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## Charter Schools & the “Fiscal Cliff”

### Sustaining Financing for Public Schools in Maine

The potential drop in state funding for public schools in 2011 and 2012 would affect all public schools, district and charter both, as state contributions to annual operating funds decline. Whether a school is sustainable in difficult economic times will depend on many factors, too complex to foresee ahead of time, and fears about this should not affect the policy decision to permit public charter school options in Maine.

That decision concerns the importance of offering affordable options to families, particularly for at-risk and underserved populations who have few options now.

At last week's work session the Commissioner reviewed the funding streams for charter schools with Rep. Sutherland. It is important to distinguish what the federal funds can and cannot do.

- 1. The federal grants are for planning and start-up and are not meant to be annual operating funds.** When a chartered public school opens, it will receive the same per pupil allocation for annual operating funds that each town spends for all its students, including both local and state shares. That formula will reflect, for all public district and public charter schools, whatever changes the state makes in the future to its EPS formulas and amounts available.
- 2. All public schools will have to cope with reduced state funding as it occurs.** Since public charter schools will operate on a fixed budget (number of pupils times the EPS-based annual allocation), they immediately have a strong incentive to be efficient. If they spend too much on administration and do not meet the needs of their students, parents can transfer the student to another public school and the funds will flow to that school the next year. The innovative ways that public charter schools develop to be more efficient can help district schools with ideas when the overall level of state funding declines.
- 3. Public charter schools will save the state money.** In addition to EPS-based contributions to districts for operating funds, the state makes big contributions to the state retirement system for teachers pensions, but they will not make those contributions for teachers in charter schools. Further, chartered public schools will not be eligible for school construction funds, and cannot tax to support their budgets or their buildings. This will also save the state money.
- 4. Public schools will have to find ways to weather tough economic times.** State and local allocations for annual operating funds will remain the core funding for public schools, and to survive they may have to collaborate and/or merge. Charter schools increase transparency and flexibility in the public education system, helping taxpayers to hold school officials accountable for academic and fiscal efficiencies.
- 5. Reducing the high school drop out rate will save the state money.** We know that if we don't put money into helping at-risk and underserved students graduate, we will be paying for them in jails, hospitals and welfare. This is pretty incontestable. So its a safe investment along with being the right thing to do.
- 6. Passing good charter school legislation is necessary for the state of Maine to qualify for millions of dollars in federal innovation grants.**