



Table 1: Estimated Impact of Charter School Enrollment on LAUSD’s General Purpose Resources

<i>Item</i>	<i>Short-Run Impact (\$millions)</i>	<i>Long-Run Impact (\$millions)</i>
Estimated General Purpose resources allocated to LAUSD charter schools (loss)	(\$330)	(\$330)
Reduced expenditures on students who attend charter schools (gain)	\$255	\$310
<b>Net impact of charter enrollment on District finances</b>	<b>(\$75)</b>	<b>(\$20)</b>

We estimate that, annually, charter schools receive about \$330 million of general purpose funding for their 56,000 students, which is funding LAUSD would have received absent charters.

We developed both short-run and long-run estimates of reduced expenditures. The assumptions we made for each are presented in Table 2 below.

For our short-run estimate, we assume that when more students opt for charter schools the District does not reduce nonschool expenses. Accordingly, we estimate that, in the short-run, the District reduces its expenditures by about \$255 million.

Our long run estimate proceeds from the assumptions that: (1) eventually general purpose funding will be allocated equitably to all schools and students throughout the District; and (2) nonschool expenditures will be reduced proportionally. Accordingly, our long-run estimate is that the District would reduce its expenditures by about \$310 million (or \$55 million more than for the short-run).

To sum up, we estimate that the District could incur a net short-run cost of roughly \$75 million per year as a result of charter schools. In our idealized long-run, the net cost would fall to roughly \$20 million. We believe the actual net cost would fall somewhere between these two estimates.

Finally, note that our ballpark estimate does not systematically include other factors that may noticeably affect the District’s bottom line. These include fees paid by charter schools as well as changes in special education revenues/expenditures. The key point to note is that revenues the District loses to charter schools are (or should be) counterbalanced by substantial reductions in District expenditures.

**Table 2**  
**Assumptions Underlying IAU Estimates of Reduced Expenditures**  
**Due to Charter School Enrollment**

Question: How much would the District have spent in behalf of students if they had not enrolled in charter schools? How much of this would the District no longer spend?

**Independent Conversion Charters**

*SHORT-RUN:*

SCHOOL: District would have spent the same amount as in the year before the conversion, thus District expenditures would be reduced by this amount.

NONSCHOOL: District would continue to fund LDs and Central Office at same level, hence no reduction in costs.

*LONG-RUN:*

SCHOOL: District would have spent the same amount as it spends on the average on students with similar characteristics; we estimate that District expenditures would be reduced by about 90% of the ADA of \$5,800.

NONSCHOOL: District would reduce nonschool expenses proportionally, about 10 percent of loss ADA (8 percent for nonschool plus 2 percent for other, e.g., net encroachment)

**Startup Independent Charters**

*SHORT-RUN:*

SCHOOL: District would have spent the same amount as it spends on the average on students with similar characteristics; however because small reductions in enrollment may have little impact on school costs, we estimate that District expenditures would be reduced by only about 75% of the ADA of \$5,800.

NONSCHOOL: District would continue to fund LDs and Central Office at same level (in the short run), hence no reduction in costs.

*LONG-RUN:*

SCHOOL: District would have spent the same amount as it spends on the average on students with similar characteristics; we estimate that District expenditures would be reduced by about 90% of the ADA of \$5,800.

NONSCHOOL: District would reduce nonschool expenses proportionally, about 10 percent of loss ADA (8 percent for nonschool plus 2 percent for other, e.g., net encroachment)

OVERALL: District would reduce expenditures by same amount as the income that would have been generated by students who left LAUSD for charter schools.

**Affiliated Charters**

*SHORT-RUN:*

ASSUMPTION: Net effect of zero (including charter school fees)

*LONG-RUN:*

ASSUMPTION: Net effect of zero (including charter school fees)