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## **NYC CHARTER SCHOOL CENTER STATEMENT AND BACKGROUND ADVISORY REGARDING NEW REPORT FROM SAVE OUR STATES: *A Full Analysis of the All-In Funding Costs for District Public Schools and Charter Schools***

**October 4, 2013 (New York, NY)** - A study released today by municipal finance experts Harry Wilson and Jonathan Trichter of the nonpartisan group "Save Our States," shows what the New York City Independent Budget Office *would have found*, had its comparisons of charter and district school resources estimated the cost of retirement benefits using more responsible assumptions.

Using the same principles and assumptions that are legally required for private-sector accounting, Wilson and Trichter find that the IBO's widely-cited study understated public support for traditional district schools by 24-27%. As a result, the IBO study dramatically mischaracterized the real disparity in public support between New York City's charter and district public schools. The IBO study was released in 2010, then updated in 2011.

As the table below illustrates, Wilson & Trichter's analysis shows that New York City charter schools receive significantly fewer public resources than district schools, even when the charter school is allowed to use space in a Department of Education (DoE) building, rent-free. The large disparities also persist after factoring in the increase in charter schools' per-pupil funding that occurred after the study period for the IBO study. New York City Charter School Center CEO James Merriman commented:

"Teachers' guaranteed pensions don't depend on whether the city pays now or pays later, and neither should the IBO's analysis. Take away the Madoff-like assumptions about future Wall Street performance and there's no doubt: fewer public resources are being committed to charter schools than other public schools, and without public space for charters, the inequality gets worse."

The Charter Center takes no position on the merits of unionization, pensions, or any particular compensation system, but does insist on fair methods of comparison across public schools.

The study is available online at:

<http://www.scribd.com/doc/173211810/NYC-School-Funding-White-Paper-FINAL>

**Public Resources for General Education, Per Pupil, by Calculation Method (2009-10)**

		District school	Difference for charter school in DOE school building	Difference for charter school <i>not</i> in DOE school building
<b>IBO study (2011 update)</b>		\$16,011	+\$649	-\$2,359
with adjusted retirement costs (Wilson & Trichter, 2013)	Low Estimate	\$19,822	-\$3,162	-\$6,170
	High Estimate	\$20,283	-\$3,623	-\$6,631
<b>With adjusted retirement costs and later increase in charter school funding (+\$1084)</b>	<b>Low Estimate</b>	\$19,822	<b>-\$2,078</b>	<b>-\$5,086</b>
	<b>High Estimate</b>	\$20,283	<b>-\$2,539</b>	<b>-\$5,547</b>

**Background**

The New York City Charter School Center has a longstanding objection to the method used by the New York City Independent Budget Office in its studies comparing the public resources for general education in district and charter public schools.

It has been the Charter Center’s belief that the guaranteed retirement benefits used to attract, retain, and compensate teachers in traditional district schools, should be counted as public support for those schools by discounting the benefits’ future cost using a standard discount rate. Such an approach is widely endorsed by economists and financial experts around the world.

The Independent Budget Office did not attempt such a calculation in its 2010 study (updated in 2011), and instead counted the City’s *contributions* to retirement funds as a proxy for retirement costs. Unfortunately, those contributions have been far too small to keep pace with the school system’s promises of future benefits, which the state constitution rightly guarantees to the teachers who earn them.

As a result, today’s payments will almost certainly need to be supplemented by future payments, and do not represent the full cost of today’s district school system -- except by a

set of extremely rosy assumptions that are not adjusted for risk. By contrast, most charter schools offer defined-contribution retirement benefits, which by definition cannot be underfunded.

## Sources

Independent Budget Office 2011 update (for school year 2009-10)

Discussion: <http://ibo.nyc.ny.us/cgi-park/?p=272>

Tables: <http://www.ibo.nyc.ny.us/iboreports/chartersupplement.pdf>

Changes in Methodology:

<http://www.ibo.nyc.ny.us/iboreports/chartersupplement2.pdf>

Independent Budget Office 2010 report (of school year 2008-09)

Fiscal Brief: <http://www.ibo.nyc.ny.us/iboreports/charterschoolsfeb2010.pdf>

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*The New York City Charter School Center* is an independent non-profit committed to fostering an environment in which public charters can open and flourish, and, through their innovative approaches, provide models for improving all public schools. The Charter Center helps new charter schools get started, supports existing schools, and engages the charter school community around key issues. Learn more about the NYC Charter School Center at [www.nyccharterschools.org](http://www.nyccharterschools.org).