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A Financial Analysis of Buffalo Charter Schools: Are Charter Schools Getting Their Fair Share of Public Funds?

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**A Financial Analysis of Buffalo Charter Schools:
Are Charter Schools Getting Their Fair Share of Public Funds?**

Kimberly R. German

In partial fulfilment of requirements for PAD 690 Masters Project

SUNY Buffalo State

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Abstract

The charter school movement has existed for approximately 20 years and just under that in New York State. Charter schools are privately-managed public schools. As the quantity of charter schools and the students attending them increase in the city of Buffalo so too does the amount of taxpayer dollars directed to them. Charter schools receive tuition payments from local school districts for students from those districts attending their school. The payments are public funds, the amounts of which are derived from a funding formula created by the state and paid by the local school district. Charter schools argue there is a disparity in the funding they receive as compared to funds traditional school districts receive. They contend the tuition amount per student is inadequate, hindering them from suitably educating their students. This study conducts a financial analysis of charter schools in the Buffalo area, exploring how public funds are being used. In addition, a determination is made as to whether or not the NYS charter school tuition funding formula is on par with funds directed to the Buffalo School District. During this process various aspects of charter school education and industry were reviewed identifying various aspects and issues concerning charter school funding and finances. The framework for this study is an embedded mixed methods (participant-observer) which follows an explanatory mixed methods procedure. In the quantitative phase charter school finances were analyzed and in the qualitative phase open-ended interviews were conducted. This study found that about half of the charter schools had well over \$2 million of reserve funds on hand and most others about a \$1-\$2 million. Moreover, it was found that the charter schools' argument with respect to funding deficits has merit and that the NYS funding formula should be readdressed. Thus, it is concluded that despite having enough funds to maintain operations, charter schools are not receiving their fair share of public funds. As the New York State Education Department's funding formula for charter school tuition has not been reexamined since its establishment in 1999, it remains inequitable due to, for example, increasing costs for employee health benefits and retirement.

Keywords: Audit, Collaboration, Disparity, NYSED Tuition Funding Formula, Office of NYS Comptroller, Public Funds

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Preface

In 2011, I began working for the Buffalo Public Schools District (BPSD) in the Budget Department. Part of my duties included overseeing the allocation of textbook, computer hardware and software, and library funds to non-public schools for Buffalo students. This included charter, private, and parochial schools. This position was my first encounter with charter schools, as my knowledge of how they operate was non-existent. Prior to working for the BPSD, I was completely unaware that the District made tuition payments to charter schools for the Buffalo students attending those schools. I quickly discovered that many people lacked the same knowledge. Further, I began to realize that these tuition payments were central to the reasoning opponents of charter schools have for disliking charter schools – they divert funds away from the public school district.

In 2014, I transferred to the BPS Information Technology Department and became the verifier of charter school student enrollment for tuition payments. This new role afforded me greater insight into the public vs. charter school debate; however, many questions still lingered. Which side was right? Which side was wrong? Is this debate really about how well charter schools educate students? Is the funding of charter schools the real issue? So many questions, with so few answers. Further, being a BPS employee, I realized I was only looking at the situation through their lenses. However, conversations with my colleagues generated many ideas as to how to “fix” the District’s charter school problem. Nevertheless, I needed more answers or at least an understanding of the rhetoric I’ve come to hear over the years.

The charter school movement is progressing and apparently here to stay. With that being said, it is my intent to conduct unbiased research regarding the Buffalo Public School District

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and its relationship with local area charter schools. I aspire to report neutral data concerning each entity with the intent of obtaining a better understanding as to how they operate.

Chapter I: Introduction

Introduction

There are many aspects to the relationship between charter schools and public school districts which one can explore. This study focuses on the financing of charter schools.

Chapter 1 lays out the problem in the context of the financing structure of charter schools, particularly the requirement that public school district allocate a portion of their budget – taxpayer dollars – to charter schools in their districts. The research question and methodology are addressed. A review of the literature is conducted in Chapter 2, where several issues are discussed, including an historical background on the charter movement; New York State’s Charter funding formula; accountability, oversight, and transparency; the politics of school choice, and other topics. Chapter 3 establishes the methodological framework—study design; sample section; data collection methods; and, the data analysis. A discussion of this study’s findings take place in Chapter 4. This study concludes in Chapter 5 with summary of the findings; implications and recommendations; limitations of the study; and, avenues for future research. The appendix contains data and interview discussion questions.

In 2005, a BPS Task Force produced a study regarding charter schools. The study states there are “flaws in charter school funding formula and the resulting financial drain on the District” (Buffalo Public Schools, 2015b). In 2000-01, only two charter schools existed in the City of Buffalo. 314 students attended these schools and cost the District \$2.1 million in tuition payments. By 2005-06, there were 15 charters, 5,599 students were enrolled and tuition, at the time, was projected to be \$49.8 million. In 2004, New York Stated Education Department (NYSED) addressed a letter to the Board of Regents concerning the fact that BPS was spending

over 7.5% of its total budget on charter school payments. By the time of fiscal year ending June 30, 2005, payments were 8.1% of the budget. As of the 2014-15 school year, charter payments consisted of 12% of the BPS budget.

The District's [BPS] 2014 four-year plan (Buffalo Public Schools, 2014) estimates that charter school enrollment as well as tuition payments will increase:

- FY 2015-16 – 8,025 students and \$106.3 million in tuition payments
- FY 2016-17 – 8,325 students and \$114.4 million in tuition payments
- FY 2017-18 – 8,625 students and \$122.8 million in tuition payments

This estimated increase takes into account the opening of a least two new charter schools in the area, as well as the state budget establishing the annual increases for basic tuition.

In 2009, Gary Crosby (Crosby, 2009), former Chief Financial & Operating Office for the BPS, wrote an editorial in *The Buffalo News* regarding the New York Charter Schools Association's "lawsuit to prevent the [NYS] comptroller from auditing charter schools." He said, "The purpose of the school audits is to offer recommendations to schools on how they can improve their practices to protect school property and taxpayer dollars." The notion of audits conducted by the New York State Comptroller Office (OSC) came about in 2005 when "legislation was enacted in response to a number of scandals in school districts that threatened public confidence" (Crosby, 2009). OSC was then given the task of auditing all school districts, BOCES, and charter schools, and then report the results publicly. Peter Murphy, policy director of the New York Charter Schools Association, offered two arguments against audits: first, "If the comptroller's authority is not challenged, every recipient of public dollars would be subject to audit; and, second, The New York State Education Department (SED) and the agencies that approve charter school applications already provide oversight" (Crosby, 2009). Although there is

oversight, the SED and other agencies do not perform “financial management/internal control audits” (Crosby, 2009). Crosby(2009) contended that since a majority of charter school funding comes from public school districts, it’s simple, they should be subject to the “same financial oversight and accountability as public school districts.”

As it stands, charter schools receive what districts spend two years previous based on one of two State fund sources districts receive. Since 2010, levels have been frozen for charters. A small increase outside the formula was received beginning in the 2014-15 school year; however, this increase does not compare to what districts receive (Hawkins, 2014). A study by the University of Arkansas (Batdorff, 2014) “identified a funding gap of 28.4 percent, meaning that the average public charter school student in the US is receiving \$3,814 less in funding than the average traditional public school student.” For the 2011 fiscal year, the Northeast Charter Schools Resource reported that Buffalo charter schools receive about 60 cents for every dollar spent on public school students resulting in \$9,811 less per pupil than the \$23,524 stated as being spent on BPS students (Northeast Charters Schools Network, 2014). This is 41.7 percent less funding for the charter schools than for district schools. Funds to hire more teachers, purchase books, update technology and service more students are being used to pay for rent, utilities and other operating expenses. The plaintiffs, from the lawsuit of *Brown vs. New York*, state (Northeast Charters Schools Network, 2015):

- The disparity in funding for charter school students and the total denial of access to state facilities funding have harmed charter schools and charter school students.
- The Buffalo and Rochester school districts are chronically struggling, and charter schools provide the only real option for students to receive a decent public education.

The plaintiffs say NYS's formula "does not provide adequate funding to meet the state's constitutional obligation to provide students with a sound, basic education" (Stass, 2015). The plaintiffs believe charter schools are being shortchanged because they do not receive money for capital needs or debt service, which hinders their ability to pay for rent. Thus, according to their argument, this money could be better used to hire more teachers and upgrade facilities (Stass, 2015). Further, Lt. Col. Jon Mellott, Director of Student Services at WNY Maritime Charter School, discussed how funds are more readily available for starting a charter school. After such time there is a limited amount of grants available to apply for and because of this competition is fierce. Therefore, this problem causes charter schools to fall prey or become beholden to those seeking to make a profit off of public education.

According to Hawkins (2014), The Buffalo Teachers Federation and local charter schools agree "there should be a level playing field for charters and district schools on which to perform." She goes on to state, "for charter schools, that would include receiving 100% of the State revenue per child instead of 67%. A true level playing field should include the same level of funding and the same consequences for both district and charter schools when failing."

The NYSED Charter School Office and BPS receives financial statements from the charter schools on an annual basis. The statements, prepared by an independent auditor hired by the charter school, detail the schools' revenues and expenditures using general accounting practices. Details regarding the financial statements can be found Table 5: 2014 Charter School Activities & Changes in Net Assets

Consequently, we have three major issues to be reviewed:

1. The monitoring of public funds provided to charter schools for student tuition payments.
2. NYSED Funding Formula for charter school tuition.

3. The disparity of funding between district and charter school students; leveling the playing field.

For government to uphold the notion of accountability for the usage of public funds, it must have the ability to effectively monitor said funds. While Buffalo area charter schools participating in this study took no issue with OSC monitoring their finances as they felt it helps to keep everyone “honest” and “transparent.” Other charters schools within NYS do not necessarily agree and continue to lobby against such oversight. And while the charter schools retain independent auditors, their financial statements are organized using standard accounting practices, lacking detailed figures identifying specific revenues and expenses.

Next, the funding formula, as determined by NYS has its flaws and has been said by opponents and proponents of charter schools alike that it is not equitable. Charters contend the tuition payments are not enough to provide adequate education, thereby making it necessary for them to seek additional funds from various sources. With that being said, charters do seem to be able to pay a substantial amount of money for lease agreements. Therefore, if they were able to secure buildings with cheaper rents, they would have more available funds. They maintain the necessity of renewing their charters every five years, on top of having to compete for a scarce amount of grants, they’re left with few alternatives for pursuing survival. They’re pushed into agreements with developers or other entities that charge high lease and mortgage rates. Further, they find expansion as another alternative to help increase their revenue stream. But this can have an adverse effect, as more students creates more expenses.

This disparity in funding between districts and charters begs for a leveling of the playing field, but at what cost? An increase to charter school tuition could devastate the District, especially when we consider the steady increase in the number of students attending charters, as well as the expansion of charter schools occurring in the area. The District would lose millions of

dollars, possibly resulting in the elimination of programs and resources, and the reduction of teachers and staff.

Statement of Problem and Purpose of Study

Charter schools are “privately-managed” public schools, which receive public funds to offer free public education. They are independently operated under the purview of authorizers. Depending on the State, authorizers can be school districts, state education departments, independent boards, universities, mayors and not-for-profits. Authorizers review, then approve or deny charter school applications and renewals. Charter schools are not private schools, which are operated by religious or non-denominational private organizations that charge tuition.

This study has been prompted, in-part, by the frustration expressed by Buffalo Charter Schools regarding the amount of public funds they receive for student tuition. They contend that the per pupil tuition amount is not only inadequate, but also inequitable when compared to the amount which the Buffalo City School District receives. Their main argument is that the disparity in funding diminishes their ability to fully educate all of their students [general and special needs students], increase enrollment capacity, hire more teachers and staff, and expand their educating abilities overall. Charter Schools in Buffalo receive aid from New York State (NYS) via the Buffalo Public Schools (BPS). This State Aid is in the form of tuition payments for Buffalo pupils enrolled in Kindergarten through 12th grade at local charter schools.

Charter schools exemplify the complexity which exists with public private partnerships.

According to Christianakis & Mora (2011):

The continued expansion of charter schools is leading educational entrepreneurs to explore new ways by which to profit from both the marketization and the privatization of education. In this way, education is reduced to ‘a subsector of the economy.’ While private and public interests will likely always intertwine in a neoliberal democracy, the encroachment on public goods by private and special interests take us further away from a participatory

democracy. The surrendering of public schools to market pressures, and to the privileged within those markets, benefits those who have access to power within both sectors. With the continued privatization of public education, there will likely be additional reported cases of corruption involving educational firms connected to individuals availing themselves of the revolving door between governmental agencies and the private educational sector for personal gain.

As of the 2015-16 school year, there are 16 charter schools in the Buffalo area, with more expected to open in the coming years. The increase in charters is occurring in the wake of the Buffalo City School District contending with low graduation rates, leadership turnover, and what seems to be an endless battle with the Buffalo Teacher's Union [BTF] regarding their bargaining unit contract. These issues make way for charter schools to expand, offering an alternative to the menagerie of problems with Buffalo Public Schools and a School Board plagued by controversy. As of this writing, the Buffalo School Board continues to be divided, with the majority favoring charter school expansion. Further complicating the inherent controversy involving the use of public goods (taxpayers' dollars) for private gain (charter school profits), is that of one the Board Members, Carl Paladino, has dealings with a number of Buffalo charter schools through the Ellicott Development, where he currently serves as Chairman. (This potential conflict of interest will be explored later in the study.) Significantly, because taxpayer funds are distributed to charter schools, there is an obligation on the part of individuals trusted with managing public funds to insure these funds are used appropriately and processes are established to negate opportunities for mismanagement.

The purpose of this study is twofold: 1) to conduct a financial analysis of the public funds received and used by charter schools for education, and 2) to determine whether there is merit to the argument advanced by Buffalo area charters that public funds are inadequate and are hindering charter school education. In this embedded mixed methods design, an explanatory

sequential mixed methods design is embedded within a participant-observer framework.

Because the researcher is employed by BPS and is responsible for monitoring charter financials (see preface), the participant-observer framework is appropriate. Within the lens of participant-observer, an explanatory sequential mixed methods design is undertaken. In Phase 1 (quantitative), the fifteen Buffalo charter schools open during the 2013-14 school year will be examined from a financial perspective. In the second (qualitative) phase of research, BPS and charter school representatives will be interviewed to gain knowledge as to the suggested need for additional public funds and the proposed use of additional public funds.

Significance of Study

In the U.S., there are approximately 4,700 charter schools, educating 1.2 million students in mostly low-income urban communities. Currently 40 states, including the District of Columbia and Puerto Rico, have enacted Charter School Laws. Many of these states, some having oversight systems stronger than NYS, have uncovered millions of dollars in fraud committed by charter school officials. One of the problems with detecting fraud stems from the auditing practices of charters because they tend to use general auditing techniques rather than those specifically designed to detect and uncover fraud (The Center for Popular Democracy and Alliance for Quality Education, 2014). A report from the Center for Popular Democracy & Integrity in Education (2014) outlined some of the issues, which include:

- Operators using public funds illegally for personal gain
- School revenue used to illegally support other charter operator businesses
- Mismanagement that puts children in actual or potential danger
- Illegally requesting public dollars for services not provided

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- Operators illegally inflating enrollment to boost revenues
- Operators mismanaging public funds and schools

The Center for Popular Democracy & The Alliance for Quality Education (2014) found that of the 15 large charter school markets, over \$136 million in losses to taxpayers occurred due to fraud, waste and abuse. In 2010, the U.S. Department of Education’s Office of the Inspector General had alerted the Department of Education’s Office of Innovation and Improvement to inform them of the Inspector General’s concern regarding the vulnerabilities in the oversight of charter schools. This memorandum noted “the steady increase in the number of charter school complaints, the failing ability of states in providing adequate oversight needed to ensure that Federal funds [were] properly used and accounted for” (The Center for Popular Democracy and Alliance for Quality Education, 2014).

In Buffalo, Oracle Charter School¹ “entered into a 15-year building lease with Oracle Building Corporation (OBC), a non-profit affiliated with the school” (The Center for Popular Democracy and Alliance for Quality Education, 2014). As part of the lease agreement, the school agreed to pay OBC over \$5 million at a 20% interest rate. Yet at the time, potentially less expensive state-owned vacant sites, listed annually by the NYS Office of General Services, were available. However, the board was unable to produce documentation showing they seriously considered alternative locations. Casting further doubt as to the financial practices of Oracle, in 2015 the former Chief Financial Officer, Krista Schultz, was sentenced to five years of probation and ordered to pay back over \$27,000 after she admitted to overpaying herself over several months in 2013. The accounting firm hired to help prepare the school for its annual audit discovered the theft (Anstey, 2015).

¹ Note: Oracle Charter School did not respond to the interview request for this study.

DeJarnatt (2012, pp.41-42) suggests that “charters are an important and growing sector of the nonprofit world but literature focuses on their educational utility with scant attention paid to governance and financial accountability.” By 2009, 12.5% of over 500 charter schools in the US have closed due to financial, management and academic reasons (Fabricant & Fine, 2012).

In the Buffalo City School District, charter schools submit invoices bi-monthly to the BPS to receive their tuition payments. Discrepancies have been identified, while others sometimes go overlooked. These discrepancies include: submitting invoices with students whom no longer attend the charter school, never attended charter school, and live outside of the District. At the same time, the BPS relies on the accuracy of the charter school with respect to student enrollment data and the accounting of tuition payments because part of the review and audit process is conducted manually by limited BPS staff. Thus, this process can lead to public funds being over and/or under paid to the charter. Enrollment audits are conducted every other year by BPS to confirm students listed on the charter schools’ rosters are actually attending the respective charter school.

In conclusion, this research is imperative to identify weaknesses and vulnerabilities of the process by which charter schools receive public funds in New York State. Furthermore, this study will explore methods to improve and modify the process in order to protect the usage of public funds and insure pupils receive the aid necessary for education.

Chapter II: Review of Related Literature

Introduction

Charter Schools are a controversial form of public education as millions of dollars in tax payer funds are used with the intention of educating students. Charters schools have adamant supporters and equally adamant opponents. Elliot (2015) argues that “Charters are deemed attractive because they are typically smaller than traditional public schools, generally run by non-profit organizations with the support of foundations, have a non-unionized workforce, and readily allow alternative teacher training and various forms of merit pay” (Elliott, 2015).

According to the NYSED Charter School Office (New York State Education Department, 2015a), charter schools were established to:

- Provide families with an increased number of high quality school choices;
- Improve student achievement;
- Increase learning opportunities for all students, with an emphasis on at-risk students;
- Encourage use of innovative teaching methods/educational designs;
- Create new professional opportunities for teachers, administrators, school staff; and,
- Change from rule-based to performance-based accountability.

To sort out the distinction between charter and public schools, the literature review begins with a brief history of charters and a definition of the charter school.

Central to the dispute between charters’ supporters and opponents is the allocation of public funds to operate charters. So, taking the example for this study, Buffalo Charter Schools receive a set amount of public funds per student determined by a funding formula established by New York State. There is an ongoing debate as to whether or not this formula is equitable to the amount of funds which Buffalo Public Schools receives for its students. The literature review

will discuss this formula and discuss the costs involved for the Buffalo Public School District to divert funds to charter schools.

The next section of the literature review will focus on accountability, oversight, and transparency. The literature review will also discuss the role of the New York State Comptroller's Office with respect to charters along with the Comptroller's findings from recent audits of charter schools. In addition, the funds charter schools have in reserve will also be discussed.

Many opponents of charter schools suggest that they are engaging in "skimming" – admitting the easiest and less costly to education - discouraging non-native English speakers and students in need of special education support. This debate is considered. The literature review continues with a discussion of the efforts of recent US Presidential Administrations to support the expansion of charter schools in this country. The next section of the literature review reviews how collaboration could put districts and charters on one accord. Lastly, we look at the relationship a Buffalo School Board Member has with Buffalo area charter schools and impacts of this relationship.

Review and Critique of Literature

How Charter School Came to Be

There are several milestones of the Charter "movement," beginning with a 1974 paper published by Dr. Ray Budde (University of Massachusetts) in which he saw charters as a way for teachers to escape the deleterious effects of the district bureaucracy interference in teaching. By 1988, Albert Shanker, president of the American Federation of Teachers (ATF), was promoting charter schools. Minnesota opened the first charter school in 1992. The federal government soon was promoting charters through the power of the purse: federal legislation established the Office of

Charter Schools Programs (CSP) in 1994, as an amendment to the Elementary and Secondary Education Act. The CSP provides eight grant competitions intended specifically for the charter school community and funds for entities and organizations that provide information for authorizing principles and professional development (US Charter Schools, 2008).

Charter Schools in New York State

Each of the 44 states with charters have different policy regimes and regulatory requirements and have had varying success with the charter sector. In 1998, New York State (NYS) passed an Act to establish Charter Schools within the State. Early charters were established to provide for marginalized youth what more privileged youth were getting from private schools – community ownership, dedicated staff, multicultural and social justice curriculum (Fabricant & Fine, 2012). But despite AFT’s and Albert Shanker’s early endorsement of the charter ideal, unions began to sour on their practice. According to the Buffalo Teachers Federation (BTF), “charters are being imposed on communities – either by legislative fiat or well-engineered public policy campaigns” (Bryant, 2014). The BTF (Bryant, 2014) argues, “many charter school operators keep their practices hidden or have been found to be blatantly corrupt” and that “no one seems to be doing anything to ensure real accountability for these rapidly expanding school operations.”

Nevertheless, many voices support charter schools. Mulligan (2013) argues that “Charter schools are considered ‘schools of choice’ that give families more options for their children’s public education. Charters claim high academic standards, small class size, and innovative approaches to teaching and learning” (Mulligan, 2013).

The Equity and Excellence Commission (U.S. Department of Education, 2013) reported that supporters of charter schools identified four potential benefits of charter schools:

1. They are generally expected to promote innovation, since they are authorized to adopt approaches to curriculum, hiring patterns and other matters that are different from the practices of public schools in their district. This innovation in some cases has also extended to the use of technology, the flexible staffing of schools and an emphasis on non-cognitive aspects of their training.
2. They are intended to offer some amount of choice to parents and students over the school they attend.
3. They are intended to offer competition for the traditional public schools and provide an incentive to the traditional schools to improve.
4. They are proposed as a potential educational reform for underserved students and communities.

The charter movement is broadly connected to the New Public Management (NPM) approach, which began to inform public administration practices by the early 1980s. NPM seeks to apply business practices to the public sector, including public education. Thus as #3 (above) suggests, the idea was that charters would force public schools to compete for good students, and this competition would force public schools to improve. In this context, the charter school was a “compromise” between the voucher program supported by Republicans and conservatives (public money used for students to attend private and parochial schools) and those individuals adamantly opposed to the use of public funds for tuition at private institutions.

Gary Orfield (2015) decried the focus on charters at the expense of public schools: “State and federal policies fostering charter schools have expanded that sector [school choice systems] rapidly while the public school district has stagnated.” Along the same lines, Elliot (2015) wrote “there is no drive within the public school system to address inequalities of opportunity in credible ways and schooling has entered into a radical crisis of democratic legitimacy.” And just as the city of Buffalo was struggling with declining population and revenue streams, Orfield noted “there will be less and less money for public schools if this trend continues and more and more effort to convince their students to transfer” (to charters). Orfield suggests that providing

“better options for students and families and teachers” is the key for public schools to effectively compete with charter schools.

New York State Charter School Funding Formula

As the number of charter schools and student enrollment increases, so has the amount of public funding for charter schools. New York charter schools will receive over \$1.5 billion in public funding for the 2014-15 school year. Yet despite the volume of transfers of public monies to charter schools, NYS currently does not have a system in place to adequately monitor charter schools for fraud, waste, or mismanagement (The Center for Popular Democracy and Alliance for Quality Education, 2014).

As of 2014-15, the NYS Education Department (NYSED) total sum for Charter School Basic Tuition and Supplement Basic Tuition for the Buffalo City School District is \$12,255 per student (New York State Education Department, 2015e). Basic tuition and supplement base tuition is derived as follows:

Pursuant to paragraph (a) of subdivision 1 of section 2856 of the education law, as amended by Chapter 57 of the Laws of 2014, total 2014-15 charter school basic tuition is the sum of:

1. Charter School Basic Tuition calculated as the lesser of:
 - a. 2010-11 charter school basic tuition,
- Or
- b. 2014-15 charter school basic tuition calculated by multiplying the 2012-13 approved operating expense per pupil (Approved Operating Expenses/Total Aidable Pupil Units; AOE/TAPU) by the percentage increase between the

2013-14 statewide total approved operating expense and the 2011-12 statewide total approved operating expense (1.090 %).

Plus

2. Supplemental Basic Tuition.

The supplemental basic tuition is \$250 for districts with a 2014-15 charter school basic tuition (b. above) greater than or equal to the 2010-11 charter school basic tuition (a. above). For all other districts, the supplemental basic tuition equals the 2010-11 charter school basic tuition less the 2014-15 charter school basic tuition.

The final per pupil charter school tuition for each district is calculated based on data on file with the commissioner as of the date upon which an electronic data file was created for the purpose of compliance with paragraph b of subdivision twenty-one of section three hundred five of the New York State Education Law on May 15, 2014 (New York State Education Department, 2015b). (See Data Analysis for further discussion.)

The Cost for Charter School Students

According to the Buffalo Public Schools 2014-15 Budget Analysis Book (2015), Buffalo Public Schools (BPS) was estimated to make tuition payments to 15 local charter schools (see Table 1) for approximately 7,600 Buffalo students. For the 2014-15 school year, tuition was projected to be \$98.0 million, or 12 percent of the BPS' \$949.2 million budget. Charter School tuition per student is \$12,225, not including expenses for transportation and special education. During the 2013-14 school year, the total cost per charter school student was \$13,764.

Appendix 2: Buffalo Public Schools shows how much the BPS projected to spend on public and charter schools students for the 2013-14 and 2014-15 school years.

Charter School Reserve Funds

According to the Office of the NYS Comptroller (Office of the New York State Comptroller, 2010):

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a “parking lot” for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

The New York State United Teachers (NYSUT) analyzed the finances of 200 charter schools across the State for fiscal year ending 2013. The analysis showed 82 percent of the state's charters held, on a percentage basis, cash in excess of 4 percent — the amount regular school districts are permitted to keep in reserve (NYSUT Staff, 2016). In the same report, Andy Pallotta, NYSUT Executive Vice President said, "Taxpayers have every right to know their tax dollars are being used wisely. At a time when our school districts are starved for funding — and inequality is at record levels — it's outrageous that individual charters are, in many cases, sitting on piles of cash while students in regular public schools are doing without." At the end of 2013, the study identified Buffalo charters with an excessive amount of reserve funds:

South Buffalo CS has \$9.9 million in cash on its books, or a per-pupil cash balance of almost \$15,000. Elmwood Village CS has \$2.7 million in cash and, with 298 students, has nearly \$9,000 per student in cash. Enterprise CS reported having \$3.7 million in cash and 404 students, or more than \$9,000 per student in cash to fund its operations.

Accountability, Oversight & Transparency

New York State established a Charter School Office, whose mission statement reads as follows:

The mission of the New York State Education Department Charter School Office is to create and sustain excellent educational options for New York State families on behalf of the Board of Regents through high quality charter school authorizing, fair and transparent oversight of all charter schools, and the dissemination of innovative school designs and practices (New York State Education Department, 2015b).

The Charter School Office has established policies and procedures for charter schools and local school districts to abide by. According to NYSED Charter School Regulations (New York State Education Department, 2015c), charter schools must abide by the following when submitting invoices for tuition payments:

- Enrollment period – first day pupil is physically present, or legally absent from, until the last day pupil is physically present, or legally absent from.
- Levels of service must be indicated regarding programs for students with disabilities.
- No later than 30 days prior to the first business day of July, September, November, January, March and May, each charter school shall report to each public school district with resident pupils attending the charter school. For each student with a disability attending such charter school, such report shall also indicate the level of special programs or services to be provided directly or indirectly to such student by the charter school and an estimated annual cost to be incurred by the charter school in providing such special programs or services.
- On or before the last day of July, each charter school shall provide a final report of actual enrollment to the department and to each school district with resident pupils attending the charter school in the prior school year. For each student with a disability attending such charter school, such report shall also indicate the level of special programs or services actually provided directly or indirectly to such student by the charter school and the annual cost incurred by the charter school in providing such special programs or services.
- The total amount of payments due and payable to a charter school for the current school year by a public school district shall be paid as follows: on or before the first business day of July (September, November, January, March and May), one sixth of the total amount due, as adjusted for any supplemental payments due or overpayments to be recovered for the prior school year.

Charter schools must also provide an annual report of the preceding school year no later than the first day of August of each year to the NYS Board of Regents and to the charter entity. The annual report must include, but not limited to, the following (New York State Education Department, 2015d):

- Student enrollment by grade, gender, and race/ethnicity;
- Data on students by district of residence;
- Professional qualifications of each teacher and classes taught by each teacher;
- The number of students with limited English proficiency;
- The number of students identified as eligible for free- and reduced-lunches;
- Report of academic performance;
- The number of students who applied and the number who were admitted;
- Student attendance; and,
- Report of fiscal performance: All revenues (i.e. State & Federal government sources), all expenditures (i.e. salaries, operating expenses, instruction, students with disabilities, transportation)

According to the National Education Association (NEA), there are four key features to ensuring a strong charter school. They are: quality, equity, accountability, and transparency (National Education Association, 2015b). Quality refers to providing students with experienced teachers and a rich and engaging curriculum. Equity is having an admissions process which is inclusive and insuring needed resources are being provided to educate all students. Next, accountability includes charter school authorizers being able to monitor the schools effectively. Another feature is that charters should produce annual audits which are made public and student performance targets are met. Also, their governing boards should be elected rather than appointed and

maintain ethical protocols. Lastly, charters should be transparent and open to disclosing funding sources.

The Internal Revenue Service provides guidance for charter schools as follows:

Over 10 years ago, the Internal Revenue Service, recognizing the increasing presence of charter schools, provided guidance focused on charter school operations; the granting of tax-exempt status; and key areas where the potential for conflicts of interest exist, including board governance, compensation, and contracts. The guidance involves charter school organizations operating as nonprofits and for-profits. The guidance covers relationships between schools and school managers or operators and addresses the distinction between private and public interests and the importance of whether school boards are independent or "appointed or dominated by a comprehensive management company." (National Charter School Resource Center, 2011)

Since 2010, the NYS legislature decided to put charter schools under the same laws governing ethics and conflicts that apply to school districts in the wake of concern about inappropriate self-dealing by some charter school boards (National Charter School Resource Center, 2011). This legislation empowered the state comptroller to audit charter school finances.

According to Billy Easton, Executive Director of the Alliance for Quality Education (AQE), "the proliferation of charters hasn't been matched by the oversight needed to ensure that public money intended for students doesn't instead get lost to fraud, waste and abuse" (Tan, 2014a). Referring to an audit of local charter schools conducted by the NYS Comptroller's Office, spokesman Brian Butry said, "It's more (about) wasteful spending than fraudulent spending. AQE argues that the Comptroller's Office audit techniques were not designed to uncover fraud but that fraud likely exists because of poor state oversight. The anti-charter school group goes on to say that until better financial oversight and controls are established for charter schools, no more charter schools should be approved" (Tan, 2014a).

Role of the New York State Comptroller's Office

In 2012 and 2013, the NYS Comptroller's office audited Buffalo United Charter School, Community Charter School (closed after the 2013-14 school year), and Buffalo Academy of Science Charter School.² Buffalo United Charter School and its eight-member Board of Trustees has a management agreement with National Heritage Academies, Inc. (NHA), a privately-held for-profit corporation located in Grand Rapids, Michigan. This agreement "assigns virtually all revenue the School receives to NHA, which is responsible for the general management and control of the School's finances" (Office of the New York State Comptroller, 2012a) According to the Comptroller's Report (2012), the School's revenues for the 2010-11 fiscal year were approximately \$8.6 million. These revenues were derived from billing area school districts for resident pupils and from certain State and Federal aid attributable to these pupils. Since virtually all revenue was assigned to NHA for its management of school operations, the school reported net assets of approximately \$8,000 as of June 30, 2011. After conducting the audit, it was reported that the Board relies almost exclusively on NHA to handle the school's finances. Thus, this is contrary to the school's by-laws, which state the Board Treasurer is to keep "adequate and correct accounts of the school's properties, receipts, and disbursements. The Board lacked detailed information regarding the school's financial operations and was "not sufficiently informed to ensure that School funds are used for educational purposes or to determine whether assigning all the School's revenue to NHA is reasonable and appropriate" (Office of the New York State Comptroller, 2012a). Lastly, the auditors looked into the school building lease agreement between the Board and a NHA subsidiary. The subsidiary purchased the building in 2003 for \$230,000 and spent another \$5.6 million on equipment, building renovations and land

² Note: Buffalo United and Buffalo Academy of Science did not respond to the interview request for this study.

improvements by the end of the 2010-11 fiscal year. Therefore, it was concluded by the NYS Comptroller's Office that:

From July 2003 through the 2010-11 fiscal year, lease payments charged to the School totaled \$6.7 million. In effect, the NHA subsidiary recovered its investment in less than seven years of operation. Consequently, School officials have not demonstrated the arrangement was in the best interests of the School, particularly since NHA controls virtually all of the School's revenues through the management agreement.

Wang (2014b) observes "while the auditors in New York were disturbed by what they found, they could do little more than issue reports with advisory recommendations." A spokesman for New York Comptroller Thomas DiNapoli responded, "We can't audit the management company,"

Another example of accountability problems occurred in 2012 when the now closed Community Charter School was audited and it was determined that their Board of Directors did not comply with the charter's conflict of interest policy. The former Board President conducted business transactions with a construction company whom the school had also did business with totaling \$2.4 million since 2007. Competitive bidding was not used and a written contract stating the scope of the work or the basis of payment was not produced. The NYS Comptroller (2012b) concluded, "As a result, there is a risk that the former Board President could have improperly benefited from his position as a Trustee, and that the School could have paid more than necessary for construction services."

In yet another problematic example, the lease agreements to which Global Concepts Charter School and Buffalo Academy of Science Charter School (BASCS) signed were investigated by the Comptroller's Office in 2012 and 2013 respectively. According the report, when Global Concepts entered into a lease agreement for a high school building, it was determined, "the Board did not demonstrate that it used an appropriate process to ensure it

obtained a suitable site at a reasonable cost” (Office of the New York State Comptroller, 2012c).

The audit report maintains the school had not contacted the New York State Office of General Services (OGS) for their list of available State buildings with space in the area, or the local school district for their available school buildings. The report concludes:

Had the Board conducted an adequate search and cost analysis and opted to buy and renovate the building based on the purchase price of \$35,000 for the property, and assuming that the \$2.8 million is an accurate projection of the renovation costs that would have then been incurred by the school directly, the School could have achieved savings of \$2.3 million or more.

In 2004, the BASCS Board was in search of a new school building, it “did not ensure that it appropriately identified and evaluated available options before deciding to lease a building” (Office of the New York State Comptroller, 2013). The Board selected an unlikely firm, a nonprofit educational services corporation from the New York-New Jersey metropolitan area that did not have any apparent real estate experience. It was determined that the terms and conditions of the lease agreement appeared to benefit this corporation more than the charter. Over time, BASCS’s lease payments could exceed the Corporation’s costs by more than \$4.4 million.

In 2014, the New York State Comptroller Audit identified examples of charter school internal control deficiencies, fraud, waste, and mismanagement across the state (The Center for Popular Democracy and Alliance for Quality Education, 2014). For the City of Buffalo, 13 of 16 charter schools were identified:

- Aloma D. Johnson Fruit Belt Community Charter School
- Buffalo Academy of Science Charter School
- Buffalo United Charter School
- Charter School for Applied Technology
- Community Charter School (*closed after the 2013-14 school year*)
- Elmwood Village Charter School
- Global Concepts Charter School

An Examination of Charter Schools in Buffalo

- Health Sciences Charter School
- King Center Charter School
- Oracle Charter School
- Tapestry Charter School
- West Buffalo Charter School
- WNY Maritime Charter School

The following schools were not identified in the audit:

- Enterprise Charter School
- South Buffalo Charter School
- Westminster Community Charter School

Tan (2014a) observed: “The findings by Comptroller Thomas DiNapoli's Office raise some genuine issues about some of the spending and reporting practices engaged in by local charters. While some school audit findings appear to address minor paperwork issues, a few raise larger concerns.”

The audit uncovered the following concerns:

- The board did not demonstrate it used an appropriate process to ensure it obtained a suitable building site at a reasonable cost.
- Inaccurate records were maintained.
- The board possibly illegally transferred school funds; school officials refuse to work with state auditors.
- Failure to establish a written contract for services paid for.
- Internal control deficiencies with purchasing.
- The board did not follow the school's conflict of interest policy.
- Auditors questioned whether the Board can sufficiently monitor their management company.
- The board did not fulfill its fiduciary responsibility,
- The school did not fully develop its residence verification process of students.

ProPublica, an independent, non-profit newsroom that produces investigative journalism in the public interest, was contacted by Pete Grannis, New York State's first Deputy Comptroller regarding his attempt to "raise the alarm on charter schools." Audits conducted by his office found "practices that are questionable at best, illegal at worst" at some charter schools (Wang, 2014a). ProPublica reported:

Charter schools have turned over nearly all their public funds and significant control to private, often for-profit firms that handle their day-to-day operations. The arrangements can limit the ability of auditors and charter-school regulators to follow how public money is spent – especially when the firms refuse to divulge financial details when asked (Wang, 2014a).

To rectify this matter, Deputy Grannis proposed that as "a condition for agreeing to approve a new charter school or renew an existing one, charter regulators could require schools and their management companies to agree to provide any and all financial records related to the school" (Wang, 2014a). Due to the increasing need for oversight of the charter schools, he suggested "putting schools on notice that relevant financial records cannot be shielded from oversight bodies of state and local governmental entities" (Wang, 2014a).

New York has made some progress in combatting fraud and improving its fiscal oversight by augmenting the NYS Comptroller's audit authority. However, the charter school industry has successfully challenged the State's Comptroller's oversight authority twice in court. In 2005, charter schools filed a lawsuit challenging the authority of the State Comptroller to conduct audits in response to legislation passed by state lawmakers requiring the Comptroller to audit all school districts and charters to help deter and expose fraud, theft and professional misconduct (The Center for Popular Democracy and Alliance for Quality Education, 2014). The Court of Appeals ruled in favor of the charters on the grounds that charter schools fall outside the scope of the State Comptroller's constitutionally prescribed functions. State lawmakers then

amended the Charter Schools Act in 2010 authorizing the State Comptroller to audit charter schools at his/her discretion. Charter Schools filed a lawsuit again citing an earlier court decision. The Court of Appeals ruled in favor of charters finding that charters were not political subdivisions subject to the State Comptroller oversight. In 2014, the state legislature once again amended the Charter School Act to define charter schools as political subdivisions subject to oversight by the State Comptroller. In addition, the amendment authorized NYS and City Comptrollers to audit charter schools within their jurisdiction at their discretion (The Center for Popular Democracy and Alliance for Quality Education, 2014). Again in 2014, Manhattan Supreme Court Justice Thomas Breslin ruled that New York State Comptroller Thomas DiNapoli could not audit New York charter schools, which would have allowed his office to essentially follow the public funds which have been given to charter schools (Smith, 2014).

The Ability to Educate All Students

While fraud is a major concern, so is the ability of charter schools to provide an education which expands a student's ability to learn and apply such knowledge that will provide for present and future success. In a report by the Families for Excellent Schools – Ignition Families: Broken Schools Threaten New York State's Revival (2014), the following charters were listed as failing schools: Buffalo Academy of Science Charter School, Oracle Charter School, WNY Maritime Charter School, and Westminster Community Charter School. Over the years several charters have closed in part due to low student academic achievement and low NYS assessment test scores. Most recently, charters were not renewed for Community Charter School and Pinnacle Charter School. In a study conducted by the Florida League of Women Voters, it was revealed that "school choice creates a higher risk of disruption to a child's education when charter schools close" (Pransky, 2015).

Charters are unable to adequately serve students with disabilities such as: mental retardation, severe emotional disturbance, autism, specific learning disabilities, and hearing, speech, language, orthopedic or visual impairments. Due to this, charters become less likely an alternative for disabled students as their civil rights are violated with the lack of resources. In most charter schools, the capacity within the school building to provide special education services is either limited or unavailable. Moreover, unlike traditional public schools, whom “employ a variety of specialists and instructional and support staff at the school and district levels,” charters are “likely to have to make do with a single special education coordinator and a handful of special education teachers” (O'Neill & Rhim, 2015). As each State’s charter school laws differ, some charters are able to enter into agreements with their local school district to provide services and resources for students with disabilities, which may be expensive. The “ability to control or negotiate the cost of these district-provided services” is limited for charter schools, as districts have “little incentive to keep its prices low” (O'Neill & Rhim, 2015).

In most states, charter schools continue to enroll proportionately fewer students with disabilities than traditional public schools. According to the Government Accountability Office (GAO) analysis of Department of Education data, during the 2009-10 school year, across the county 8.2 percent of all students enrolled in charters were disabled compared to 11.2 percent in traditional public schools (Rich, 2012). All public schools, including charter schools, under the Individuals with Disabilities Education Act (IDEA), are responsible in providing free appropriate public education (FAPE) to all students with disabilities (Mulligan, 2013). Critics of charter schools suggest charters “skim the best students from their communities and are less likely to enroll students with special needs” (Rich, 2012). An explanation for this disparity is parents are choosing public schools because they have established programs for students with disabilities,

while charters lack the resources and teaching staff to accommodate these students. However, the GAO report stated cases where “school administrators tacitly discriminate by discouraging students with disabilities from enrolling” (Rich, 2012).

In June of 2014, the Buffalo Teachers Federation, (2014) published a study they conducted regarding charter schools. The study, which compared Buffalo Public Schools and charters in Buffalo, identified a tendency by the charters to have fewer disabled and little to no English Language Learners (ELL) students enrolled. “So far in 2015, 90 percent of refugee arrivals [in Buffalo] have been from Myanmar, Somalia, Bhutan, Iraq, and the Democratic Republic of Congo” (Rose, 2015).

The City of Buffalo has seen the number of refugee arrivals to the City [West-Side of Buffalo] double compared to 10 years ago. In a response to claims of disparities and violations of civil rights, the Education Department has established an office to help charters support disabled students. A response to this study, on behalf of the Buffalo charter schools, is discussed further in the Data Analysis section.

Thus, it appears that charter schools’ admissions policies can be based on lottery or by “selective outreach and recruitment practices” (National Education Association, 2015a). The latter practice contributes “to under-representation of students with disabilities, especially those with more severe disabilities, and English language learners (ELL)” (National Education Association, 2015a). Pedro Noguera (Bryant, 2014), a university professor and author, cited a study showing that traditional schools serving the largest percentages of high-needs students are frequently the first to be branded with the “failure” label, and stated:

There is evidence that many charters seek to accept only the least difficult (and therefore the least expensive) students. Even though charter schools are required by law to admit students through lotteries, in many cities, the charters under-enroll the most disadvantaged children. This tendency of charter schools operations provides a double

bonus as their student test scores get pushed to higher levels and the public schools surrounding them have to take on disproportionate percentages of high needs students who push their test score results lower.

While Charters are often touted as addressing neglect of underprivileged students in the public school system, an United Civil Liberties Association (UCLA) Civil Rights report for the Buffalo Public Schools included the following remarks from parents, which suggest a more nuanced view of the charters (Orfield et al., 2015):

Charter schools are further damaging opportunities for high-poverty students in the district, as they both pull out an additional layer of students with ‘high-value’, social, cultural, and economic capital from the public schools, and they release failing students back into the district at will...charter schools do not play by the same rules, and as such they are damaging the district.

Another parent remarked:

The existing board of education is in favor of more charter schools...from the civil rights point of view, charter schools do not grant equal opportunity as much as public schools.

In sum, charters have been charged with “elitism,” which is anathema to public education.

Elliott (2015) contends that “youth who live in wealthier neighborhoods and the homes of well-educated caregivers may be able to supplement what public schools have to offer; this leaves the least advantaged within the public system vulnerable.”

Finally, the Buffalo Teacher’s Federation points out that the public schools teach far more students with disabilities, those whom are ELL, and those living at or below the poverty rate than the charter schools (Buffalo Teachers Federaton, 2014).

The Politics of School Choice

Oberfield (2014) observed:

Teachers, like street-level bureaucrats in any organization, play a decisive role in determining how their schools function and their students learn...the work world of teachers is a baffling terrain, dense with law, rules, and procedures; bounded by

overlapping hierarchal and agency relationships; and populated with the diverse and often hard to read faces of citizens, clients, supervisors, and coworkers.

Teachers' unions are often blamed for failing public schools. As Elliot (2015) notes, "The key question is whether, in using their power to secure contract rules that advance the occupational interests of their members, the teachers unions are (unintentionally) limiting the capacity of the public schools to educate children." Further, teachers' unions have been accused of putting their own survival and well-being as organizations above student achievement. In the case study, "A Street-Level Perspective on Privatization's Promise: Teacher Autonomy and Accountability in Public and Charter Schools," the author's "findings suggest that organizational influences have the capacity to shape street-level bureaucratic experiences" (Oberfield, 2014). "In his analysis of 'street-level' government service providers Michael Lipsky (1980) points out that they (teachers) have considerable autonomy" (Rainey, 2014). Oberfield acknowledges that "of all kinds of schools examined [in his study], teachers indicated relatively high levels of autonomy and low levels of accountability." Thus, "the privatization of schools [charter schools] may be having a broad impact on how operative employees think and act.

Christianakis and Mora (2011) observe that:

Proponents of charter schools, contend that public education is overly bureaucratized and politicized, and, thus, unsalvageable in its traditional form. Neoliberals maintain that curricular independence holds the promise of closing the racialized achievement and graduation gaps. For conservatives, a main selling point of charter schools is that they are not required to employ unionized teachers. The convergence of neoliberal and conservative ideologies on the issue of public education has created a sociopolitical climate in which traditional public schools are assailed as a failing public goods and charter schools are trumpeted as entrepreneurial innovations.

In 1994, at end of President Bill Clinton's first term in office, the Department of Education (DOE) began funding charter school conferences, state programs, and charter school research through the Public Charter Schools Program (PCSP). The PCSP was subsequently amended by

the Charter School Expansion Act of 1998 and by President George W. Bush's No Child Left Behind Act of 2001 in order to provide "support for the planning, program design, and initial implementation of charter schools" (Christianakis & Mora, 2011). In 2001, DOE further supported the proliferation of charter schools with the establishment of the Credit Enhancement of Charter Schools Program, which provides competitive grants to "entities seeking funds to enhance their credit to secure loans for the acquisition, construction, renovation, and/or operation of charter school facilities" (Christianakis & Mora, 2011). Charter school support continued with President Barak Obama's Administration: \$4.35 million was allocated to the *Race to the Top* grant competition in an attempt to attract states to not only adopt, but also expand charter schools. Points were awarded to states that submitted applications "where their laws do not prohibit or effectively inhibit the increase in the number of high-performing charter schools." Of the 41 states and the District of Columbia (D.C.) submitting applications, only 11 states (including NYS) and D.C. received funds because they either eliminated or raised their caps on the number of charter schools within their state. Christianakis & Mora (2011) state, "*Race to the Top* is the most far-reaching presidential policy enacted on behalf of charter schools."

Collaboration Between School Districts & Charter Schools

The goal of both traditional public schools and public charter schools is ultimately preparing all students for future success in the global economy. As a Gates Foundation (2010) report concluded, "Too often, issues not tied to academic outcomes can make it difficult for schools and teachers to have the opportunity to learn from each other and build upon successful practices, whether those practices are found in district-run or charter-run schools." To help fulfill

this need, the Bill & Melinda Gates Foundation established the District-Charter Collaboration Compact (Foundation, 2010):

Districts will commit to replicating high-performing models of traditional and charter public schools while improving or closing down schools that are not serving students well. Additionally, each city Compact addresses contentious and persistent tensions between district and charter schools, and identifies specific opportunities for the two groups to leverage each others' strengths in pursuit of a common mission.

This compact was created to address the tensions existing between districts and charters particularly with respect to the question of equitable funding, facilities, and the capacity to educate special needs and ELL students. Some cities having participated in the compact “jointly develop a shared approach to school enrollment, co-develop measures of effective teaching, align the district’s curriculum to the Common Core State Standards, and share access to school data systems” (Foundation, 2010). A compact such as this requires buy-in from the District Superintendent, charter school leaders, the School Board, teachers, the community, and other community and government leaders for support.

So while charter schools may have been designed to be competitors of traditional public school districts, they can also be their allies. Indeed, collaboration between public and charter schools is taking place in more than 20 school districts across the country, including in large complex schools districts – including Boston, Chicago, Los Angeles, and Philadelphia (Whitmire, 2014). Public-charter school “compacts” include agreements fostering cross-collaboration in professional development training for teachers and techniques for measuring student success.

The benefits to collaboration may include public school districts adopting “the classroom culture and sense of urgency” from charters; charters needing more building space to fully pursue their missions. However, as Whitmire (2014) points out, "While the political appeal of

district-charter compacts is evident, it's too soon to celebrate the end of the charter school wars.” Certainly, the charter schools’ war is still raging in the City of Buffalo. Specifically, the “us” versus “them” mentality reigns supreme on the Buffalo Public School Board and may be impeding collaborative efforts; in fact, there are no collaborative efforts in Buffalo between the District and the charters. The lack of collaboration is exacerbated by the Buffalo School Board majority, which continues to seek ways to lease public school buildings to charters, while the Board minority argues that more attention needs to be paid to the districts’ schools (Tan, 2015). For successful collaboration to take place in the City of Buffalo, however, difficult resource decisions would need to be resolved; for example, will the charters be required to pay debt service on recently renovated buildings and will they be required to use the district’s unionized custodial workers (Tan, 2015)? Ultimately, however, should compacts prove effective over time in other cities, they could help pave the way for school districts like Buffalo whom are struggling to prove themselves as a real “choice” for students and their parents.

The Paladino Factor

The controversy of developers profiting from charter schools is found in several cities and states. Investigations in Michigan, of National Heritage Academies³ (NHA), and in Florida, of Charter Schools USA (CUSA)/Red Apple Development, discovered that charter school management companies and developers are making huge profits from rent and mortgage payments paid by the schools. In arguing for the setting of a “fair-market-value standard” Cassandra Ulbrich, Vice-President of the Michigan State Board of Education, pointed out: “For every dollar that we’re

³ Note: Buffalo United Charter School is managed by NHA.

pulling out of the classroom to put into a lease agreement that is exceptionally high, that's a dollar that's not going to a child's education" Dixon (2014).

According to Pransky (2015):

The Florida League of Women Voters released a study suggesting a troubling lack of separation between a charter school's advisory board and for-profit management companies. It also indicates charter school teachers aren't often paid as well and profits all-too-often play a role in educational decisions. 'That means that children aren't getting what they're owed by the public funding,' said Pat Hall, a retired Jefferson High department head and Hillsborough County's education chair for the League of Women Voters.

Buffalo, too, is facing a similar situation. The Alliance for Quality Education (2014) released a report – “Good for Kids or Good for Carl?”— taking issue with Carl Paladino's charter school investments and the ethics of his voting on charter school issues as a Buffalo School Board Member. Although Paladino has indicated he will recuse himself from charter school votes in which he has a direct financial interest, he has said he will not forfeit his right as a board member to vote on other charter school matters. Billy Easton, executive director of the Alliance said, “Paladino has a clear conflict of interest” (Tan, 2014b).

There are some concerns in this regard. Tan (2014b) reported:

Joy Pepper, the founder of Tapestry Charter School, said her school sought financial assistance from Paladino after its consultants scoured the country for loans and turned up empty in 2008 and 2009. She said charter school founders feel nothing but gratitude to Paladino for giving them a chance when no one else would. 'Without him, I can't even tell you where we'd be.'

The alliance report points out that Paladino has received \$685,000 in sales and mortgage tax incentives from the Erie County Industrial Development Agency. It also contends that in the case of Health Sciences Charter School on Ellicott Street, Paladino's willingness to redevelop a rundown building as a school led to an increase in property values for his remaining property holdings in the same neighborhood.

According to the same *Buffalo News* article, The Alliance for Quality Education report does not include construction-related costs and debts incurred by Paladino's company, which could

provide a clearer picture of project profitability. Tan (2014b) also offers key points made by

Paladino:

- He is the sole investor in Tapestry Charter School, West Buffalo Charter School and will be finalizing the deal for the former Community Charter School building on Edison Avenue, which will become home to Charter School of Inquiry in 2015. He holds half a stake in Health Sciences Charter School, Charter School for Applied Technologies and Aloma D. Johnson Charter School.
- In general, Paladino sought a 10 percent return on investment, which he described as low. In the case of three schools, higher-than-expected project costs led to investment returns of less than 10 percent. Lease amounts for the charter schools take into consideration Ellicott Development's total anticipated developments costs, multiplied by an estimated 10 percent return on investment.
- The lease agreements allow charter schools to purchase their buildings outright from Ellicott Development after five years.
- All mortgage and sales tax breaks awarded by the Erie County Industrial Development Agency lowered project costs and were passed on as savings to the individual charter schools. Subsidies were not kept by the company. As nonprofit schools, charter schools pay no real estate taxes.

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Table 1: Carl Paladino's Investments in Charter Schools summarizes the Alliance’s findings (Tan, 2014b):

Table 1: Carl Paladino's Investments in Charter Schools

<i>Paladino's investments in charter schools raise questions</i>			
Direct financial interest:			
<i>What Carl Paladino says he's invested in Buffalo charter schools</i>			
School	Project Cost	Return on Investment	Monthly Lease
Health Sciences Charter School*	\$6.9 million	7.70%	\$52,536
Tapestry Charter School	\$11 million	10%	\$104,271
Charter School for Applied Technologies* - 1902 Hertel Ave	<i>Information held by McGuire Development</i>		
Aloma D. Johnson Charter School*	\$2.4 million	8.60%	\$20,833
West Buffalo Charter School	\$4 million	5.30%	\$19,675
Charter School of Inquiry (Opened for 2015-16 school year) - Deal not complete when news article was published	\$1.3 million	11% (Estimated)	
<i>* Carl Paladino's Ellicott Development owns half the project.</i>			

Source: *The Buffalo News*

Carl Paladino’s membership on the Buffalo School Board creates real concern of a conflict of interest akin to the situations described above. With the Buffalo School Board elections in 2013 and 2014, Paladino secured an all-white majority on the nine-member Board—inserting both a racial and ideological divide into the public vs. charter debate—and giving Paladino the power to pursue his goal of expanding charters in Buffalo. The new majority sought to expand high performing charter schools using BPS schools to house these “high-performing” charters. In 2014 by the Buffalo School Board Majority (2014) released a statement, which in-part says:

Unfortunately the vast majority of Buffalo parents have only one option available for their children; enrollment in a failing school. Although the majority of children will continue to attend traditional schools, fixing traditional schools will take time most children can ill afford. As a matter of law and moral obligation, it is incumbent on the Board to provide a range of options to children as soon as possible.

Expand High Performing Charter Schools: The Board should seek to provide as many additional seats in high performing charters as possible for the start of the 2015-2016 school year. The Board should actively recruit high performing providers by offering space in vacant school buildings, co-location space in operating schools and an enhanced charter reimbursement formula. Given the wait lists at current high performing charter schools, there appears to be an immediate demand for 3,500 seats.

While this plan ultimately did not come to fruition, it exacerbated conflict with the four School Board Members in the minority (and who also happened to belong to ethnic/racial minorities). Further, it undermined prospects for collaboration between the District and charter schools because the majority's plan was released without input from the minority bloc of the Board.

Summary

The literature review found that charter schools are not only controversial, but also complicated to regulate and oversee on a wide range of issues from their finances to educational outcomes. Charter schools believe the amount of public funds they receive is not comparable to the amount which school districts receive per student for their public schools. Because support for school choice is found at both the right and center of the political spectrums, it would seem that charters are here to stay in New York State. Furthermore, federal funding dollars have been allocated to support charter schools.

Much has been written and investigated regarding the lack of governmental oversight of charters (with those tending to oppose charters – such as teachers' unions – seeking strong accountability measures, and those favoring charters, decrying "excessive government regulation"). Yet few sources identify whether or not, with regards to Buffalo charter schools, the NYS charter school funding formula is adequate, or if additional public funds should be diverted towards charter schools for education. This is the main purpose of the investigation. The methodology for examining this key question is introduced in the next chapter.

Chapter III: Methodology

Design of Study

The framework for this study is an embedded mixed methods (participant-observer – see preface) which follows an explanatory mixed methods procedure. The quantitative phase of the study consisted of an analysis of the finances of Buffalo charter schools and an evaluation of how public funds are dispersed and applied in their 2013-2014 budgets.

Charter schools are required to submit annual financial statements to NYS. The researcher requested the 2013-14 statements of the charter schools existing in Buffalo during this time from the NYS Charter School Office.

After completing the quantitative analysis (examining and drawing conclusions about the financial statements), the qualitative phase of the study was undertaken. This phase consisted of open-ended interviews designed to afford each charter school the opportunity to discuss the need for additional public funds, Office of the State Comptroller audits, collaboration between charter schools and the District, etc. Charter schools were contacted via email to be interviewed. Respondents had the option to participate in the interview by phone or in-person. Non-respondents received a follow-up phone call or email.

A summary of the procedures follows:

Stage 1: Sampling consisted of analyzing the contents of the financial statements of the charters. Once received, the researcher compared and contrasted each school's operations budget, amount of public funds received, and net assets available.

Stage 2: Interviewing those respondents who replied to the interview request. These participants were asked a variety of questions regarding, but not limited to, their financial statements, An interview was also requested with a Buffalo Public Schools Finance Department representative for insight into their role in dispersing public funds to charter schools.

Sample Selection

As of the 2013-2014 school year, 15 charters schools were in operation in the Buffalo area providing education to over 7,000 students. The entire population of charter schools operating in the Buffalo area was selected to eliminate the threat of selection bias. The researcher requested the financial statements of these charter schools from the New York State Education Department – Charter School Office. The researcher also requested interviews with the Chief Financial Officer, Business Manager or representative from the identified charter schools.

Data Analysis

Of the 15 charter schools contacted, eight responded. As we proceed, data regarding these schools will be offered.

Phase 1: Quantitative Analysis

Table 2: 2014 Buffalo Charter Schools Net Assets shows the charters' unrestricted net assets (their reserve funds), their total expenses (all operating expenses for the school year), and the percent (unrestricted net assets divided by total expenses). The percent represents how much of their reserve funds are available if all operating expenses for the year have been paid.

An Examination of Charter Schools in Buffalo

For example: Elmwood Village Charter School had \$3.7 million in reserve funds and \$4.0 million in expenses. This equates to 92% (\$3.7m divided by \$4.0m) of their funds available to be expended as the school pleases.

Table 2: 2014 Buffalo Charter Schools Net Assets

2014 Charter School Net Assets			
Charter School	End of the Year Unrestricted Net Assets	Total Expenses	Percent
Health Science	\$ (559,113)	\$ 6,525,118	-9%
Buffalo United*	\$ 37,713	\$ 9,195,838	0%
West Buffalo	\$ 306,773	\$ 2,994,441	10%
Tapestry	\$ 1,624,631	\$ 10,641,681	15%
WNY Maritime	\$ 941,589	\$ 4,770,075	20%
Buffalo Academy of Science	\$ 1,098,768	\$ 5,270,368	21%
Oracle	\$ 1,821,567	\$ 5,293,673	34%
Aloma D. Johnson	\$ 1,372,498	\$ 3,723,893	37%
School of Applied Technology (CSAT)	\$ 9,245,721	\$ 23,833,943	39%
Westminster Community**	\$ 3,474,992	\$ 8,657,808	40%
King Center	\$ 2,563,366	\$ 4,121,632	62%
Global Concepts	\$ 7,331,091	\$ 11,403,007	64%
Enterprise	\$ 4,340,545	\$ 5,623,698	77%
Elmwood Village	\$ 3,750,506	\$ 4,060,453	92%
South Buffalo***	\$ 16,191,233	\$ 7,829,897	207%
Community****	N/A	N/A	N/A
Pinnacle****	N/A	N/A	N/A
Total	\$ 53,541,880	\$ 113,945,525	47%

* All revenues to National Heritage Academies (NHA)

** In 2012, Westminster began breaking Accrued Retirement Obligations out of Unrestricted Net Assets, and added Accrued Retirement to their Total Expenses

*** South Buffalo Charter School built a new school building, which opened for the 2014-15 school year

**** Charter not renewed -- school is closed

Note: The school names which are in bold represent those interviewed in Phase II.

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Table 3: Buffalo Charters, Enrollment & Tuition (2013-14) identifies the various school districts which have students attending the charter schools which consented to be interviewed in Phase II of this study. Column three contains information on the grade levels during the 2013-14 School Year. Column four contains enrollment data. Column five lists the total number of Buffalo students attending. The last column provides the tuition that the Buffalo Public Schools paid to the charters.

Table 3: Buffalo Charters, Enrollment & Tuition (2013-14)

	School Districts with Students Attending Charter Schools	Grade Levels	Total Enrollment * (2013-14)	Total Buffalo Enrollment ** (2013-14)	Buffalo Tuition Paid** (2013-14)
Aloma D. Johnson	Buffalo & Cheektowaga	K thru 4	296	289	\$3,697,697
School for Applied Technologies	Buffalo, Barker, Amherst, Cheektowaga, Cheektowaga-Maryvale, Cheektowaga-Sloan, Cleveland Hill, Frontier, Grand Island, Kenmore-Tonawanda, Lackawanna, Lancaster, Lockport, Niagara Falls, Niagara-Wheatfield, N Tonawanda, Orchard Park, Sweet Home, Tonawanda, W Seneca, Williamsville	K thru 12	1,674	1,331	\$16,388,831
Enterprise	Buffalo, Cheektowaga, Cleveland Hill, Kenmore-Tonawanda, Lackawanna, Maryvale, W Seneca	K thru 8	404	390	\$5,048,729
Global Concepts	Buffalo, Cheektowaga, Cheektowaga-Sloan, Cleveland Hill, Eden, Frontier, Hamburg, Lackawanna, Maryvale, Orchard Park, W Seneca	K thru 12	919	332	\$4,262,242
Health Sciences	Buffalo, Cheektowaga, Cleveland Hill, Grand Island, Kenmore-Tonawanda, Lackawanna, Lewiston, Maryvale, Niagara Falls, Tonawanda, W Seneca	9 thru 12	438	412	\$5,385,468
Tapestry	Buffalo, Amherst, Cheektowaga, Cheektowaga-Sloan, Cleveland Hill, Grand Island, Hamburg, Kenmore-Tonawanda, Lackawanna, Niagara-Wheatfield, Sweet Home, Tonawanda, W Seneca, Williamsville	K thru 12	794	762	\$9,792,853
WNY Maritime	Buffalo, Amherst, Cattaragus-Little Valley, Cheektowaga, Cheektowaga-Maryvale, Clarence, Cleveland Hill, Depew, Evans-Brant, Frontier, Grand Island, Hamburg, Kenmore-Tonawanda, Lackawanna, Niagara Falls, N Tonawanda, Sweet Home, Tonawanda, W Seneca, Williamsville	9 thru 12	331	256	\$3,472,771
West Buffalo	Buffalo, Cheektowaga, Niagara Falls, W Seneca	K thru 3***	226	224	\$2,832,274

* Source: NYSED IRS BEDS Data

** Source: BPS 2014-15 Budget Analysis Book

*** Added Grade 4 in 2014-15 School Year

The NYS Information Reporting Service (IRS) - Basic Education Data System (BEDS) collects a variety data of regarding K thru 12 education per school. Table 4: Charter School Student Demographics and Other School Data contains information on the charters interviewed in Phase II for 2013-14 (or 2012-13, as indicated). Percentages are reported for student demographics free and reduced lunch; economically-disadvantaged students, students with disabilities and limited English proficiency, and the 2012-13 percentages for student attendance, suspensions, high school graduate rate, and the teacher turnover rate.

The NYS Charter School Office receives annual financial audits from charter schools. Table 5: 2014 Charter School Activities & Changes in Net Assets contains information on the charters interviewed in Phase II (2013-14 school year). The chart displays their revenues and expenses, net assets, and unrestricted net assets at the end of the year. Those charters affiliated with Carl Paladino has been noted in the last row of this chart.⁴

⁴ With respect to Table 5: 2014 Charter School Activities & Changes in Net Assets – special education revenues are the total tuition and special education payments for all of the students attending the school from various public school districts as shown in Table 3: Buffalo Charters, Enrollment & Tuition (2013-14). Unrestricted funds have no specific requirements, the school can use as they see fit.

Table 4: Charter School Student Demographics and Other School Data

	Buffalo Public Schools	Aloma D. Johnson	CSAT	Enterprise	Global Concepts	Health Sciences	Tapestry	WNY Maritime	West Buffalo
Student Demographics									
Males	51%	50%	48%	47%	45%	34%	49%	61%	54%
Females	49%	50%	52%	53%	55%	66%	51%	39%	46%
American Indian/Alaska Native	1%	0%	0%	1%	0%	0%	0%	0%	0%
Black/African American	50%	88%	31%	54%	23%	83%	51%	53%	31%
Hispanic/Latino	17%	8%	30%	38%	10%	5%	10%	18%	20%
Asian or Native Hawaiian/Other Pacific Islander	7%	0%	1%	2%	1%	0%	2%	1%	22%
White	21%	0%	31%	2%	65%	10%	34%	20%	21%
Multiracial	3%	3%	7%	3%	1%	3%	4%	8%	6%
School Data									
Free & Reduced Lunch	73%	100%	69%	100%	64%	71%	46%	61%	36%
Reduced Price Lunch	3%		14%	0%	17%	11%	16%	16%	2%
Economically Disadvantaged Students	76%	100%	86%	95%	95%	85%	63%	85%	86%
Students with Disabilities	21%	14%	11%	18%	7%	9%	14%	16%	21%
Limited English Proficiency	13%	2%	3%	9%	7%		2%	3%	27%
Attendance (2012-13)	90%	90%	92%	92%	91%	89%	94%	91%	92%
Suspensions (2012-13)	19%	18%	15%	26%	10%	18%	11%	24%	1%
High School Graduation Rate	53%		95%		87%	72%	94%	85%	
Teacher Turn Over Rate (2012-13)	17%	26%	22%	43%	10%	43%	10%	20%	27%
Tchr Turn Over Rate w/ Fewer than 5 years Experience (2012-13)	25%	8%	18%	31%	0%	21%	5%	38%	25%

Source: NYSED IRS BEDS Data

Table 5: 2014 Charter School Activities & Changes in Net Assets

2014 Charter School Activities & Changes in Net Assets								
Revenue & Support	Aloma Johnson	CSAT	Enterprise	Global Concepts	Health Sciences	Tapestry	WNY Martime	West Buffalo
Public School District -	\$3,818,453	\$19,332,779	\$4,802,933	\$10,674,167	\$5,190,147	\$9,454,519	\$3,606,884	\$2,717,605
Public School District - Sped**	\$46,371	\$602,120	\$444,965	\$492,616	\$486,416	\$776,543	\$512,732	\$180,446
State, Federal & Private Grants	\$212,979	\$1,872,372	\$366,591	\$1,229,458	\$267,193	\$326,232	\$213,277	\$85,027
Contributions, Fundraising, Other Income, & Private	\$29,507	\$1,341,054	\$72,928	\$106,339	\$795,588	\$174,902	\$190,593	\$41,919
Food Service (Cafeteria) & Vending Income		\$158,620		\$28,382		\$250,174	\$149,976	
Rental Income			\$181,363					
Investment Income		\$298,322						
Total Revenue & Support	\$4,107,310	\$23,605,267	\$5,868,780	\$12,530,962	\$6,739,344	\$10,982,370	\$4,673,462	\$3,024,997

* Includes Tuition Payments from All School Districts with Students Attending the School

** Includes Special Education Payments from All School Districts with Students Attending the School

Expenses	Aloma Johnson	CSAT	Enterprise	Global Concepts	Health Sciences	Tapestry	WNY Martime	West Buffalo
Program Services - Regular Education	\$3,222,359	\$14,067,378	\$3,905,671	\$7,505,804	\$3,462,514	\$6,985,363	\$3,039,421	\$1,535,001
Program Services - SPED	\$46,371	\$1,771,074	\$528,400	\$705,504	\$561,852	\$721,966	\$373,031	\$474,645
Other Programs		\$4,273,911	\$455,250	\$1,507,963	\$664,686	\$1,150,218	\$391,246	\$415,618
Total Program Services	\$3,268,730	\$20,112,363	\$4,889,321	\$9,719,271	\$4,689,052	\$8,857,547	\$3,803,698	\$2,425,264
Management and General	\$455,163	\$3,721,580	\$734,377	\$1,683,736	\$1,836,066	\$1,711,225	\$966,377	\$569,177
Depreciation								
Development Activities						\$72,910		
Total Expenses	\$3,723,893	\$23,833,943	\$5,623,698	\$11,403,007	\$6,525,118	\$10,641,682	\$4,770,075	\$2,994,441

Change in Net Assets (Revenues minus Expenses)	\$383,417	(\$228,676)	\$245,082	\$1,127,955	\$214,226	\$340,688	(\$96,613)	\$30,556
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Net Assets (Deficit) - Beginning of Year	\$989,081	\$9,474,397	\$4,095,463	\$6,203,136	(\$773,339)	\$1,307,499	\$1,047,537	\$276,217
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Unrestricted Net Assets (Deficit) - End of the Year	\$1,372,498	\$9,245,721	\$4,340,545	\$7,331,091	(\$559,113)	\$1,648,187	\$950,924	\$306,773
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(Change in Net Assets minus Net Assets-Beginning of the Year = Unrestricted Net Assets-End of the Year)

% of Unrestricted Funds Available	37%	39%	77%	64%	-9%	15%	20%	10%
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(Unrestricted Net Assets-End of the Year/Total Expenses)

Source: NYSED Charter School Office

	Aloma Johnson	CSAT	Enterprise	Global Concepts	Health Sciences	Tapestry	WNY Martime	West Buffalo
Affiliated with Carl Paladino	X	X			X	X	X	X

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Phase 2: Qualitative Analysis (Interviews)

Key Interview Responses

The following individuals were interviewed:

Interviewees:

Barbara J. Smith, former Chief Financial & Operations Officer – Buffalo Public Schools
Laura P. Smith, Business Manager – Aloma D. Johnson Charter School
Tanya Moore, Chief Financial Officer – Charter School for Applied Technologies
Nancy Krug, Operations Manager – Enterprise Charter School
Donna Hill, Interim Chief Financial Officer – Global Concepts Charter School
Morgan Vacanti, Comptroller – Health Sciences Charter School
Eric Klapper, Chief Operations Officer – Tapestry Charter School
Elizabeth Sterns, Chief Financial & Operations Officer – West Buffalo Charter School
Lt.Col. Jon Mellott, Director of Student Services – WNY Maritime Charter School

Mission Statements

The analysis begins with a summary table of the Charter School Mission Statements (see

Table 6: Charter School Mission Statements). These mission statements suggest a wide variety in central focus, indicating a good cross-section and representation of the specializations characterized by charters.

Table 6: Charter School Mission Statements

School	Mission/Vision/School Model
Buffalo Public Schools	To ensure that every student will have the confidence, knowledge, thinking skills, character and hope to assume responsibility for her/his life and contribute to the lives of others; and we will champion excellence and innovative learning experiences in partnership with family and community; and we will hold ourselves accountable for educating our students and for working to energize all members of the community to actively participate in the accomplishment of our mission.
Aloma D. Johnson Charter School	To fosters students' intellect, physical, social, and emotional growth, helping students acquire the knowledge, skills and abilities they need to reach their full learning potential. With its small school learning environment, intensive focus on building student reading and math achievement, ongoing commitment to staff development, inter disciplinary themes of business and leadership and the use of innovative tools such as Creative Problem Solving and Project Based Learning.
Charter School for Applied Technologies	It's the school's commitment to its motto - "Every Day is Career Day" - though, that sets it apart from others. CSAT's school-to-career component prepares all students, including those who may not be college bound, for the world of work. Career preparation starts for our students in kindergarten with field trips and visits by community business leaders and extends throughout their entire educational career, culminating in student enterprise programs, job shadowing, and individualized work study and internships for those in higher grades.

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School	Mission/Vision/School Model
Enterprise Charter School	The Mission is to engage young minds through projects and partnerships. The Vision is to provide students with the knowledge, skills and dispositions to grow and problem solve, giving them the resources to lead and succeed in the school and the community at large. Students are offered academic, social, and life skills through various projects, using traditional and non-traditional methodologies and technological enhancements. The School offers an innovative school program based on supporting every child's knowledge, skills, and dispositions to grow and problem solve, giving them the resources to succeed in the school and become active in the community. Using tools such as Project Based Learning (PBL), this school and its partners provide students with unique educational opportunities presently not available in other public schools.
Global Concepts Charter School	The mission is to provide a top-quality educational program wherein students: <ul style="list-style-type: none"> •Are geared towards higher education and career opportunities; •Are highly knowledgeable of the multicultural world they are part of; •And possess the qualities and problem solving skills to collaborate peacefully in the community and worldwide. We will accomplish this mission through a truly innovative curriculum that includes the following: <ul style="list-style-type: none"> •A standards-based core curriculum emphasizing global education; •A focus on character education in both our academic and fine arts components; •Accountability in a results-based delivery of instruction; We strive to create a diverse community that fosters mutual respect and social responsibility, enhanced by a strong partnership between home, school, and community.
Health Sciences Charter School	Mission: To provide high-school age youth with an academically challenging learning environment that prepares them to communicate effectively, think and reason critically, value diversity, engage in service learning, pursue academic excellence, obtain sustainable and quality careers in the healthcare industry and become productive and valued members of the community. Vision: Health Sciences Charter High School will be recognized as the premier college and career-readiness model in New York State and beyond.
Tapestry Charter School	Tapestry Charter School is an arts-integrated, K-12 Expeditionary Learning (www.elschools.org), tuition-free, public school. Key design elements for Tapestry Charter School's educational program, as stated in the school's Application for Initial Charter Renewal, include: <ul style="list-style-type: none"> • multi-aged classrooms; • progressive teaching techniques, based on Howard Gardner's theory of multiple intelligences; • weaving together humanities, science, arts, and social responsibility; • ongoing professional development. Tapestry students receive weekly instruction in art, music, dance, physical education and foreign language. We recognize these subjects build multiple cognitive, social, physical, and creative skills, as well as enrich the lives and learning of our students and our school community. Art, music, dance, physical education and foreign language connect us to culture, history and community.
WNY Maritime Charter School	WNYMCS's mission is to develop cadets in mind, body and character, to prepare them for further education, and to prepare them to be effective leaders and responsible citizens. There are four cornerstones to this mission – Academic Excellence, Character Development, Physical Development, and Leadership Development. Faculty and staff lead by example in all facets of campus life, following the time-honored tradition of military and maritime courtesy, and use of the Chain of Command. The Chain of Command, modeled on that in the military consists of an unbroken leadership chain of individuals from the student's teacher through the Commandant, to the President of the Board of the Trustees. Leadership is taught and reinforced all through the Chain of Command. The vision of the school is to be a premier public school of choice in the WNY area and to be the first choice for potential students who are considering a military career.
West Buffalo Charter School	It is our desire to partner with parents to create a stimulating, rigorous, and inviting academic program and a safe and respectful school culture for all children grades K-4. Our Board, school administration and staff are all dedicated and focused on educating the whole child. Our vision is that students are not things to be molded, but are people to be unfolded. Our academic objective is to prepare your child for success in the middle school years and beyond. Our attention to your child's developmental needs is a strength based orientation that helps us work with your child to be successful not only today, but also in facing tomorrow's challenges.

Topic 1: NYS Comptroller Authority to Audit Charter Schools

The literature review discussed the NYS OSC's authority to audit charter schools. All of the interviewees were asked their thoughts regarding the matter and the following responses were given in Table 7: NYS Comptroller's Authority to Audit Charter Schools.

Table 7: NYS Comptroller's Authority to Audit Charter Schools

New York State Comptroller's Office Authority to Audit Charter Schools	
Charter School Response	The consensus of the schools interviewed was that the OSC should audit charter schools regularly. None took issue with allowing auditors to review the schools' finances, accountability, and processes. Health Sciences and Global Concepts noted that OSC auditors lacked knowledge and an understanding of school finances. CSAT noted that schools with a low population of students may be susceptible to fraud because they may be unable to hire additional staff to segregate duties. Layers to workflow can help decrease likelihood of fraud.
BPS Response	While the OSC (Office of the State Comptroller) reports bring to light the non-compliance findings; absent fraud, they do not have any ability to sanction the charters for such findings. It is good that they perform them though. It is public money that the charters are spending and they should have to comply with the same financial accountability standards. The oversight is the same for charters and public districts.

Topic 2: Equitability of NYS Funding Formula

As noted in Chapter 2 (above), supporters of Charter School in New York State have filed a lawsuit seeking equity between the amount of funds that schools districts and charter schools receive. The interviewees were asked to give their thoughts. The results are reported in

Table 8: Equitability of NYS's Charter School Tuition Formula. Both see the funding formula as flawed, but for different reasons.

Table 8: Equitability of NYS's Charter School Tuition Formula

Equitability of New York State's Charter School Tuition Formula	
Charter School Response	The calculation of funding by the State is complicated and charter schools students residing in Buffalo are reimbursed less than the students who attend the Buffalo Public Schools. Charter Schools also do not receive funding for building allocations, thus many of the funds that we could be utilizing to educate children are paid out in rent or mortgage payments. Additional funding is always a plus to put more funding back into the area of educating students. - <i>Nancy Krug, Enterprise Charter School</i>
BPS Response	It is not equitable. It was created in 1999 and has never been revisited; despite public districts receiving numerous aid formula changes and straight out cuts to state aid, while charter school tuition was allowed to grow. For the last two years, the formula has been more equitable because the increase in the tuition per pupil has been capped and the state is reimbursing the district for that additional tuition. Ultimately, the formula should be revisited to account for the higher legacy costs (ex-retiree health insurance, higher salaries and benefits) that districts have to pay that charters do not but yet those costs drive up the tuition. There should also be different tuition rates for HS and ES students. These are just some of the flaws with the formula.

Topic 3: Charter School Reserve Funds

The third topic, the nature of “reserve funds,” is important for Charter Schools. For them, reserve funds are more properly seen as “contingency funds.”

Table 9: Reserve vs. Contingency Funds

Reserve Funds	
Charter School Response	The consensus agreed these funds are contingency funds, rather than reserve funds. As it is important to have funds on hand for unexpected expenses such as: emergency repairs, increases to employee benefits and retirement, or changes to curriculum and programs.

Topic 4: Special Education, Transportation, and Facilities Funding

As noted in Chapter 2 (above) Charter schools contend they do receive enough funds for special education, transportation, and facilities funding. This finding is borne out in interviews with Buffalo Charter school representatives (see Table 10: Special Education, Transportation & Facilities Funding). Charters feel that they do not receive the support they need to provide special education support, “English as New Language” and Reading and Math Specialists. Providing transportation for students on days when BPS is not in session is also placing a burden on the charters. The lack of green space for recreational facilities is cited as a problem as well.

Table 10: Special Education, Transportation & Facilities Funding

Special Education, Transportation and Facilities Funding	
Charter School Response	Special Education funds are much less than the amount that is needed to pay for the Special Education teachers. Additional funds would be helpful for students with special needs and ENL (English as a New Language) (as we are enrolling more and more Spanish speaking students), and Reading and Math Specialists. - <i>Nancy Krug, Enterprise Charter School</i>
	Charter Schools have to pay for student transportation on days when BPS is not in session. For example, when your 1st day of school is days and weeks prior to BPS, you can end up spending thousands of dollars for transportation. - <i>Laura Smith, Aloma D. Johnson Charter School</i>
	It's difficult for charter schools to obtain traditional funding and expansion funds. Since aid isn't given for facilities, having someone like Carl Paladino to provide funding and properties to lease is needed. - <i>Elizabeth Sterns, West Buffalo Charter School</i>
	Global lacks green space on school property, but uses nearby athletic fields - <i>Donna Hill, Global Concepts Charter School</i>
BPS Response	1. Charter Schools get the same SPED aid as the district. It isn't really enough for anyone; but they get what they are entitled to based on the services provided to the students. 2. It is true that they don't get facilities aid; However they do not need to comply with the same building codes and standards the district does. Example - I have seen them holding PE in the front foyer and the classrooms were only separated like cubicles. 3. BPS transports charter school students and get reimbursed only 75-90% (we don't get reimbursed for non-SPED bus aides which accounts for the variance in %) so they don't have any claim or need for transportation aid.

Topics 5 – 7: Charter School Missions & Renewals, Locations, and the Say Yes Program

During the open-ended conversations with the charter school administrators various topics came up. Below are some of those topics and what the administrators had to say about them.

Charter School Charter Missions and Renewals	
Charter School Response	Some charters may have started with a particular mission, but once open, may stray from original mission in an attempt to deal with issues of the students enrolled. - <i>Morgan Vacanti, Health Sciences Charter Schools</i>
Charter School Response	Charter school renewals occur every five years and if they do not meet the guidelines they can be closed. To remain open, charter schools must show: 1. Adequate Yearly Progress (AYP) in student achievement, 2. Financial management, and 3. Adherence to their school's Charter. District schools should be judged individually and be held to the same standard for possible closure. - <i>Tanya Moore, Charter School for Applied Technologies</i>
Charter School Location	
Charter School Response	With regards to Health Sciences, parents tend to send their children to the school because it's close to their home and has a smaller school population [as compared to BPS high schools; Closest BPS high school in the area of Health Sciences is City Honors, which is a criteria school]. - <i>Morgan Vacanti, Health Sciences Charter School</i>
Charter School Response	Most ELL /ENL students tend to attend schools located in the neighborhoods where they live such as Lafayette High School and West Buffalo Charter School. [A large population of individuals and families whom are immigrants and refugees reside on the West Side of Buffalo, where the aforementioned schools are located.] Further, some parents other countries will not send their children to a military school because they have had negative experiences with the military. - <i>Lt. Col Jon Mellott, WNY Maritime Charter School</i>
<p>Say Yes to Education - Buffalo - - The Say Yes Buffalo partnership is a landmark collaboration that brings together the Buffalo Public School District, the District Parent Coordinating Council, the Buffalo Teachers Federation, the Buffalo Association of Administrators and Supervisors, the City of Buffalo, Erie County, higher education and Say Yes to Education, Inc., with a diverse group of Buffalo area corporate, non-profit, and philanthropic organizations. Their mission is to increase high school and postsecondary completion rates by organizing people, time, money and resources to remove social, behavioral, health, financial and academic barriers to student achievement. Say Yes Buffalo partners believe every student can graduate high school and college when given the proper supports, resources, and opportunities.</p>	
Charter School Response	Buffalo Students attending the school are able to obtain scholarships from Say Yes Buffalo; However they do not have access to the resources the program provides to BPS students. - <i>Eric Klapper, Tapestry Charter School</i>

Topic 8: Charter Schools Opening in Urban Communities

Some opponents of charter schools declare these schools prey on low-income families. Charter schools believe otherwise.

Charter schools are not likely to be found in suburban, white, mid to high income communities. Opponents of charter schools say charters prey on urban, low-income, minority communities. Do you think this is true?	
Charter School Response	Charter schools are not preying on urban, low-income, minority communities. They're opening where the need is, offering city parents a choice, and providing students a safe haven. - <i>Eric Klapper, Tapestry Charter School</i>

Topic 9: Innovative Curriculum

As previously discussed, one of the main reasons for charter schools was so teachers could be creative with their curriculums to enhance students learning experience. As noted in Table 6: Charter School Mission Statements, each charter has a particular mission. Below are some examples of how the charters are being "innovative".

Innovative Curriculum	
Charter School Response	The consensus from the charter schools interviewed was that their teachers have the ability to create innovative curriculums and programs. Further, they are able to establish partnerships with post secondary schools. Examples: Health Sciences - 12th graders can become Certified Nursing Assistants (CNA) and obtain a job at a local area hospital after graduation. Tapestry - Crew is a class that meets for at least thirty-minute periods daily for students in grades 5 - 12. Each 'crew' is comprised of one adult employee and approximately eight to twelve students. In crew, the adult will serve as an academic advisor to students and immediate contact for parents when their child is struggling in any one of his or her classes. WNY Maritime - 12th grade students are able to take college courses at Bryant & Stratton.

Topic 10: Collaboration between BPS and the Charter Schools

BPS and the charter schools finding a way to collaborate in a variety of areas.	
Charter School Response	Some of the schools expressed a desire to collaborate with the district, for example with the ordering of supplies and equipment. One of the charter schools remarked that another school District in the WNY area contacted his school regarding collaboration in an effort to duplicate what the charter school is doing in a district school.
Many expressed a desire to collaborate with the District instead of always being viewed as competition. Charters that are truly filling an educational void left by the District, which isn't going to or can't provide the same types of programs, why not partner with them?	
BPS Response	BPS - Finance Department offered to partner on purchases more than once, but never received a reply. As for the programming, one of the hindrances has been the union contract. They may have good programs, but we can't offer them the same. However, I think that if the instructional folks got together, they may be able to find a way to collaborate; but it would have to be beneficial to the students and comply with all of the Districts requirements - union, SED, state law, etc.

Topic 11: Carl Paladino’s Relationship with Charter Schools

The charter schools with ties to Carl Paladino discussed their need for his assistance. Barbara J. Smith, former CFO of BPS, was asked about this relationship.

Those with ties to Carl Paladino said they need him and people like him because other than tuition and grant funds, they rely on donations and assistance from private entities. Thus, this is why schools like Tapestry and CSAT have grown because growth is a way to increase revenue and further their programs. Essentially, they're forced into expansion because of this, in addition to the District not being a "viable choice" for parents.	
BPS Response	This supports the fact that they are making money on the tuition they receive. Last I reviewed the leases they have with individuals, they [charter schools] are paying profitable lease payments to the landlord.

Chapter IV: Discussion

After reviewing the data and conversing with school administrators, a few elements of charter school education became clear, while others remain enigmatic—hence, the continued debate surrounding them. This perhaps has more to do with the American public educational system, rather than the subgroup of education—Charter Schools. What is clear is that the District and charters do agree on one main point at the heart of what proponents seek most – equity of funding. As noted in *Topic 2: Equitability of NYS Funding Formula*, both sides agree that the formula is not equitable. Barbara Smith went on to mention that the formula has not been updated since its creation in 1999. For just under two decades charter schools have ultimately been under paid. Although, the cost to the District would have been astronomical had the formula for tuition payments significantly increased triggering devastating repercussions to the District’s finances and ultimately its students. This begs the question, what’s the true cost of equitability? However, if traditional public school districts assimilated the “innovative” aspects of charter schools there would be no need to ask the question.

As we address the equity of public funds, so too must the monitoring of these funds. Taxpayer funds are used for charter school tuition, yet sanctions for misappropriations are not permissible. There’s agreement, at least amongst the charters participating in this study, that the OSC should have the authority to thoroughly audit charter school finances, yet others across the State disagree. We know at best incompetence has occurred and at worst fraud against NYS taxpayers. Yet the outcry for protecting these funds dims with the increase of private, for-profit entities in the education industry, a sector that is exerting their power, influence, and money to lobby in support of Charter School expansion. If the fight for equity is true regarding the funding formula, why not make the funding formula equal and establish equal financial accountability

standards for all schools? Picking and choosing when and when not to be equitable appears unfair and insincere to the students and society which they will eventually participate in. The increase in oversight should commensurate with the increase in allocation of public funds to the charters.

Table 2: 2014 Buffalo Charter Schools Net Assets and Table 5: 2014 Charter School Activities & Changes in Net Assets presents the amount of unrestricted funds and expenses each charter school had at the end of 2014. Available funds ranges from -9% to 207 % amongst the 15 charter schools. Those charters with low percentages attribute this to their school investing of funds into educating their students (see *Topic 3: Charter School Reserve Funds*). This coincides with *Topic 4: Special Education, Transportation, and Facilities Funding*. A reason charter schools call for more funds and request an increase to the funding formula is to pay for services and teachers for special needs and ELL/ENL students, student transportation, and facilities to accommodate current and future students. Equity appears not to be an issue for special education services as the SPED aid is equivalent amongst school districts and charter schools; nevertheless, the issue is this aid is insufficient for the services students require. In Chapter 2 it was noted that charter schools enroll fewer special education and ELL students in an effort to ensure their assessment scores and graduation rates are high. Buffalo Charter Schools strongly disagree with this assertion and contend facility funds would allow them to have the classroom space to accommodate these students better. Further, they contend that because their enrollment is determined through lottery, they would not be able to discriminate against special needs and ELL students even if they so desired. Accusations have been made stating charters do have methods for ridding their school of “undesirable” students whom either transfer to another charter school or return to the public school district. As shown in Table 4: Charter School Student

Demographics and Other School Data, BPS and West Buffalo Charter School (WBCS) had 21% of students with special needs. The other schools had between 7% and 18% of students with special needs. For students with Limited English Proficiency (ELL/ENL), BPS had 13%, second to WBCS who had 27%. WNY Maritime Charter School, a military themed school, had 3% of Limited English Proficiency students which they attribute to parents from war-torn countries being less trusting of the military and, therefore, are less likely to enroll their children at this school. Moreover, as mentioned in the literature review, the West-Side of Buffalo has a dense population of refugees and those families tend to send their children to neighborhood schools, hence the percentage of Limited English Proficiency students at WBCS.

The location of charter schools is just as vital as school capacity and ability to accommodate, even though charters do not have to comply with building codes and standards the District is held to (see *Topic 4: Special Education, Transportation, and Facilities Funding*). A spokesperson for Charter Schools USA, located in Florida, commented that having amenities such as a school library or cafeteria in classrooms “can improve a student’s learning atmosphere” (Pransky, 2015). Opponents to charter schools suggest charters “prey” on urban, low-income, minority areas and bypass suburban areas. According to the NYSES Basic Educational Data System (see Table 4: Charter School Student Demographics and Other School Data), of the schools interviewed, Tapestry Charter School had 63% (the lowest) of students classified as economically disadvantaged, while Aloma D. Johnson Charter School had 100% (the highest), while BPS has 76%. Also, all the schools participating in this study had over 50% minority students, excluding Global Concepts who had a majority of white students at 65%.

New York State’s funding formula, however, considers the poverty rate of the home school district. The Buffalo School District tuition payments are higher per student compared to

that of the surrounding school districts. Therefore, a charter school opening in Buffalo will undoubtedly enroll more BPS students than from any other school district as seen in Table 3: Buffalo Charters, Enrollment & Tuition (2013-14). Charter schools respond they're opening in locations which exhibit a need, giving parents another "choice" for education, as suburban parents are more satisfied with their educational options.

The "choice" charter schools are offering comes directly from their charter applications, where they must outline the mission of their school (See Table 6: Charter School Mission Statements). Charters fulfill their missions via innovative curriculums (*Topic 9: Innovative Curriculum*). All of the charters participating have partnerships with a variety of local universities, non-profits, and businesses working together to expand learning opportunities outside of the classroom. This allows charters to effectively compete with school districts as they [charter schools] establish curriculums and programming which are not offered by traditional school districts because they are not constrained by school boards, bargaining units, etc.

Compensation for teachers and the role of labor unions has long been a point of contention between pro- and anti-Charter forces. While originally (generally) supportive of the Charter concept, teachers' unions are increasingly opposed to charters as the teachers (and their unions) have been increasingly blamed for failing schools by individuals and groups hostile to labor unions. At the same time, the latter have supported charters as a way to undermine teachers' unions. However, some of the charters with teacher unions said the main negative was due to teachers wanting increased pay rates. Currently, teachers at the following charters school are unionized: Aloma D. Johnson, Charter School for Applied Technologies, Oracle, South Buffalo, and Westminster⁵

⁵ Teachers employed at Westminster Community Charter School belong to the Buffalo Teachers Federation (BTF) along with Buffalo Public Schools teachers.

Another point for increased funding is the ability to offer a competitive salary because teachers have left charter schools for jobs with local school district due to the lower salaries paid by the charters. Enterprise and Health Sciences both had a 43% turnover rate in 2012-13, the highest amongst those interviewed, with Tapestry having the lowest of 10%. Teachers with less than five years' experience had the highest turnover of 31% at Enterprise and the lowest of 0% at Global Concepts. For the same time period, Buffalo had a 17% teacher turn over rate and 25% amongst those with fewer than five years of experience (See Table 4: Charter School Student Demographics and Other School Data).

The charter schools have well established partnerships, but there are no collaboration efforts underway with the Buffalo School District. As discussed in Chapter 2, collaboration in large school districts across the country is occurring. While it is too early to know whether collaboration has led to better student outcomes, we do know the lines of communication have been open allowing for ideas for collaboration to occur. Barbara Smith [BPS] commented that she offered such an opportunity, with regards to the purchasing of supplies and equipment, and did not receive a response. Interviews with Buffalo charter school leaders also revealed an interest, even a longing, for collaborative opportunities with BPS.

Another important issue for charters is district-supplied transportation. The issue here, mirroring a longstanding complaint by religious and private schools, is the charter schools only receive transportation on the days which BPS is in session. For example, some charter schools begin their school year in mid to late August and BPS usually begins just after Labor Day. These schools must pay for bus transportation for their students for the days/weeks prior, costing them thousands of dollars. For some of the smaller charter schools this could mean a major expenditure in their budgets. BPS, finds no issue here due to the fact the majority of the school

year, transportation is paid for, and the District is paying for the cost of non-SPED (special education) bus aides.

Lastly, charter schools are reassessed by the NYS Charter Board every five years when their charters come up for renewal. At this time charter school authorizers can decide not to renew a charter and this makes them an undesirable risk when trying to secure bank loans. Due to this Carl Paladino, owner one of the largest development companies in WNY, has been able to capitalize on this weakness (see Chapter 2). Charter schools have no other recourse than to partner with Paladino because they can't get a loan or an increase in public funds. An increase in tuition would alleviate charters needing to seek out assistance from for-profit entities along with revisions of the renewal process which is a hindrance to charter schools obtaining loans (see *Topics 5 – 7: Charter School Missions & Renewals, Locations, and the Say Yes Program*). Furthermore, as discussed in the literature review and in *Topic 11: Carl Paladino's Relationship with Charter Schools*, the majority of charters having agreements with Paladino can afford the payments evident by Table 2: 2014 Buffalo Charter Schools Net Assets (despite charters stating that additional public funds are needed). Simply locating their schools at more economical properties could provide a savings they could direct towards teacher salaries, educational materials, transportation, etc. Properties, either owned by the State [OGS] or a local district, may not always been available or meet the needs of charter schools seeking property. However, it is up to each [charter] school to do its due diligence and canvass these properties prior to securing another property in an effort to secure a suitable and, most importantly, a cost-effective property.

Chapter V: Conclusions, Recommendations, and Future Research

Implications of Possible Research

Charter schools are a debatable “choice” for education and at the root of the debate is money. How much? From whom? And Where is it going? – these are the questions that we struggle to answer. But in the City of Buffalo, charter schools, seemly, receives kinder press than the District in the local newspaper, the *Buffalo News*. Press critic A. J. Liebling said, “A city with one newspaper...is like a man with one eye, and often the eye is glass.” Dr. Andrea B. Nikischer, a SUNY Buffalo State professor, analyzed *Buffalo News* reports on charter schools as compared to the way it reports on the District (Meyer, 2015).

(Her) report found that the *News* is telling a one-sided story—a story that promotes the agenda of high-stakes testing and privatization advocates, and one that minimizes the achievements of Buffalo Public Schools, along with their administrators and teachers. When it comes to covering charter schools, the *News* is markedly bullish. Those covered most positively include former state education commissioner John King, former state regent Robert Bennett, Cuomo [NYS Governor Andrew Cuomo], the Buffalo Board of Education majority (in particular, the “maverick” Carl Paladino), and District Parent Coordinating Council president Sam Radford. ‘*The Buffalo News* has made a choice to position schools (administrators, teachers, union) as the root problem instead of positioning poverty as the root problem.’

As noted in Table 4: Charter School Student Demographics and Other School Data, the majority of students attending the charter schools reviewed in this study come from economically disadvantaged households. This fact has serious implications as to how students learn, their attendance, and ultimately whether or not they graduate from high school. Therefore, if we delve further into educational policies, while money is a factor, so too is the poverty rate in the City of Buffalo. We know that students achieve better in suburban communities with higher incomes. So before one debates about all things charter schools, we must assess the fundamental needs of students: food, clothing, shelter, and parental guidance. Charter school expansion is not the

solution for failing public school districts. It's a shifting of students and funds from one entity to another.

Conclusions

The purpose of this study was to analyze Buffalo charter school financials to determine how the public funds they receive is being used and to determine whether or not there is merit to their argument that these same funds are inadequate and hinder charter school education. After the analysis of the 2013-14 charter school financials conducted in the quantitative phase, and the open-ended interviews conducted in the qualitative phase, the following has been concluded:

1. At the end of 2014, one-third of the 15 Buffalo charter schools had over 50% of unrestricted [reserve] funds available and a quarter of the schools had between 34-40% available. This indicates that a majority or 60% of all the charter schools had 25% or more of their reserve funds available to use as they see fit. Further, “a NYSUT (New York State United Teachers) analysis of audits, tax returns and charter renewal reports reveals that charter schools have \$282.3 million in taxpayer money in the bank and \$392.1 million in unrestricted net assets” (NYSUT Staff, 2016). Five Buffalo charter schools (South Buffalo, Elmwood Village, King Center, Enterprise and Global Concepts) were in the top 10% of the 200 charters studied, having over 60%, or more, of their cash revenues as a percentage of their expenses. This data further indicates that most charter schools have the ability to reinvest their reserves into the education of students, be it through hiring more teachers, purchasing learning materials, etc.
2. A financial analysis of BPS and the sampled charter schools exposed that charter school students, on average, receive 24% more funding [tuition and revenue from other sources] than BPS students. Indicating, that despite tuition payments for charter schools being

inequitable, charter students receive more resources expended to them as compared to BPS students, when considering the funds exerted per charter school student by BPS and the respective charter school. (See Appendix 3: Costs Per Student for details). This finding undercuts the argument that charter schools necessarily need more public funds than they currently receive due the fact the tuition payments received allow them to exceed what BPS spends per student. Thus, the financial burden charter school tuition puts on local schools districts causes one group of students to have an inequitable advantage over the other, as more resources are likely to be provided by the school or district having the most available funds to spend per student.

3. The open-ended interviews proved to be insightful as an acknowledgement was made by the former BPS Chief Financial Officer that the NYS funding formula for charter school tuition is antiquated and there is merit in the argument that the formula is inadequate. Moreover, the inadequateness of the formula positions charter schools to be exploited by for-profit entities when it comes to lease and mortgage agreements between charters and developers (See *The Paladino Factor* *The Paladino Factor*, Topic 2: Equitability of NYS Funding Formula, and Topic 11: Carl Paladino's Relationship with Charter Schools)

Limitations of Study

As the researcher of this study, as well as an employee of the Buffalo Schools District, interview bias may unintentionally exist. Moreover, the researcher has a congenial working relationship with the interviewees and the charter schools examined in this study; however, this relationship potentially limited the aggressiveness of interviewer questions in an effort to maintain the cordial working relationship. Another limitation to this study is the sample size. This study sought to examine the 15 charter schools which were open during the 2013-2014 school year in the City of

Buffalo. Because only eight of these schools accepted the request to be interviewed, it limited the input of the charter schools by 47% or seven schools. Further, although charter schools are public schools, they are private entities and so are their finances; therefore, detailed financial data was not made available outside of the financial statement submitted to NYSED.

Recommendations

A report published by the Annenberg Institute for School Reform (2014) “recommends changes to state charter legislation and charter authorizer standards that would reduce student inequities and achieve complete transparency and accountability to the communities served” (Bryant, 2014). Recommendations for the report came from “a working group of grassroots organizers and leaders from Chicago, Philadelphia, Newark, New York, and other cities, who have first-hand experience and years of working directly with impacted communities and families” (Bryant, 2014). The recommended guidelines presented in the report were developed to help charter schools properly “disclose essential information about their operations, including financial information, school discipline policies, student enrollment processes, and efforts to collaborate with public schools” (Bryant, 2014). The Annenberg report – Public Accountability for Charter Schools, Standards and Policy Recommendations for Effective Oversight (2014), divides the guidelines into the following seven categories:

1. Traditional districts and charter schools should work together to ensure a coordinated approach that serves all children.
2. School governance should be representative and transparent.
3. Charter schools should ensure equal access to interested students and prohibit practices that discourage enrollment or disproportionately push enrolled students out of the school.
4. Charter school discipline policy should be fair and transparent.

5. All students deserve equitable and adequate school facilities. Districts and charter schools should work together to ensure that facilities arrangements do not disadvantage students in either sector.
6. Online charter schools should be better regulated for quality, transparency, and the protection of student data.
7. Monitoring and oversight of charter schools are critical to protect the public interest. They should be strong and fully funded by the state.

This study also recommends a central office department in the public school district be established to monitor charters, as the District currently does not have one. While the District disperses millions of dollars and instructional materials to charter schools every year, staff and information are scattered amongst various departments, and are often times collecting the same data. To maintain efficiency and effectiveness, the District should explore establishing a consolidated department to oversee and interact with the charters for which it provides tuition payments.

Future Research

As the charter school industry expands, especially in Buffalo, I suggest exploring how the Euphemisms, identified by Christianakis and Mora (2011), mask and normalize neoliberal lexicons, highlighting the emerging marketing language in public schooling, such as:

- Shutting down schools without community input bears the name “Renaissance.”
- Displacing students is called “restructuring.”
- Turning away students is the luck of the draw in a “lottery.”
- School choice is dressed up as “civil rights.”
- Requiring parents to donate time and labor in order to stay within lean budgets falls under “parent involvement.”
- Re-titling Superintendents as portfolio-managing CEOs is called “Reform.”
- Funneling public money into “For Profit” schools is called “innovation.”

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- Revolving doors and potential conflicts of interest between businesses, philanthropies, schools, non-profits, and government officials is termed “collaboration.”
- Teacher bashing goes under the name “merit pay,” “added value,” and “accountability.”
- Learning a foreign language is a must for “global competition,” yet children who are English Language Learners are “low performers.”
- Rejecting special needs children is called “counseling out.”
- Federal coercion goes under the competitive title “Race to the Top.”
- Children are so-called investments—subject to elastic market pressures.
- The rich who are co-opting public services are praised as philanthropists who “give generously.”
- Ill-prepared, inexperienced teachers are heralded as “altruistic, bright, recent college graduates.”

In addition, an in-depth analysis of the campaign finances of public leaders along with the legislation they propose, support and pass regarding public and charter school education should be examined, as lobbyists on both sides of the debate, have been assertive in advancing their causes. “Recent analysis by Capital New York found charter school groups and their supporters spent \$16 million on lobbying, campaign contributions to state-level candidates and parties, and independent expenditure campaigns last year” (NYSUT Staff, 2016). These activities have major impact on the education of students and budget allocation formulas. Also, while the NYS Comptroller’s Office has limited ability as well as resources to adequately audit charter schools, the assistance of the City Comptroller’s Office could support these efforts; nevertheless research must be conducted outlining the policies and procedures to forward this endeavor. Lastly, during the interview with Tanya Moore, CFO at Charter School for Applied Technologies, she mentioned Medicaid reimbursement funds for special education teachers and aides are needed as

they could significantly defray some of the schools' expenses. Research is necessary to establish whether or not charter schools can receive these funds directly from NYS.

To conclude, as Buffalo Public Schools works to achieve success under the leadership of Superintendent Dr. Kriner Cash, hired in mid-2015, efforts must still be exerted to address the inefficiencies of the charter school process. This includes: oversight, charter renewals, and the funding formula. This study identifies these inefficiencies making way for further discussion with hopes that action by District, Local, State leaders, and other stakeholders will commence.

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Appendixes

Appendix 1: 2013-2014 Charter Schools in the Buffalo Area

2013 - 2014 Charter Schools in the Buffalo Area
Aloma D. Johnson Charter School*
Buffalo Academy of Science Charter School*
Buffalo United Charter School ***
Charter School for Applied Technology*
Community Charter School* <i>CLOSED</i>
Elmwood Village Charter School*
Enterprise Charter School**
Global Concepts Charter School*
Health Sciences Charter School*
King Center Charter School ***
Oracle Charter School ***
South Buffalo Charter School ***
Tapestry Charter School ***
West Buffalo Charter School*
Westminster Community Charter School***
WNY Maritime Charter School*

* *NYS Board of Regents Maintains Oversight*

** *Buffalo Board of Education Maintains Oversight*

*** *SUNY Charter Schools Institute Maintains Oversight*

Appendix 2: Buffalo Public Schools Expense for BPS and Charter School Students

Buffalo Public Schools Budgeted Costs Per Student Type				
Costs	2013-14 BPS Student	2013-14 Charter School Student	2014-15 BPS Student	2014-15 Charter School Student
Tuition		\$ 12,605		\$ 12,895
Instructional Materials*	\$ 116	\$ 104	\$ 104	\$ 104
Transportation	\$ 1,108	\$ 1,056	\$ 1,090	\$ 1,041
Compensation	\$ 7,306		\$ 7,529	
Employee Benefits	\$ 3,628		\$ 3,895	
Building Operations	\$ 942		\$ 971	
Other Expenses	\$ 1,124		\$ 1,211	
Health Insurance - Retirees	\$ 2,037		\$ 1,855	
Debt Service	\$ 3,710		\$ 3,459	
Total Cost Per Student	\$ 19,970	\$ 13,765	\$ 20,115	\$ 14,040

* Includes Textbooks, Computer Hardware and Software, and Library Materials

Source: BPS 2014-15 Budget Analysis Book

An Examination of Charter Schools in Buffalo

Appendix 3: Costs Per Student

Costs Per Student as Paid by Buffalo Public Schools and the Charter Schools									
2013-14 Costs	BPS	Aloma D. Johnson	CSAT	Enterprise	Global	Health Sciences	Tapestry	WNY Maritime	West Buffalo
Tuition		\$ 12,605	\$ 12,605	\$ 12,605	\$ 12,605	\$ 12,605	\$ 12,605	\$ 12,605	\$ 12,605
Instructional Materials*	\$ 116	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104
Transportation	\$ 1,108	\$ 1,056	\$ 1,056	\$ 1,056	\$ 1,056	\$ 1,056	\$ 1,056	\$ 1,056	\$ 1,056
Compensation	\$ 7,306								
Employee Benefits	\$ 3,628								
Building Operations	\$ 942								
Other Expenses	\$ 1,124								
Health Insurance - Retirees	\$ 2,037								
Debt Service	\$ 3,710								
BPS Cost Per Student	\$ 19,971	\$ 13,765	\$ 13,765	\$ 13,765	\$ 13,765	\$ 13,765	\$ 13,765	\$ 13,765	\$ 13,765
Charter School	Programs & Services - General Education	\$ 10,886	\$ 8,403	\$ 9,668	\$ 8,167	\$ 7,905	\$ 8,798	\$ 9,183	\$ 6,792
	Other Programs	\$ -	\$ 2,553	\$ 1,127	\$ 1,641	\$ 1,518	\$ 1,449	\$ 1,182	\$ 1,839
	Management & General Expenses	\$ 1,538	\$ 2,223	\$ 1,818	\$ 1,832	\$ 4,192	\$ 2,155	\$ 2,920	\$ 2,518
	Charter School Cost Per Student	\$ 12,424	\$ 13,180	\$ 12,612	\$ 11,640	\$ 13,615	\$ 12,402	\$ 13,284	\$ 11,150
Total Cost Per Student	\$ 19,971	\$ 26,189	\$ 26,945	\$ 26,377	\$ 25,405	\$ 27,380	\$ 26,167	\$ 27,049	\$ 24,915
Difference Between Charter Schools and BPS Total Cost Per Student		\$ 6,218	\$ 6,974	\$ 6,406	\$ 5,434	\$ 7,409	\$ 6,196	\$ 7,078	\$ 4,944
Percentage of Difference		24%	26%	24%	21%	27%	24%	26%	20%

Note: Charter School Programs & Services - Special Education and Depreciation Costs are not included

* Includes Textbooks, Computer Hardware and Software, and Library Materials

Source: BPS 2014-15 Budget Analysis Book and NYSED Charter School Office (See Appendix 2 and Table 4)

Appendix 4: Charter School Interview Discussion Topics/Questions

Charter School Interview Discussion Topics/Questions	
1	The funding formula, created by NYS, for charter school tuition is a contentious issue. Do you think the formula is equitable? In your opinion, should charter schools receive more/less public funds? Why/why not?
2	Due to the fact the District sends funds to charter schools for tuition, textbook, hardware, software, library and special education, does your school need more public funds? If so, what might additional public funds be used for?
3	Since charter schools are permitted to have unlimited discretionary funds, are additional tax payer funds needed? If so, why?
4	Does your school have any specific plans for its' reserve funds?
5	NYS Comptroller audits have identified various issues and concerns regarding charter school mismanagement, accountability, etc. Do you think State monitoring of charter schools is effective? Should the State have more/less authority to monitor charters? Why or why not?
6	Should the Office of the NYS Comptroller have more/less oversight of charter schools and the tax payer funds which they receive?
7	What steps has your school taken to decrease the occurrence of fraud, waste and abuse of public funds?
8	Would you describe the process by which your school receives public funds from the District as favorable/unfavorable?
9	It has been said that charter schools are not equip to thoroughly educate special education and English Language Learners (ELL) students, do you believe your school is able to do so? Why/why not?
10	Some have said the problem with public schools is the bureaucracy of teacher unions. What are the advantages to hiring non-union teachers?
11	Do you see the expansion of charter schools in Buffalo as a good thing? If so, do you think turning public schools in to charters would benefit students?
12	Are tax payers getting their monies worth out of charter schools considering studies have shown that charter school students do not perform any better on standardized tests as public school students?
13	Public schools cannot discriminate amongst students. They must accept every school-age student within the District. Do charter schools systematically weed out "undesirable" students, such as low-performing, special ed, ELL, those with behavior issues, etc?
14	Charter schools are not likely to be found in suburban, white, mid to high income communities. Opponents of charter schools say charters prey on urban, low-income, minority communities. Do you think this is true? Please explain.
15	Charter schools were created to offer innovative curriculum to students. In what ways is your school innovative compared to Buffalo Public Schools?
16	Why is your school a viable choice parents to send their child(ren)?

Appendix 5: Buffalo Public Schools Interview Discussion Topics/Questions

Buffalo Public Schools Interview Discussion Topics/Questions	
1	If the District was able to regain any significant portion of the funds directed to charter schools, how might those funds immediately impact BPS?
2	A new charter school opened this school year (2015-16) and potentially two more could open next school year (2016-17). If this trend continues, how might this impact the District financially?
3	NYS Comptroller audits have identified various issues and concerns regarding charter school mismanagement, accountability, etc. Do you think State monitoring of charter schools is effective? Do they extend the same oversight of charters as they do school districts?
4	The funding formula, created by NYS, for charter school tuition is a contentious issue. Do you think the formula is equitable for charter school students vs. public school students? In your opinion, should charter schools receive more/less public funds? Why/why not?
5	Can the District afford to compete with the growing number of charter schools?
6	How has No Child Left Behind and Race to the Top impacted the District with regards to charter school expansion?
7	One might argue that the District might have more money to hire more teachers, upgrade technology, etc., if they were not paying high cost for employee and retiree benefits and retirement. Are union contracts holding the District back and thereby pushing students into charter schools?
8	If the District could raise unlimited private funds, as charters are able to do, thereby increasing available discretionary funds, what immediate needs could the District address? Would the District be in a better position to compete with charters?
9	In your opinion, is NYSED and the U.S. Department of Education hindering the success of public school students, specifically those who are minority, low-income and reside in urban communities, with the expansion of charter schools?
10	Is there anything you see that the District could do to improve oversight of the public funds it disperses to the charter schools?
11	Would you recommend the District creating a department to specifically handle the various aspects of charter schools, such as finances, audits, enrollment, and special education? Do you think the District needs more staff to handle these matters? Are current District processes effective and efficient enough to catch instances of over/under payment of public funds to charter schools for not only tuition payments, but also textbooks, hardware, software, library and special education?
12	During your tenure as CFO, what significant encounters, if any, did you have with charter school issues such as waste, fraud, or mismanagement?
13	Are there any advantages/disadvantages that you see for the District turning its' schools into charters?
14	Have you ever visited any of the charter schools in Buffalo? If so, which ones and was there anything about the school stood out to you? Did you notice any aspects of the school(s) which were innovative compared to BPS?
15	The charter schools interviewed said the funding formula wasn't equitable. The biggest complaints were that they do not receive enough aid for sped students and transportation, or facilities aid. Surprisingly, CSAT and West Buffalo think the tuition payments are enough, but would prefer to get payments equal to what the District receives.
16	Those with ties to Carl Paladino said they need him and people like him because other than tuition and grant funds, they rely on donations and assistance from private entities. Thus, this is why schools like Tapestry and CSAT have grown because growth is a way to increase revenue and further their programs. Essentially, they're forced into expansion because of this, in addition to the District not being a "viable choice" for parents.
17	Many expressed a desire to collaborate with the District instead of always being viewed as competition. Which prior to talking with them I didn't consider an idea to even put on the table. But charters that are truly filling an educational void left by the District, I could see it being a good idea, especially if the District isn't going to or can't provide the same types of programs.

Appendix 6: Letter to Charter School Administrators Requesting Interview

Kimberly R. German
Buffalo State College - Public Administration
1300 Elmwood
Classroom Building B218
Buffalo, New York 14222
(716) 310-XXX
Germkr19@mail.buffalostate.edu

October 19, 2015

Dear,

I am currently a Master of Public Administration student at Buffalo State College and am completing my Master's Project, tentatively entitled *A Financial Analysis of Buffalo Charter Schools: How are Public Funds Used and Are More Needed?*

I am particularly interested in the expenses and revenues associated with operating a charter school, the public funds received, and the overall perception of charter schools. Your input would be very helpful to my research.

For that reason, I would greatly appreciate the opportunity to speak with you and/or a representative. If you would like to participate, please contact me at 310-8191 or germkr19@mail.buffalostate.edu to set-up a day and time to be interviewed at your convenience. Please see attached list for available times. If the indicated dates and times conflict with your schedule, I am willing to make other arrangements.

Thank you for your consideration and I look forward to speaking with you soon.

Thank you,

Kimberly R. German

Appendix 7: Buffalo Public Schools Request for Research Activity Approval Letter



Donald A. Ogilvie
Interim Superintendent

Dr. Genelle Morris
Assistant Superintendent/CIO

June 23, 2015

Miss Kimberly German
626 South Division Street
Buffalo, NY 14204

Re: Request for Research Activity

Dear Miss German:

Congratulations! Your Research Request entitled "A Financial Analysis of Buffalo Charter Schools: How are Public Funds Used and Are More Needed?" has been approved.

Please make arrangements to meet with the administrator in Central Office that you have been approved to work with before beginning your study. Remember that participation is optional.

All approved documents relating to your study may be requested from my office by administration if needed.

Sincerely,

A handwritten signature in cursive script that reads "Genelle Morris".

Genelle Morris, Ed.D.

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