

## Using & Understanding Benchmarks for Budgeting

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In our work with school leaders and business managers, we're often asked about what other schools are doing when it comes to budgets. To answer, we've always had plenty of anecdotal information and data from our own clients, but it wasn't organized into an analysis-ready format. So, we decided to take on a broader study of charter school financial data to get better answers. At the CCSA Conference in March, we presented our findings. In this preview, we've summarized a handful of interesting findings, suggested ways to use the benchmarking data, and provided links to the full presentation and further reading. The full report is available for download (link below).



### About the Data

The basis of our analysis is 2009-10 SACS unaudited actuals data, which is publicly available. Data collected in this study is from 315 charter schools throughout California and represents:

- 100 cities
- 36 counties
- Roughly even distribution of free/reduced lunch eligible students (50 schools in each quartile)
- Distribution of new and established schools (20 in each group of years, new to 6+ in operation)

Since the vast majority of school revenues are formula-based, we focused our analysis on expenditures and fundraising. And, in areas where SACS data doesn't provide enough detail, we used data from EdTec clients to drill deeper. We focused on expenditures because they are largely discretionary – although some are allocated from restricted funds – and each school must make tradeoffs to best serve its students. With data from nearly one third of California charter schools, we obtained enough information to provide heuristics for charter school leaders.

### Using the Data

Although these statistics provide helpful information, we did not set out to prove any cause and effect theory related to charter school spending patterns. Instead, our goal was to provide school leaders additional context for making financial decisions. Benchmark data is best used in:

- Planning a budget: to establish a baseline for new schools (e.g. in petition budgets) or test the logic and assumptions in budgets for existing schools

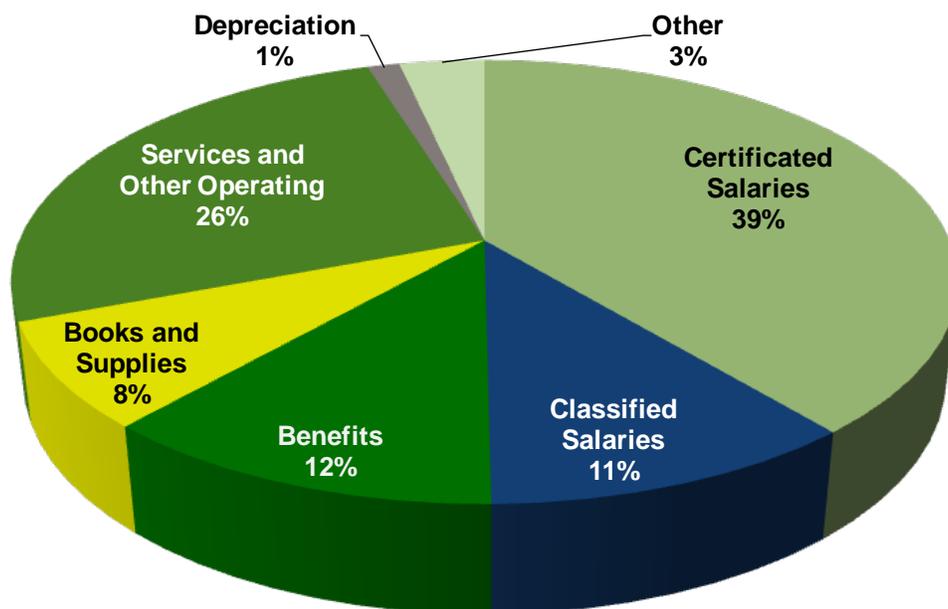
- Evaluating budget efficiency: to see how the budget measures up to other schools, compare to spending changes over time, or analyze/explain areas in which spending might be outside of the norm

It's useful to approach benchmarking data as a kind of diagnostic for the budget, not to dictate how any school's budget should look, justify expenditures, set salary scales, or be the sole input for any individual line item or budget as a whole. A charter budget should reflect the priorities and capacity of the school at that time.

## Big Trends

The following examples provide broad strokes of charter school spending patterns.

*Charter School Spending as a Whole*

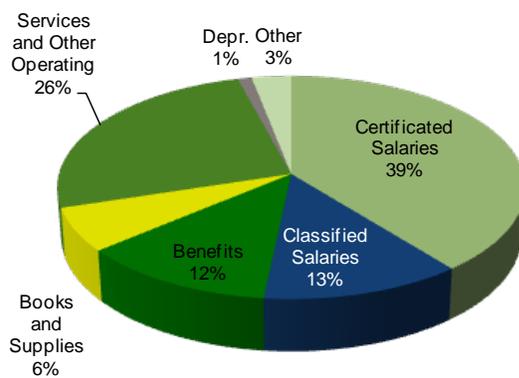


The pie chart above shows average spending patterns across all schools in the benchmarking data. On average, charters spend 62% of their budgets on salaries and benefits. This is not a surprising finding; schools are generally personnel-driven organizations. Allocations may vary from school to school, but this chart shows the average spending patterns of a charter school. Note: services and other operating expenses include back office services, leases, and additional programming. Comparing a single school's allocation to this chart can serve as a litmus test; look for places where your school differs, then explore those areas more thoroughly.

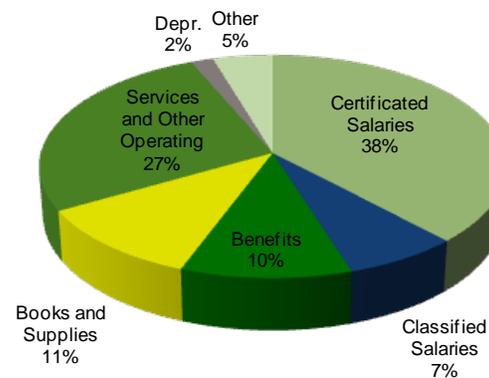
### ***Charter School Spending as a Whole: Stand Alone vs. CMO***

Charter Management Organizations (CMOs: organizations that operate multiple charters) and stand alone charters (schools not affiliated with a CMO or network of schools) have very similar spending patterns.

#### **Stand Alone**



#### **CMO**



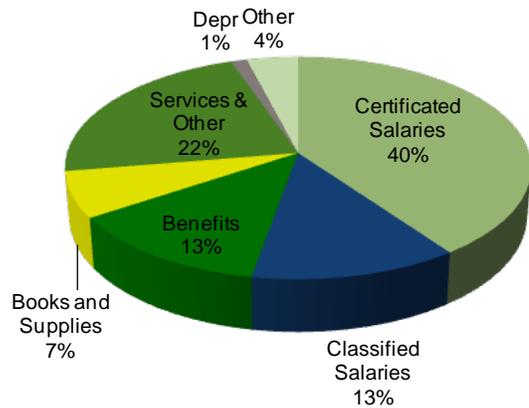
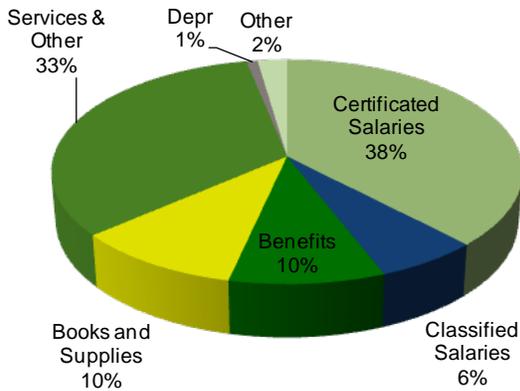
The overall trend of spending most of the budget on salaries holds true for both types of entities, but other comparisons reveal some variances. For example, the difference in spending in books and supplies is likely driven by several non-classroom based CMOs with significant spending in that area (e.g. computers and curricula/software platforms).

### ***Charter School Spending as a Whole: New vs. Existing Schools***

Over time, expenditures appear to shift from services and operating expenses to salaries. Compare services and operating expenses and salaries in Year 1 schools (33%, 44%) vs. Year 6 schools (22%, 53%).

## Year 1

## Year 6



As schools grow, permanent staff members tend to assume roles and responsibilities previously performed by consultants. For example, schools may decide to hire for special education or back office functions rather than outsource.

These snapshots provide a general sense of how resources are allocated charter sphere-wide in California. This overview is helpful, but in order to truly understand or use this information for decision-making, we need to examine specific areas more closely. Two areas that come up often in budget planning discussions, especially in the spring, are teacher and executive compensation and benefits. The following case demonstrates how benchmarking data can provide insight and guidance for decisions in these areas.

### ***Case Study: Salaries and Benefits and Lighthouse Community Charter School***

Across all types of charter schools, certificated salaries (1100) often take up the largest portion of the budget.

Average Spending per ADA	Middle 50% Spending per ADA	Average Percent of Budget	Middle 50% Percent of Budget
\$2,688	\$2,277 – \$3,057	31.92%	27-37%

In the 10-11 fiscal year, general purpose funding rates were \$5,077-6,148 per ADA. On average, teacher salaries took up 44-53% of schools' largest revenue source! A major portion of the largest revenue source is dedicated to certificated staff. When analyzing this data, keep in mind:

- Independent study schools must spend 40% of revenues on certificated salaries. The high number of independent study charters may pull up the average.

- Cost of living and salary levels vary widely with geography, age, and experience level of employees.

For additional comparison, district-wide data is also available online through EdData. On average, school districts (all types) spend \$3,567 per ADA on this same category – charters spend about 75% as much! Many factors may drive up the cost in traditional schools, including the salary negotiation process and collective bargaining, which is less common in charter schools than traditional public schools.

How can we make sense of this data when looking at a single school's budget? Taking one school as a case study shows how benchmarking data can illuminate variances from the average. School directors should consider whether such variances are justifiably explained by school policies. Per FTE teacher salary information is not available from SACS data, so we looked to our client data for comparisons. Lighthouse Community Charter School opened its doors in 2002 in downtown Oakland in a renovated storefront and served 92 students in grades Kindergarten and 6th grade. In that first year, the school employed 7 full time staff members. Ten years and four addresses later, the school has grown to serve over 700 students in grades K – 12 supported and taught by 100 faculty and staff members.

	EdTec Clients Average	Lighthouse Average	CA Unified School Districts Average
Per FTE Teacher	\$50,803	\$52,721	\$67,530
Per ADA	\$2,640	\$2,318	\$3,510

Variables that affect teacher salary include years of teaching experience, collective bargaining, and non-salary pay (e.g. bonuses). Gavin Kwong, Business Manager at Lighthouse, explains how some of these factors influence salaries, "At Lighthouse, we typically have had high levels of retention over the years and hence have a more veteran staff. We also look to hire teachers with at least 1-2 years of experience, though exceptions have been made. Hence, it does make sense that our average salary is slightly higher than other EdTec clients." In addition, Lighthouse participates in the federal Teacher Incentive Fund, which requires redeveloping salary schedules to include add-ons such as bonuses for certain subjects and credentials. In light of the hiring practices at Lighthouse, there is logical support for why salaries there are slightly higher than other charters.

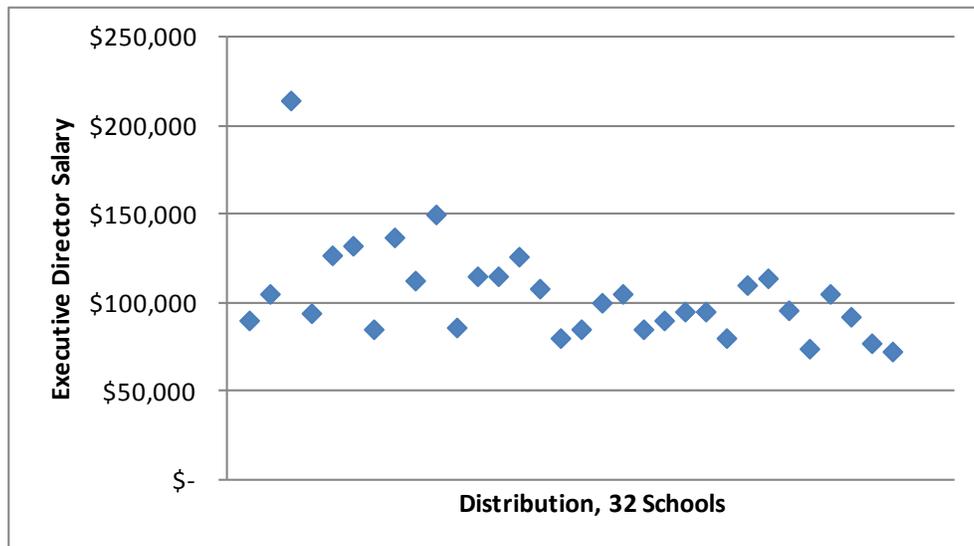
Another budget item we're asked about often is certificated administrators salaries (1300).

Average Spending per ADA	Middle 50% Spending per ADA	Average Percent of Budget	Middle 50% Percent of Budget
\$435	\$207 – \$605	4.96%	3 – 7%

The range and distribution for this expense are much narrower than for teacher salaries. This may be due in part to the fact that there are fewer employees in these positions per school and that the range of experience levels in this role is also narrower. It is also important to note administrator – Executive

Director, Principal, etc. – salary is discretionary in charters and set by the Board of Directors. Additionally, leadership structure can also vary widely in charter schools, for example, management responsibilities may also be given to assistant principals, lead teachers with administrative responsibilities, or non-certificated administrators.

Executive Director compensation, specifically, was not available in the SACS data, so we turned again to our clients' data to take a closer look. The chart below shows the distribution of 32 Executive Director salaries.



The average salary is \$104,766, ranging from a low of \$72,406 to a high of \$214,500. Even keeping outliers in the data (very high and very low), the data shows most school leader salaries cluster around the \$100,000 mark. In this case, Lighthouse is right on track with the average salaries for Directors. It is possible that Executive Director salaries plateau sooner (vs. teachers) and that there is less variance by grades served. That is, a high school Director can expect about the same salary as a middle school Director.

We jumped into this research project with a few of our own assumptions to test, and gathered useful data that gave us a much better sense of how our schools and their peers in California allocate their limited resources. The information also provides a scorecard against which we can assess how schools measure up to peers in the charter world. Creating benchmarks not only helps us answer those lingering questions about what other schools do, but also provides a financial snapshot of the charter school movement in California. 🌱

#### Additional resources:

- Full EdTec study: <http://www.edtec.com/news/CCSA/Benchmarks.pdf>
- Ed-Data: <http://www.ed-data.k12.ca.us>

- Legislative Analyst's Office report on charter school funding:  
<http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2554>

*This article and the associated benchmarking analysis project were completed with additional contributions from EdTec's Director of Client Management and School Finance, Bryce Fleming; Business Manager, Rachel Foodman; and Lighthouse Community Charter School's Business Manager, Gavin Kwong.*