

DELAWARE'S UNIT FUNDING SYSTEM - POV: CHARTER SCHOOLS

Current Educational Funding System

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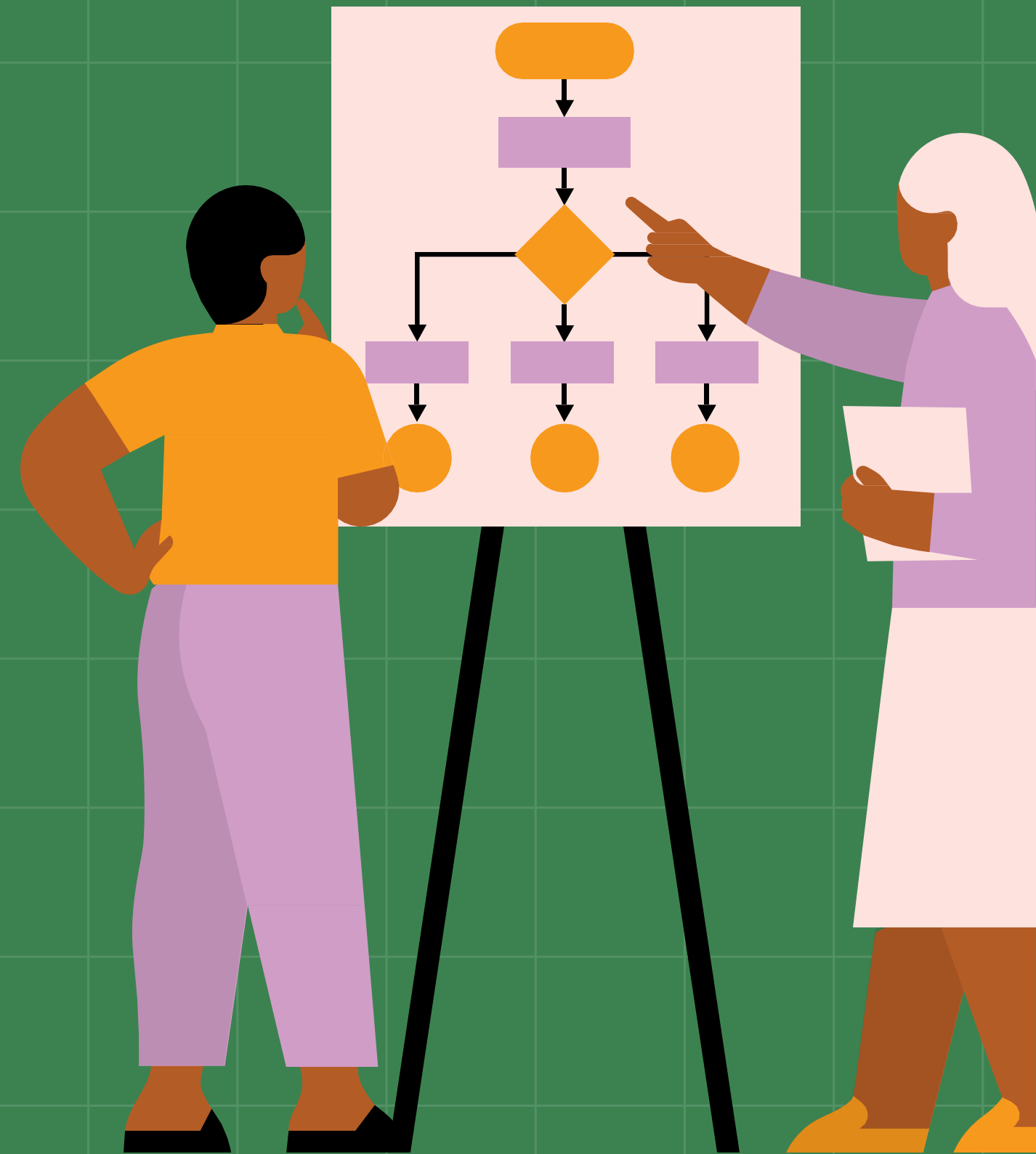


OVERVIEW OF LOCAL FUNDING FOR CHARTER SCHOOLS

Key Points:

- Charter schools receive local funding based on a district's prior year operating expenditures.
- This includes a legislated inflation factor, but doesn't consider the evolving needs of students.
- 30% of charter school revenue comes from local funding.

This funding structure means that charter schools are heavily dependent on the previous year's budget decisions, which makes it hard to predict revenue accurately. This unpredictability is a challenge for long-term planning.



FUNDING VARIABILITY ACROSS DISTRICTS

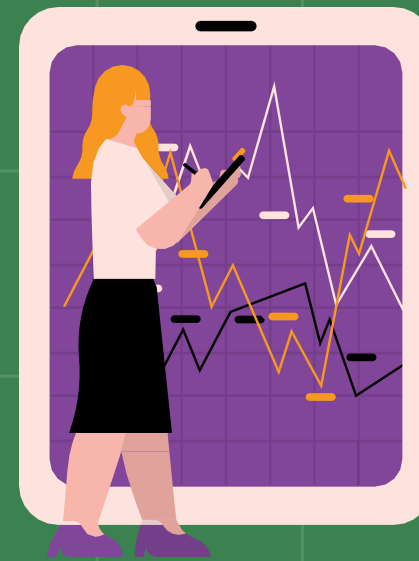
Districts' decisions on expenditures directly impact the charter schools' budget. If a district cuts costs, it reduces the charter schools' funding, even if the student population remains the same.

Key Points:

- Charter school funding fluctuates yearly based on local districts' budget decisions.
- Example: A 12.68% decrease in one district's budget led to a loss of \$489,705 for ASPIRA Academy.
- In FY 2025, 10 out of 16 districts saw a decrease in total operating expenditures.



Decrease in total local
operating expenses



Fluctuates yearly



Unable to set Goals

CHALLENGES WITH CURRENT SYSTEM - LOCAL FUNDS

- Funding is tied to past district expenditures, not the needs of individual students.
- Charter schools cannot predict funding based on actual student needs or changes.
- The system doesn't account for unexpected changes, like an increase in special education students or English Language Learners.
- Charter schools rely on a preliminary budget that may change significantly later in the year.
- Fixed costs, like leases and mortgages, must be paid regardless of funding changes.
- Around 65%–75% of the charter budget goes toward salaries, which is highly dependent on local funding.

THE STATE FUNDING MODEL

- State funding is based on "units" allocated to schools.
- Schools must hire to match the number of units they are allocated, but these positions may not align with actual student needs.
- Partial or unfunded positions, such as a school nurse or HR director, lead to funding shortages.



Unfunded positions lead to funding shortages



"units" allocated to schools



Positions may not align with student needs

CHALLENGES AND PATHWAYS FOR CHARTER SCHOOL FUNDING REFORM



The current funding system restricts charter schools' ability to make decisions based on the actual needs of their students. The reliance on fluctuating state and local funds hampers flexibility. We believe that reform is necessary, whether through a complete overhaul of the existing system or creating a completely new model that ensures equitable funding for every student (with our preference being a new system that is student based).

- **Inflexibility in Funding:** The current unit-based funding model limits LEAs ability to adapt to changes such as educator shortages. Outsourcing services to meet staffing needs, like for nurses or tech managers, often comes at a higher cost.
- **Federal Funding Limitations:** Federal funds for charter schools are minimal compared to state and local funding, leaving schools highly dependent on state and local sources that fluctuate, limiting flexibility.
- **Call for Reform:** Charter schools need either a remodel of the current funding system to provide for equitable and consistent unit allocations, allow for greater flexibility, and predictability; or a rewrite to ensure a more equitable and adaptable funding model based on student needs rather than historical district expenditures.





CHALLENGES WITH THE UNIT-BASED FUNDING SYSTEM

- **Restrictive Hiring:** The unit-based funding system limits staffing decisions, especially for districts or charter schools without economies of scale. Schools can only hire for positions they've earned units for, regardless of student needs.
- **Salary Shortfalls:** When staffing needs exceed the funded positions, schools must use local or federal funds to cover salary gaps. Other state funds are often restricted.
- **Charter Schools' Unique Challenges:** Charter schools face additional difficulties because they have fewer discretionary funds available after covering capital expenses.
- **Partial Units:** Schools may earn partial units (e.g., .5 units for a nurse), but this does not fully fund a staff position, forcing schools to make up the salary difference with other funds.
- **All or Nothing Positions:** Some positions, like a Director, only receive funding if a district/charter has at least 200 units, leaving smaller schools with no funding for these roles.
- **Unfunded Essential Positions:** Charters are specifically excluded from a Superintendent unit – even though our schools, especially our five k – 12 charters, must do the same work as other LEAs. Critical positions like Chief Financial Officer, HR Director, and Technology Manager are not funded, despite their importance in maintaining compliance and managing resources. Entrusting these responsibilities to clerical staff can jeopardize the school's operations.

The unit-based funding system creates significant challenges, particularly for charter schools and smaller districts. Schools are restricted in hiring decisions and often forced to cover salary shortfalls with limited resources. Critical roles are either underfunded or unfunded, which threatens the overall stability and compliance of the school. Reform is needed to address these challenges and ensure that schools can meet their students' needs effectively.



CONCLUSION



Local funding needs to be equitable, predictable, and flexible to better serve students.

Charter schools should have the autonomy to allocate resources based on student needs, not limited by outdated funding formulas.

The recent AIR Report covers much of our concerns. We believe that a rewrite of our full funding system is necessary to ensure fairness for all students.

Charter schools are facing significant challenges due to the current funding system. We need reforms that prioritize equity and flexibility, allowing us to allocate resources where they are most needed to support student success