To: Charter School Leaders
From: New York City Charter School Center
Date: May 2017
Re: Legislative Changes in the 2017-18 New York State Budget Affecting Charter Schools

New York State’s 2017-18 budget includes two significant legislative changes affecting charter schools in New York City.

I. Changes to the Per Pupil Funding Formula

The statutory formula for calculating charter school per pupil funding has been frozen at the 2010-11 funding level for the last seven years ($13,527 in NYC), delinking it effectively from changes in district school expenditures. In 2014, legislation was enacted that provided small supplemental increases to the per pupil (while providing a reimbursement to school districts for those increases). These increases kept charter per pupil funding relatively flat, increasing just 3.7% over three years, or a total of $500, and resulting in a total per pupil in 2016-17 of $14,027. In addition, the State Senate provided one-time appropriations to charter schools in both the 2016 and 2017 school years of approximately $215 and $430, respectively. It was anticipated that after the 2016-17 school year, charter school per pupil funding would once again be calculated using the then-existing statutory formula, thus effectively making the per pupil once again a function of average per pupil operating expenses of the district.

The following provisions were approved as part of this year’s budget:

1. In 2017-18 a per pupil amount of $14,527 plus a one-time supplemental grant of approximately $300 per student payable to schools directly from the state after April 1, 2018.

   In the 2017-18 school year, charter schools will receive the per pupil funding amount received in 2016-17 ($14,027) plus an additional $500; in NYC, this amounts to $14,527. As a one-time appropriation, charters will also receive an additional $300, though this will not be included in the base amount described below. Note that this additional $300 will not be available for distribution until after April 1, 2018. Schools will receive approximately $14,827 in total for the 2017-18 school year.

   (As part of the budget deal, the state will reimburse NYC $1,000 per pupil every year starting with the 2017-18 school year and continuing thereafter.)

2. In 2018-19 and beyond, the per pupil will be the lesser of (1) the product of the per pupil amount for the prior year (in 2018-19 for instance, the $14,527 per pupil from 2017-18) multiplied by the average annual change in per pupil district expenditures over a specified period; or (b) the total general fund per student expenses of the district from two years prior (in 2018-19 for instance, the per student expenses from 2016-17). For 2018-19 and in 2019-20, the average change calculation is specially designed to lower the district increase against which the base amount is calculated by excluding the maximum annual change in per pupil expenditures.

   In the 2018-19 school year, the structure changes to account for increases in district spending and charter schools will then receive the lesser of (1) the per pupil amount received in 2017-18 ($14,527, excluding the additional one-time appropriation of $300) multiplied by an inflator
that averages the percentage change in the district’s AOE\(^1\) for three years of a five-year period; OR (2) the per pupil TGFE\(^2\) of the district for 2016-17. To calculate the inflator, the state will exclude both the lowest and highest calculated AOE percentage change amounts from the five-year period. The five-year period used for this calculation will be the 2012-13 school year through the 2016-17 school year. While we cannot be certain, we estimate that schools will receive approximately **$15,307 for the 2018-19 school year** (illustrated below).

As an illustration, the formula for the 2018-19 school year is estimated as follows:

The lesser of

(a) 2017-18 Per Pupil Amount \(\times\) Inflator

(b) 2016-17 TGFE/2016-17 Total District Enrollment

where the Inflator takes the average of the AOE percent change of three years from 2012-13, 2013-14, 2014-15, 2015-16, and 2016-17 by eliminating the lowest and highest calculated values, which are struck-through in the table below.

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19 Per Pupil Amount (\times) Inflator</td>
<td>$15,307</td>
</tr>
<tr>
<td>Base Amount</td>
<td>$14,527</td>
</tr>
<tr>
<td>Inflator</td>
<td>105.37%</td>
</tr>
<tr>
<td>2012-13 AOE % Change</td>
<td>101.92%</td>
</tr>
<tr>
<td>2013-14 AOE % Change</td>
<td>106.24%</td>
</tr>
<tr>
<td>2014-15 AOE % Change</td>
<td>104.46%</td>
</tr>
<tr>
<td>2015-16 AOE % Change</td>
<td>109.40%</td>
</tr>
<tr>
<td>2016-17 AOE % Change</td>
<td>105.40%</td>
</tr>
</tbody>
</table>

In the 2019-20 school year, the charter school funding structure follows a similar structure where schools will receive the lesser amount between two different calculations as described above for the 2018-19 school year. The inflator, however, will be calculated as the average of percentage change in the district’s total AOE for a three-year period between 2015-16 and 2017-18, excluding the highest amount which will be replaced by the inflator used to calculate the 2018-19 per pupil. We do not have information to estimate the per pupil amount for the 2019-2020 school year, but, providing that district spending continues to increase (as it historically has), there should be an increase from the 2018-19 school year.

3. **In 2020-21, the average change is permanently set as the average of the annual increase in district expenditures for the prior three years starting with the year two years prior to the current school year.**

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\(^1\) AOE is the “total approved operating expense,” a district’s total general fund expenses less certain statutory exclusions, including, but not limited to, capital outlays and student transportation expenses.

\(^2\) TGFE is the “total general fund expenses,” a district’s total general operating expenses, including its capital expenses.
In 2020-21 and beyond, the statute generalizes how the inflator is calculated. Schools will receive the lesser of (a) the base year\(^3\) per pupil amount multiplied by the three-year average percentage change in the district’s AOE starting with the year prior to the base year and ending with the third year prior to the base year; or (b) the per pupil TGFE of the district for the year prior to the base year.

II. An Increase in Rental Assistance

The 2017 budget increases the maximum amount of rental assistance provided to eligible NYC charters schools under the 2014 Facilities Access Law. Currently, the amount of rental assistance for eligible schools – those newly opened or expanding grade levels after June 2014 – has been the lesser of 20% of the per pupil or actual rental costs. See Education Law Section 2853(3)(e). The maximum amount of rental assistance has been increased from 20% of the per pupil amount to 30% of the per pupil amount to start in the 2017-18 school year. We estimate that schools will now receive a maximum of approximately $4,350 per pupil in rental assistance for the 2017-18 school year (this is an increase from the maximum of approximately $2,800 per pupil schools received in the 2016-17 school year). While these changes do not make additional schools or grades eligible for rental assistance, they are indefinite, i.e., there is no sunset provision.

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\(^3\) “Base year” is defined as the school year immediately preceding the current school year.