

# Albuquerque Public Schools

## SEG Funding and Small School Size Adjustment

Updated 6/27/14

### LESC Subcommittee on Charter Schools

Chair – Representative Mimi Stewart

Vice Chair – Representative Dennis Roch

September 12, 2014



# Charter School Impact on APS (FY14)

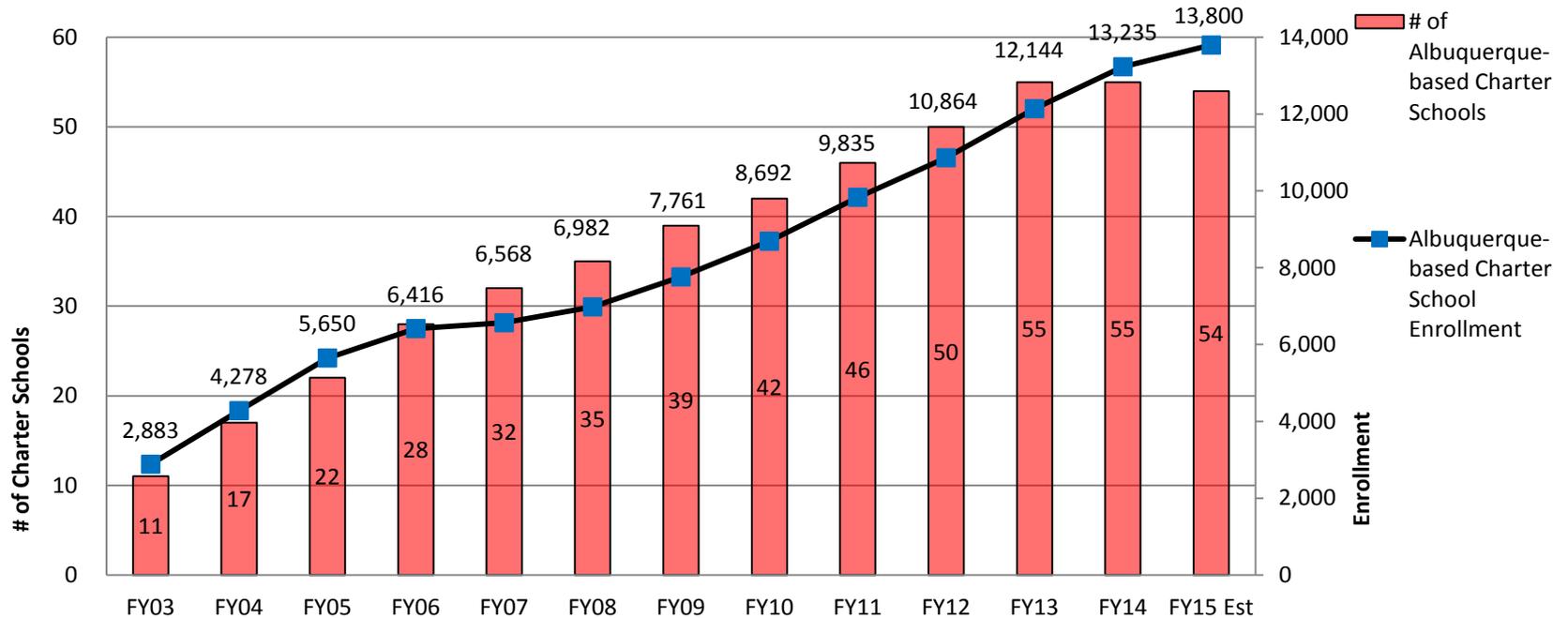
## Executive Summary

- Albuquerque-based charter schools have grown steadily in the past 12 years and now account for more than 13% of public school enrollment.
- Growth in Albuquerque-based charter school enrollment is even more pronounced at the high school level as charters now account for over 21% of enrollment.
- Charter high schools use their small size as a competitive advantage to gain their enrollment, i.e., offer the small academy experience. Albuquerque-based charter high schools' average enrollment is 230; APS's is 1650.
- Charter high schools in Albuquerque receive a 32% size and growth adjustment premium which translates to \$2,000 in additional funding per student relative to APS.
- We believe that the high school size adjustment component in the funding formula has made high school charters more attractive financially. Evidence of this is that a disproportionate share of charter schools have gravitated towards serving the high school segment of the student population.
- This financial incentive has created 2 tiers of funding for public high schools: "Traditional" high schools and "Small Academies".

# SEG Funding Formula: Small School Size Adjustment

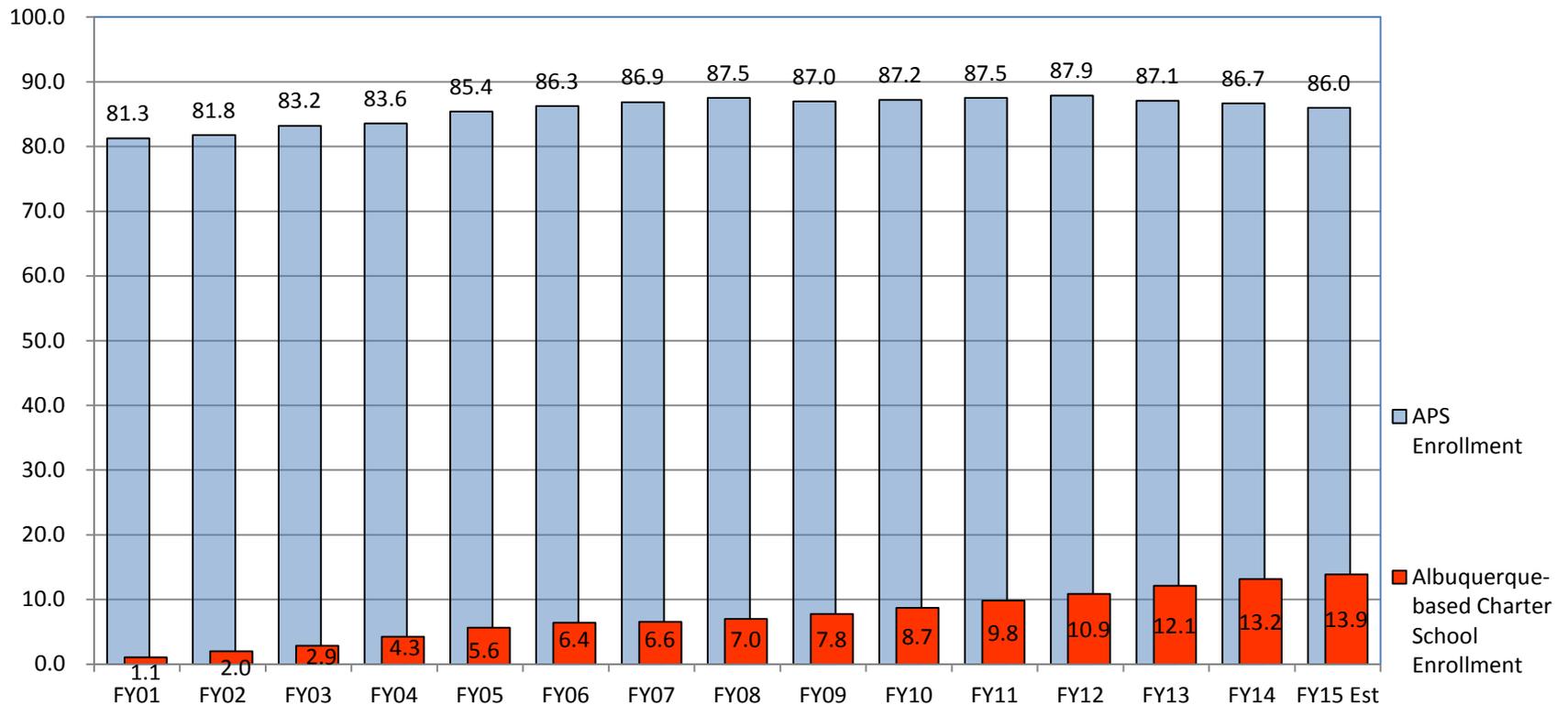
- There are two components of the formula, the Small School Size Adjustment and the Growth Adjustment, that contribute towards “richer” funding on a per student basis for small schools. The focus of this analysis is on the larger of these two – the Size Adjustment.
- The Size Adjustment was put in place to bolster revenues for small, typically rural schools, that would otherwise be underfunded by the SEG funding formula due to diseconomies of scale. We believe that the Size Adjustment provides legitimate funding premiums for those small districts/schools that have no choice in how they are sized.
- 20+ years ago when school districts began to voluntarily open smaller, alternative schools to serve different segments of the student population, the Legislature enacted law that made these alternative schools ineligible for size adjustments.
- The legislature did not pass similar language for Charter Schools . Charters qualify for the small school size adjustment.

## Albuquerque-Based Charter Schools: # of Schools and Enrollment



- Albuquerque-Based charter schools had grown steadily at a pace of 4 to 5 schools per year over the past decade. This trend has seemed to level out over the past couple of years.
- Albuquerque-based charter school enrollment has grown steadily at a pace of 800-900 students per year over the past decade.

## Public School Funded Enrollment in Albuquerque (000's)



- From 2007 to 2015, there has been no net increase in APS funded enrollment.
- Albuquerque city enrollment grew by over 5,000 students during that time, and coincidentally Charter Schools grew by over 5,000 students during that same time; thus obscuring the impact to APS enrollment.

# FY14 Preliminary SEG Funding

<u>Rank</u>	<u>School District</u>	<u>FY14 Preliminary SEG Funding</u>
1	APS	\$614.1M
2	Las Cruces	\$170.4M
3	All Charter Schools	\$136.8M
4	Rio Rancho	\$109.4M
5	Gadsden	\$96.5M
6	Santa Fe	\$85.7M

- In aggregate, all charter schools, including Albuquerque-based charters, would rank as the 3<sup>rd</sup> largest school district (based on SEG Funding) in the state in FY14.

## FY14 Preliminary SEG Funding Albuquerque-based Charter Schools

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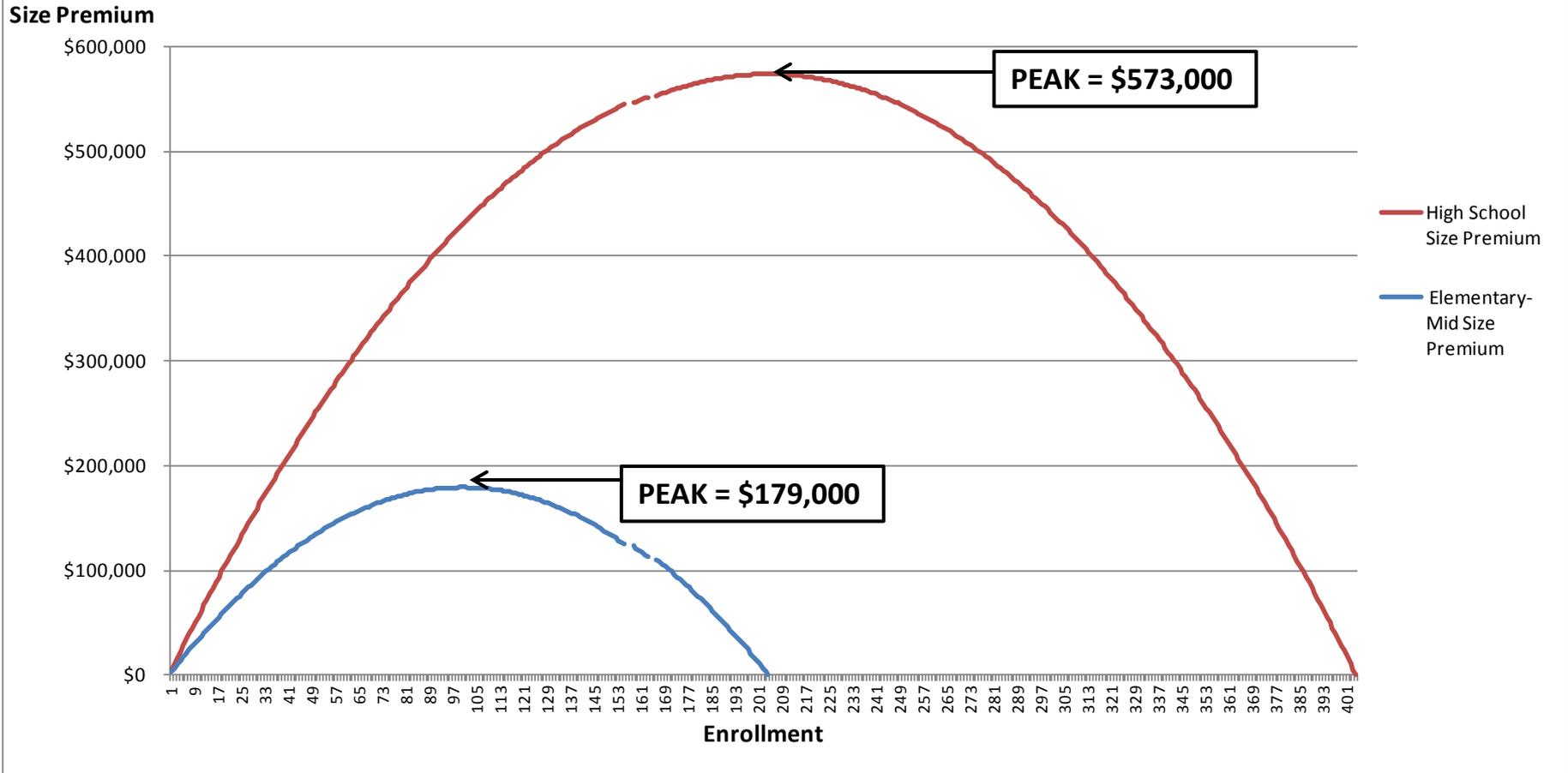
- In aggregate, if we look at Albuquerque-based charters only, they would rank as the 4<sup>th</sup> largest school district (based on SEG Funding) in the state in FY14.
- At the current growth rate, Albuquerque-based charters in aggregate may challenge Rio Rancho for #3 in rank in FY15.
- An APS “Split District” of sorts has been well under way for the past decade in the form of 55 “mini-splits” (new charter schools).

# Albuquerque-Based Charters Receive a Premium in SEG funding Relative to APS

	<u>SEG Base Funding</u>	<u>Size Premium</u>	<u>Growth Premium</u>	<u>Total SEG Funding</u>	<u>Premium Funding %</u>
<b>Albuquerque-Based Charter Schools</b>	\$81,473,892	\$16,990,621	\$6,739,514	\$105,204,027	29%

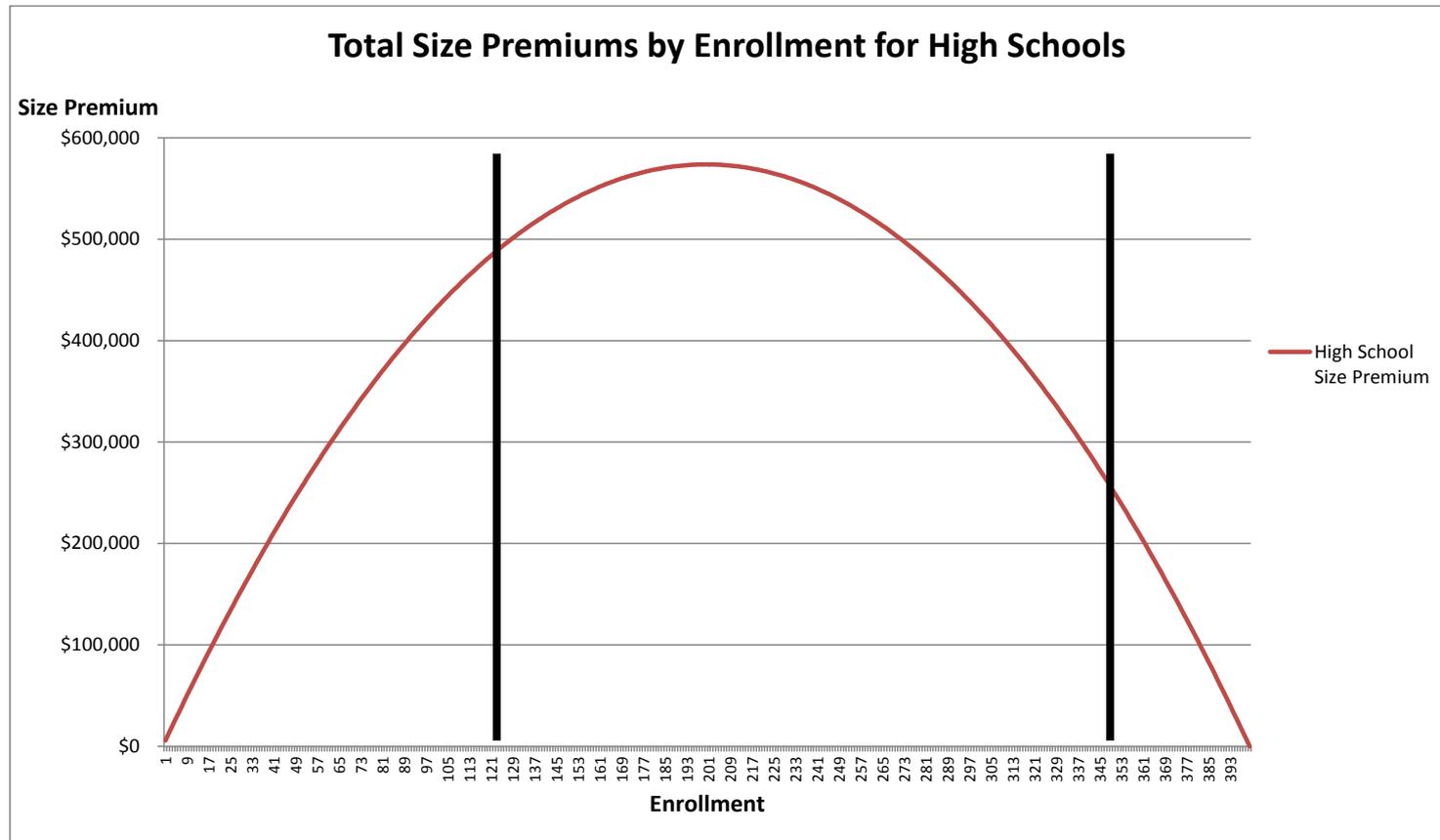
- Albuquerque-based charter schools receive ~\$23M in size and growth premiums (72% of that is size).
- On a per pupil basis, this translates to approximately \$2,000 more per student for charter schools relative to APS. The disparity is even more pronounced at the high school level.

## Size Premiums by Enrollment for Elementary-Mid and High Schools

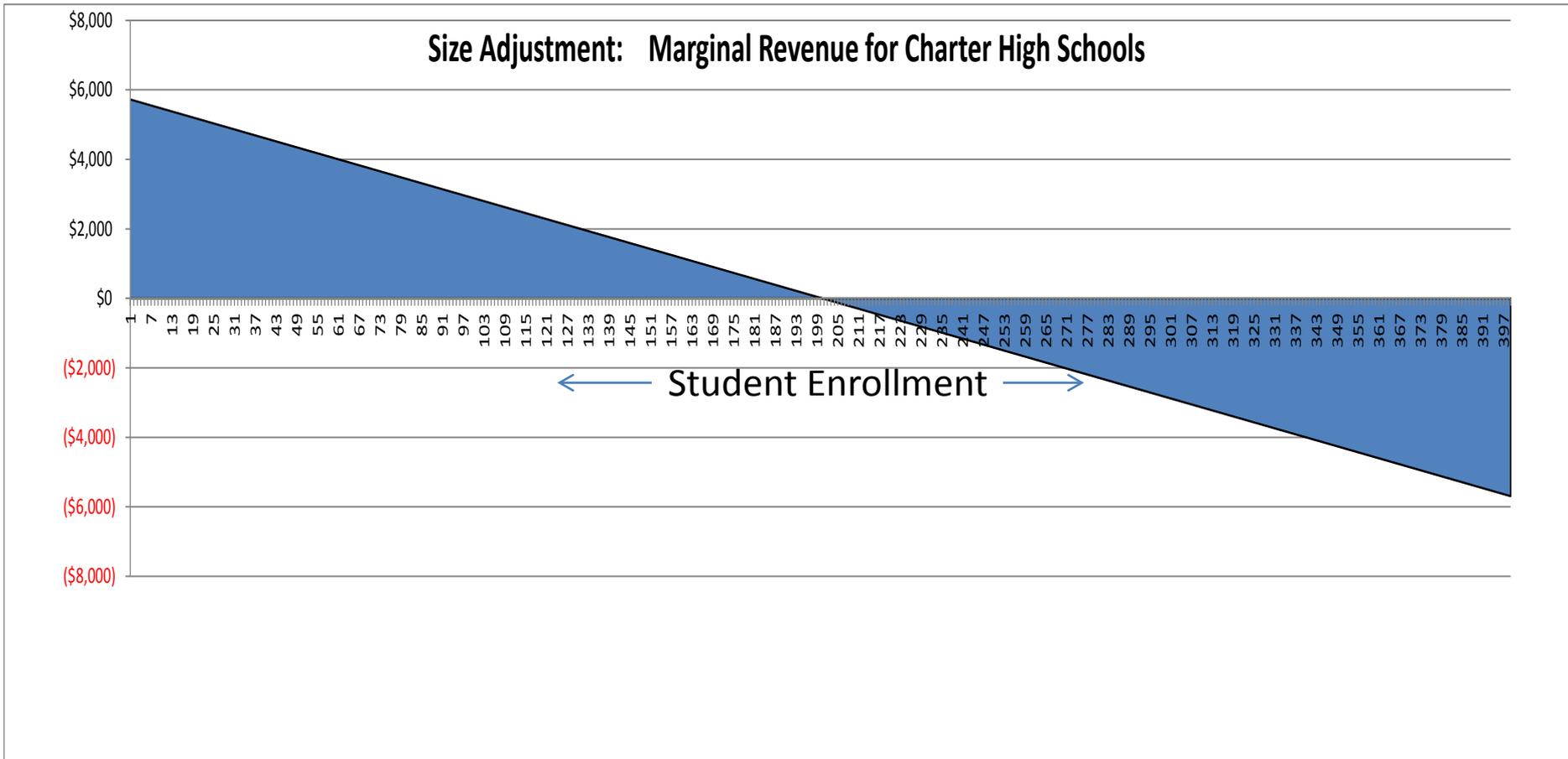


- The High School size premium produces a size premium that is 3X greater than the elementary-mid size premium.
- This is the financial incentive that promotes disproportionate growth in the high school charters.

# FY12 SEG Funding Formula: Small School Size Adjustment



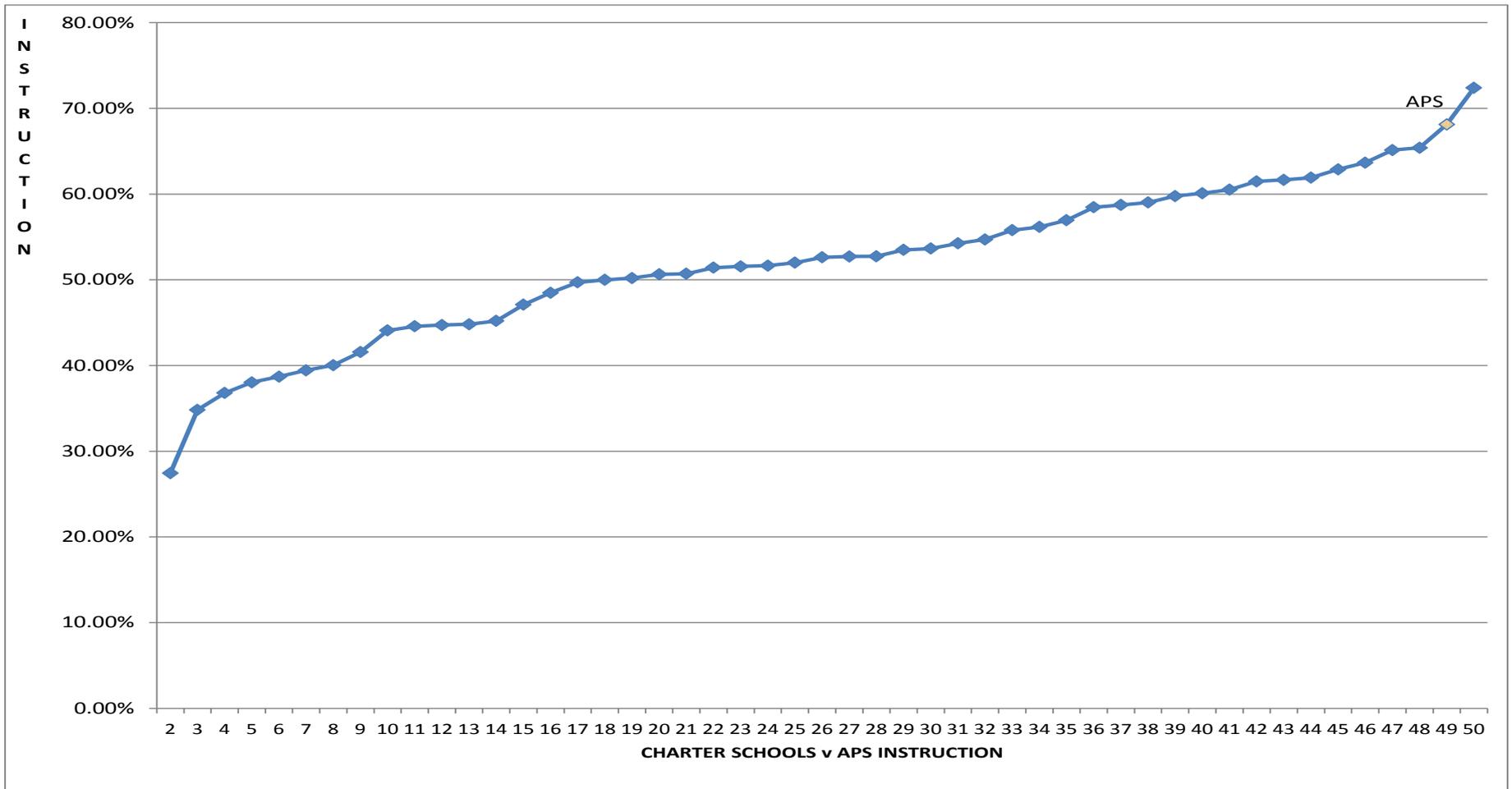
- 28 of the 30 Albuquerque-based charter high Schools' enrollment falls within the 2 black bands, meaning that they receive between \$280K to \$573K in size premiums.



- 1<sup>st</sup> Student picks up ~\$5,800 in size premium. 2<sup>nd</sup> Student picks up a bit less. 200<sup>th</sup> Student picks up \$0 in size premium. 201<sup>st</sup> Student incurs a revenue reduction for the school. 400<sup>th</sup> student generates ~\$5,800 in revenue reduction.

# Direct Instruction as % of Operational Expenditures

## APS and All Charter Schools in Albuquerque



# Strategic Implications

- APS will continue to experience budgetary pressures due to dropping enrollment levels
- Competitive Response Options include:
  - Resize its infrastructure and change its staffing formulas (i.e., increased classroom sizes, leaner support groups) or;
  - At a time when other school districts across the country are consolidating into larger schools, financial incentives in New Mexico actually encourage APS to open more, smaller schools. Opening small academies would be one way for APS to recapture or at least hold on to existing student enrollment levels.
  - Work to get the charter small school size adjustment changed.