Does it make sense to spend the same amount of dollars on a charter school as on a local district?"

BASICS

Public school academies, as charter schools are formally referred to in Michigan, have grown from 14 schools in 1994-95 (the first full year of operation) to 137 in 1998-99, the last year for which complete data were available at the time this report was constructed. Michigan continues to be one of the leaders across the country in the number of operational charter schools in the State.

Charter schools are public schools that are created and operated through a charter. A charter is usually granted via a contract between the school and an authorizing body. Charter schools may be organized by a group of teachers, parents, private businesses, or various other individuals or organizations in either the public or the private sector. In Michigan, PSAs may be granted a charter only by authorizing bodies that include local school districts, intermediate school districts, community colleges, and public universities. To become a charter school, one must first apply to an authorizing body. Once a charter is granted by the authorizing body, the PSA agrees to pay the authorizing body up to 3% of the total State aid it receives.

The number of charter schools in Michigan has risen each year since the first charter schools opened in the spring of 1995. Table 1 details the increase in the number of schools and the numbers of pupils for each school year since charter schools first began operation. As seen from the table, the number of PSAs has risen from 14 in 1994-95 to 137 in 1998-99. The number of pupils also has risen from 1,151 to nearly 33,000, respectively. The average enrollment in a charter school has risen from 82 pupils in 1994-95 to 238 pupils in 1998-99. Charter schools have grown in size mainly due to schools adding grades as each year begins to accommodate the pupils previously enrolled in the lower grades.

Table 1

INCREASE IN NUMBER OF PSAs, PUPILS AND AVERAGE FOUNDATION ALLOWANCES

School Year	Number of PSAs	Number of Pupils	Average Foundation Allowance
1994-95	14	1,151	$5,243
1995-96	44	5,546	5,516
1996-97	78	12,685	5,691
1997-98	108	20,651	5,858
1998-99	137	32,801	5,873

***** **Number of Pupils** - data come from the Michigan Department of Education State Aid data reports, and were calculated by blending the current-year September pupil counts with the prior-year February pupil counts (i.e., memberships). These data include special education, alternative education, and general education pupil memberships.

One issue facing the charter school movement is the cap on the number of PSAs that may be chartered by public universities. Current law sets the limit at 150. Looking at 1999-2000 data, the cap has already been met. Of the total 179 charter schools in operation during 1999-2000, 150 have been chartered by a public university.

The remainder of the 29 schools have been chartered as follows:

Community Colleges - 1
Intermediate School Districts - 16
Local School Districts - 12

Governor John Engler has so far been unsuccessful in his attempts to have the cap lifted to allow more university-chartered PSAs to open. Legislation to raise the cap has passed the Senate, but has not been approved in the House. If the cap remains in place, the growth in the number of charter schools in Michigan will slow considerably as intermediate and local school districts are not likely to charter many more PSAs in their areas. Community colleges so far have not shown much interest in getting into the charter school business.

STUDENTS

General Education Enrollment

One might ask what the charter school population looks like and how it compares with statewide populations. Table 2 maps the increase in general education (i.e., non-special and non-alternative education) enrollment at PSAs over time, separated into elementary (grades K-8) and secondary (grades 9-12) populations. The table also illustrates the percentage growth in this general education population from fiscal year (FY) 1994-95 through FY 1998-99. Initial growth in general education pupil enrollment increased at a tremendous pace, and is still growing, but at a slower rate.

Table 2

PUBLIC SCHOOL ACADEMY PUPIL GROWTH OVER TIME

Fiscal Year	General Ed. Enrollment Grades K-8	General Ed. Enrollment Grades 9-12	Total General Education Enrollment	Percent Growth in General Ed. Enrollment
1994-95	526	0	526	--
1995-96	3,906.3	1,138.62	5,044.92	859.11%
1996-97	10,137.41	2,185.78	12,323.19	144.27
1997-98	17,583.02	3,130.10	20,713.12	68.08
1998-99	28,618.41	4,546.46	33,164.87	60.12

* Data in this table include only the current-year September pupil counts for general education students. These data are not blended memberships, and do not include special education or alternative education pupils.

Elementary vs. Secondary

Table 3 compares the percentage of enrollment that is either elementary or secondary with statewide averages of children who are in grades K-8 or 9-12. From the table, one can see that charter schools and schools Statewide are enrolling far more children in the younger grades than in high school (which is expected, since K-8 covers twice as many grades as 9-12). However, charter schools are enrolling younger children at a higher rate than statewide averages would predict.

In the educational finance realm, there appears to be a hypothesis that is generally accepted but not proven: that it is "cheaper" to educate elementary students than to educate pupils in secondary schools. This premise is supported with data showing that high school teachers are generally paid at higher rates than their elementary counterparts are paid; high schools often offer classes that are more expensive to operate, such as chemistry labs, physics, biology, and calculus; and high schools often offer a wide range of extracurricular activities to cater to varying and distinct interests, such as French club, Academic Team, football, honor society, and theater.

Several states in fact do fund their secondary pupils at a rate higher than the rate provided for pupils enrolled in elementary schools. According to Public School Finance Programs of the United States and Canada 1993-94, at least 13 states **explicitly** fund their secondary pupils at a higher rate. Minnesota, New Jersey, Illinois, New York, Pennsylvania, and Vermont funded their high school students at rates roughly 25%-30% higher than the per pupil funding for younger students. Nebraska weighted its secondary pupils at 40% higher than pupils in grades 1-6; pupils in grades 7-8 were weighted 20% more than elementary students.

In Michigan, no studies have been done to prove or disprove the hypothesis that elementary students are less costly to educate. Michigan does **not** fund elementary and secondary pupils differently. If the states mentioned above fund their secondary pupils at higher levels because it was found that educating those pupils is costlier, and if Michigan's data were to support this trend, then it is possible that charter schools educate proportionally more elementary students than other public schools do because it is "cheaper" to do so.

Table 3

PERCENTAGE OF ENROLLMENT THAT IS ELEMENTARY AND SECONDARY PSA VS. STATEWIDE AVERAGES

Fiscal Year	PSA Percent of Enrollment that is Elementary	Statewide Percent of Enrollment that is Elementary	PSA Percent of Enrollment that is Secondary	Statewide Percent of Enrollment that is Secondary
1994-95	100.0%	72.41%	0.0%	27.59%
1995-96	77.43	72.46	22.57	27.54
1996-97	82.26	72.20	17.74	27.80
1997-98	84.89	72.04	15.11	27.96
1998-99	86.29	69.64	13.71	30.36

* Data in this table include only current-year September pupil counts for general education students. These data do not include special education or alternative education pupils, and are not blended memberships.

General vs. Special Education

Table 4 focuses on the proportion of the school population that is in special education or general education. Statewide, special education percentages have been rising over the past four years, accounting for over 4% of total statewide school students. Special education students at Michigan's 137 public school academies, however, accounted for approximately 0.5% of the entire PSA population in FY 1998-99.
Special education usually entails additional costs beyond the general education classroom.

Necessary services may include speech and audio therapy, teacher consultants, transportation, social work, or psychological or nursing services, to name a few. In December 1999, the Department of Education published a Comparison of Regular Education and Special Education Costs for the 1996-97 School Year. The conclusion of this report calculated average costs of educating a general education pupil ($6,253) and a special education pupil ($7,706).

Clearly, it is more expensive to educate special education pupils than general education pupils, since, by definition, special education entails services beyond the general education classroom. Charter schools are not exempt in any way from educating special education pupils; they are subject to the same laws and rules as local schools. However, the data in Table 4 shows that charter schools are not educating special education pupils at the same rate as the statewide average.

Whether this imbalance is due to parents not choosing the academies because of a perception (valid or not) that the charter schools do not have the more costly equipment or personnel to educate special needs kids, or whether charter schools are educating special education pupils in the general education classroom and counting them as general education children (instead of special education) is unknown. A combination of the two phenomena is probable.

Table 4

PERCENTAGE OF ENROLLMENT THAT IS GENERAL AND SPECIAL EDUCATION PSA VS. STATEWIDE AVERAGES

Fiscal Year	PSA Percent of Enrollment that is General Education	Statewide Percent of Enrollment that is General Ed.	PSA Percent of Enrollment that is Special Education	Statewide Percent of Enrollment that is Special Ed.
1994-95	100%	96.28%	0.0%	3.72%
1995-96	99.18	96.20	0.82	3.80
1996-97	99.47	96.10	0.53	3.90
1997-98	99.43	95.95	0.57	4.05
1998-99	99.49	95.82	0.51	4.18

* The data in this table include current-year September pupil counts for general and special education students. These data are not blended memberships, and do not include alternative education pupil counts.

STATE REVENUES AND FUND BALANCES

Local Revenue

There is a vast difference in the amount of local revenue that can be raised by a local school district in Michigan and a public school academy. Although the passage of Proposal A eliminated the ability of local districts to raise their own local revenue, local property taxes are still levied to help finance a portion of a district's foundation allowance. Whatever amount of a local district's foundation allowance that is not financed by the local millage revenue is paid by the State. For a PSA, the entire amount of their foundation allowance is paid by the State up to the maximum allowed, currently $500 above the basic foundation allowance.

However, a major difference between a local school district and a PSA is in the local district's ability to raise local revenue for capital projects. With voter approval, local school districts can issue bonds up to the maximum amount not to exceed 15% of the total assessed valuation of the school district and for a period not to exceed 30 years. All revenue raised locally can only be used for capital expenditures and to pay the costs of bond issuance; it cannot be used for maintenance or general operations.

Unlike their local school district counterparts, a charter school cannot levy any local millage to raise revenue, not even for capital improvements. Any capital improvements or repayment of loans for such must be paid from the PSA's only source of income, their foundation allowance. Unless the PSA's chartering agency is willing to pay for capital projects, a charter school has a finite amount of revenue that it can use for such projects.

State Sources

Not unlike local school districts in Michigan, public school academies receive the majority of their State funding from foundation allowance revenues. Though they are eligible for categorical funding the same as any other local public school, charter schools are primarily funded from a single source.

Data for FY 1998-99 indicate that on average, 83% of a PSA's total State aid is derived from its foundation allowance revenue. If one assumes that PSAs pay the 3% administrative fee they are liable to pay to their fiscal agent out of their foundation allowance revenue, the net result is that approximately 80% of an academy's funding comes from foundation allowance revenue. This compares with the 85% of a local district's revenue that comprises foundation allowance income. The remaining 15%-20% of a district's or PSA's State revenue is derived from other State payments for categorical items such as: at-risk, special education, adult education, early childhood education, and reading improvement grants, to name a few.

Although the majority of funding is received via foundation allowance revenues, many public school academies and local districts carry forward a positive fund balance from year to year. While PSAs receive their funding indirectly from the State through their authorizing agent, fund balances that remain may be the fiduciary responsibility either of the PSA or of the management corporation, if applicable and if the contract between the two is to this effect. One of the reasons for the carry-forward of funds is to serve as a reserve in case of a shortfall in funding in future years. Another may be to save up for special needs in the future. If the fund balance is "owned" by the management corporation pursuant to a contract, then the fund balance could be considered "profit" for the management company.
A charter school or local district may use the money in its fund balance for special purchases such as computers, software, or audio/visual supplies. Table 5 depicts the average fund balances for public school academies, local districts of a size similar to PSAs, and the statewide average for all local school districts.

Table 5

AVERAGE FUND BALANCES AND INCREASES IN FUND BALANCES FOR PSAs AND LOCAL DISTRICTS (FY 1998-99)

Type of School	Average Beginning Fund Balance	Average Ending Fund Balance	Average Net Increase in Fund Balance
Public School Academies	$60,000	$154,000	$94,000
Local School Districts with Enrollments Similar to PSAs	722,100	763,700	41,600
All Local School Districts	2,880,600	3,137,200	256,600

* Fund balance data refer to general fund balances, and do not include revenues or expenditures associated with mills levied by local districts for debt service or capital projects.

As one can see, the average fund balance of PSAs is much smaller than that of local school districts. While the average fund balance of PSAs (based on FY 1998-99 data) is $154,000, the statewide average fund balance for local school districts is $3.1 million. When compared with local school districts of similar pupil size, those local school districts still average a much larger fund balance of $764,000. One must note, however, that PSAs have only been in existence for 6 years or less compared to 50 or more years for most local school districts.

The average annual increase in the fund balance of a charter school in FY 1998-99 was $94,000, while the average increase for a local school district with a similar enrollment as a PSA was $41,600. This compares with the statewide average for all local school districts of an increase in fund balance of $257,000. The disparity between the growth in the fund balance of a PSA and the growth in the fund balance of a similarly sized local district may be attributed to the fact that most PSAs incur large start-up costs and are simply saving up for the purchase of big ticket items such as computers and software.

Additionally, the size of a charter school's fund balance as a percentage of total revenue is dramatically smaller than that of its local school district counterparts. For public school academies with positive fund balances, the average fund balance as a percentage of total revenues is 14%, while the Statewide average for all local school districts with positive fund balances is 23%. The average jumps to 40% for local school districts with enrollments similar to those of their PSA counterparts. Table 6 details these differences.

Table 6

POSITIVE FUND BALANCES AS A PERCENTAGE OF TOTAL REVENUE (FY 1998-99)	
Type of School	**Positive Fund Balance as a Percentage of Total Revenue**
Public School Academies	13.82%
Local School Districts with Pupil Enrollments Similar to PSAs	23.15
All Local School Districts	39.45

One of the reasons for such a disparity in the fund balance as a percentage of total revenues between PSAs and local school districts, particularly those with similar enrollments, may be the large start-up costs that PSAs incur, which may account for the higher expenditures among PSAs.

PSA OPERATIONS AND MANAGEMENT

By law, in FY 1998-99 charter schools in Michigan were capped at just under $6,000 per pupil. Though a few local school districts received in excess of $10,000 per pupil, the average foundation allowance per pupil in FY 1998-99 for local school districts was $6,068. Unlike local school districts, charter schools cannot levy any voter-approved millage or issue any bonds to raise revenue, including funds for infrastructure and capital improvements.

Though PSAs receive less per pupil than the statewide average, their missions and goals have been to provide a different educational setting than their local district counterparts. Charter schools may provide their students with a variety of services and activities that might not be widely available in local school districts. Such services and activities may include: smaller class sizes, personalized attention, full-day kindergarten classes, longer school days, longer school calendars, technology in every classroom, and foreign languages offered in early grades.

In an effort to save money and pay for these services, many charter schools hire management firms known as educational service providers to perform the schools' administrative functions. Optimally, these service providers will perform those functions such as payroll or pupil accounting more cost-effectively and thus prevent charter schools from having to operate central offices, which tend to require additional personnel and can be costly. The service providers also can help a charter school select a teacher retirement package that may be less expensive than the State-operated school employee retirement system. Further, service providers can help a charter school secure the financing needed for the costly start-up expenses that most charter schools encounter and also benefit from the start-up experience that the service providers have gained.

Currently, there are several service providers working with Michigan's PSAs, some working with only one school with others serving multiple schools. Some providers assist the school only in the hiring of staff and provision of a benefits package, while other providers assist with full administrative services.

Though charters have limited funding avenues, they often provide an array of services and must do so in a cost-efficient manner. Nevertheless, some charter schools and local districts alike are unable to provide services and education within their means, and remain in deficit situations.

TEACHERS

Teachers in Michigan's public school academies must meet the same qualifications as any other teacher in a regular local school district. As specified in the State's Revised School Code, PSAs must comply with all applicable laws and are considered a local school district except where specifically exempted. Furthermore, the State Board of Education must require a charter school's board of directors, as it already requires local and intermediate school district boards, to observe the laws relating to schools. As stated in the School Code, "a public school academy shall use certificated teachers according to state board rule." There are some exceptions, however.

In certain situations, both local school districts and PSAs may hire noncertificated teachers, mainly to fill openings when a certificated teacher is not available. Such teachers, however, must be working toward a certification in order to continue beyond one year in that position and must eventually become certificated in order to become a permanent member of the teaching staff. In addition, public school academies chartered by a public university or a community college may use in any of their classrooms as an instructor a faculty member of that university or community college so long as that teacher is employed full-time by the university or community college and is tenured or is on tenure track. A charter school also may use a noncertificated teacher in any other situation in which a local school district is permitted to use noncertificated teachers under the School Code.

As for retirement benefits, teachers who are employed by a charter school itself mandatorily become members of the Michigan Public School Employees Retirement System (MPSERS). This is the same retirement system of which local and intermediate school district employees are members. It is a defined benefit system, meaning that once vested, retirees will be entitled to a retirement benefit based on the numbers of years of service and the highest average salary of the employee. Public school employees who are not employees of a charter school but rather are employees of the educational service provider hired by the charter school often become members of the retirement system offered by the educational service provider; however, they too may become members of the MPSERS.

Michigan is known for having among the highest average teacher salaries in the country. Nationally, Michigan ranks in the top five with an average teacher salary of $47,400 in FY 1998-99 statewide. Public school academy teachers, however, do not fare so well. The average salary for charter school teachers of $32,000 is 33% lower than that of their local school district counterparts. When compared with teachers in local school districts with similar enrollments, teachers in PSAs are still paid 20% less, being that the average teacher salary in those school districts is $40,200. Table 7 illustrates these differences.

Table 7

PUPIL TEACHER RATIOS AND AVERAGE TEACHER SALARIES (FY 1998-99)

Type of School	Average Annual Salary	Pupil/Teacher Ratio	Percentage of Schools with Pupil Teacher Ratios less than 15/1
Public School Academy	$31,981	18/1	21%
Local District with Enrollment Similar to a PSA	40,217	18/1	N/A
Local School Districts with Enrollments Larger than PSAs	47,448	22/1	4%

As shown in Table 7, the pupil-to-teacher ratios do not vary much between regular school districts and charter schools. The Statewide average classroom size for local districts with enrollments larger than charter schools is 22 pupils per teacher. This compares with a similar average class size of 18 pupils in charter schools. The average class size (18) is the same for local school districts with enrollments similar to charter school enrollments. The largest pupil/teacher ratio in any local school district is 27/1 while the largest pupil/teacher ratio in a charter school is 33/1. The smallest ratios are 5/1 and 8/1 for local districts and charter schools, respectively. Also, there is a much larger percentage of charter schools with pupil/teacher ratios below 15/1. There are 21% of charter schools (29 of the 137 total charter schools) with pupil/teacher ratios of less than 15/1, while only 4% (22 out of 555) of local school districts maintain ratios that low.

CASE STUDY

In order to put a realistic face on the data, the following case study will compare a PSA to a local district of similar size with similar total funding. This study will analyze revenues, expenditures, and fund balances; types of expenditures; class size; student population; and Michigan Educational Assessment Program (MEAP) scores.

Three caveats must be mentioned, though. The first is that the PSA data are limited. There were only six academies operating in 1998-99 that enrolled pupils in all grades, K-12; the remainder enrolled some portion of those grades. This made it difficult to choose one of the charter schools out of those six to compare with a local district. The Academy of Detroit Oak Park was chosen because of its size and revenue intake, the largest of the group of six academies offering K-12 instruction. The local school district chosen as the comparison is the Bellevue Community School District located in Bellevue (Eaton County).

The second caveat is that the reliability of the data is reflective of the district or academy reporting the data. Many PSAs are still working through the kinks of reporting data in appropriate categories to the Department of Education. Also, looking at data at one point in time merely gives a snapshot of activities; it may not represent a global picture of the happenings in these schools.

The third caveat is that revenues' and expenditures' analyses are based upon data which exclude transactions associated with mills levied by Bellevue schools for debt retirement. In other words, the tables below reflect **general fund** transactions, or items associated with general operating procedures.

The Academy of Detroit Oak Park is located in Southfield, with a total FY 1998-99 membership of 1,036 pupils and a $5,962 payment per pupil. The PSA operated grades K-12 in FY 1998-99, but did not have any special education memberships. The Academy had 113 students, or 10.9% of its total population, qualify for free lunch in the previous year (which is the measure used to fund the At-Risk program).

This PSA opened in September 1995, which makes it a good candidate for study since it completed four years of operation for the data set being used. This Academy contracts with an educational service provider, Charter School Administrative Services, which provided management for a total of nine PSAs.

Bellevue Community Schools had a general education membership of 1,012 and a foundation allowance of $5,434 per pupil in FY 1998-99. Bellevue Schools had 33 memberships in special education, and enrolled students in grades K-12. Bellevue had 160 pupils, or 15.8% of its total population, qualify for free lunch (again, the measure for At-Risk funding).

Bellevue Schools was chosen because its total general aid (revenues)[1] was closest to the revenues of the Academy of Detroit Oak Park, given the enrollment and foundation allowance of the district. Table 8 provides a summary look at the basic case study information provided above.

Table 8

INITIAL LOOK AT BELLEVUE SCHOOLS AND THE ACADEMY OF DETROIT OAK PARK

FY 1998-99	Gen. Ed. Pupils	Total Pupils	Foundation	Total State Aid	Total Aid (Revenues)
Bellevue Schools	979.46	1,011.99	$5,434.06	$5,554,479	$6,362,242
Detroit Oak Park	1,036.30	1,036.30	5,962.00	6,301,240	6,423,674

Source: Michigan Department of Education August 20, 1999 Status Report

Turning to the financial picture of Bellevue and the Academy of Detroit Oak Park, Table 9 and Table 10 illustrate fund balances and types of expenditures at the schools.

[1]It is important to note that the total aid for Bellevue schools referenced in Tables 8 and 9 does not include revenue raised by debt or sinking fund millage levied by the district.

Table 9

REVENUES, EXPENDITURES, AND FUND BALANCES				
FY 1998-99	Beginning Balance	Revenues (Plus Transfers In)	Expenditures (Plus Transfers Out)	Ending (Fund) Balance
Bellevue Schools	$89,504	$6,510,098	$6,412,354	$187,248
Detroit Oak Park	320,637	6,423,674	6,318,649	425,662

Table 10

PERCENT OF EXPENDITURES IN VARIOUS CATEGORIES				
FY 1998-99	Bellevue Schools	Percent	Academy of Detroit Oak Park	Percent
Salaries (and FICA[1])	$4,619,287	76.06%	$0	0.0%
Benefits	605,250	9.97	0	0.0
Purchased Services	465,014	7.66	5,696,026	90.15
Purchased Supplies	256,765	4.23	443,842	7.02
Capital Outlay	73,837[2]	1.22	178,781	2.83
Other	53,386	0.88	0	0.0
Total	$6,073,539	100.0%	$6,318,649	100.0%

[1)] FICA - Federal Insurance Contributions Act

[2)] Bellevue levied debt retirement mills, which raised $619,528 in FY 1998-99. The expenditures made out of this debt fund are not reflected in Table 10.

Bellevue Schools began FY 1998-99 with a fund balance of approximately $90,000; it closed the year by more than doubling the balance to roughly $187,000. This means that of the $6.5 million in total revenues available to Bellevue, all but $97,000 was spent. The fund balance is the property of the district, to be used as the district sees fit. This fund balance does not include any revenues or expenditures associated with mills levied for debt retirement or a sinking fund.

The majority of Bellevue's general fund expenditures (76%) were attributed to salaries and FICA payments. An additional 10% was spent on benefits, with 12% going to purchased services and supplies. Bellevue's staff totaled 111.5, of which 49.6 were employed as professional instructional staff in grades K-12 (Table 11). Table 12 further details the staffing components of both Bellevue and the Academy, distributing staff into the categories of instructional (professional and nonprofessional), pupil services, staff support services, administration, and noninstructional (transportation, food service, and fiscal service).

The Academy of Detroit Oak Park began the year with a fund balance of $320,000, and added $105,000 to that balance by the close of the year. This means that of the $6.4 million in total revenues open to the PSA, $6.3 million was spent. It is unknown if the fund balance of

the Academy is "owned" by the educational service provider (ESP) as part of the contract between the school and its management company or if the Academy retains the fund balance. (The writers of this paper contacted the ESP several times seeking details on the nature of the management contract, and left messages that were not returned.)

The majority of the PSA's expenditures (90%) were categorized as purchased services. The Academy of Detroit Oak Park contracts with its ESP to provide instructional services. This means that the teachers employed by the ESP may not be part of the Michigan Public School Employees' Retirement System, and the contractual payments for the teachers under contract are considered "purchased services", not salaries and benefits. The Academy spent 7% of its revenues on purchased supplies, and nearly 3% on capital outlay. Again, unlike a local district such as Bellevue, a public school academy must pay for capital outlay out of their general fund operating budget.

Table 11

PROFESSIONAL INSTRUCTIONAL STAFF				
FY 1998-99	Bellevue Schools	Pupil:Teacher Ratio	Academy of Detroit Oak Park	Pupil:Teacher Ratio
Kindergarten Prof. Staff	2	17.5	2	25.5
Elementary Prof. Staff	16	22.3	21	18.1
Middle School Prof. Staff*	16.7	15.7	21	22.5
High School Prof. Staff	14.9	19.6	17	12.2
Total Prof. Instr. Staff	49.6	20.0	61.0	19.0

*Note: Middle School is defined here as grades 6-8.

Table 11 compares Bellevue Schools with the Academy of Detroit Oak Park with respect to **professional** instructional staffing levels at each district. The PSA contracted for 10.4 more staff members in this category than Bellevue. Combining all grades, the PSA had an average pupil-to-teacher ratio of 19, meaning that each full-time teacher averaged 19 children in the classroom. Bellevue, with a slightly smaller total school population, averaged 20 pupils for each teacher.

Table 12 breaks down total staff into five categories: 1) Instructional; 2) Pupil Services; 3) Staff Support Services; 4) Administration; and 5) Noninstructional. Pupil Services staff might consist of attendance personnel, guidance counselors, health workers, psychological consultants, speech therapists, and social workers. Staff Support Services include teacher consultants, library personnel, and supervisory aides not involved in instruction. Noninstructional staff include business officers, cafeteria workers, bus drivers, maintenance personnel, and central services providers.

The table clearly indicates that the Academy of Detroit Oak Park employs a large majority of its staff in instructional services. In total, 86 full-time employees out of the PSA's 111.5 were classified by the academy as either professional or nonprofessional instructional staff. This translates to more than three quarters of the total staff involved in instruction.

This concentration on instruction is possible because the Academy is managed by an educational service provider. The Academy contracts with the ESP to provide a wide array of services and pays for only a portion of the salaries involved, since the ESP is able to spread the cost of providing these services among a number of academies it manages.

The staffing picture at Bellevue Schools is quite different. Approximately 58% of its total staff is classified as instructional, with another 27% noninstructional. This district does not contract for outside providers of transportation, cafeteria workers, or maintenance services, but instead absorbs the full cost of these workers, resulting in a higher proportion of the total staff dedicated to non-instructional services.

Perhaps the most interesting result of the comparisons made in Table 12 is that the level of noninstructional administration was the same at both the local district and the PSA. On a statewide basis, total staff in charter schools consisted of 9.6% administration, while in public schools, administration accounted for 7.1% of total staffing levels. These results would tend to support the notion that charter schools do not have less administration in the pure sense, but do have less overall staff employed in noninstructional arenas. Data do support this notion: Charter schools statewide allocate approximately 31% of their total staff to areas other than instruction; for public schools, noninstructional staff use increases to almost 41%.

Table 12

STAFFING LEVELS BY CATEGORY

FY 1998-99	Bellevue Schools	Academy of Detroit Oak Park
Instructional Staff (professional and non-professional)	66.50	86.00
Pupil Services Staff (attendance, guidance, health, psychological, speech, social workers)	5.63	7.00
Staff Support Services (consultants, library personnel, supervision)	3.40	4.00
Administration (noninstructional)	8.50	8.50
Noninstructional Staff (fiscal, food, transportation, maintenance, central services)	30.95	6.00
Total Staff	114.98	111.50

The Michigan Educational Assessment Program tests 4th, 5th, 7th, and 8th graders, and high school students take the high school MEAP, beginning in their junior year with optional retakes. The MEAP tests students in the categories of math, science, writing, and reading; the high school test now includes a social studies component as well.

Table 13 compares the 1998-99 MEAP scores of Bellevue with the scores of the Academy of Detroit Oak Park. For reading and math tests given to Grades 4 and 7, the scores are counted as Satisfactory (Satis.), Moderate (Moder.), or Low. The science tests given to Grades 5 and 8 are scored as Proficient (Prof.), Novice, or Not Yet Novice (NYN). The writing test for Grades 5 and 8 is scored as either Proficient or Not Yet Novice. The high school

MEAP is scored at four levels, with Level 1 corresponding to Exceeded Michigan Standards, Level 2 being Met Michigan Standards, Level 3 being At Basic Level, and Level 4 equivalent to Not Endorsed.

Table 13 indicates that Bellevue Schools scored higher than the Academy of Detroit Oak Park in every grade and on every test given for 1998-99. When MEAP scores of a higher-scoring district are compared with the scores of a charter school, the argument will surely be made that the PSA picks up students from many areas and then the test scores for those students may not accurately reflect the academy's standards of teaching. This hypothesis probably accounts for some of the difference between the two schools in this case study. Nevertheless, since the Academy of Detroit Oak Park had been in operation for four years, one would postulate that the effects of this practice would be somewhat diluted. In other words, the Academy has had many of the **same** students over those years, and the test scores of those students would therefore more accurately reflect the content being taught to them than what is taught to those students just coming into the Academy.

Table 13

MICHIGAN EDUCATIONAL ASSESSMENT PROGRAM						
	Bellevue Schools			**Academy of Detroit Oak Park**		
	Satis.	**Moder.**	**Low**	**Satis.**	**Moder.**	**Low**
4th Mathematics	71.0	27.4	1.6	20.6	39.7	39.7
4th Reading	53.2	33.9	12.9	22.1	32.4	45.6
7th Mathematics	57.3	28.0	14.7	14.9	31.5	53.6
7th Reading	52.0	30.7	17.3	18.2	34.1	47.6
	Prof.	**Novice**	**NYN**	**Prof.**	**Novice**	**NYN**
5th Science	28.6	64.3	7.1	8.0	34.0	58.0
5th Writing	43.5	n/a	56.5	22.0	n/a	78.0
8th Science	24.4	61.1	14.4	1.6	31.0	67.5
8th Writing	75.3	n/a	24.7	22.9	n/a	77.1

High School MEAP								
	Bellevue Schools				**Academy of Detroit Oak Park**			
	Level 1	**Level 2**	**Level 3**	**Level 4**	**Level 1**	**Level 2**	**Level 3**	**Level 4**
Math	21.5	39.2	21.5	17.7	2.1	23.4	27.7	46.8
Reading	26.4	43.1	16.7	13.9	4.3	27.7	19.1	48.9
Science	8.1	50.0	21.6	20.3	0.0	14.9	27.7	57.4
Writing	0.0	47.8	39.1	13.0	0.0	34.0	46.8	19.1

CONCLUSION

The review of the data presented in this paper raises several interesting questions. Is the current State system of funding charters and local districts at the same rate defendable? On the one hand, charters tend to instruct a larger percentage of students in lower grades than local school districts, which may provide an instructional cost advantage for the charter. On the other hand, local districts have outside resources available for capital projects (debt millage) that are not available to charters. A second question involves the costs associated with the enrollment of special education students. Since the statewide data indicate that charters have a smaller percentage of students in special education than local districts, should adjustments in funding reflect this difference? These and other issues involving the funding of charter schools are likely to be examined by the Legislature in the future as the number of charter schools increases.