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BGR MEDIA RELEASE

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BGR Presents Guide to New Orleans Public School Funding and Recommends Improvements

As schools decide how to manage pandemic-related decreases in sales tax revenue, it is important for policymakers and the public to understand the broader funding framework that supports New Orleans' charter-centric public school system.

The Bureau of Governmental Research (BGR) report, [*Learning Curve: A Guide to Navigating School Funding in New Orleans' Unified District*](#), offers a comprehensive guide to K-12 public education funding in New Orleans. It describes and analyzes the funding framework as it stands less than two years since the unification of the city's school system under the control of the Orleans Parish School Board and its district, NOLA Public Schools. BGR completed the report in March before the full onset of the public health and economic crises in Louisiana, and we published the report on our website without much promotion, given the many other priority concerns at the time. Now, as the community seeks to ensure the financial stability of New Orleans schools, the report's description and analysis of New Orleans' unique school funding framework can inform those discussions. In addition, BGR publishes today insights on the role of sales tax revenues in New Orleans public school funding – an especially relevant topic at this time. [Click here to read that article.](#)

The *Learning Curve* report can assist state and local policymakers, charter school administrators and board members, education advocates, interested parents and other members of the public who are working to ensure fair funding allocations for charter schools and proper funding of NOLA Public Schools' central oversight and system management functions. The strength of the funding framework is integral to achieving those goals. This is because laws and policies at the state, local and federal levels control the allocation of almost all school funding in New Orleans. By contrast, a traditional public school district has broad latitude to allocate revenue across its direct-run schools and central office functions.

BGR's report details more than \$650 million in K-12 public education revenue from local, state, federal and other sources. Nearly nine of every

10 public education dollars in New Orleans go to charter schools. NOLA Public Schools receives the other one-tenth for system management and debt service and facilities obligations. See the “Guide to Key Numbers in *Learning Curve*” at the end of this release for more information.

Learning Curve finds that, as New Orleans’ school system has evolved since Hurricane Katrina, legislators, education officials and other stakeholders have improved funding policies to address the needs of autonomous schools and ensure appropriate funding for centralized system management. Today’s funding framework is generally effective in serving students’ varying educational needs. However, BGR’s report also finds a number of opportunities to make New Orleans education funding more transparent, stable and consistent, and better aligned to the needs of schools, their students and the system as a whole. It makes recommendations for addressing challenges and leveraging opportunities.

Areas of concern, findings and recommendations include:

- **Limited Analysis Guiding Formula that Allocates Bulk of Schools’ Funding.** The most important lever for regulating public school funding in New Orleans is the “district-level computation,” a funding formula required by state law and approved by NOLA Public Schools’ superintendent. Schools receive about 90% of their local and state funding according to this formula. Specifically, it gives NOLA Public Schools the ability to deploy state funding to individual schools based on their specific areas of need, such as special education. The district-level computation requires careful stewardship. For example, changes to the formula’s weights that cause funding to decrease significantly at certain schools could threaten their stability and the quality of education they deliver.

BGR found that the superintendent recently revised the formula for next school year (2020-21) after consulting with schools and fully examining the effect of proposed changes on each school’s funding. While such investigation is essential, BGR also found that the underlying analysis of special education costs has not been updated in several years, and there are no similar cost analyses to support the weights in other categories, such as English language learners and over-age students. In addition, NOLA Public Schools does not require schools to track spending on students in weighted categories, which makes it difficult to tell whether the weighted funding schools receive aligns with their expenditures for those students. BGR’s report recommends that NOLA Public Schools base future modifications to the district-level computation on up-to-date analysis of actual costs of instruction and services for students in the formula’s weighted categories, which would help the formula to align funding with need.

- **Federal Funding Disparities.** While a traditional school district can allocate federal funding among its individual schools based on their needs, New Orleans’ autonomous charter schools receive their shares of the parish’s funding according to federal regulations. Current regulations create funding disparities among schools. For example, federal grant allocation methods often provide schools with high concentrations of special education students with less funding to meet those students’ educational needs. BGR’s report recommends that NOLA Public Schools and charter school leaders engage

with state and, as necessary, federal policymakers to advocate for an improved method for allocating federal funding in school districts with autonomous charter schools.

- **Long-Term Sustainability of the General Fund Reserve.** *Learning Curve* stresses the importance of NOLA Public Schools' carefully managing its General Fund reserve, or fund balance, because it functions as the school system's financial cushion and there is limited opportunity to grow the reserve. The reserve consists of three parts: an emergency reserve, a reserve for district-operated schools if they exist, and a flexible Systemwide Reserve. The district does not have a policy clearly limiting the use of the Systemwide Reserve to non-recurring expenditures, nor has it set a minimum balance. This creates a risk of overspending the reserve. BGR recommends that NOLA Public Schools maintain the Systemwide Reserve at a minimum of 15% of its General Fund revenue and limit its usage to non-recurring expenditures.
- **Inadequate Financial Reporting.** BGR further finds that NOLA Public Schools' current year-end financial reports do not clearly show how it allocates revenue from its multiple sources to its many responsibilities and initiatives. BGR recommends that NOLA Public Schools develop a new financial report that clearly shows how the district allocates individual revenue sources to schools and system management functions.
- **No Comprehensive Analysis of Central Management Functions.** Finally, while NOLA Public Schools performs a wide range of functions, there may be other functions better handled centrally than by individual school operators. The district has not addressed this question comprehensively since unification. BGR calls on NOLA Public Schools to undertake or commission a comprehensive analysis to determine the most efficient and effective division of school and central management functions in New Orleans' unique system.

“As a foundational document, BGR’s report informs the current efforts of policymakers, school leaders and concerned citizens as they work to understand the post-pandemic revenue picture for K-12 public education. The report takes a close look at revenue sources and the funding framework and points to opportunities to better support public schools and students,” said BGR President & CEO Amy L. Glovinsky.

A Guide to Key Numbers in *Learning Curve* appears on the next page. To learn more about the report, please click [here](#) to visit our website.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, www.bgr.org.

A Guide to Key Numbers in *Learning Curve*

Here are notable figures in the BGR report and where they are discussed.

\$652.6 million	Total K-12 public education revenue in New Orleans, as projected at the beginning of the 2019-20 school year. BGR's \$652.6 million pre-pandemic projection represents an increase of \$18.4 million over the \$634.2 million total in fiscal year 2018, the year before unification. See Page 18
48%	Local sales and property taxes as a percentage of total revenue in fiscal year 2018. State sources provided 33%; federal, 14%; and other, 5%. See Page 20
\$172 per pupil	5-year, inflation-adjusted gain in local and state funding for New Orleans public schools. Combined, local and state funding rose from \$8,924 per pupil in 2014 to \$9,628 in 2018 – a \$704 increase. However, after adjusting for inflation, the gain is only \$172 per pupil, an indication of how state funding decisions flattened overall growth in school funding. See Page 23
\$8,093 to \$11,745 per pupil	Range of schools' average per-pupil allocations of local and state funding, as projected at the beginning of the 2019-20 school year. Under New Orleans' district-level computation, schools' average per-pupil allocations of local and state funding can span a large range because of differences in student populations. For the 2019-20 school year, schools' projected average per-pupil allocations range from \$8,093 to \$11,745, excluding schools for youth in secure care and schools specifically for special education students. Outside of the district-level computation, schools will receive another approximately \$880 per pupil in state funding for employee pay raises. See Page 25
\$73.2 million	NOLA Public Schools' share of total K-12 public education revenue, as projected at the beginning of the 2019-20 school year. BGR estimates in 2020 that NOLA Public Schools, as the system manager, will receive \$73.2 million, about 11% of the \$652.6 million total K-12 public education revenue. See Page 33
45%	Portion of NOLA Public Schools' 2019-20 revenue for its General Fund. NOLA Public Schools manages \$33.1 million, or 45% of its revenue, through its General Fund. Charter school administrative fees provide the largest individual source of General Fund revenue (\$9 million). See Page 35
4%	Increase in central system administrative costs as a result of unification. Unification increased NOLA Public Schools' budgeted expenditures by 56% and its staff by 66%, although overall central administrative costs for the unified system are up only 4% from the era of shared management by NOLA Public Schools and the state Recovery School District. See Pages 38-39
\$57.5 million	NOLA Public Schools' General Fund reserve at the start of the 2019-20 school year. NOLA Public Schools' \$57.5 million reserve at July 1, 2019 consisted of \$48.2 million in its mandatory Emergency Reserve and \$9.3 million in its flexible Systemwide Reserve. See Page 40