Learning Curve

A guide to navigating school funding in New Orleans’ unified district
With Gratitude

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The Bureau of Governmental Research is a private, nonprofit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.
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WHY THIS REPORT MATTERS

As unified local governance of New Orleans’ unique, decentralized system of public education takes root, the community is asking two critical school funding questions: What constitutes fair allocation of public dollars among independently-operated schools? And is the unified district, NOLA Public Schools, properly funding its critical central oversight and system management functions?

For school funding mechanisms to result in fair allocations, they must be transparent, stable, aligned to students’ educational needs, and consistently and uniformly applied. And while this responsibility lies with policymakers, schools must work with existing mechanisms to maximize resources. Ensuring proper funding of system oversight and management requires NOLA Public Schools to transparently steward resources pursuant to clear, objective and prudent spending policies and practices. In addition, the laws and policies that determine the district’s central funding must identify NOLA Public Schools’ core responsibilities and align them with appropriate funding sources.

However, the laws, regulations and practices that compose New Orleans’ public education funding framework are complex, and their outcomes are not always clear or accessible. This report serves as a guide for policymakers, charter school administrators and board members, education advocates, interested parents and other members of the public who must grasp the complete funding picture in order to develop and promote effective changes. It details more than $650 million in K-12 public education revenue from local, state, federal and other sources.

KEY FINDINGS

As New Orleans became the nation’s first all-charter public school system, legislators, education officials and other stakeholders have worked to improve local and State funding policies to reflect the needs of autonomous schools, as well as ensure appropriate funding for centralized system management. They have done so without a playbook of best practices at hand. Louisiana has developed an effective set of laws to direct local and State funding to serve students attending New Orleans charter schools. New Orleans’ unique funding formula further aligns schools’ allocations with their students’ varying educational needs.

However, BGR’s report has identified a number of areas for improvement. For charter school funding, it finds opportunities to:

• Strengthen the underlying analysis for the New Orleans funding formula.
• Better align federal formula grant funding with school needs.
• Increase federal funding from Medicaid for health and behavioral health services schools provide students.
• Increase accountability for public funds used by charter schools slated for closure.
• Develop policies to better allocate excess local tax revenue.

Pursuing these opportunities could improve resource allocation to schools and, in the case of Medicaid, increase schools’ funding from existing sources. To illustrate one funding concern, the chart on the next page shows how federal grant allocation methods often provide schools with high concentrations of special education students with less funding for these students’ educational needs.

BGR further finds that NOLA Public Schools can improve its financial stewardship of the system by:

• Strengthening its policies governing its General Fund reserves to ensure sustainability of this critical systemwide resource.
• Making its financial reporting more transparent so the community can understand how the district allocates revenue from multiple sources to core functions and programs.
• Exploring whether there are opportunities to improve the current division of school and central management functions to achieve better fiscal and practical outcomes.
KEY RECOMMENDATIONS

The report makes specific recommendations to address these opportunities for improvement, including:

- NOLA Public Schools should base future modifications to New Orleans’ unique funding formula on up-to-date analysis of actual costs of services, including specialized instruction, for students in all funding categories.

- NOLA Public Schools and school leaders should engage with State and, as necessary, federal policymakers to advocate for an improved method for allocating federal formula grant funding in school districts with independent charter schools. Improvements should address the disparities created by the current allocation method in funding for eligible students across schools.

- State policymakers should identify and reduce barriers to schools’ full utilization of available Medicaid funding by investing in technology, training and other resources.

- State lawmakers and education officials should strengthen regulation of the finances of closing charter schools.

- NOLA Public Schools should strengthen its policies governing its General Fund reserves by clarifying allowable usage and setting a minimum target for its flexible systemwide reserve component.

- NOLA Public Schools should develop a new financial report that clearly shows how it allocates individual revenue sources to schools and system management functions.

- NOLA Public Schools should 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.

Implementation of these and other recommendations in the report would enable the nation’s most decentralized school system to more fairly, prudently and transparently allocate public resources. As New Orleans innovates the all-charter district model, the community must continue to learn from experience, anticipate changes and strengthen the funding framework in response.
EXECUTIVE SUMMARY

The 2018 unification of New Orleans’ K-12 public school system under local school board control did not change the system’s unique composition. It remained the nation’s most heavily charter-school system, with all schools maintaining their charter contracts and the autonomy charter designation ensures. However, unification significantly expanded the central responsibilities of the Orleans Parish School Board and its district, currently called NOLA Public Schools, for managing a school system that today includes 78 schools and programs – none of which the district directly runs. With expanded responsibilities came increased funding.

As this new era of public education takes root, the community is asking – and the unified district faces – two critical school funding questions: What constitutes fair allocation of public dollars among independently-operated schools? Is NOLA Public Schools properly funding essential central oversight and system management functions? In a traditional district that operates schools directly, a school board has broad latitude to allocate revenue across individual schools and centralized functions. However, in New Orleans, laws and policies at the State, local and federal levels control the allocation of almost all education funding. The strength of this funding framework is therefore integral to effective school funding and central system management.

For school funding mechanisms to result in fair allocations, they must be transparent, stable, aligned to student needs, and consistently and uniformly applied. And while this responsibility lies with policymakers, schools must work with existing mechanisms to maximize resources. Ensuring proper funding of system oversight and management requires NOLA Public Schools to transparently steward resources pursuant to clear, objective and prudent spending policies and practices. In addition, the laws and policies that determine the district’s central funding must identify NOLA Public Schools’ core responsibilities and align them with appropriate funding sources.

Understanding school funding laws and practices in New Orleans is a fundamental step in improving the financial framework that supports educational achievement. New Orleans, as a trailblazer for charter-centric districts, cannot rely solely on established best practices. This report lays a foundation for an informed discussion about public education funding in the context of New Orleans’ unique system. It can serve as a guide for policymakers, charter school administrators and board members, education advocates, interested parents and other members of the public who must grasp the complete funding picture in order to develop and promote effective changes.

BGR’s report provides a comprehensive picture of K-12 public education funding in New Orleans and how it has changed since unification. It begins with an overview of annual recurring revenue for the various components of New Orleans’ K-12 public education system. It then examines revenue sources and funding processes for charter schools. Then it pivots to detailing NOLA Public Schools’ revenue sources and how the district allocates funding to its core functions. For both charter schools and NOLA Public Schools, BGR identifies concerns that emerged in the course of its research and makes recommendations to resolve them.

It is important to note that, in analyzing the revenue picture, the report does not evaluate the adequacy of funding. Nor does it examine specific expenditures by charter schools or the district. The report does, however, create a common baseline from which the public and policymakers can proceed in addressing these and other issues related to school funding and expenditures.

Overview of New Orleans K-12 Public Education Funding

New Orleans K-12 public education received a total $634.2 million, excluding one-time capital funds, to pay for recurring costs during the fiscal year ending June 30, 2018, the last year before unification. (Throughout this report, all years refer to the fiscal year ending on June 30 unless otherwise stated.) Charter schools, which enrolled 94% of New Orleans’ approximately 46,200 public school students, received 84% of total funding. NOLA Public Schools received 14% of the revenue, which it directed to debt service and facility obligations, four schools it directly operated, and system management functions such as charter school oversight, system planning, and citywide programs and services. The remaining 2% flowed to the Louisiana
Department of Education and its Recovery School District (RSD) to fund their responsibilities for New Orleans charter schools and system management.

Since unification, the RSD’s responsibilities and its supporting revenue streams have transferred to NOLA Public Schools. The share of revenue formerly allocated to district-run schools was absorbed by charter schools as NOLA Public Schools completed its transition to an all-charter district. Going forward, it plans to directly operate schools only temporarily until it can find a qualified charter operator. Unification did not expand overall revenue sources for K-12 public education, but rather consolidated those sources in the hands of either charter schools or NOLA Public Schools.

As shown in the chart, BGR estimates that public education funding will increase to $652.6 million in 2020. The projected $18.4 million growth in revenue stems from increased State funding for public schools and continued growth in New Orleans’ tax base.

Local sales and property taxes were the largest source of revenue for K-12 public education in New Orleans, accounting for 48% of total revenue in fiscal year 2018. Revenue from State sources provided 33%, followed by federal sources (14%) and other sources (5%). The percentages will likely be similar in fiscal year 2020.

Charter School Funding

With nearly nine of every 10 dollars for K-12 public education flowing to charter schools in New Orleans, BGR sought to answer the question: “How are charter schools funded in New Orleans?” The answer involves a discussion of not only revenue sources and their relative importance, but also the laws and policies that determine each school’s share of total funding. BGR compiled data from fiscal year 2018 to analyze charter school funding sources in greater detail. This was the most recent year for which actual revenue amounts are available for all sources.

Local Taxes and State Funding. Louisiana charter schools receive their shares of local and State funding on a per-pupil basis according to a State law that took effect in 1997. The Legislature has amended the law numerous times, including to specifically address the needs of New Orleans’ charter-centric system. Notably, a 2015 amendment requires most State funding for New Orleans schools to be allocated through the “district-level computation.” This formula differentiates State funding per pupil according to students’ educational needs. Although the amendment gave NOLA Public Schools...
much greater control over the allocation of funding to schools, State law still determines in the first place what local and State funding must flow to charter schools.

Local taxes account for the largest share of New Orleans charter schools’ revenue – 45% in 2018. The School Board, as the taxing authority for the school system, draws its local tax revenue from levying seven property taxes totaling 45.31 mills and two sales taxes totaling 1.5%. Of this revenue, State law requires NOLA Public Schools to withhold revenue dedicated to debt service and capital investments from the district-level computation. In addition, NOLA Public Schools can withhold $120 per district student to pay first for system legacy costs, such as retiree health insurance, and then programs that address priority systemwide education needs.

State law bases local revenue included in the district-level computation on the prior year’s tax collections. If current-year tax revenue exceeds that amount, NOLA Public Schools realizes a surplus. State law requires the School Board to distribute excess revenue to charter schools under its jurisdiction. NOLA Public Schools distributes the revenue on a per-pupil basis – outside of the district-level computation – during the next fiscal year.

State funding provides the second largest share of New Orleans charter schools’ revenue – 36% in 2018. Almost all State funding comes through Louisiana’s Minimum Foundation Program (MFP), an annual grant based on a formula developed by the State Board of Elementary and Secondary Education (BESE) and approved by the State Legislature. The formula considers each school district’s revenue-raising potential (tax base) and actual effort (taxes collected). As a district’s tax base grows, increasing its wealth and ability to fund public education, State support per pupil decreases. At the same time, the formula rewards districts with additional State funding if they raise local tax revenue above what is expected based on their wealth.

The formula also provides higher funding for students with greater educational needs, such as special education and English language learner students.

Taking flat legislative appropriations and inflation into account, State funding for New Orleans students declined between 2014 and 2018. This blunted the local revenue gains produced by New Orleans’ growing tax base. Combined State and local revenue, adjusted for inflation, grew only $172 per pupil, or 2%, during the five-year period.

New Orleans schools receive about 90% of their local and State funding according to the district-level computation. Under this formula, the same base amount of funding follows all students to their schools. The formula goes beyond the State MFP in differentiating funding among special education students by providing higher funding for those with greater needs. This is essential for New Orleans’ autonomous schools, which lack the scale and flexibility of traditional school districts. While traditional districts can allocate funding to their direct-run schools as they choose, charter schools must address their students’ educational needs within their own fixed local and State funding allocations. Further, the State MFP formula weights do not provide sufficient funding for students with more severe disabilities, making it difficult for charter schools with large high-need student populations to pay for required special education services. While the district-level computation factors in both local and State funding to determine its weighted amounts, students receive the same amount of local funding regardless of their educational needs. The additional dollars for students with greater needs come from the State funding.

The district-level computation is the most powerful local lever for regulating school funding in New Orleans. It creates local flexibility to distribute the bulk of State funding based on schools’ resource needs for various types of students. However, NOLA Public Schools must carefully craft an equitable formula that reflects those needs. It also has to thoroughly analyze proposed changes to the district-level computation because any changes to the formula’s weights will have consequences across schools. Weight changes that cause significant decreases in funding at certain schools could threaten the schools’ stability and reduce the quality of education they deliver. Large increases in the number of students enrolled in weighted categories could also destabilize funding.
NOLA Public Schools’ policy requires the superintendent to determine the district-level computation categories and their weights after obtaining input from various stakeholders and publicly presenting the proposed formula to the School Board. With input from schools, the superintendent recently approved the first round of revisions to the original formula, which will take effect in the 2020-21 school year. The revisions seek to leverage more State dollars for New Orleans schools. They also seek to improve alignment between funding and need while protecting individual schools from sudden funding decreases.

Currently, each New Orleans charter school receives its local and State funding net of a 2% administrative fee charged by NOLA Public Schools. State law allows school districts to charge charter schools an administrative fee of up to 2% to cover the costs of charter authorization, oversight, data collection and analysis, and performance reporting. NOLA Public Schools separately deducts property insurance costs from schools’ local and State funding.

**Federal and Other Funding Sources.** Federal funding, which accounted for 15% of New Orleans charter schools’ revenue in 2018, supports low-income students, students with disabilities, teacher professional development and health service provision. The federal government provides much of its K-12 education funding to states based on formulas that consider U.S. Census data for geographic districts – typically parishes or counties – within each state. States then make annual allocations to school districts and charter schools with independent Local Education Agency (LEA) status, a state-granted designation that gives charter schools greater responsibility for federal grants and certain other activities. However, actual funding is on a reimbursement basis. Most New Orleans charter schools are independent LEAs and apply on their own for federal grant reimbursements. As a school district, NOLA Public Schools automatically has LEA status and administers federal grant funding for the handful of charter schools that do not have LEA status.

Other funding sources for New Orleans charter schools include self-generated revenues, investment earnings and private donations. Collectively, these sources accounted for 4% of their total revenue in fiscal year 2018.

**Financial Oversight and Regulations on Charter Schools’ Use of Revenue.** While this report does not analyze charter school expenditures, it is important to clarify that the revenues they receive come with certain accountability requirements. They mostly mirror requirements for traditional school districts. Examples include the State requirement that at least 70% of general fund expenditures go towards instruction and school-based administration. They also must publicly adopt a budget and prepare an annual financial audit. In addition, NOLA Public Schools, as the charter authorizer, requires schools to submit quarterly financial reports and comply with minimum financial performance goals. When a charter school closes, State law requires it to return any remaining public funding, and assets purchased with public funding, to the local school district.

**Improving New Orleans Charter School Funding**

Overall, Louisiana has developed an effective set of laws to direct local and State funding to serve students attending New Orleans charter schools. The additional layer of New Orleans’ district-level computation further aligns funding allocations with students’ varying educational needs. These core components of school funding have remained intact through New Orleans’ school system unification. BGR approached its review of charter school funding by asking if existing laws, policies and processes can fairly allocate resources, considering transparency, stability, alignment with student needs and consistency in application. In addition, BGR sought to identify any public funding sources that schools have failed to maximize. BGR’s research revealed the following areas of concern.

**Limited Data Guiding the District-Level Computation.** A comprehensive analysis of required special education service costs performed by the RSD several years ago informed the existing district-level computation. However, NOLA Public Schools has not updated the analysis and costs may have changed. In addition, the district-level computation did not have a similar study to support the weights for other categories, such as English language learners and overage students. Although per-pupil service costs are likely to vary somewhat across schools because of economies of scale, a periodic, systematic assessment of costs would help the formula align funding with need.
NOLA Public Schools’ district-level computation policy does not require schools to track spending on students in weighted categories. Without knowing how much schools spend on students in weighted categories, and the nature of the expenditures, it is difficult to understand whether schools’ expenditures align with the weighted funding they receive and with estimated costs of additional support for students in weighted categories. This information is also important for analyzing how schools respond to funding formula changes.

**Federal Funding Disparities.** The federal government calculates formula grant allocations for geographic areas that usually share boundaries with school districts, but not for individual schools. This complicates allocations in Louisiana, which has 69 school districts, but about 200 LEAs – many of which are New Orleans charter schools. Where multiple LEAs exist, such as New Orleans, the State must provide each with a share of the parish’s total allocation in accordance with federal regulations.

Individuals with Disabilities Education Act (IDEA) funding is probably the best example of a federal grant allocation’s misalignment with the needs of New Orleans’ all-charter district. Schools must spend IDEA funds on eligible services for children with disabilities, but IDEA allocations for independent LEA charter schools are based largely on total enrollment. Schools with similar total enrollments, and therefore similar IDEA allocations, may have greatly varying numbers of students with disabilities. New Orleans charter schools with at least 5% of their student populations qualifying for special education services had IDEA allocations that ranged from $703 to $3,971 per special education student in the 2017-18 school year. The wide range in funding illustrates the disparities the grant formula produces in New Orleans’ non-traditional school system. This contrasts with a traditional district that directly runs most of its schools, where the administration can allocate IDEA funding according to schools’ special education enrollment.

**Missed Opportunity for Medicaid Reimbursement.** Federal dollars flow to schools through Medicaid for health and behavioral health services to eligible students. And although all LEAs in Louisiana can become school-based Medicaid service providers, not all New Orleans charter schools with LEA status participate in the program. Medicaid reimbursements across all schools were lower in New Orleans than in St. Tammany’s smaller and wealthier district: $2.4 million versus $2.7 million. If New Orleans schools achieved the same reimbursements per program-eligible child as St. Tammany, BGR estimates that their collective Medicaid payments would double, increasing by about $2.5 million. Payments could grow even more if New Orleans schools utilized the program to its full extent.

New Orleans’ lower payments indicate that, overall, schools are either providing fewer eligible services, not properly billing for all the services they do provide, or a combination of both. While some New Orleans schools may run strong Medicaid programs, single-site charter schools tend to struggle to make the program cost effective. Local educators point to complex and time-consuming reporting requirements as an impediment to program participation. New Orleans schools could likely increase their Medicaid funding – and the level of health services they can provide students – by improving documentation of services and Medicaid billing processes. Policymakers could also assess whether schools have the technology, tools and training they need to navigate program requirements and reimbursement processes and efficiently manage required documentation.

**Federal Funding Left Behind When a School Becomes an Independent LEA.** Because federal grant rules give LEAs 27 months to use most annual federal allocations, they often roll over a portion of an allocation from one year to the next. If a charter school leaves NOLA Public Schools’ LEA to become an independent LEA, it loses access to any unused or “rollover” federal funding. Several schools left NOLA Public Schools’ LEA after the 2016-17 school year. In doing so, they could not use any of the $17.5 million in rollover funding that remained in the 2017-18 school year. As a result, some funding allocated for students never benefited them. As more schools consider leaving NOLA Public Schools’ LEA at the end of this school year, it is essential for them to work with the district to avoid a similar outcome.

**Limited Ability to Regulate the Use of Public Funds When Schools Close.** State law requires charter schools to return any remaining public assets to the local district when they close, but it does not prevent closing schools from making unnecessary expenditures in order to exhaust their resources. In addition, schools that are part of a multi-school charter management organization can
shift remaining funding to other schools in the network or the organization’s central office. These actions could prevent NOLA Public Schools from recouping public dollars from closed schools’ reserves. Currently, the autonomy provided to charter operators under State law does not allow the district to regulate schools’ expenditures or financial management prior to closing.

No Formal Policy on Allocation of Excess Local Revenue to Schools. Under State law, NOLA Public Schools must distribute any excess local tax revenue remaining at the end of the year to charter schools under its jurisdiction. However, the law does not specify processes for allocating the revenue among schools, and NOLA Public Schools has not adopted a policy governing excess revenue allocation. In 2017, for example, the district distributed some excess revenue to a few BESE charter schools that are otherwise not locally funded. This reduced excess revenue allocations to schools that are dependent on local funding.

NOLA Public Schools Funding

NOLA Public Schools receives only about one-tenth of New Orleans’ total K-12 public education revenue. But this revenue is essential to system planning, management and oversight. And while it may be impossible to pinpoint the optimal amount of funding for NOLA Public Schools’ unique role, how the district allocates its slice of the pie is critical to fulfilling its systemwide responsibilities, addressing citywide priorities and improving the system’s overall performance.

Since unification, NOLA Public Schools has assumed oversight of 38 charter schools and all of the RSD’s responsibilities for managing New Orleans’ K-12 public education system. This increased its General Fund budget by 56% and staff by 66%, although overall central administrative costs for the unified system are up only 4% from the two-district era. NOLA Public Schools’ responsibilities include charter school oversight, system planning, operating the centralized enrollment system, financial management, citywide special education screening and services, educating youth in secure care and other support to schools and students. Outside its General Fund, new funding for systemwide needs has expanded NOLA Public Schools’ functions beyond those shared by the two school districts prior to unification. And as the role of central management in New Orleans’ decentralized public education system increases, so too does the importance of NOLA Public Schools’ financial stewardship and transparency.
Recurring Revenue Sources. BGR projects NOLA Public Schools will receive $73.2 million in recurring revenue in fiscal year 2020 to carry out its various functions. Approximately 42% of this revenue pays debt service on school facilities and provides for their ongoing capital needs. Another 13% relates to federal grants, school meal programs and a dedicated fund for systemwide needs. The remaining 45% ($33.1 million) represents NOLA Public Schools’ General Fund revenue, over which it has significant discretion. The chart below shows the revenue streams included in NOLA Public Schools’ General Fund.

Since unification, NOLA Public Schools’ largest source of General Fund revenue comes from the 2% administrative fee that State law allows districts to charge charter schools on their local and State funding. In an all-charter system, the majority of district expenditures support administration and oversight related to charter schools, and thus they are permissible uses of fee revenue under the law.

Another notable source is local and State per-pupil funding. If NOLA Public Schools directly operates schools, it receives local and State funding according to district-level computation based on these schools’ enrollment. Even with no district-run schools, as is the case in 2020, it continues to receive local and State funding for students in secure care at juvenile and adult jails and special education preschool children served by its Exceptional Children’s Services department. Like funding for charter schools, NOLA Public Schools receives these amounts according to the district-level computation. However, NOLA Public Schools is not obligated to spend its entire allocation on those students if it can provide appropriate educational services at a lower cost. While NOLA Public Schools appears to spend the full amount on students in secure care, it is hard to follow the funding for special education preschool children because the district does not prepare a budget specifically for the services it provides these children.

Beginning this school year, $2 million to $2.5 million in local per-pupil funding will flow to NOLA Public Schools annually to support specialized programming for students with specific needs.

Until recently, Harrah’s Casino provided NOLA Public Schools about $3 million annually through its lease agreement with the City. NOLA Public Schools could use this funding for a broad array of purposes, although the City Council had to approve the district’s proposed budget for the Harrah’s funding. New changes to the lease allow the council to fund educational initiatives operated by NOLA Public Schools, the City or other providers.

### PROJECTED RECURRING REVENUE FOR NOLA PUBLIC SCHOOLS’ GENERAL FUND

Fiscal Year 2020 ($ in millions)

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<tr>
<th>Revenue Source</th>
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BGR calculations
State revenue sharing also provides NOLA Public Schools with about $3 million annually, with no restrictions on usage. But not all revenue sources allow such discretion. State law limits the system legacy costs, such as retiree health insurance, that NOLA Public Schools can cover with local taxes, and caps the use of tax revenue for legacy costs to $3 million annually. Reimbursements from charter schools for property insurance and additional services mirror NOLA Public Schools’ expenditures on these items.

**General Fund Reserves.** NOLA Public Schools’ General Fund reserve, also called the fund balance, is the only significant resource available to address emergency citywide needs. Much of the balance accumulated post-Katrina when the district was still receiving local tax revenue but had few students, teachers or open schools. At the beginning of fiscal year 2020, the fund balance was $57.5 million.

NOLA Public Schools’ fund balance policy divides the General Fund balance into three different reserves, and restricts when and how the district can tap each. It must first fill the Emergency Reserve (for natural disasters and other emergencies) to an amount equal to 15% of gross annual property and sales taxes ($48.2 million at the start of 2020). If it directly operates schools, it then must fund a District-Operated School Reserve (currently $0 with no direct-run schools). Any remainder goes to the Systemwide Reserve, an undedicated reserve available for a range of unforeseen or exceptional circumstances ($9.3 million).

NOLA Public Schools has drawn on its reserves multiple times during the past few years. Fund balance appropriations have supported recurring expenditures despite best practice recommendations against this use. With the vast majority of New Orleans K-12 public education funding now going to charter schools, NOLA Public Schools has limited opportunities to replenish its General Fund balance. In March 2020, the School Board authorized $5 million from the Systemwide Reserve for expenditures related to the COVID-19 emergency.

**Improving Funding for System Oversight and Management**

Through unification and other legislative and policy changes, NOLA Public Schools has solidified its position as the central system manager for New Orleans K-12 public education and expanded the funding it controls. Its decisions in allocating this funding affect system management, program availability and citywide service provision. BGR’s review of the district’s funding did not focus on the question of its overall adequacy. Rather, BGR examined NOLA Public Schools’ stewardship of system resources, transparency and its access to appropriate funding sources to meet its diverse responsibilities. BGR’s research resulted in the following three areas of concern.

**Long-Term Sustainability of the General Fund Balance.** Preserving the existing fund balance is critically important because NOLA Public Schools has limited opportunity to grow its reserves. The district’s policy to maintain the Emergency Reserve complies with best practices and can support schools’ local revenue allocations in the case of a true emergency for about two months. The policy, however, does not clearly limit use of the Systemwide Reserve to nonrecurring expenditures or set a goal for the reserve balance. This creates a risk of NOLA Public Schools overspending its flexible reserve and leaving too little cushion to address unexpected problems that do not qualify for an appropriation from the Emergency Reserve. Because NOLA Public Schools pays for system management costs primarily from its General Fund budget, setting a goal for the Systemwide Reserve of at least 15% of its General Fund revenues (e.g., about $5 million based on the 2020 budget) would approximate best practices and ensure a suitable cushion for unexpected future costs.

It is unclear if current policies for the District-Operated School Reserve will apply to any charter schools the district takes over. In the past, schools temporarily taken over by the district have put pressure on the system’s overall fund balance. Clear policies on access to the District-Operated School Reserve and the Systemwide Reserve for take-over schools would help limit reserve usage in these cases, and drive NOLA Public Schools to adhere to judicious budgets for these schools. In light of NOLA Public School’s plans to directly operate a
closing charter school for the 2020-21 school year, the need for specific policies governing take-over schools’ access to reserves becomes even more pressing.

Inadequate Financial Reporting. 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. In addition, its budget presentations have not clearly defined all funds for which it manages revenue or properly identified each fund’s revenue sources. Nor have the budget messages discussed projected changes or trends in revenue and their underlying causes, which are critical for both school and system level management. NOLA Public Schools’ new chief financial officer told BGR that she has identified deficiencies in recent budget presentations and plans to make future budgets comply with Louisiana’s Local Government Budget Act. As NOLA Public Schools’ roles and revenue streams evolve to address new or unmet system needs, transparent financial reporting becomes increasingly important. This requires a greater level of detail in its budget and financial reports to reflect how NOLA Public Schools directs individual revenue sources to charter schools and its system responsibilities. BGR illustrates a possible public reporting template in Appendix I.

No Comprehensive Analysis of Optimal Roles and Responsibilities of Central Management. While NOLA Public Schools performs a wide range of functions today, there may be other functions better handled centrally than by individual school operators. There has been no comprehensive analysis post-unification of the most efficient and effective division of school and central management functions. To date, there has been ad hoc consideration of functions that require, or could be improved through, district administration. For example, after the Legislature created the Systemwide Needs Fund in 2019, NOLA Public Schools took responsibility for overseeing teacher recruitment and training activities that will benefit schools across the district. A comprehensive analysis, which is beyond the scope of this report, could improve both outcomes and efficiency in resource allocation. In addition to identifying functions that could be more effectively performed centrally – for all schools or subsets of schools – the analysis must also determine the most appropriate funding mechanisms.

Conclusion and Recommendations

As New Orleans became the nation’s first all-charter public school system, legislators, education officials and other stakeholders have worked to improve local and State funding policies to reflect the needs of autonomous schools, as well as ensure appropriate funding for centralized system management. They did so without a playbook of best practices at hand.

BGR’s report has identified a number of areas for improvement. For charter school funding, it finds opportunities to strengthen the underlying analysis for the district-level computation, better allocate federal revenue, regulate the use of public funding when schools close and maximize federal funding. BGR further finds that NOLA Public Schools can strengthen its policies governing General Fund reserves, make its financial reporting more transparent, and explore more efficient and effective divisions of school and central management functions.

BGR’s analysis of K-12 public education funding in New Orleans supports the following recommendations. Implementation of these recommendations would enable the nation’s most decentralized school system to more fairly, prudently and transparently allocate public resources. As New Orleans innovates the all-charter district model, the community must continue to learn from experience, anticipate changes and strengthen the funding framework in response.

To improve the mechanisms that allocate funding to charter schools:

- NOLA Public Schools should base future modifications to the district-level computation on up-to-date analysis of actual costs of services, including specialized instruction, for students in all weighted funding categories.
- NOLA Public Schools should develop a reporting tool for schools to track spending on students in weighted categories, allowing the district to analyze weighted funding usage and schools’ responses to district-level computation modifications.
- NOLA Public Schools and school leaders should engage with State and, as necessary, federal poli-
cymakers to advocate for an improved method for allocating federal formula grant funding in school districts with independent LEA charter schools. Improvements should address the disparities created by the current allocation method in funding for eligible students across schools.

- State lawmakers and education officials should strengthen regulation of the finances of closing charter schools and ensure accountability for public assets.
- NOLA Public Schools should develop a formal policy with the input of stakeholders to govern excess revenue distribution. The policy should ensure that only schools receiving local funding receive distributions of excess revenue.

To maximize charter school funding from federal sources:

- State policymakers should identify and reduce barriers to schools’ full utilization of available Medicaid funding by investing in technology, training and other resources.
- Schools that are not currently participating in Louisiana’s school-based Medicaid reimbursement program should analyze how participation could allow them to expand health and behavioral health services to students and cover a portion of the costs of services they are already providing. Schools already participating in Medicaid should assess how they may be able to increase their reimbursements, such as through improving internal processes and billing for all eligible services.
- Schools planning on becoming independent LEAs should work with NOLA Public Schools to assess their remaining federal grant funding, including prior-year funding, well in advance of exiting NOLA Public Schools’ LEA, and develop a budget that ensures all remaining grant funding reaches its intended purpose before the change in LEA status.

To improve funding for system oversight and management:

- NOLA Public Schools should set a minimum goal for the Systemwide Reserve of 15% of its General Fund revenue to preserve this money as a flexible resource, while funding the Emergency Reserve at the required level as tax revenue increases.
- NOLA Public Schools should limit usage of reserves to nonrecurring expenditures.
- NOLA Public Schools should develop and adopt, with input from stakeholders, specific policies on General Fund balance access for schools it takes over from charter operators and temporarily operates.
- NOLA Public Schools should create an annual public report, similar to the one BGR models in Appendix I, to show how it allocates revenue from each of its major funding streams. The report would supplement, not replace, existing reporting requirements, and present NOLA Public Schools’ revenue usage in a framework specifically designed to communicate the district’s core functions and activities.
- NOLA Public Schools should 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.
INTRODUCTION

The 2018 unification of New Orleans’ K-12 public school system under local school board control did not change the system’s unique composition. It remained the nation’s most heavily charter-school system, with all schools maintaining their charter contracts and the autonomy charter designation ensures.\(^1\) However, unification significantly expanded the central responsibilities of the Orleans Parish School Board and its district, currently called NOLA Public Schools, for managing a school system that today includes 78 schools and programs – none of which the district directly runs. With expanded responsibilities came increased funding.

Chart A illustrates New Orleans’ journey from a traditional school district with mostly direct-run schools before Hurricane Katrina, to the two-district era in which the State-run Recovery School District (RSD) controlled the majority of schools, and then to the current unified district. Going forward, NOLA Public Schools plans to directly operate schools only as a last resort when it cannot find a qualified charter operator. This will be the case for one school in the 2020-21 school year.

As this new era of public education takes root, the community is asking – and the unified district faces – two critical school funding questions: What constitutes fair allocation of public dollars among independently-operated schools? Is NOLA Public Schools properly funding essential central oversight and system management functions? In a traditional district that operates schools directly, a school board has broad latitude to allocate revenue across individual schools and centralized functions. However, in New Orleans, laws and policies at the State, local and federal levels control the allocation of almost all education funding. The strength of this funding framework is therefore integral to effective school funding and central system management.

For school funding mechanisms to result in fair allocations, they must be transparent, stable, aligned to student needs, and consistently and uniformly applied.\(^2\) And while this responsibility lies with policy mak-
ers, schools must work with existing mechanisms to maximize resources. Ensuring proper funding of system oversight and management requires NOLA Public Schools to transparently steward resources pursuant to clear, objective and prudent spending policies and practices. In addition, the laws and policies that determine the district’s central funding must identify NOLA Public Schools’ core responsibilities and align them with appropriate funding sources.

Understanding school system funding laws and practices in New Orleans is a fundamental step to realizing opportunities for improvement and strengthening the financial framework that supports educational achievement. New Orleans, as a trailblazer for charter-centric districts, cannot rely solely on established best practices. This report lays a foundation for an informed discussion about public education funding in the context of New Orleans’ unique system. It can serve as a guide for policymakers, charter school administrators and board members, education advocates, interested parents and other members of the public who must grasp the complete funding picture in order to develop and promote effective changes.

BGR’s report provides a comprehensive picture of K-12 public education funding in New Orleans and how it has changed since unification. It begins with an overview of annual recurring revenue for the various components of New Orleans’ K-12 public education system. It then examines revenue sources and funding processes for charter schools. Then it pivots to detailing NOLA Public Schools’ revenue sources, and how the district allocates funding to its core functions. For both charter schools and NOLA Public Schools, BGR identifies concerns that emerged in the course of its research and makes recommendations to resolve them.

It is important to note that, in analyzing the revenue picture, the report does not evaluate the adequacy of funding. Nor does it examine specific expenditures by charter schools or the district. The report does, however, create a common baseline from which the public and policymakers can proceed in addressing these and other issues related to school funding and expenditures.

The report includes the local, State, federal and other revenue that supports the recurring costs of NOLA Public Schools, charter schools authorized by the School Board and, in certain cases, charter schools authorized by the State Board of Elementary and Secondary Education (BESE). In examining revenue in the year before unification, the report also includes funding that supported the RSD’s New Orleans charter schools and central operations, as well as schools directly operated by NOLA Public Schools. The report does not include nonrecurring revenue for capital projects, such as FEMA funding or insurance settlements. See Appendix A for a more detailed explanation of revenue included in the report.

Chart B illustrates the basic governance framework, at the local and State levels, for the New Orleans public school system. Current recipients of New Orleans education funding are highlighted in orange.

**OVERVIEW OF NEW ORLEANS K-12 PUBLIC EDUCATION FUNDING**

In New Orleans, achieving a framework that ensures fair funding for all schools and appropriate resources for system management responsibilities is a complex challenge today that depends on four key factors:

- **State laws.** State legislators have revised Louisiana’s charter school funding laws with the unique needs of New Orleans’ all-charter district in mind. The laws guarantee charter schools access to the vast majority of State funding and local school tax revenue, as well as set ground rules for revenue allocations. State laws also determine what State and local funding NOLA Public Schools retains for system management responsibilities, and in some cases the laws dedicate revenue to specific purposes. Although State laws provide a certain level of stability, amending them to address oversights or respond to new school system needs can be a lengthy process. In addition, State actions may not always reflect local concerns.

- **NOLA Public Schools’ funding formula.** While State law determines the amount of local and State revenues that go to charter schools, it gives NOLA Public Schools the flexibility to allocate most State dollars among schools using a standard formula that the district develops based on
students’ educational needs. This flexibility lets the district address schools’ resource needs more precisely than State funding laws can. But the approach depends on carefully crafting the formula to equitably support student needs while also ensuring stable funding for all schools.

- **Federal funding formulas.** Standard national formulas determine the bulk of federal funding for New Orleans’ charter schools and NOLA Public Schools. However, methods for allocating the funding remain geared to more traditional school districts.

- **Stewardship of system resources.** Through the School Board, NOLA Public Schools levies parishwide taxes to support the entire system, and it owns and finances most school facilities. It receives revenue from a variety of sources for system management. It also oversees a funding reserve for system emergencies and other extraordinary events. Ineffective stewardship...
of central financial resources could affect the performance and sustainability of the school system. A lack of transparency could diminish public support for the district.

With the exception of NOLA Public Schools’ increased responsibility for system resource management, unification did not change these factors. Nor did unification alter the overall revenue available to the system as a whole. New Orleans K-12 public education received a total $634.2 million, exclusive of one-time capital funds, to pay for recurring costs during the fiscal year ending June 30, 2018, the last year before unification. (Throughout this report, all years refer to the fiscal year ending on June 30 unless otherwise stated.)

As Chart C shows, charter schools, which enrolled 94% of New Orleans’ approximately 46,200 public school students, received 84% of K-12 public education funding in 2018. NOLA Public Schools received 14% of the revenue, which it directed to debt service and facility obligations, four schools it directly operated, and system management functions such as charter school oversight, system planning, and citywide programs and services. The remaining 2% flowed to the RSD and the Louisiana Department of Education to fund their charter school oversight and other responsibilities for New Orleans’ school system. Appendix B discusses the methodology the report used to calculate revenue.

Unification consolidated revenue in the hands of NOLA Public Schools and charter schools. BGR estimates New Orleans K-12 revenue will total $652.6 million in 2020. As shown in Chart C, revenue formerly received by the RSD now flows to NOLA Public Schools for system management. The share of revenue flowing to district-run schools has also disappeared as NOLA Public Schools completed its transition to an all-charter district. As district-run schools closed or were chartered, charter schools absorbed their students and the funding followed. While NOLA Public Schools appears committed to pursuing an all-charter system, board members have acknowledged that exceptional circumstances may arise again and force them to take over operations of other schools. Currently, the system has limited excess enrollment capacity, making it difficult for NOLA Public Schools to close schools completely. Instead, when it doesn’t renew a school’s charter, it looks for another qualified charter operator to assume the school’s operations, or steps in itself to temporarily run the school.

The projected $18.4 million growth in revenue from 2018 to 2020 stems from increased State funding for public schools and continued growth in New Orleans’ tax base. Charter schools will receive most of the ad-

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**CHART C. NEW ORLEANS K-12 PUBLIC EDUCATION REVENUE**

Figures in $ millions

<table>
<thead>
<tr>
<th>Fiscal Year 2018 (Actual)</th>
<th>Fiscal Year 2020 (Projected)</th>
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<tbody>
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<tr>
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<td>6%</td>
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<tr>
<td>NOLA Public Schools System Management</td>
<td>NOLA Public Schools System Management</td>
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<tr>
<td>$25.7</td>
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<td>4%</td>
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<tr>
<td>NOLA Public Schools Debt/Facilities</td>
<td>NOLA Public Schools Debt/Facilities</td>
</tr>
<tr>
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<tr>
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<td>$579.4</td>
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<tr>
<td>2%</td>
<td>89%</td>
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BGR calculations based on the methodology in Appendix B.
In 2014, the Legislature established a school facilities preservation program for New Orleans, which provides funding for capital repair and replacement. The program required NOLA Public Schools to annually dedicate a portion of its sales tax revenue, less sales tax-financed debt service payments, to facilities preservation.* Later that year, New Orleans voters approved a property tax dedicated to the facilities preservation program.

The Legislature amended the program in 2019 to reduce the portion of sales tax dedicated to facilities preservation.** NOLA Public Schools estimated that the changes would reduce sales tax revenue for facilities preservation by $10 million annually. The 2019 legislation also required NOLA Public Schools to establish a new fund to support programs and projects that address high-priority systemwide needs. In essence, the legislative changes redirected about $3 million in annual facilities preservation sales tax revenue to the Systemwide Needs Fund and $7 million to schools and specialized programming.

NOLA Public Schools supported the 2019 legislation because higher-than-expected growth in sales and property tax revenue would bring annual facilities preservation funding to $45 million in 2021 – $10 million above original projections made in 2014.*** NOLA Public Schools officials stated that the $10 million in “excess” would be better used for academic and programmatic purposes. The Systemwide Needs Fund would provide dedicated revenue for the district to address challenges that individual schools cannot efficiently and effectively remediate.

However, in 2014, when NOLA Public Schools proposed the dedicated property tax for facilities preservation, it initially projected that it would actually need $45 million in annual funding for capital repair and replacement – and even if voters approved the property tax, it would need to find another source of revenue to cover the $10 million shortfall between the $35 million in projected revenue and $45 million needed.**** Subsequent public presentations referenced a range of need between $35 million and $50 million.† NOLA Public School officials recently stated that there would likely be a gap between facilities preservation costs and available revenue, but they did not quantify it.†† NOLA Public Schools plans to complete a facilities study by next year which will update the estimated size of the funding gap.

NOLA Public Schools supported the 2019 legislation to increase funding for system services important to meeting student needs. And the effort illustrates the tradeoffs that it faces in balancing key funding priorities, in this case system services and facility preservation. However, the district’s support for redirecting revenue prior to completing its facility needs study raises a concern about the district’s commitment to fully evaluating competing needs when making important financial decisions.

* Act No. 543 of 2014.
** Act No. 430 of 2019.
*** When NOLA Public Schools proposed the facilities preservation property tax, it projected that the property tax and sales tax combined would bring in $35 million annually for facilities preservation once it paid off all its existing bond debt in 2021. See Appendix H for more details on the facilities preservation tax.
†† Statement of NOLA Public Schools Chief Operations Officer at Facilities Plan Community Meeting, September 10, 2019.
Local sales and property taxes were the largest sources of revenue for K-12 public education in New Orleans in 2018, accounting for 48% of total revenue. Revenue from State sources provided 33%, followed by federal sources (14%) and other sources (5%). The percentages will likely be similar in fiscal year 2020. Going forward, NOLA Public Schools’ decision to roll forward millage rates in 2020 will increase the local tax share of total revenue, while higher property values resulting from the reassessment will decrease the State share as explained in the next section. The School Board’s process for adjusting rates following a property reassessment is described in the sidebar.

HOW THE SCHOOL BOARD ADJUSTS MILLAGE RATES

The Louisiana Constitution requires assessors to revalue all property in a parish at least every four years. After this quadrennial reassessment, local taxing authorities such as the School Board must adjust their millage rates so that tax collections remain revenue-neutral. If reassessments increase the parish’s assessed value, property tax rates are reduced, or “rolled back.” The roll-back rates are calculated excluding new construction added to the tax base during the year.

Taxing authorities can roll their millage rates forward to the pre-reassessment level, but only after a public hearing and with a two-thirds vote of the taxing authority.* The constitution’s roll-forward provision creates a “use it or lose it” situation for taxing authorities that levy property taxes at their maximum authorized rates. If a millage is not rolled forward before the next mandatory reassessment, that millage rate becomes the new maximum rate.**

The School Board follows this process after a reassessment to adjust almost all of its millages. A reassessment, however, does not require a rollback of the board’s general obligation bond millage rate (currently 2 mills) because this rate is tied to the costs of debt service on outstanding bonds.

** Taxing authorities cannot set the rates of the constitutional and renewable millages higher than the maximum authorized rates unless a property reassessment results in a reduction in the total assessed value of property in the parish. In that situation, the constitution requires taxing authorities to establish new maximum millage rates that keep the effect of the reassessment revenue-neutral. Because property values typically rise over time, such reductions are rare. They have occurred only twice (1978 and 1992) in Orleans Parish since the adoption of the 1974 Constitution. The 1978 reassessment, which implemented the new constitution’s assessment and homestead exemption provisions, increased the rate of the School Board’s constitutional millage. This was the only school property tax at the time. A decline in property values in the 1992 reassessment triggered an increase in the rates of the constitutional millage and the Board’s four existing renewable millages, which first came into effect in 1989.
CHARTER SCHOOL FUNDING

With nearly nine of every 10 dollars for K-12 public education flowing to charter schools in New Orleans, BGR sought to answer the question “How are charter schools funded in New Orleans?” The answer involves a discussion of not only revenue sources and their relative importance, but also the laws and policies that govern funding for these schools and determine each school’s share.

This section breaks down the funding sources for charter schools as shown in Chart D. After outlining the sources and processes that determine charter schools’ revenue allocations, it discusses charter school financial accountability measures. Finally, the section identifies potential areas of concern relative to the current charter school funding structure in New Orleans.

BGR compiled data from 2018 to analyze charter school funding sources. This was the most recent year for which actual revenue amounts are available for all sources. The funding sources for charter schools did not change significantly from 2018 to 2020.

Local Taxes and State Funding

As Chart D shows, the vast majority of New Orleans charter school revenue – about 81% – comes from local school taxes and State funding. Louisiana charter schools receive their shares of local and State revenue on a per-pupil basis according to a 1997 law that the Legislature has amended numerous times. Certain amendments specifically address the needs of New Orleans’ charter-centric system. Notably, a 2015 amendment requires most State funding for New Orleans schools, with the exception of BESE charter schools, to be allocated through the “district-level computation.” This formula differentiates State funding per pupil according to students’ educational needs, as discussed later in this section. Although the amendment gave NOLA Public Schools much greater control over allocating funding to schools, State law still determines in the first place which local and State funding resources must flow to charter schools. Chart E provides an overview of local and State funding for New Orleans schools.

Local Tax Funding. Local taxes account for the largest share of New Orleans charter schools’ revenue – 45% in 2018. The School Board, as the taxing authority for the school system, currently levies 45.31 mills of property taxes, covering both operating and capital purposes. Six special purpose taxes subject to voter approval account for 17.66 mills, with the remainder coming from a permanent tax authorized by the State Constitution. State law does not limit the number or total rate of voter-approved millages a school district can levy.

In addition to property taxes, the School Board levies two sales taxes totaling 1.5%. The taxes apply to all taxable goods and services in New Orleans, including hotel rooms. The sales taxes were initially approved by voters, but are permanent. Until recently, the School Board could not increase its sales taxes because doing so would push the combined local sales tax rate above the 5% cap specified in State law. Legislative changes adopted in 2019 allow school districts statewide to create special taxing districts to levy up to 1% additional sales tax with voter approval. The School Board has not indicated whether it will pursue this additional sales tax. Appendix C provides a more detailed discussion of local school taxes, which totaled almost $300 million in 2018.

NOLA Public Schools does not distribute all tax revenue the City collects on its behalf to schools. State law requires school districts to exclude tax revenue dedicat-
State Funding for Employee Pay Raises and Specific Programs*

All Other Core State Funding

Local Tax Funding

Withholdings for Debt, Capital and System Costs

Administrative Fees and Property Insurance Reimbursements

NOLA Public Schools

District-Level Computation**

Schools

All State funding included in the chart is part of Louisiana’s core K-12 education funding program, the Minimum Foundation Program. Since unification, charter schools authorized by NOLA Public Schools receive their allocations of funding streams shown in the chart directly from the district.

* A small portion of this funding goes to NOLA Public Schools.

** Local and State funding for BESE charter schools that enroll New Orleans students does not flow through the district-level computation. Instead, these schools receive all State funding according to the statewide formula, and receive a pro-rata share, based on the number of New Orleans students they enroll, of the local funding that remains after deductions for debt, capital and system costs.

Local tax revenue will continue to grow in 2020. As a result of the 2019 legislative changes that reduced the portion of NOLA Public Schools’ sales tax dedicated to facilities preservation, local revenue included in the district-level computation will increase by about $150 per pupil beginning in 2020, on top of any growth in existing tax revenue. In addition, the School Board’s decision to roll forward millage rates following the 2020 reassessment will increase local funding included in the district-level computation by an estimated $470 per pupil beginning in 2021.12

It is important to note that State law bases local revenue allocations for charter schools on the prior year’s tax collections. If current-year tax revenue exceeds that amount, NOLA Public Schools ends up with a surplus.
The State requires the School Board to distribute excess revenue to charter schools under its jurisdiction.13 NOLA Public Schools distributes the revenue on a per-pupil basis – outside of the district-level computation – during the next fiscal year. In 2018, NOLA Public Schools distributed excess 2017 revenue of $212 per pupil.

**State Funding.** State funding accounts for the second largest share of New Orleans charter schools’ revenue – 36% in 2018. Louisiana distributes almost all State K-12 public education funding through its Minimum Foundation Program (MFP).14 Louisiana’s constitution requires BESE to develop the MFP formula annually, subject to the Legislature’s approval, to determine a minimum total cost of public education for the state and equitably distribute State funds to local school districts.15 The formula considers both the school district’s revenue-raising potential (tax base) and actual effort (taxes collected). As a district’s tax base grows, increasing its wealth and ability to fund public education, State support per pupil decreases. At the same time, the formula rewards districts with additional State funding if they raise local tax revenue above what is expected based on their wealth.

The formula also provides higher funding for students with greater educational needs, such as special education and English language learner students.

The MFP is composed of four levels, most of which calculate funding on a per-pupil basis for each of Louisiana’s 69 school districts. Only Level 4, which provides funding for specific programs and services and funding designated for school employee pay raises. Employee pay raise funding varied across New Orleans schools in 2018, but for most schools the State allocated between $650 and $750 per pupil. Beginning in 2019, the State standardized the pay raise amount for New Orleans schools, with all schools receiving $746 per pupil. In 2020, the State increased its pay raise funding by about $150 per pupil.20

New Orleans’ District-Level Computation. New Orleans schools receive about 90% of their local and State funding according to the district-level computation. The district-level computation is essential for New Orleans schools because, for two key reasons, the State MFP formula falls short in meeting schools’ needs in the decentralized system. First, the State formula factors in only one standard weight for special education students, and the weight does not apply to local funding. In practice, schools may spend significantly more educating students with severe disabilities than the amount provided through the State formula. This is because, regardless of the funding schools receive for special education students, they must provide these students with free and appropriate educational services under the federal Individuals with Disabilities Education Act (IDEA). Insufficient funding for special education can require a school to reduce expenditures on other students.

In addition, New Orleans’ autonomous schools lack the scale and flexibility of traditional school districts. State law does not require districts to allocate funding to the schools they directly run according to each school’s on average across all districts.18 However, because of the significant growth in New Orleans’ property values following the 2020 reassessment, State funding for New Orleans schools will fall, regardless of the millage rates levied by the School Board, by an estimated $9.1 million in 2022 – or about $200 per pupil.19

Combined, local and State funding rose from $8,924 per pupil in 2014 to $9,628 in 2018 – a $704 increase. However, inflation cuts the gain to just $172, an indication of how State funding decisions flattened overall growth in school funding.

The district-level computation includes all State funding, except for funding allocated to specific programs and services and funding designated for school employee pay raises. Employee pay raise funding varied across New Orleans schools in 2018, but for most schools the State allocated between $650 and $750 per pupil. Beginning in 2019, the State standardized the pay raise amount for New Orleans schools, with all schools receiving $746 per pupil. In 2020, the State increased its pay raise funding by about $150 per pupil.

In 2018, State funding was $4,288 per pupil – only $32 higher than in 2014.16 Taking inflation into account, it actually declined by $222 per pupil. The formula the Legislature approved for 2020 increased statewide MFP funding by about $140 million, or $206 per pupil.
MFP-weighted enrollment. Instead, districts may fund the schools they directly run as they choose, and they have discretion to send more funding to schools with high concentrations of high-need students. Charter schools, on the other hand, must address their students’ educational needs within their own fixed local and State funding allocations.

To address concerns about special education funding in post-Katrina New Orleans, the RSD implemented a funding formula for its schools in 2006 that included multiple special education weights. Under the RSD formula, students with severe disabilities received much higher funding than they would have under the State formula. In 2015, the Legislature amended charter school funding laws to require a standard formula – or district-level computation – that would allocate State funding based on student needs to schools overseen by the RSD and NOLA Public Schools. This requirement took effect in the 2016-2017 school year. While the district-level computation factors in both local and State funding for the purpose of determining the weighted amounts, students receive the same amount of local funding regardless of their educational needs. The additional dollars for students with greater needs come from the State funding.

Subsequent legislation required the School Board to adopt a policy establishing the process for determining the district-level computation and revising it in future years. Under the School Board’s policy, the NOLA Public Schools’ superintendent determines the district-level computation after obtaining input from various stakeholders and publicly presenting the proposed formula to the School Board.

New Orleans is not alone in using student characteristics like special education to allocate funding to schools across the district. For more than a decade, many large U.S. school districts have allocated a portion of funding to their schools (both district-run and charter) based on student characteristics. And the use of weighted student funding, also known as student-based budgeting, continues to increase. However, recent research finds that there is no standard model for weighted student funding. Districts use their own formulas, which can differ in student categories, weights and percentage of total funding included. Common categories include low-income, low standardized test scores, English language learner and special education. At about 90%, New Orleans directs the highest percentage of funding through its weighted formula. Among other large districts, the percentage ranges from 21% to 50%.

Table 1 shows the projected per-pupil funding amounts for the base and each district-level computation weighted category in 2020. All students receive the base amount, plus the amount associated with any categories for which they qualify. Each category’s per-pupil funding amount equals its weight times the base funding.
amount. Under the district-level computation, schools’ average per-pupil allocations 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 (youth held in either the Orleans Justice Center or the Juvenile Justice Intervention Center) and schools specifically for special education students. Outside of the district-level computation, schools will receive another approximately $880 per pupil in State MFP funding for employee pay raises.

Although funding distributed through the district-level computation follows students to their schools, existing laws and policies do not restrict schools’ flexibility in spending weighted funding. Thus, a school’s expenditure on a student does not have to match the funding the school receives for that student through the district-level computation. This flexibility is necessary because weights cannot perfectly align funding with the costs of each student’s unique needs. In addition, per-pupil costs may vary somewhat among schools because of economies of scale. Federal and State laws require schools to provide specialized services or instruction for special education and English language learner students. They do not make such requirements for students in the district-level computation’s other categories, where needs are less clearly defined.

Both NOLA Public Schools and the Louisiana Department of Education monitor schools’ compliance with special education laws. Despite the additional dollars following special education students to their schools, the district and State continue to find schools failing to follow special education laws and regulations.

The district-level computation is the most powerful local lever for regulating school funding in New Orleans. While State law dictates what State and local funds must be distributed to New Orleans charter schools collectively, the district-level computation creates local flexibility to distribute State funding based on individual schools’ resource needs. However, NOLA Public Schools must carefully craft the formula to equitably support various types of students. It must also thoroughly analyze proposed changes to the district-level computation because any changes to the formula’s weights will have consequences across schools. Weight changes that cause significant funding decreases at certain schools could threaten the schools’ stability and reduce the quality of education they deliver. Large increases in the number of students enrolled in weighted categories could also destabilize funding.

NOLA Public Schools will use the funding formula first implemented in the 2016-2017 school year through the end of the current school year. It will implement a revised formula in the 2020-21 school year. The superintendent began a periodic reevaluation of the formula in early 2019. He convened a working group of charter school representatives and district officials to explore potential changes. The working group committed to analyzing changes based on their responsiveness to student demographics and school needs, as well as their potential impact on funding stability. In particular, it wanted to ensure that formula changes do not result in significant funding decreases for any schools. The working group acknowledged that there is an inherent tension between its guiding principles of responsiveness and stability.

The group also wanted to ensure that the formula maximizes State dollars flowing to New Orleans schools. State revenue included in the district-level computation is based on the MFP formula’s student categories and weights, which are different than those used by the NOLA Public Schools. In order to maximize State funding, the district-level computation should incentivize schools to properly identify and report students in the State’s weighted categories. As an example, the working group observed that New Orleans receives very little State funding through the State’s career and technical education (CTE) weight. Although many schools enroll students in qualifying courses, they aren’t incentivized to report CTE enrollment because the current district-level computation does not include such a weight. If the district-level computation provided weighted funding for CTE, schools would likely improve their reporting in order to access the additional funding. And with schools reporting greater CTE enrollments, the district as a whole would receive more State funding.

NOLA Public Schools analyzed the effect of the working group’s proposed district-level computation changes on base per-pupil funding and on each school’s total...
per-pupil funding under multiple enrollment scenarios. The analyses help avoid adopting changes that would cause sudden significant funding decreases for schools. They also give schools a good idea of how proposed changes could impact their budgets. The superintendent approved new formula categories – including CTE, previously incarcerated or expelled, and an additional tier for English language learners – and weights based on the working groups’ recommendations in fall 2019.

As a result of the 2019 legislative changes discussed on page 19 that reduced the portion of local sales tax revenue dedicated to facilities preservation, NOLA Public Schools has more money available for distribution through the district-level computation this year. Of the estimated $7 million increase, NOLA Public Schools will direct between $2 million and $2.5 million to specialized programming that supports students with specific needs. In particular, the funding will support education for youth in secure care and therapeutic and educational services for students with severe emotional or behavioral issues. NOLA Public Schools contracts with private providers for both specialized programming areas. Educational programming for youth in secure care already receives per-pupil funding through the district-level computation, but the amount has not fully covered costs in recent years. By allocating a portion of core school funding to programs instead of on a per-pupil basis, the approach departs from the traditional district-level computation and puts NOLA Public Schools in uncharted territory. For more detail on the district-level computation, see Appendix E.

Regardless of how NOLA Public Schools structures the district-level computation, proper implementation hinges on accurate enrollment data and correct State and local revenue totals. The Louisiana Department of Education maintains responsibility for calculating the total amount of funding included in the computation, as well as the amount of local funding per pupil. NOLA Public Schools is responsible for executing the complete calculation, which determines base State per-pupil funding plus State funding for each weighted student category. While NOLA Public Schools determined school allocations prior to unification, most charter schools actually received their funding from the Louisiana Department of Education. This changed with unification in 2018. NOLA Public Schools assumed responsibility for distributing local and state funding to all charter schools in the district. District officials say NOLA Public Schools has instituted internal systems to effectively carry out its expanded financial duties. It hired a chief financial officer in 2019, a position it had lacked for several years.

Charter school officials also highlight the importance of receiving informed funding projections from NOLA Public Schools. The district cannot finalize funding allocations until the spring, when the State finalizes mid-year weighted enrollment changes and prior-year local tax revenue figures are official. For this reason, schools’ budgets rely on NOLA Public Schools’ initial projections for per-pupil funding allocations for most of the year. If projections significantly differ from finalized amounts, they could prevent schools from making the most prudent spending decisions throughout the year.

Currently, each New Orleans charter school receives its local and State funding net of a 2% administrative fee charged by NOLA Public Schools. State law allows school districts to charge charter schools an administrative fee of up to 2% to cover the costs of charter authorization, oversight, data collection and analysis, and performance reporting. NOLA Public Schools separately deducts property insurance costs from schools’ local and State funding.

Federal and Other Funding Sources

Nationwide, federal funding accounts for about 8.5% of total public school revenue. Louisiana, with 14.7% of total school revenue coming from federal sources, ranks third, trailing only South Dakota (14.9%) and Mississippi (14.8%). On the other end of the spectrum, Connecticut and New Jersey public schools receive 4.2% of their revenue from federal sources. Some of the largest federal school funding programs target children from economically disadvantaged households. It is not surprising then that Louisiana, where almost one in five residents lives below the poverty level, receives a high percentage of its public school funding from the federal government. In addition, wealthier states like Connecticut and New Jersey tend to allocate more local and state resources to public schools. In New Orleans, where 84% of public school students come from economically disadvantaged households, charter schools’
$82.3 million in federal funding accounted for 15% of their total revenue in 2018.34

In addition to funding focused on programming and support for low-income students, the federal government provides schools funding for students with disabilities, teacher professional development and health services. Federal funding specifically geared towards charter school creation and replication has bolstered many New Orleans charter school budgets in the years since Hurricane Katrina.

The federal government provides much of its K-12 education funding to states based on formulas that consider U.S. Census data for geographic areas – typically parishes or counties – within each state. States then make annual allocations to school districts and charter schools with Local Education Agency (LEA) status. This designation, granted at the state level, gives charter schools greater responsibility for federal grants and certain other activities.35 School districts automatically have LEA status. All actual funding is on a reimbursement basis.

In New Orleans, most charter schools have LEA status. For federal grant funding purposes, NOLA Public Schools serves as the LEA for the few New Orleans charter schools without LEA status, as well as any schools it may directly operate and private New Orleans schools. NOLA Public Schools, like any other traditional school district, has broad discretion in how it divides its federal grant allocations among the public schools in its LEA. It does not have such discretion in regard to private schools.

A parish’s federal formula grant allocations remain stable from year to year unless there is a change in its U.S. Census data. New Orleans’ post-Katrina transition to a decentralized system did not impact its total funding from federal formula grants. Appendix F provides a more detailed discussion of federal funding. The sidebar highlights significant national-level issues with the federal government’s two largest K-12 education grant programs.

Revenue for charter schools from non-public sources totaled $21.5 million, or 4% of their total funding in 2018. These include self-generated revenues, invest-

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**NATIONAL ISSUES WITH FEDERAL FORMULA GRANTS**

In discussing federal K-12 education funding, this report focuses on ways that rules and procedures for funding allocation may uniquely affect New Orleans schools. And while a comprehensive analysis of federal grant formulas and funding sufficiency is beyond the scope of this report, it is important to acknowledge the existence of national federal funding concerns that have consequences for New Orleans schools.

Title I, which provides schools additional support for at-risk students, is the largest federal education formula grant. A 2019 congressionally mandated report on Title I found that about 25 million children receive Title I funded services but only 11.6 million children nationwide are counted as eligible in the grant formula (because of poverty or other risk factors). This results from the grant’s rule allowing schools enrolling at least 40% of students from low-income families to run schoolwide Title I programs that serve all students. The report also noted various ways Title I formulas create allocation disparities between states. For example, because Title I formulas include a guaranteed minimum allocation, states with small populations tend to receive the highest allocation per formula-eligible (low-income) child. While total Title I allocation per formula-eligible child in the country was $1,227 in 2015, Vermont’s allocation per formula-eligible child was $2,590. Louisiana’s was $1,310.*

The Individuals with Disabilities Education Act (IDEA) assumed that providing free and appropriate public education to children with disabilities requires twice the average national per pupil expenditure, and aimed to cover 40% of the additional expense. However, since 1981, when 40% first became the target for “full coverage,” the actual amount of federal IDEA funding has never approached this level. Nationwide in 2015, the average federal cost share per IDEA eligible student was about 16%, down from a peak of about 18% in 2005. Louisiana received $186.4 million in IDEA funding in 2015 although full coverage would have required $465.5 million.**


Private donations to New Orleans charter schools totaled $9.7 million in 2018, or about $210 per pupil. However, the significance of private donations to individual school funding varies greatly. While donations accounted for less than 2% of revenue at the vast majority of schools, donations exceeded 10% of revenue at seven schools. Private donations for New Orleans public schools reached almost $700 per pupil in 2007, and stood at just under $400 in 2013.36

Financial Oversight and Regulations on Charter Schools’ Use of Revenue

While this report does not analyze charter school expenditures, it is important to clarify that the revenues they receive come with certain public transparency and accountability requirements. The most significant ones include:

- **70% Requirement.** The State provides most MFP funding as an unrestricted block grant. However, for accountability, it requires that 70% of districts’ and charter schools’ general fund expenditures go towards instruction and school-based administration. The State grants waivers of this requirement to districts and schools that earn performance scores above the statewide average. Districts and independent LEA charter schools that do not meet the 70% requirement must submit corrective plans of action to the State that detail the changes they will make in order to meet the 70% rule. In 2018, 73% of New Orleans independent LEA charter schools met the requirement.37 NOLA Public Schools, including its district-run schools and charter schools without independent LEA status, did not meet the threshold but received a waiver. Charter schools not meeting the requirement often commit to reducing non-instructional expenditures by outsourcing certain services, renegotiating contracts, or creating economies of scale by partnering with other schools in their charter network.38

- **Audit of Expenditures of Dedicated Taxes.** Charter schools, like districts, must comply with all local tax dedications. They can only expend revenue from dedicated taxes on purposes included in the dedication. Compliance with tax dedications does not present a major challenge for New Orleans charter schools because their costs for each purpose typically exceed the dedicated tax’s revenue. Since unification, NOLA Public Schools has created a special audit that verifies schools’ usage of dedicated tax revenue.

- **Annual Financial Audit.** The State requires various financial reports from charter schools. Charter schools must engage the services of a certified public accountant each year to perform an audit. In addition, they must submit sworn annual financial statements, prepared in accordance with generally accepted accounting principles, to the State’s Legislative Auditor.39 Each school’s annual financial audit is available on the Legislative Auditor’s website.

- **Financial Reporting to State.** BESE requires all charter schools with independent LEA status to produce detailed breakdowns of revenue sources and expenditures. These annual financial reports are available on the Department of Education website.40

- **Budget Preparation.** Louisiana’s Local Government Budget Act applies to charter schools, requiring them to annually prepare and adopt comprehensive budgets according to the act’s public process and other specifications.41

- **Financial Performance Oversight.** NOLA Public Schools requires charter schools to submit quarterly financial reports and includes financial expectations for charter schools in its Charter School Accountability Framework. In addition, NOLA Public Schools’ framework expects schools to receive an unqualified, or “clean,” audit opinion on their annual financial statements.

To demonstrate near-term fiscal health, a charter school’s total debt cannot exceed 90% of
Its total assets, nor can a school be in default of loan covenants or delinquent in debt service payments. To demonstrate long-term financial stability, schools must maintain minimum reserve levels. These increase with the school’s years in operation, from an amount equivalent to at least 2% of total expenditures for a school in the first year of operation to at least 10% for a school in operation for more than five years. Maintaining adequate reserves is critical for sustaining programming in the event of emergency expenditures or revenue shortfalls. It also allows schools to fund federal grant expenditures prior to reimbursement.

NOLA Public Schools engages in dialogue with schools not initially meeting the accountability framework’s expectations. This dialogue may include examining additional financial metrics.\(^4^2\)

- **Return of Public Assets.** When a charter school closes, State law requires it to return any remaining public funding, and assets purchased with public funding, to the local school district.\(^4^3\) According to NOLA Public Schools, it manages this on a case-by-case basis with each school closure.

- **Federal Grant Compliance.** Each federal grant has its own set of rules, and grant programs only reimburse schools for eligible expenses. The federal government may also audit grant expenditures and require repayment if the audit uncovers misuse of grant funding.

**Improving New Orleans Charter School Funding**

Overall, Louisiana has developed an effective set of laws to direct local and State funding to serve students attending New Orleans charter schools. The additional layer of New Orleans’ district-level computation further aligns funding allocations with students’ varying educational needs. ... However, BGR’s research revealed several areas of concern:

- The district has limited data on additional service costs and school expenditures for students in weighted funding categories.
- Some federal grants poorly allocate resources in New Orleans’ decentralized charter school system.
- Medicaid reimbursements for New Orleans schools are low.
- Charter schools may leave behind federal funding from previous years when they become independent LEAs.
- Current laws do not provide for adequate regulation of closing charter schools’ use of public funding.
- NOLA Public Schools has not clearly defined how it allocates excess local tax revenue to schools.

**Limited Data Guiding the District-Level Computation.** A comprehensive analysis of required special education service costs performed by the RSD several years ago informed the existing district-level computation. However, NOLA Public Schools has not updated the analysis and costs may have changed. In addition, the
Although per-pupil service costs are likely to vary somewhat across schools because of economies of scale, a periodic, systematic assessment of costs would help the formula align funding with need.

District-level computation did not have a similar study to support the weights for the other categories. Although per-pupil service costs are likely to vary somewhat across schools because of economies of scale, a periodic, systematic assessment of costs would help the formula align funding with need.

NOLA Public Schools’ district-level computation policy does not require schools to track spending on students in weighted categories. Without knowing how much schools spend on students in weighted categories, and the nature of the expenditures, it is difficult to understand whether schools’ expenditures align with the weighted funding they receive and with estimated costs of additional supports for students in weighted categories. This information is also important for analyzing how schools respond to funding formula changes.

Federal Funding Disparities. The federal government calculates formula grant allocations for geographic areas, such as parishes, that usually share boundaries with school districts, but not for individual schools. This complicates allocations in Louisiana, which has 69 school districts, but about 200 LEAs – many of which are New Orleans charter schools. Where multiple LEAs exist, such as New Orleans, the State must provide each with a share of the parish’s total allocation in accordance with federal regulations.

Individuals with Disabilities Education Act (IDEA) funding is probably the best example of a federal grant allocation’s misalignment with the needs of New Orleans’ all-charter district. Schools must spend IDEA funds on eligible services for children with disabilities, but IDEA allocations for independent LEA charter schools are based largely on total enrollment. Schools with similar total enrollments, and therefore similar IDEA allocations, may have greatly varying numbers of students with disabilities. This contrasts with a traditional district that directly runs most of its schools, where the administration can allocate IDEA funding according to schools’ special education enrollment.

New Orleans charter schools with at least 5% of their students qualifying for special education services had IDEA allocations that ranged from $703 to $3,971 per special education student in the 2017-18 school year. Because of student privacy laws, the State does not report actual special education enrollment percentages for schools with less than 5% of students qualifying for special education. However, in New Orleans, these few schools received some of the highest IDEA allocations, ranging from $2,700 to $4,200 per special education student, assuming 5% special education enrollment. If 2.5% is assumed, these schools’ allocations would have ranged from $5,400 to $8,400 per special education student.
NOLA Public Schools also receives a share of New Orleans’ IDEA funding. Its allocation is largely based on the total enrollment of New Orleans public schools without LEA status and participating New Orleans private schools. Because of the large enrollment at participating private schools – about 17,300 students in 2018 – NOLA Public Schools receives a substantial share of overall funding. Just as with public schools, the district must use the private share of its IDEA funding for private school special education students, of which there were only 462 in 2018. As a result, its total IDEA allocation equaled $3,113 per special education student.

The wide range in IDEA funding illustrates the unequal outcomes the grant allocation method produces in New Orleans’ non-traditional school system. Chart F shows a tendency toward decreasing funding for eligible students as a school’s special education enrollment percentage increases. While economies of scale might reduce special education costs per pupil in some cases, it is questionable that they completely justify the disparities in current IDEA funding.

**Missed Opportunity for Medicaid Reimbursement.** Federal dollars flow to public schools through Medicaid to support schools’ provision of health and behavioral health services to eligible students. And although all LEAs in Louisiana can become school-based Medicaid providers, not all New Orleans charters with LEA status participate in the program. Medicaid reimbursements across all schools, were lower in New Orleans than in St. Tammany’s smaller and wealthier district: $2.4 million versus $2.7 million. If New Orleans schools achieved the same reimbursements per program-eligible child as St. Tammany, BGR estimates that their collective Medicaid payments would double, increasing by about $2.5 million. Payments could grow even more if New Orleans schools utilized the program to its full extent.

Most charter schools in New Orleans have high percentages of Medicaid-eligible students. For these schools, Medicaid reimbursements can pay for substantial portions of school nurse and licensed psychologist salaries. And as school employees, these professionals can serve the entire school population, regardless of Medicaid status. Medicaid also reimburses schools for occupational, physical and speech therapy services they provide to eligible students. While schools must use local and State funding for the required Medicaid match, the program allows them to leverage this funding and reduce expenditure of local and State dollars on services required for special education students.

New Orleans’ lower payments compared to St. Tam-
many indicate that, overall, schools are either providing fewer eligible services, not properly billing for all the services they do provide, or a combination of both. While some New Orleans schools may run strong Medicaid programs, single-site charter schools tend to struggle to make the program cost effective. Local educators point to complex and time-consuming reporting requirements as an impediment to program participation. Charter schools could likely increase their Medicaid funding, and the level of health services they can provide students, by:

- Ensuring that the individual education plans they must create for students with disabilities include all support services necessary for them to achieve their full educational potential.

- Improving documentation of reimbursement-eligible services provided and Medicaid billing processes.

- Ensuring that all billed services are performed by properly licensed medical or behavioral health professionals, as defined by Medicaid rules.

- Using only local and State funding to pay service provider salaries, thus meeting Medicaid funding match requirements.

The State has submitted proposed amendments to the federal government that will expand the services eligible for reimbursement through the school Medicaid program. It expects approval soon. Policymakers could complement this effort by ensuring that schools have the technology, tools and training they need to navigate program requirements and reimbursement processes and efficiently manage required documentation.

Limited Ability to Regulate the Use of Public Funds When Schools Close. State law requires charter schools to return any remaining public assets to the local district when they close, but it does not prevent closing schools from making unnecessary expenditures to exhaust their resources. In addition, schools that are part of a multi-school charter management organization can shift remaining funding to other schools in the network or the organization’s central office. These actions could prevent NOLA Public Schools from recouping public dollars from closed schools’ reserves. Currently, the autonomy provided to charter operators under State law does not allow the district to regulate schools’ expenditures or financial management prior to closing.

No Formal Policy on Allocation of Excess Local Revenue to Schools. Under State law, NOLA Public Schools must distribute any excess local tax revenue remaining at the end of the year to charter schools under its jurisdiction. However, the law does not specify processes for allocating the revenue among schools, and NOLA Public Schools has not adopted a policy governing excess revenue allocation. In 2017, for example, the district distributed some excess revenue to a few BESE charter schools that are not otherwise locally funded. This reduced excess revenue allocations to schools that are dependent on local funding.
**NOLA PUBLIC SCHOOLS FUNDING**

As shown earlier, NOLA Public Schools receives only about one-tenth of New Orleans’ total K-12 public education revenue. But this revenue is essential to system planning, management and oversight. And while it may be impossible to pinpoint the optimal amount of funding for NOLA Public Schools’ unique role, how the district allocates its slice of the pie is critical to fulfilling its systemwide responsibilities, addressing citywide priorities and improving the system’s overall performance.

The report now turns to a discussion of NOLA Public Schools’ funding. It begins with an overview of the district’s core responsibilities. BGR follows this with a breakdown of NOLA Public Schools’ recurring revenue sources and a detailed look at its funding reserves. It then presents a snapshot of district-level expenditures before and after unification and applicable financial reporting requirements. BGR concludes the section by identifying areas of risk and concern in current central management funding policies and practices.

**NOLA Public Schools’ Core Responsibilities in the Unified District**

Since unification, NOLA Public Schools has assumed all of the RSD’s responsibilities for managing New Orleans’ K-12 public education system.51 Responsibilities the RSD performed prior to unification included:

- Charter authorization and oversight (shared with NOLA Public Schools)
- Operation of the centralized enrollment process\(^2\)
- Operation of citywide programs and services for at-risk youth and students with severe emotional and behavioral issues
- Capital investment in school facilities (shared with NOLA Public Schools)

Although it currently manages an all-charter district, NOLA Public Schools retains several duties of a typical school district. It must perform certain education responsibilities for all New Orleans children. In addition, NOLA Public Schools has certain special education and grant administration responsibilities for charter schools that do not have independent LEA status. Table 2 provides an overview of NOLA Public Schools’ responsibilities. In addition to its core responsibilities, NOLA Public Schools operates or funds various programs and initiatives to support schools and students. Appendix G discusses NOLA Public Schools’ responsibilities in more depth.

**NOLA Public Schools Recurring Revenue Sources and Allocation**

BGR estimates that in 2020, the first year without any district-run schools, NOLA Public Schools will receive $73.2 million, about 11% of total New Orleans K-12 public education revenue. Chart G shows the breakdown of NOLA Public Schools’ recurring revenue by individual fund. BGR analyzed NOLA Public Schools’ projected 2020 revenues because they are the most recent budget figures available. The figures exclude nonrecurring revenue, funding NOLA Public Schools passes through to charter schools and funding obligated to services for private schools.

While most funds receive revenue from a single source, NOLA Public Schools’ General Fund depends on multiple revenue streams. Chart H provides an overview of NOLA Public Schools’ sources of General Fund revenue.

NOLA Public Schools has significant discretion in its use of some General Fund revenues. This contrasts with its other funds, where revenue is largely restricted to particular uses defined by grant rules (funds for managing federal grants, including school meals) or State law (Facilities Preservation Fund and Systemwide Needs Funds). Appendix H includes a more detailed discussion of revenue streams that NOLA Public Schools manages in funds other than its General Fund.

Since unification, NOLA Public Schools’ largest source of General Fund revenue comes from the 2% adminis-
Administrative fee State law allows districts to charge charter schools on their local and State funding. In an all-charter system, the majority of district expenditures support charter school administrative overhead and oversight, and thus they are permissible uses of fee revenue under the law. As Table 3 shows, NOLA Public Schools uses administrative fee revenue for several areas related to charter oversight and system management.

If NOLA Public Schools directly operates schools, it receives local and State per-pupil funding through the district-level computation based on the schools’ enrollment. State law does not require NOLA Public Schools to allocate this funding to individual district-run schools according to their weighted enrollment counts. However, the district maintains that since fiscal year 2018 it has funded any schools it directly operates the same way as charter schools: each school’s local and State allocation is determined by its enrollment and

the district-level computation’s weights. NOLA Public Schools also retains 2% of district-run schools’ allocations for central office administrative costs related to the schools’ operation.

Even if NOLA Public Schools doesn’t directly run any schools, as was the case during the 2019-20 school year, it continues to receive per-pupil allocations of local and State funding for students in secure care and special education preschool children served by its Exceptional Children’s Services department. Like funding for charter schools, NOLA Public Schools calculates these amounts using the district-level computation.

NOLA Public Schools is not obligated to spend its entire district-level computation allocation on those students if it can provide appropriate educational services at a lower cost. However, it appears to spend the full amount on students in secure care. In fact, in the last

| TABLE 2. WHO IS RESPONSIBLE FOR WHAT IN NEW ORLEANS’ PUBLIC SCHOOLS |
|-----------------|-------------------------------|----------------------------------|
| Function        | Charter Schools               | NOLA Public Schools              |
| School administration | Fully responsible at the school level. Includes responsibility for school staffing, budgets and finance, calendars and schedules, curriculum, special education, student transportation and extracurricular programs | Charter authorization and oversight, and full responsibility for any district-operated schools |
| Centralized enrollment process (EnrollNOLA) | Participation required* | System administration |
| System governance, planning and administration | None required, although schools may participate in advisory groups convened by NOLA Public Schools | All such functions, including demographic analysis and hiring superintendent, Systemwide Needs Fund, Truancy Center and other student/school support programs and initiatives, Citywide Exceptional Needs Fund |
| Financial management | School-level financial management and contracting | Taxing and bonding authority, system financial management, developing the district-level computation, distributing local and State funding to schools |
| Geographic LEA responsibilities | None | Educating youth in secure care, special education screenings and services for children who have not started kindergarten,** special education screening for private school students, administering federal grants for private schools |
| School-based LEA responsibilities | Administration of federal grants and special education services, if charter school has independent LEA status | Administration of federal grants and special education services for schools without independent LEA status |
| Facilities | Day-to-day upkeep and operations of district buildings leased from the School Board, ownership of facilities they acquire with private funds | Ownership of almost all facilities and responsibility for their long-term capital investment, preservation and insurance |

* Four charter schools authorized by NOLA Public Schools do not participate in EnrollNOLA’s OneApp process. However, upon renewal of their charters in 2021, these schools must participate.

** Charter schools with independent LEA status are responsible for special education screening and services for any pre-kindergarten students they enroll.
three years, these funds have fallen short of the district’s budgeted expenditures for its schools at the Juvenile Justice Intervention Center, the juvenile detention center operated by the City, and the Orleans Justice Center, the adult jail operated by the Orleans Parish Sheriff. It made up the difference with General Fund reserves. The district does not run these schools directly, but instead contracts with the private, nonprofit Center for Educational Excellence in Alternative Settings.55

It is hard to follow local and State per-pupil funding for special education preschool children because NOLA Public Schools does not prepare a budget specifically for the services it provides these children. District officials acknowledge that the funding they receive for preschool children with mild disabilities more than covers the costs of services provided to these children, and that NOLA Public Schools has used some of the funding to cover a portion of its expenditures on citywide special education identification and screening.

Beginning in 2020, an additional $2 million to $2.5 million of local per-pupil funding will flow annually to NOLA Public Schools to support specialized programming for high-need students, as discussed on page 26.

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CHART G. BREAKDOWN OF $73.2 MILLION IN PROJECTED NOLA PUBLIC SCHOOLS RECURRING REVENUE
Fiscal Year 2020 ($ in millions)

CHART H. PROJECTED RECURRING REVENUE FOR NOLA PUBLIC SCHOOLS’ GENERAL FUND
Fiscal Year 2020 ($ in millions)

BGR calculations based on NOLA Public Schools’ fiscal year 2020 consolidated budget and BGR estimates of local tax revenue for the Systemwide Needs Fund and General Fund specialized programming.
TABLE 3. NOLA PUBLIC SCHOOLS’ PROJECTED USE OF CHARTER SCHOOL ADMINISTRATIVE FEE REVENUE
Fiscal Year 2020 ($ in millions)

<table>
<thead>
<tr>
<th>Uses of Fee Revenue (by department)</th>
<th>Fee Amount Used</th>
<th>% of Total Fee</th>
<th>Total Department Expenses</th>
<th>% of Expenses Covered by Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment Systems</td>
<td>$1.3</td>
<td>14%</td>
<td>$2.1</td>
<td>62%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$1.2</td>
<td>13%</td>
<td>$1.2</td>
<td>100%</td>
</tr>
<tr>
<td>Legal</td>
<td>$1.2</td>
<td>13%</td>
<td>$1.2</td>
<td>100%</td>
</tr>
<tr>
<td>School Support and Improvement</td>
<td>$1.0</td>
<td>11%</td>
<td>$4.0</td>
<td>25%</td>
</tr>
<tr>
<td>Charter School Innovation and Accountability</td>
<td>$0.9</td>
<td>10%</td>
<td>$1.4</td>
<td>64%</td>
</tr>
<tr>
<td>Finance</td>
<td>$0.9</td>
<td>10%</td>
<td>$1.8</td>
<td>50%</td>
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<tr>
<td>Administrative Office</td>
<td>$0.7</td>
<td>8%</td>
<td>$1.1</td>
<td>64%</td>
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<td>Human Resources</td>
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<td>$0.8</td>
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</tr>
<tr>
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<td>4%</td>
<td>$0.4</td>
<td>100%</td>
</tr>
<tr>
<td>Assistant Superintendent</td>
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<td>4%</td>
<td>$0.5</td>
<td>80%</td>
</tr>
<tr>
<td>Board-Related Expenses</td>
<td>$0.3</td>
<td>3%</td>
<td>$0.3</td>
<td>100%</td>
</tr>
<tr>
<td>School Choice Advisement</td>
<td>$0.2</td>
<td>2%</td>
<td>$0.9</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9.1</strong></td>
<td><strong>100%</strong></td>
<td><strong>$15.7</strong></td>
<td><strong>58%</strong></td>
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</tbody>
</table>

Source: NOLA Public Schools Fiscal Year 2020 Consolidated Budget. Numbers may not add up due to rounding.
NOLA Public Schools’ role in administering federal grant funding and special education services has diminished significantly since the passage of Act 91 in 2016. The act, mainly known for ushering in unification, also allowed district-authorized charter schools to take control of those functions from NOLA Public Schools by acting as their own local education agency (LEA). All RSD charters began with independent LEA status and retained it when they returned to NOLA Public Schools. The number of charter schools in NOLA Public Schools’ LEA fell from 17 in 2017 to seven in 2018 as several opted to become independent LEAs. Today it includes eight charter schools, including two that converted from district-operated schools at the end of the 2018-19 school year.

Charter schools may choose to be in NOLA Public Schools’ LEA because their small scale makes it difficult to provide certain services in-house. Some charters also say they benefit from NOLA Public Schools’ years of experience providing LEA services.

Beginning in 2018, NOLA Public Schools instituted a fee for the schools in its LEA to cover the costs of the additional services it provides these schools. Prior to implementation of the fee, it used general revenues, including local and State funding for its district-run schools, and applicable grant funding to make up the difference. NOLA Public Schools’ annual contract with the schools in its LEA currently limits the maximum allowed fee to 5% of the schools’ local and State funding.

As the number of schools in the district LEA dwindles, NOLA Public Schools may face budget pressure to offset the increasing cost per school with higher fees. Many schools say 5% is the highest rate their budgets can bear. NOLA Public Schools officials say they are modeling effects of schools leaving – at least two will exit next school year – and analyzing possible budgetary responses. They also say that the district is not obligated to serve as LEA for any charter schools, but they recognize the value of NOLA Public Schools’ LEA services in supporting schools that are not part of established charter networks.
As Table 4 shows, the $35.6 million NOLA Public Schools plans to spend from its General Fund on the unified system in 2020 represents a 4% increase from what the two districts spent the last year of the dual system. Additional expenditures on programs for students with severe emotional and behavioral issues account for part of the increase. State-funded pay raises for district employees also contributed to higher expenditures in 2020.

As expected, NOLA Public Schools’ General Fund expenditures rose significantly after unification, when it assumed oversight of the RSD’s 38 New Orleans charter schools and took over operation of systemwide enrollment and other programs previously run by the RSD. A large portion of the $12.7 million increase in expenditures is covered by charter school administrative fees, property insurance reimbursements and Harrah’s funding that used to go to the RSD. Another $2 million is sales tax revenue redirected from facilities preservation to support specialized programming for high-need students. Both NOLA Public Schools’ 2018 and 2020 budgets relied on nearly $2.5 million in non-recurring revenue.

Table 5 provides a more detailed look at changes in NOLA Public Schools’ General Fund expenditures, as well as central office staffing. While NOLA Public Schools’ expenditures on most functional areas increased between 2018 and 2020, certain areas saw especially large growth. School and student support expenditures more than tripled, and enrollment and planning expenditures doubled. The district’s central office grew by 66%, driven mainly by growth in staff dedicated to these same two areas. Although NOLA Public Schools paid for a portion of enrollment system costs prior to unification, RSD staff operated the system and handled enrollment support activities.

Since unification, NOLA Public Schools has broadened the scope of its charter school oversight. It not only monitors school performance and compliance, but also has implemented measures to support schools. It has expanded training for charter school board members, offered training to charter school staff and worked on improvement plans with schools in jeopardy of losing their charters due to poor performance. At the same time, NOLA Public Schools is investing more resources in initiatives that support special education students, at-risk students and improved student attendance.

Beginning this year, and outside of its General Fund, NOLA Public Schools will manage New Orleans’ newly created Systemwide Needs Fund. While the fund can make grants to organizations for implementing programs that address high-priority areas, State law restricts NOLA Public Schools from using the fund’s revenue to pay its own staff and operating expenses. By creating the Systemwide Needs Fund, which was backed by NOLA Public Schools, the State Legislature viewed additional centrally-managed resources as necessary for system success. With this new responsibility, NOLA Public Schools’ functions have grown beyond those shared by New Orleans’ two school districts prior to unification.

However, it is still uncertain if NOLA Public Schools’ central management responsibilities – which largely mirror the responsibilities that it and the RSD performed prior to unification – adequately address the needs of New Orleans’ unique system. NOLA Public Schools did not assume any core responsibilities from charter schools as a result of unification. While the Systemwide Needs Fund will provide resources for some emerging central functions, there may be additional responsibilities, currently left to individual schools, which NOLA Public Schools could more effectively

### TABLE 4. NOLA PUBLIC SCHOOLS GENERAL FUND AND RSD NEW ORLEANS EXPENDITURES ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2020</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOLA Public Schools General Fund</td>
<td>$22.9</td>
<td>$35.6</td>
<td>$12.7</td>
<td>56%</td>
</tr>
<tr>
<td>RSD New Orleans Operations</td>
<td>$11.5</td>
<td>$0.0</td>
<td>-$11.5</td>
<td>-100%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$34.3</td>
<td>$35.6</td>
<td>$1.3</td>
<td>4%</td>
</tr>
</tbody>
</table>

BGR calculations based on NOLA Public Schools’ final fiscal year 2018 budget, its adopted fiscal year 2020 budget, data provided by the Louisiana Department of Education and BGR’s estimate of 2018 RSD property insurance costs. Numbers may not add up due to rounding.
perform. Some citizens, for example, have questioned whether a greater role for the district in transportation management could reduce the recent problems with school bus safety.

**Managing General Fund Reserves**

In addition to its recurring revenue sources, NOLA Public Schools may use one-time revenue, like the Harrah’s reserves it plans on using in 2020, to cover its expenditures. Nonrecurring revenue sources could include legal settlements, FEMA funds and insurance proceeds. NOLA Public Schools cannot count on these revenue sources from year to year and, as a result, should not depend on them for recurring expenses. Best practices advise that governments use recurring revenue to cover recurring expenditures.\(^{62}\) Some nonrecurring revenue, such as FEMA reimbursements, is dedicated to capital projects. However, NOLA Public Schools has one nonrecurring resource that is a known quantity every year: its General Fund reserves, known as the fund balance.

At the beginning of fiscal year 2020, NOLA Public Schools had a General Fund balance of $57.5 million. Much of that balance accumulated post-Katrina when the district was still receiving local tax revenue but had few students, teachers or open schools. One-time Katrina-related federal grants and insurance settlements also helped grow the balance, but the School Board later appropriated considerable portions of this funding for capital projects and for insurance settlements with the RSD. A decade later, NOLA Public Schools’ settlement related to the 2010 BP oil spill injected $20 million into the fund balance. Chart J shows NOLA Public Schools’ fund balance from 2001 through 2019. After factoring in inflation and student enrollment, the fund balance levels in 2001 and 2019 were about $1,200 and $1,300 per pupil, respectively.

NOLA Public Schools’ General Fund balance policy divides the total balance into three different reserves, and restricts when and how the district can tap each.\(^{63}\) The Emergency Reserve base is the largest of the three. It must equal at least 15% of gross annual property and sales taxes, about $48.2 million as of June 30, 2019. Maintaining the balance at this level ensures that in the event of an emergency, NOLA Public Schools, as the system’s financial steward, can continue funding schools’ local revenue allocations for about two months.\(^{64}\) This aligns with national recommendations for a general reserve.\(^{65}\) This level also allows NOLA Public Schools to secure loans to advance local tax revenue to schools prior to collection and maintain a superior credit rating.\(^{66}\) If the Emergency Reserve falls

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**TABLE 5. NOLA PUBLIC SCHOOLS GENERAL FUND BUDGET, PRE- AND POST-UNIFICATION**

($) in millions

<table>
<thead>
<tr>
<th>Expenditure Personnel*</th>
<th>2018</th>
<th>2020</th>
<th>% change</th>
<th>2018</th>
<th>2020</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>School &amp; Student Support</td>
<td>$2.1</td>
<td>$6.9</td>
<td>223%</td>
<td>3.6</td>
<td>25.0</td>
<td>604%</td>
</tr>
<tr>
<td>Enrollment (EnrollNOLA and Planning)</td>
<td>$1.5</td>
<td>$3.0</td>
<td>101%</td>
<td>3.0</td>
<td>24.5</td>
<td>71%</td>
</tr>
<tr>
<td>Property &amp; Other Insurance</td>
<td>$3.7</td>
<td>$6.9</td>
<td>85%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Schools for Youth in Secure Care</td>
<td>$2.0</td>
<td>$3.0</td>
<td>52%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Charter School Authorization &amp; Oversight</td>
<td>$1.2</td>
<td>$1.8</td>
<td>51%</td>
<td>8.0</td>
<td>11.0</td>
<td>38%</td>
</tr>
<tr>
<td>Administration &amp; Operations</td>
<td>$4.1</td>
<td>$5.9</td>
<td>41%</td>
<td>19.1</td>
<td>20.6</td>
<td>8%</td>
</tr>
<tr>
<td>Systemwide Special Education Responsibilities</td>
<td>$2.3</td>
<td>$3.2</td>
<td>38%</td>
<td>22.1</td>
<td>29.9</td>
<td>36%</td>
</tr>
<tr>
<td>Finance</td>
<td>$1.4</td>
<td>$1.8</td>
<td>23%</td>
<td>11.0</td>
<td>12.0</td>
<td>9%</td>
</tr>
<tr>
<td>Offices of Superintendent &amp; Assistant Superintendent</td>
<td>$0.8</td>
<td>$0.9</td>
<td>18%</td>
<td>3.0</td>
<td>3.0</td>
<td>0%</td>
</tr>
<tr>
<td>Retiree Health Insurance</td>
<td>$1.9</td>
<td>$1.5</td>
<td>-20%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Communications &amp; Stakeholder Engagement</td>
<td>$1.1</td>
<td>$0.7</td>
<td>-36%</td>
<td>6.8</td>
<td>4.0</td>
<td>-41%</td>
</tr>
<tr>
<td>District-Run School Supports Office**</td>
<td>$0.6</td>
<td>$0.0</td>
<td>-100%</td>
<td>2.0</td>
<td>0.0</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.9</strong></td>
<td><strong>35.6</strong></td>
<td><strong>56%</strong></td>
<td><strong>78.5</strong></td>
<td><strong>129.9</strong></td>
<td><strong>66%</strong></td>
</tr>
</tbody>
</table>

Numbers may not add up due to rounding.

* Full-time equivalents supported by NOLA Public Schools’ General Fund Budget.

** Small portions of Administration and Operations and Finance expenditures also supported district-run schools in 2018.
below the threshold, NOLA Public Schools transfers funds from the other two reserves to bring the Emergency Reserve up to the 15% requirement. The School Board cannot appropriate money from the Emergency Reserve unless there is an actual emergency, such as a natural disaster, war, terrorist attack, civil disorder or complete destruction of a school facility.

The remainder of the fund balance is divided between the District-Operated School Reserve and the Systemwide Reserve. If there are district-run schools, the District-Operated School Reserve maintains a balance equal to 12.5% of the total operating budget of the schools. Appropriations from this reserve only support expenditures for district-operated schools. In the current absence of direct-run schools, this balance is zero.

The Systemwide Reserve does not have a balance requirement or a goal under NOLA Public Schools’ policy. Essentially, it is residual uncommitted money that may be appropriated in the case of a range of unforeseen or exceptional circumstances. If the exceptional circumstance results in charter schools receiving less funding than reasonably anticipated, they are eligible for appropriations from the Systemwide Reserve, but must repay appropriations within five years.

Table 6 shows the breakdown of NOLA Public Schools’ General Fund balance at the close of the most recent fiscal year. As of July 1, 2019, the start of the current fiscal year, NOLA Public Schools transferred the balance of the District-Operated School Reserve to the Systemwide Reserve because it would not be directly operating any schools.

As Chart K shows, NOLA Public Schools has drawn on its reserves multiple times during the past few years. Fund balance appropriations supported schools for youth in secure care, despite best practice recommendations that reserves should not fund recurring expenditures. NOLA Public Schools also used fund balance to plug annual gaps in district-operated school budgets. While NOLA Public Schools’ fund balance policy calls for district-operated schools to repay reserve expenditures within three years, no schools have actually done

### Table 6. Breakdown of NOLA Public Schools’ General Fund Balance as of June 30, 2019

<table>
<thead>
<tr>
<th>Fund Balance Component</th>
<th>Amount as of June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Reserve</td>
<td>$48.2</td>
</tr>
<tr>
<td>District-Operated School Reserve*</td>
<td>$1.5</td>
</tr>
<tr>
<td>Systemwide Reserve</td>
<td>$7.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$57.5</strong></td>
</tr>
</tbody>
</table>

* Balance in the District-Operated School Reserve transferred to the System Operated Reserve as of July 1, 2019

NOLA Public Schools’ fiscal year 2019 audit report does not break down the General Fund balance into the three reserves. NOLA Public Schools provided BGR with the figures shown in the chart.
this. In 2019, the School Board committed $5 million from the fund balance to establish a transition fund for NOLA Public School’s last district-run school. The fund provided additional revenue for the school’s budget during its final year under district operation and will continue to provide budget support during its first two years under charter operation. BGR notes that NOLA Public School’s annual financial report does not present information about the transition fund. In March 2020, the School Board authorized $5 million from the Systemwide Reserve for expenditures related to the COVID-19 emergency.

With the vast majority of New Orleans K-12 public education funding now going to charter schools, NOLA Public Schools has limited opportunities to replenish its General Fund balance. If tax revenues continue to increase, the Emergency Reserve must grow in order to maintain the required level. Growing the Emergency Reserve will likely reduce the Systemwide Reserve.

Financial Reporting Requirements for NOLA Public Schools

NOLA Public Schools must adhere to many of the same financial reporting requirements applicable to charter schools, as discussed earlier. A certified public accountant must perform an annual audit of its financial statements, and NOLA Public Schools must submit the audited financial statements to the Legislative Auditor. NOLA Public Schools also prepares a detailed annual financial report for the State and an annual budget subject to the rules of the State’s Local Government Budget Act.

State laws require certain additional financial reporting from NOLA Public Schools. Like all charter authorizers, it must annually report projected and actual charter school administrative fee revenue and expenditures to school operators. The legislation governing New Orleans’ school facilities preservation program requires NOLA Public Schools to prepare and present a report each year that includes the use and balance of the Facilities Preservation Fund. State law also requires NOLA Public Schools’ superintendent to present an annual report on the new Systemwide Needs Fund, including fund expenditures.

Improving Funding for System Oversight and Management

Through unification and other legislative and policy changes, NOLA Public Schools has solidified its position as the central system manager for New Orleans K-12 public education and expanded the funding it controls. As shown above, NOLA Public Schools exercises varying degrees of discretion over several of its largest revenue sources. Its revenue allocation decisions affect system management, program availability and citywide...
service provision. NOLA Public Schools controls its General Fund balance, the financial reserve for the entire system and the only significant resource available to address emergency systemwide needs.

BGR’s review of the district’s funding sources did not focus on the question of the adequacy of NOLA Public Schools funding. Rather, BGR examined NOLA Public Schools’ stewardship of system resources, transparency and its access to appropriate funding sources to meet its diverse responsibilities. BGR’s review raises three areas of concern:

- Current policies may not sustain the General Fund balance in the long term.
- Financial reporting of the complex array of revenue sources that flow to and through NOLA Public Schools is inadequate for public transparency and accountability.
- The district lacks a comprehensive analysis of the optimal roles and responsibilities of central system management.

**Long-Term Sustainability of the General Fund Balance.** Preserving the existing fund balance is critically important because NOLA Public Schools has limited opportunity to grow its reserves. Maintaining the Emergency Reserve of at least 15% of gross annual school property and sales tax revenue ensures that NOLA Public Schools’ fund balance complies with best practices and can support schools’ local revenue allocations in case of emergency for about two months. NOLA Public Schools’ recent amendments to its fund balance policy have improved transparency. They enhanced the review process for reserve requests and required detailed public reporting of annual reserve usage. However, the amendments do not clearly limit the use of the Systemwide Reserve to nonrecurring expenditures or set a goal for the reserve balance. This creates a risk of NOLA Public Schools overspending its flexible reserve and leaving too little cushion to address unexpected problems that do not qualify for an appropriation from the Emergency Reserve. Because NOLA Public Schools pays for system management costs primarily from its General Fund budget, setting a goal for the Systemwide Reserve of at least 15% of its General Fund revenues (e.g., about $5 million based on the 2020 budget) would approximate best practices and ensure a suitable cushion for unexpected future costs.

In addition, it is unclear if current policies for the District-Operated School Reserve will apply to any charter schools the district takes over. Schools temporarily taken over by the district have put pressure on the system’s overall fund balance. Enrollment declines reduced the schools’ State and local funding allocations. The two schools the district took over and ran directly in the 2018-19 school year used $814,000 from the fund balance. It is unclear which reserve supplied this funding. Clear policies on access to the District-Operated School Reserve and the Systemwide Reserve for take-over schools could help NOLA Public Schools control the use of reserves in these cases and encourage judicious budgets for these schools. The need for specific policies governing access to reserves by schools the district takes over becomes even more pressing since NOLA Public Schools announced plans to directly operate a closing charter school for the 2020-21 school year.

**Inadequate Financial Reporting.** The State requires various financial reporting from NOLA Public Schools. While its audited financial statements show total annual local tax support and State MFP funding for New Orleans schools, current reporting does not clearly show how NOLA Public Schools allocates revenue from each source to its many obligations and initiatives, such as:

- Charter school oversight
- System planning and administration
- Educating youth in secure care
- Citywide special education screening
- Special education services for preschool children
- Federal grant administration for private schools
- Exceptional Needs Fund for students with severe disabilities
- Programs and services for at-risk students

In addition, NOLA Public Schools’ budget presentations have not included and clearly defined all funds for which it manages revenue or properly identified each fund’s revenue sources. Nor have the budget messages discussed projected changes or trends in revenue and their underlying causes. Since unification, NOLA Public Schools’ operating budget includes local and State MFP funding for the entire district. These two sources account for the bulk of New Orleans’ total K-12 education revenue, making accurate projections critical for both school and system level management. NOLA Pub-
lic Schools’ new chief financial officer told BGR that she has identified deficiencies in recent budget presentations and is working to ensure that future budgets comply with Louisiana’s Local Government Budget Act.

As NOLA Public Schools’ roles and revenue streams evolve to address new or unmet system needs, transparent financial reporting becomes increasingly important. This requires a greater level of detail in its budget and financial reports to reflect how NOLA Public Schools directs individual revenue sources to charter schools and its system responsibilities. BGR illustrates a possible public reporting template in Appendix I.

No Comprehensive Analysis of Optimal Roles and Responsibilities of Central Management. While NOLA Public Schools performs a wide range of functions today, there may be other functions better handled centrally than by individual school operators. There has been no comprehensive analysis post-unification of the most efficient and effective division of school and central management functions. To date, there has been ad hoc consideration of functions that require, or could be improved through, district administration. For example, after the Legislature created the Systemwide Needs Fund in 2019, NOLA Public Schools took responsibility for overseeing teacher recruitment and training activities that will benefit schools across the district. A comprehensive analysis, which is beyond the scope of this report, could improve both outcomes and efficiency in resource allocation. In addition to identifying functions that could be more effectively performed centrally – for all schools or subsets of schools – the analysis must also determine the most appropriate funding mechanisms.

CONCLUSION AND RECOMMENDATIONS

As New Orleans became the nation’s first all-charter public school system, legislators, education officials and other stakeholders have worked to improve local and state funding policies to reflect the needs of autonomous schools, as well as ensure appropriate funding for centralized system management. They did so without a playbook of best practices at hand.

BGR’s report has identified a number of areas for improvement. For charter school funding, it finds opportunities to strengthen the underlying analysis for the district-level computation, better allocate federal revenue, regulate the use of public funding when schools close and maximize federal funding. BGR further finds that NOLA Public Schools can strengthen its policies governing General Fund reserves, make its financial reporting more transparent, and explore more efficient and effective divisions of school and central management functions.

BGR’s analysis of K-12 public education funding in New Orleans supports the following recommendations. Implementation of these recommendations would enable the nation’s most decentralized school system to more fairly, prudently and transparently allocate pub-
lic resources. As New Orleans innovates the charter-centric district model, the community must continue to learn from experience, anticipate changes and strengthen the funding framework in response.

**Recommendations**

To improve the mechanisms that allocate funding to charter schools:

- NOLA Public Schools should base future modifications to the district-level computation on up-to-date analysis of actual costs of services, including specialized instruction, for students in all weighted funding categories.
- NOLA Public Schools should develop a reporting tool for schools to track spending on students in weighted categories, allowing the district to analyze weighted funding usage and schools’ responses to district-level computation modifications.
- NOLA Public Schools and school leaders should engage with State and, as necessary, federal policymakers to advocate for an improved method for allocating federal formula grant funding in school districts with independent LEA charter schools. Improvements should address the disparities created by the current allocation method in funding for eligible students across schools.
- State lawmakers and education officials should strengthen regulation of the finances of closing charter schools and ensure accountability for public assets.
- NOLA Public Schools should develop a formal policy with the input of stakeholders to govern excess revenue distribution. The policy should ensure that only schools receiving local funding receive distributions of excess revenue.

To maximize charter school funding from federal sources:

- State policymakers should identify and reduce barriers to schools’ full utilization of available Medicaid funding by investing in technology, training and other resources.
- Schools that are not currently participating in Louisiana’s school-based Medicaid reimbursement program should analyze how participation could allow them to expand health and behavioral health services to students and cover a portion of the costs of services they are already providing. Schools already participating in Medicaid should assess how they may be able to increase their reimbursements, such as through improving internal processes and billing for all eligible services.
- Schools planning on becoming independent LEAs should work with NOLA Public Schools to assess their remaining federal grant funding, including prior-year funding, well in advance of exiting NOLA Public Schools’ LEA, and develop a budget that ensures all remaining grant funding reaches its intended purpose before the change in LEA status.

To improve funding for system oversight and management:

- NOLA Public Schools should set a minimum goal for the Systemwide Reserve of 15% of its General Fund revenue to preserve this money as a flexible resource, while funding the Emergency Reserve at the required level as tax revenue increases.
- NOLA Public Schools should limit usage of reserves to nonrecurring expenditures.
- NOLA Public Schools should develop and adopt, with input from stakeholders, specific policies on General Fund balance access for schools it takes over from charter operators and temporarily operates.
- NOLA Public Schools should create an annual public report, similar to the one BGR models in Appendix I, to show how it allocates revenue from each of its major funding streams. The report would supplement, not replace, existing reporting requirements, and present NOLA Public Schools’ revenue usage in a framework specifically designed to communicate the district’s core functions and activities.
- NOLA Public Schools should 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.
This report focuses on revenue for New Orleans’ K-12 public education system. The revenue sources examined by BGR for this report include local, State, federal and other recurring revenue that supports NOLA Public Schools, the charter schools authorized by the Orleans Parish School Board (School Board) and, in certain cases, charter schools authorized by the State Board of Elementary and Secondary Education (BESE). Revenue sources examined in the report also include those funds allocated to the former Recovery School District (RSD) for its responsibilities prior to unification.

BGR includes all local tax and State Minimum Foundation Program (MFP) revenue for New Orleans students attending BESE charter schools, including those schools located outside Orleans Parish. However, it includes other State revenue, federal and other revenue only for the handful of BESE charter schools that enroll a majority of their students from Orleans Parish. Unlike local tax and State MFP funding, revenue from other sources does not follow individual students.

In defining the revenue sources available for the recurring costs of New Orleans’ K-12 public education, BGR excluded the following:

- **Capital Funds.** Most funding for capital projects is nonrecurring money that stems from the $2 billion post-Katrina settlement with the Federal Emergency Management Agency (FEMA). While the report excludes these federal revenues, it does include local tax revenue dedicated to facilities preservation and debt service, two key recurring expenditures.

- **NOLA Public Schools’ Headquarters Building.** The district owns its headquarters building in Algiers. It collects rent from other tenants in the building to pay operating costs. It manages those rental receipts and building costs in a separate enterprise fund.

- **Student Activity Funds.** NOLA Public Schools manages certain student activity funds, which cannot be used to finance district operations. It accounts for this money in a separate fiduciary fund.

- **Pre-Kindergarten and Early Childhood Education.** The report excludes most revenue supporting Pre-K and other education programs for children under age five. However, certain revenue streams largely dedicated to K-12 public education include some funding for preschool children that BGR could not always isolate. In particular, schools receive local and State funding for any special education preschool children they enroll. BGR intentionally includes all funding NOLA Public Schools receives for special education preschool children because providing services for these children is one of its core citywide responsibilities.

- **Other State Public Schools.** BGR excludes schools that are located in New Orleans but funded entirely by the State, such as BESE charter schools authorized prior to 2008 and the New Orleans Center for the Creative Arts.

- **Private Schools.** BGR does not include public funding for private education, such as private school vouchers. It also does not include federal and State grant funding that NOLA Public Schools must expend on materials and services for private schools.

- **Nonprofit Organizations.** While many private nonprofit organizations support New Orleans K-12 education, the report does not include the revenues of those organizations.
**APPENDIX B: METHODOLOGY FOR CALCULATING REVENUE**

**Calculating 2018 Revenue**

BGR relied on revenue data from multiple sources to calculate total revenue for each of the components of New Orleans’ K-12 public education system in 2018.

*Charter School Revenue.* The report uses the Louisiana Department of Education’s final 2018 calculations for charter school local tax and State Minimum Foundation Program (MFP) revenue. BGR deducted the corresponding administrative fee percentage from each type of charter school’s local and MFP revenues. BGR also deducted estimated property insurance reimbursements and additional fees NOLA Public Schools assesses on certain charter schools from charter schools’ total local and State revenue. BGR included 2017 excess local tax revenue, distributed by NOLA Public Schools in 2018, in charter schools’ total local revenue. The report uses 2018 actual revenue, as reported in charter schools’ 2018 Annual Financial Reports, for non-MFP State revenue, as well as federal and other revenue.

*District-Run Schools.* The report uses 2018 actual revenue, provided by NOLA Public Schools, for district-operated schools’ local tax and State MFP revenue. BGR deducted NOLA Public Schools’ 2% administrative fee from the schools’ total local and MFP revenues. BGR included district-run schools’ share of excess revenue in their local revenue total. BGR estimated district-run schools’ share of NOLA Public Schools’ federal grant funding from the Schedule of Expenditures of Federal Awards included in NOLA Public Schools’ 2018 annual financial audit.

*NOLA Public Schools’ System Management.* The report uses 2018 actual revenue, provided by NOLA Public Schools, for local tax and State MFP revenue for programs run through NOLA Public Schools’ central office. BGR calculated local and State MFP revenue that NOLA Public Schools received indirectly through school administrative fees charged to charter and district-run schools. BGR also included charter school reimbursements for property insurance and certain other services in NOLA Public Schools’ local and State revenue totals. BGR calculated the central office’s share of federal grant funding from the Schedule of Expenditures of Federal Awards included in NOLA Public Schools’ 2018 annual financial audit. The report uses NOLA Public Schools’ 2018 annual financial audit for other local, State, federal and miscellaneous revenue attributed to the General Fund and non-major governmental funds.

*NOLA Public Schools’ Debt Service and Facilities Preservation.* The report uses NOLA Public Schools’ 2018 annual financial audit to calculate all revenue used for debt service and facilities preservation. Total revenue is net tax collection fees and other deductions. Total revenue does not include unused facilities preservation funding from prior years the RSD returned to NOLA Public Schools in the unification process.

*Recovery School District/Louisiana Department of Education.* The RSD is a division of the Louisiana Department of Education. The report includes the local tax and State MFP revenue the agencies received indirectly through charter school administrative fees. The report also includes estimated charter school property insurance reimbursements to the RSD and the RSD’s share of funding from Harrah’s Casino.

**Calculating 2020 Revenue**

BGR’s methodology for estimating fiscal year 2020 revenue was similar to the methodology it used for calculating fiscal year 2018 revenue. However, for charter schools, it relied on the State’s initial projections for New Orleans’ 2020 State MFP revenue and NOLA Public Schools’ initial projection for local per-pupil funding. BGR subtracted administrative fees and property insurance reimbursements from charter schools’ local and State funding and included them in their authorizer’s revenue. BGR assumed the same amounts as 2018 for charter schools’ excess local revenue, other State, federal and other revenue totals as these amounts are not likely to change significantly between 2018 and 2020. BGR relied on NOLA Public Schools’ adopted consolidated budget for the fiscal year ending June 30, 2020, to estimate NOLA Public Schools’ 2020 debt service, facilities and system management revenue. BGR’s estimate of system management revenue also included projections for the Systemwide Needs Fund and funding for specialized programming.
APPENDIX C: LOCAL TAX REVENUES

Property Taxes

Louisiana’s constitution authorizes local school districts to levy property taxes and to issue general obligation bonds, which are supported by a special property tax. As shown in Table X, NOLA Public Schools’ current property taxes total 45.31 mills, including a constitutional millage, a general obligation bond millage and five renewable millages.

The constitutional millage, which funds general operations, is permanent and does not require voter approval or renewal. It is the largest individual school millage. For the 2020 tax year, NOLA Public Schools levied 27.65 mills.

Voters must approve the district’s sale of general obligation bonds. Because these bonds pledge the School Board’s full faith and credit to the payment of the debt, the bonds require the board to impose a property tax sufficient to cover debt service on the bonds. The tax rate can fluctuate from year to year based on the payment schedule and interest rate for each bond issue. The millage expires once the bonds have been fully paid off. The district projects its current bonds to expire in 2021.

The five renewable millages provide revenue for specific purposes approved by New Orleans voters. NOLA Public Schools levies four of the millages at rates specified in the ballot proposals approved by voters. It levies the most recently approved renewable millage, the facilities preservation millage, at a rate equal to the difference between 4.97 mills and the current rate of the general obligation bond millage. As the bond debt service decreases and lowers the required millage rate, the facilities preservation millage rate increases commensurately. NOLA Public Schools projects the facilities preservation millage rate will reach 4.97 mills once the existing debt is retired in 2021. State law does not limit the number or total rate of special purpose millages a school district can levy.

Sales Taxes

Orleans Parish voters must approve any sales tax NOLA Public Schools levies. Voters approved a 1% school sales tax in 1966 and an additional 0.5% tax in 1980. Both taxes are permanent. School sales tax rates do not change. The taxes are applied to all taxable goods and services in the parish, including rentals of hotel rooms and short-term rentals of residences.

Until 2019, Louisiana law limited the combined rate of all local sales taxes to 5 percent, preventing NOLA Public Schools from asking voters to approve an additional sales tax. However, in 2019 State legislators expanded an existing law to allow any school district in Louisiana to form an educational facilities improvement district and, with voter approval, levy a sales tax of up to 1%, even if the local portion of sales tax is already at the 5% maximum. Moreover, while the name implies that revenue from the tax would be dedicated to school construction and maintenance, the law allows revenue to be used for any purpose school boards are authorized to fund. NOLA Public Schools has not proposed any such tax.

Table 7 breaks down NOLA Public Schools’ individual property and sales tax levies, highlighting their purposes, terms and 2018 and 2020 rates.

Fees

The City collects the property and sales taxes on behalf of the School Board. The School Board pays a fee to the Orleans Parish Assessor of 2% of total property taxes billed, as well as a fee to the City of 2% of total property taxes collected. The School Board pays a fee to the City of 1.6% of sales taxes collected. The City also deducts a pro-rata share of its State-mandated payments to certain public pension funds before remitting tax revenue to the School Board. State education policy requires the School Board to report its property and sales tax revenues gross of any fees.

In May 2019, the School Board filed a lawsuit challenging the City’s practice of withholding tax collection fees and retirement fund payments from the school district’s revenue. The lawsuit also calls for the City to repay several years of withholdings. The litigation is ongoing as of publication of this report.
### TABLE 7. NOLA PUBLIC SCHOOLS TAXES

<table>
<thead>
<tr>
<th>Property Taxes</th>
<th>Purpose</th>
<th>First Effective (tax year)</th>
<th>Renewal Effective (tax year)</th>
<th>Expires</th>
<th>2018 Levy (Mills)</th>
<th>2020 Levy (Mills)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Constitutional Millage</strong></td>
<td>General school operations</td>
<td>1921</td>
<td>N/A</td>
<td>permanent</td>
<td>27.65</td>
<td>27.65</td>
</tr>
<tr>
<td><strong>General Obligation Bond Tax</strong></td>
<td>Debt service costs for G.O. bonds issued from 1995-1998</td>
<td>1996</td>
<td>N/A</td>
<td>upon bond repayment (2021)</td>
<td>2.85</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>Dedicated Millages:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose A</td>
<td>School books, materials &amp; supplies</td>
<td>1989</td>
<td>2019</td>
<td>2028</td>
<td>1.55</td>
<td>1.55</td>
</tr>
<tr>
<td>Purpose B</td>
<td>Discipline and dropout programs*</td>
<td>1989</td>
<td>2019</td>
<td>2028</td>
<td>1.55</td>
<td>1.55</td>
</tr>
<tr>
<td>Purpose C</td>
<td>Employee salaries, benefits and incentives</td>
<td>1989</td>
<td>2019</td>
<td>2028</td>
<td>7.27</td>
<td>7.27</td>
</tr>
<tr>
<td>Purpose D</td>
<td>Air conditioning, asbestos removal and facilities maintenance</td>
<td>1989</td>
<td>2009</td>
<td>2028</td>
<td>2.32</td>
<td>2.32</td>
</tr>
<tr>
<td>Facilities Preservation Millage</td>
<td>School facilities preservation</td>
<td>2015**</td>
<td>none yet</td>
<td>2024</td>
<td>2.12</td>
<td>2.97</td>
</tr>
<tr>
<td><strong>Total Millage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>45.31</td>
<td>45.31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales Taxes</th>
<th>Purpose</th>
<th>First Effective (tax year)</th>
<th>Renewal Effective (tax year)</th>
<th>Expires</th>
<th>2018 (%)</th>
<th>2020 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>Salaries of teachers and/or for the general operations of the School Board</td>
<td>1966</td>
<td>N/A</td>
<td>permanent</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>Salaries of teachers and other educational employees of the School Board, expenses of maintaining and operating schools and for providing funds to pay for capital improvements</td>
<td>1980</td>
<td>N/A</td>
<td>permanent</td>
<td>0.50</td>
<td>0.50</td>
</tr>
</tbody>
</table>

* Prior to 2017, the Purpose B millage included early childhood education as an eligible use of tax revenue. The School Board did not include this purpose when it submitted the tax for voter renewal in 2017, effective for the 2019 tax year.

** Because the general obligation bond millage rate was 4.97 in 2015, NOLA Public Schools did not levy the facilities preservation millage that year. In 2016, when the general obligation bond millage rate fell below 4.97 mills, NOLA Public Schools began levying the facilities preservation millage.
APPENDIX D: STATE MINIMUM FOUNDATION PROGRAM

State Minimum Foundation Program (MFP) funding is composed of four levels:

**Level 1** establishes base funding for each school district in Louisiana and accounts for approximately two-thirds of State MFP funding. The MFP formula determines base funding by multiplying the base per-pupil amount by the district’s weighted student count. The weighted count is the district’s actual student population increased by factors for students with disabilities, gifted and talented students, low-income students, English language learners, and students pursuing career and technical education. However, the State does not provide the entirety of Level 1 funding to a school district. Rather, it allocates a portion of the funding responsibility to the local district based on a minimum amount each district should be able to raise through local taxes (i.e., its potential to raise revenue). BGR refers to this expected contribution as the “local share.” The State covers the balance. The State’s share of base funding decreases as a district’s total tax base per pupil increases.

Statewide, the local share ranged from a low of 10% in Washington Parish to a high of 75% in Plaquemines Parish. To illustrate the concept of local revenue potential and its effect on the local share, Plaquemines Parish has assessed taxable property exceeding $1 billion (mostly due to industrial property), but less than 4,000 public school students. While St. Tammany Parish has a larger tax base than Plaquemines, its almost 38,000 public school students means its tax base per pupil is much lower than Plaquemines. Therefore, St. Tammany’s local share percentage of Level 1 (31%) is also much lower than Plaquemines.

However, a district’s per-pupil tax base may be substantially lower when calculated using its *weighted* student count. This leads to lower than expected local share percentages. For example, in 2018, actual student count as a percentage of weighted student count ranged from 56.3% for the City of Bogalusa’s school district to 76.2% for Lafourche Parish, and averaged 68.1% across all 69 districts. While Bogalusa ranked 27th in MFP expected local contribution per pupil using its unweighted student count, it fell to 38th place using its weighted count. Bogalusa’s weighted student count (3,395) was much higher than its actual student count (1,913) in part from its high percentage of low income or English language learner students (93.8%) and high percentage of students with disabilities (22.4%). As a school district with less than 7,500 students, it also received additional weighted student units for economies of scale support.

**Level 2** rewards school districts with additional State funding for raising local tax revenue above local share required in Level 1. The MFP formula ensures that the State’s contribution in Level 2, like Level 1, is also a function of a school district’s wealth. The higher the local percentage of Level 1, the higher the local percentage of Level 2. Today, all districts in the state raise local tax revenue that exceeds the minimum. Level 2 accounted for 13% of total State MFP funding in 2018. Districts can increase Level 2 State funding by raising tax rates – but only if the amount of tax revenue they collect above their Level 1 local share is less than 34% of their total Level 1 allocation. In 2018, 25 districts fell into this category. The majority of districts have reached the limit on the amount of Level 2 state funding they can receive.

**Level 3** allocates money on a per-pupil basis (based on the unweighted student count) to continue State pay raises for school employees, among other costs. Overall, Level 3 accounted for 17% of total state MFP funds distributed in 2018.

**Level 4** provides State funding for certain foreign language teachers, career development courses (grades 9-12), secondary course choices (grades 7-12) and high-cost services for students with severe disabilities. Level 4 allocations provide districts and charter schools funding for particular students, teachers or programs, rather than on a per-pupil basis. Level 4 also funds Louisiana public schools that do not receive local tax revenue, such as the New Orleans Center for Creative Arts. Overall, MFP Level 4 accounted for only 3% of total State MFP funds distributed in 2018, with slightly more than half going towards funding for public schools that do not receive local tax revenue.

In 2018, State MFP funding for New Orleans students totaled approximately $205 million. Table 8 breaks down this funding by level.
### TABLE 8. NEW ORLEANS STATE MFP FUNDING, FISCAL YEAR 2018
($ in millions)

<table>
<thead>
<tr>
<th>MFP Formula</th>
<th>2018</th>
<th>How It’s Determined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Level 1 cost</td>
<td>$259.1</td>
<td>Multiply the formula’s base per pupil amount ($3,961) by the Orleans Parish weighted enrollment (65,417).*</td>
</tr>
<tr>
<td>Local share</td>
<td>$122.1</td>
<td>Apply State determined sales and property tax rates to local tax base.** New Orleans’ local share is 47% of the total Level 1 cost.</td>
</tr>
<tr>
<td>State contribution</td>
<td>$137.0</td>
<td>Subtract local share from total Level 1 cost.</td>
</tr>
<tr>
<td><strong>Level 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Level 2 cost</td>
<td>$88.1</td>
<td>Establish the Level 2 cost basis as the lesser of the actual amount of local school tax revenue raised above the Level 1 local share, or 34% of the total Level 1 cost. In New Orleans, 34% of Level 1 total cost is much lower, so this applies here.</td>
</tr>
<tr>
<td>Local deduction</td>
<td>$71.4</td>
<td>Multiply total Level 2 cost by local share percentage of Level 1 by 1.72.</td>
</tr>
<tr>
<td>State contribution</td>
<td>$16.7</td>
<td>Subtract local deduction from total Level 2 cost.</td>
</tr>
<tr>
<td><strong>Level 3 (entirely State funded)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior-year pay raise funding</td>
<td>$33.3</td>
<td>Multiply district’s unweighted enrollment by State-determined per pupil amount.***</td>
</tr>
<tr>
<td>Cost increase adjustment</td>
<td>$4.5</td>
<td>Multiply district’s unweighted enrollment by $100.</td>
</tr>
<tr>
<td>Hold-harmless redistribution</td>
<td>$3.1</td>
<td>Multiply district’s unweighted enrollment by State-determined hold-harmless per pupil amount.</td>
</tr>
<tr>
<td><strong>Total Level 3 cost</strong></td>
<td>$41.0</td>
<td>Sum three components of Level 3.</td>
</tr>
<tr>
<td><strong>Level 4 (entirely State funded)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-cost special education services</td>
<td>$5.1</td>
<td>Districts and charter schools must apply for funding for individual high needs students.</td>
</tr>
<tr>
<td>Qualifying foreign language teachers</td>
<td>$1.5</td>
<td>Multiply State determined salary or stipend amount by number of qualifying teachers.</td>
</tr>
<tr>
<td>Supplemental course allocation</td>
<td>$0.9</td>
<td>Multiply number of qualifying student course enrollments (grades 7-12) by State determined amount.****</td>
</tr>
<tr>
<td>Career development allocation</td>
<td>$0.3</td>
<td>Multiply number of qualifying student course enrollments (grades 9-12) by State determined amount.†</td>
</tr>
<tr>
<td><strong>Total Level 4 cost</strong></td>
<td>$7.7</td>
<td>Sum four components of Level 4.</td>
</tr>
<tr>
<td><strong>State MFP Funding Subtotal (Levels 1-4)</strong></td>
<td>$202.4</td>
<td></td>
</tr>
<tr>
<td><strong>Plus: Adjustment for Mid-Year Enrollment Gains and Losses††</strong></td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td><strong>Total State MFP Funding</strong></td>
<td>$205.1</td>
<td></td>
</tr>
</tbody>
</table>

Numbers may not add up due to rounding.

* Includes charter school enrollments of all students living within the district’s geographic boundaries, with the exception of enrollments at charters authorized by BESE prior to 2008.

** Local deduction also includes district’s State revenue sharing funding and income from 16th section lands.

*** The per-pupil amount is different for each district and charter school. After initially providing pay raises based on actual counts of eligible district/charter employees, the State converted pay raise funding for subsequent years to a per pupil amount. Most New Orleans schools had a per-pupil allocation between $650 and $750.

**** Amount was $59 in 2018. Qualifying courses must be for high school credit and include career and technical, TOPS requirements, advanced coursework not available through the school, dual enrollment and intensive remediation. Although initial allocation is based solely on enrollment in grades 7 through 12, the State reallocates funding from schools that do not utilize their full allocations.

† Amount was $238 in 2018. Qualifying courses include career and technical courses that align with Workforce Investment Council-identified high-demand career and technical education pathways. Guaranteed minimum of $25,000 for city or parish school systems and $10,000 for charter schools.

†† Initial funding is based on student enrollment from February 1 of the prior school year. Schools gain or lose full State funding for each student gained or lost by October 1 of the current year, and gain or lose 50% of state funding for each student gained or lost between October 1 and February 1 of the current year. The $2.7 million does not include audit adjustments for prior-year payments.
APPENDIX E: NEW ORLEANS' DISTRICT-LEVEL COMPUTATION

This appendix provides additional detail on New Orleans’ unique student-based funding model for allocating State and local MFP funding to charter schools.

Background

Beginning with the 2016-17 school year, State law mandates that all NOLA Public Schools and New Orleans RSD charter schools must receive their State MFP funding according to the same funding formula based on student needs and characteristics, known as the district-level computation. Ultimately, NOLA Public Schools and BESE left final approval authority of the inaugural district-level computation to NOLA Public Schools’ superintendent. The superintendent accepted the formula that had been developed by a State-convened stakeholder group.

There are a few major differences between the inaugural district-level computation and the State’s MFP weighting system. First, whereas the statewide weights apply only to the State portion of base per-pupil funding, the weights in New Orleans’ district-level computation apply to both local and State per-pupil funding. The district-level computation also varies funding for students with disabilities across five special education tiers based on the severity of the disability and the level of additional services required by children in each tier.

The inaugural district-level computation would have resulted in changes to New Orleans schools’ average per-pupil funding ranging from a $1,000 decrease to a $2,234 increase. However, most schools’ changes were much more limited. In order to prevent schools from suddenly experiencing large funding cuts, the computation limited a school’s drop in average MFP per pupil funding to no more than 2% of the school’s October 1, 2015 average MFP funding per pupil (not including MFP funds for school employee pay raises and Level 4). Schools that would receive less than 98% of their October 2015 average revenue per pupil under the district-level computation were considered “phase-in” schools, and received additional funding (deducted from allocations to non-phase-in schools) to bring their average per-pupil revenue up to 98% of the 2015 baseline. Phase-in schools will continue to receive additional funding until local school tax revenue or State MFP funds increase enough to put these schools back at their baseline funding levels. If there is an unexpected overall decrease in local and State revenue, the computation decreases each phase-in school’s baseline by the same rate as the overall revenue decline.

The inaugural district-level computation received broad support among stakeholders involved in its development, but a few schools with selective admissions requirements objected to the way the computation would cut their funding. These schools had below-average percentages of special education students and above-average percentages of gifted and talented students. Two schools filed a lawsuit against the School Board. Eventually, they agreed to drop the lawsuit and not to sue the School Board through the end of their current charter contracts on the condition that any new changes to the funding formula not reduce their allocation by more than 1%.

Changes to the district-level computation that will take effect in 2021 include the addition of weights for career and technical units and students who have been expelled or incarcerated. The 2021 computation will also slightly decrease the weight for high school students, increase the weight for gifted and talented students and split the English language learner category into two uniquely weighted tiers. Table 9 shows the changes in the district-level computation categories and their weights.

Sample Calculations

This section illustrates the calculation of 2018 local and State funding for two hypothetical 500-student New Orleans elementary schools. School A has a larger gifted student population than School B, but a lower population of students with disabilities and students in
<table>
<thead>
<tr>
<th>Category</th>
<th>Weight 2017-2020</th>
<th>Weight 2021</th>
<th>Eligibility and Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School</td>
<td>0.050</td>
<td>0.045</td>
<td>Each student in 9th through 12th grade is included. The additional dollars support various programs that supplement core academics that are particular to high schools.</td>
</tr>
<tr>
<td>Career and Technical Education</td>
<td>n/a</td>
<td>0.010</td>
<td>Weight applies to each student’s career and technical education units. Students may have more than one unit.</td>
</tr>
<tr>
<td>Special Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>0.200</td>
<td>0.200</td>
<td>Each student whose IEP meets the primary exceptionality category of gifted or talented is counted in the category. The additional dollars will provide additional services to provide services such as advanced academics and creative arts.</td>
</tr>
<tr>
<td>Special Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 2</td>
<td>1.175</td>
<td>1.175</td>
<td>Each student whose individual education plan (IEP) meets primary exceptionality category and service minute tier criteria is counted in the category. These additional dollars will support costly services, such as individualized, differentiated instruction, occupational and physical therapy, nursing and counseling services, adapted physical education, specialized transportation, and other specialized supports and devices as required by students’ individualized plans.</td>
</tr>
<tr>
<td>Special Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 3</td>
<td>1.875</td>
<td>1.875</td>
<td></td>
</tr>
<tr>
<td>Special Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 4</td>
<td>2.175</td>
<td>2.175</td>
<td></td>
</tr>
<tr>
<td>Special Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 5</td>
<td>3.000</td>
<td>3.000</td>
<td>Each student whose IEP meets the primary exceptionality category of gifted or talented is counted in the category. The additional dollars will provide additional services to provide services such as advanced academics and creative arts.</td>
</tr>
<tr>
<td>English Language Learner Tier 1</td>
<td>0.300</td>
<td>0.300</td>
<td>Between 2017 and 2020, each student who is identified as an English language learner is counted in the category. Beginning in 2021, Tier 1 will include identified English language learners in grades K though 2nd, as well as English language learners in grades 3rd through 12th who arrived in the U.S. more than three years ago. The additional dollars will support translation and adapted instruction to develop English proficiency.</td>
</tr>
<tr>
<td>English Language Learner Tier 2</td>
<td>n/a</td>
<td>0.650</td>
<td>Identified English language learners in grades 3rd through 12th who arrived in the U.S. within the past three years. The additional dollars will support translation and adapted instruction to develop English proficiency.</td>
</tr>
<tr>
<td>Over Age</td>
<td>0.225</td>
<td>0.225</td>
<td>Every student who is two or more years over age for his or her grade level, across all grades, is counted in the category. The additional dollars will support remediation and additional counseling supports for students at high risk of dropping out.</td>
</tr>
<tr>
<td>Past Incarcerated</td>
<td>n/a</td>
<td>0.225</td>
<td>Each student who has been enrolled at NOLA Public Schools’ programs at the Orleans Justice Center or Juvenile Justice Intervention Center in either of the past two school years. The additional dollars will support these students as they transition back into the general education system.</td>
</tr>
<tr>
<td>Past Expelled</td>
<td>n/a</td>
<td>0.225</td>
<td>Each student who has been determined guilty of an expellable offense and referred to a school other than the school from which the student was expelled in either of the past two school years. The additional dollars will support these students, who are at high risk of dropping out.</td>
</tr>
</tbody>
</table>

Adapted from Orleans Parish District-Level Computation, March 2, 2016 and Revisions to the District Level Funding Allocation, Orleans Parish School Board, June 27, 2019.
the low-income or English language learner categories.

Under both computations, schools receive the same amount of local funding for each student, $2.7 million or $5,352 per pupil. Table 10 calculates the schools’ State funding under the MFP formula weights, while Table 11 applies the district-level computation. Table 12 calculates total funding (excluding MFP Level 4 funds) for each school by adding together local and state funding. The tables show how the district-level computation real-locates State funding within the system to bolster schools with greater concentrations of high-need students. School A, with its high number of gifted and talented students and low number of special education students winds up receiving about $480,000, or 11%, less funding under the district-level computation. If this drop put its average per pupil funding below 98% of its 2015 average per pupil funding, it would be eligible for phase-in funding. School B, on the other hand, gains about $36,000 with the district-level computation.

### TABLE 10. STATE MFP FUNDING IN 2018 BASED ON STATEWIDE WEIGHTING COMPUTATION

<table>
<thead>
<tr>
<th></th>
<th>State Per-Pupil</th>
<th>School A Student Count</th>
<th>School A State Funding</th>
<th>School B Student Count</th>
<th>School B State Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$2,095</td>
<td>500</td>
<td>$1,047,500</td>
<td>500</td>
<td>$1,047,500</td>
</tr>
<tr>
<td>Low income or</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>English language learner</td>
<td>$461</td>
<td>200</td>
<td>$92,200</td>
<td>400</td>
<td>$184,400</td>
</tr>
<tr>
<td>Career &amp; technical</td>
<td>$126</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>With disabilities</td>
<td>$3,142</td>
<td>5</td>
<td>$15,710</td>
<td>60</td>
<td>$188,520</td>
</tr>
<tr>
<td>Gifted &amp; talented</td>
<td>$1,257</td>
<td>50</td>
<td>$62,850</td>
<td>5</td>
<td>$6,285</td>
</tr>
<tr>
<td>MFP Levels 2 &amp; 3*</td>
<td>$537</td>
<td>500</td>
<td>$268,500</td>
<td>500</td>
<td>$268,500</td>
</tr>
<tr>
<td>MFP Level 3 prior pay raises</td>
<td>$746</td>
<td>500</td>
<td>$373,000</td>
<td>500</td>
<td>$373,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$1,859,760</strong></td>
<td><strong>$2,068,205</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Does not include level 3 funds for continuation of prior-year pay raises.

### TABLE 11. STATE MFP FUNDING IN 2018 BASED ON DISTRICT-LEVEL COMPUTATION

<table>
<thead>
<tr>
<th></th>
<th>State Per-Pupil</th>
<th>School A Student Count</th>
<th>School A State Funding</th>
<th>School B Student Count</th>
<th>School B State Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$1,954</td>
<td>500</td>
<td>$976,777</td>
<td>500</td>
<td>$976,777</td>
</tr>
<tr>
<td>English language learner</td>
<td>$2,192</td>
<td>2</td>
<td>$4,338</td>
<td>30</td>
<td>$65,746</td>
</tr>
<tr>
<td>SPED tier 1</td>
<td>$1,461</td>
<td>5</td>
<td>$7,305</td>
<td>12</td>
<td>$17,532</td>
</tr>
<tr>
<td>SPED tier 2</td>
<td>$8,583</td>
<td>0</td>
<td>$0</td>
<td>20</td>
<td>$171,670</td>
</tr>
<tr>
<td>SPED tier 3</td>
<td>$13,697</td>
<td>0</td>
<td>$0</td>
<td>17</td>
<td>$232,850</td>
</tr>
<tr>
<td>SPED tier 4</td>
<td>$15,889</td>
<td>0</td>
<td>$0</td>
<td>7</td>
<td>$111,220</td>
</tr>
<tr>
<td>SPED tier 5</td>
<td>$21,915</td>
<td>0</td>
<td>$0</td>
<td>4</td>
<td>$87,661</td>
</tr>
<tr>
<td>Gifted &amp; talented</td>
<td>$365</td>
<td>50</td>
<td>$18,263</td>
<td>5</td>
<td>$1,826</td>
</tr>
<tr>
<td>Over age</td>
<td>$1,644</td>
<td>0</td>
<td>$0</td>
<td>40</td>
<td>$65,746</td>
</tr>
<tr>
<td>MFP Level 3 prior pay raises</td>
<td>$746</td>
<td>500</td>
<td>$373,000</td>
<td>500</td>
<td>$373,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$1,379,728</strong></td>
<td><strong>$2,104,028</strong></td>
<td></td>
</tr>
</tbody>
</table>

### TABLE 12. STATE MFP FUNDING IN 2018 BASED ON DISTRICT-LEVEL COMPUTATION

<table>
<thead>
<tr>
<th></th>
<th>School A Statewide Computation</th>
<th>School A District-Level Computation</th>
<th>School B Statewide Computation</th>
<th>School B District-Level Computation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local funding</td>
<td>$2,675,770</td>
<td>$2,675,770</td>
<td>$2,675,770</td>
<td>$2,675,770</td>
</tr>
<tr>
<td>State funding</td>
<td>$1,859,760</td>
<td>$1,379,728</td>
<td>$2,068,205</td>
<td>$2,104,028</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,535,530</strong></td>
<td><strong>$4,055,498</strong></td>
<td><strong>$4,743,975</strong></td>
<td><strong>$4,779,798</strong></td>
</tr>
</tbody>
</table>

BGR calculations for all tables. Weighted funding is paid from State funding, rather than local taxes.
APPENDIX F: FEDERAL FUNDING

Most federal grant funding for K-12 education flows through the U.S. Department of Education. A sizable portion of federal funding also flows through the U.S. Department of Agriculture to support school meal programs. This appendix provides an overview of the major federal funding programs utilized by most New Orleans schools.

U.S. Department of Education Grants

Table 13 shows total federal funding as well as Louisiana’s portion of the funding for four of the largest grants. The federal government provides these grants pursuant to certain titles of the Every Student Succeeds Act (ESSA grants are referred to as Title grants) and the Individuals with Disabilities Education Act (IDEA). Nationally and in Louisiana, Title I Part A and IDEA Part B account for the lion’s share of U.S. Department of Education grant funding. Title I, II, III and IDEA are noncompetitive grants that use formulas to allocate federal dollars to schools and school districts based on student enrollment and characteristics. The table also provides greater detail on the factors used to determine allocation amounts.

Federal allocations flow through states to districts and independent LEA charter schools. States may also use a portion of their federal grant allocations to fund statewide programs or fund competitive grants for schools and school systems. For example, Louisiana uses IDEA funds to support its high-cost service awards to charter schools and school districts with children whose disabilities require significantly greater funding than the per-pupil average.

U.S. Department of Education grants also provide support for students and teachers at private schools that choose to participate. The ESSA includes a dozen grant programs that require “equitable services” to be provided to private school students, teachers and educational staff and, in certain cases, families. Under IDEA, private school students with disabilities also receive federally-funded services. Each school district is responsible for applying for federal grant funding on behalf of private schools in its jurisdiction that choose to participate. Private schools do not receive federal dollars directly, but instead receive eligible services for their students and teachers through the school district in which they are located. The district may provide services directly to private students and staff, or it may contract with a third-party provider. Table 14 shows how the private school share is determined for the three largest federal grants.

Schools, school districts, state departments of education and nonprofit organizations in partnerships with schools may also apply for various federal grants that are allocated on a competitive basis. These grant awards are based upon the strength of the applicant’s submission, and its alignment with specified goals and criteria. Many federal competitive grants also fall under ESSA and pass through state departments of education first. States then award allocations to local schools and school districts.

U.S. Department of Agriculture School Meals Program Funding

The United States Department of Agriculture (USDA) provides funding for student meals at both public and nonprofit private schools. The USDA school meals programs (lunch, breakfast and supper) reimburse schools for the meals they serve their students. Reimbursement rates vary depending on if students pay the full meal price, reduced price or nothing. Students qualify for free or reduced priced meals based on household income or other risk indicators. Schools with high poverty rates receive slightly higher meal reimbursement rates. Schools with populations that are at least 40% low income qualify for the Community Eligibility Program, which allows all students, regardless of income, at participating schools to receive meals at no charge, and eliminates the administrative task of collecting and processing annual free/reduced meal registration paperwork.

Unlike other federal K-12 funding programs, approved Local Education Agencies (LEAs) are not the only entities that can apply for and receive USDA meal reimbursements. School districts, charters schools with or without LEA status and nonprofit private schools may all register to become their own School Food Authority and directly manage meal program reimbursement.

Other Federal Funding

Charter schools and districts may also receive discounted telecommunications services under the federal E-Rate program. Schools must apply to be part of the program, and then receive reimbursement for eligible services.
TABLE 13. ALLOCATION OF LARGEST U.S. DEPARTMENT OF EDUCATION FORMULA GRANTS

<table>
<thead>
<tr>
<th>Funding Target</th>
<th>Factors Considered in Allocation</th>
<th>2017 Total Federal Appropriation</th>
<th>2017 Louisiana Allocation</th>
</tr>
</thead>
</table>
| Title I Part A Grants to LEAs* | • Children from low-income households and children at risk of failing state assessments  
  • Schools with student populations that are at least 40% low-income may run schoolwide Title I programs that serve all students  
  • Population age 5-17 in low-income households  
  • Concentration of population age 5-17 from low-income households  
  • State per-pupil expenditures | $15.5 billion | $316.4 million |
| Title II Part A | • Professional development for teachers and principals  
  • FY2001 authorized funding amounts for earlier federal professional development and class size reduction programs  
  • At state level 65% of any increase in funding based on population age 5-17 from low-income households (80% at LEA level)  
  • At state level 35% of any increase in funding based on population age 5-17 (20% at LEA level) | $2.1 billion | $46.3 million |
| Title III Part A | • Children learning English as a second language  
  • Population age 3-21 learning English as a second language | $737.4 million | $3.4 million |
| IDEA Part B** | • Children with disabilities  
  • Allocation received in 1999 (base year)***  
  • 85% of any increase in funding based on population age 3-21  
  • 15% of any increase in funding based on population age 3-21 in low-income households | $12.0 billion | $194.0 million |

* Title I Part A Grants to LEAs actually consist of four grants: basic grants, concentration grants, targeted grants and education finance incentive grants. While most LEAs are eligible to receive basic grant funding, concentration grants and targeted grants fund LEAs with higher numbers and percentages of students living in poverty. The U.S. Department of Education calculates education finance incentive grants at the state level, considering not only poverty levels, but also state support for education and equity in funding between LEAs within the state. In making all Title I grant allocations to states, the federal government also considers differences in education costs between states, so the amount of Title I dollars per eligible child varies from state to state. For a complete explanation of Title I allocation, see National Center for Education Statistics, Allocating Grants for Title I, 2016.

** IDEA Part B supports children between the ages of 3 and 21 years. IDEA Part C supports children between birth and age 2.

*** Under the 1997 reauthorization of IDEA, the federal government changed the way it allocated funding. Originally, IDEA allocation was based on the number of children with qualifying disabilities, but in response to inflation in the number of children (particularly minority children) schools identified as having disabilities, the government froze IDEA allocations at their 1999 amounts and allocated any IDEA appropriations above the 1999 baseline so that 85% was based on an LEA’s total number of students and 15% was based on its number of students in low-income households.

Source: Total federal allocation figures from https://www2.ed.gov/about/overview/budget/tables.html. FY 2017 Congressional Action. IDEA Part B allocation amount does not include the allocation for specific preschool grants IDEA B-619). Louisiana allocation figures from Funds for State Formula-Allocated and Selected Student Aid Programs. Downloaded from https://www2.ed.gov/about/overview/budget/statetables/index.html

TABLE 14. DETERMINATION OF PRIVATE SCHOOL SHARE OF FEDERAL GRANT FUNDING

<table>
<thead>
<tr>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I Part A</td>
<td>Low-income private school students as a percentage of all low-income students in the district</td>
</tr>
<tr>
<td>Title II Part A</td>
<td>Private school students as a percentage of all students in the district</td>
</tr>
<tr>
<td>IDEA Part B</td>
<td>Private school students with disabilities as a percentage of all students with disabilities in the district</td>
</tr>
</tbody>
</table>

This chart shows determination of the private school shares for traditional districts that do not include independent LEA charter schools. Private schools receive a proportionate share based on enrollment of the funding NOLA Public Schools receives for each grant. In New Orleans, this share is based on private school enrollment as a percentage of district enrollment excluding students at independent LEA charter schools.

Source: Louisiana Department of Education electronic grant management system
based on the percentage of their student population that is from low-income households. For most schools, “eligible services” is limited to Internet access.92

Federal dollars flow to schools through Medicaid to support the provision of medically-necessary health services for children with disabilities and basic health screenings and disease prevention for Medicaid-eligible children. Medicaid reimburses LEAs (either a school district or charter school authorized to act as its own LEA) a portion of the costs for medical services they provide to children with disabilities. According to one program expert, reimbursement rates in Louisiana typically cover between 60% and 80% of service costs, depending on the provider’s discipline and license. Schools must use state or local funding to pay the difference in order to satisfy Medicaid state match rules. Medicaid will only reimburse if:

- The services provided are included as part of the individual education plan, or IEP, for a student with disabilities. In Louisiana, this includes behavioral health services for children with documented emotional or behavioral issues.
- Health screenings and other health services provided by registered nurses are available to all Medicaid-eligible children.
- The child receiving the services is eligible for Medicaid.
- Medicaid covers the service and the service is administered by someone meeting Medicaid’s licensure requirements.
- The school is recognized as a Medicaid provider.
- Reimbursement claims are submitted correctly and include the required documentation.

Medicaid also reimburses recognized provider LEAs for services provided to students by a school-based registered nurse. Louisiana’s program eliminated the IEP requirement for nursing service reimbursement in 2015, allowing reimbursement for services provided to all Medicaid-eligible children. Each state’s Medicaid director is responsible for writing or amending the state’s school Medicaid plan.

**Federal Funding for New Orleans Charter Schools**

Table 15 shows New Orleans charter schools’ funding from various federal sources as a percentage of total funding.

Some New Orleans charter schools have received additional funding through the federal Charter School Program. The Louisiana Department of Education won a Charter School Program grant in 2009 totaling over $25.5 million, part of which supported New Orleans charter schools.93 The State won another Charter School Program grant in 2016. New Orleans charter schools received approximately $2.5 million from this three-year $8 million grant, and NOLA Public Schools received almost $1.5 million.94 Since 2015, three New Orleans charter school networks have received Charter School Grants directly from the federal government for the purpose of replication and expansion.

New Schools for New Orleans, a private, nonprofit organization that supports local schools, won federal Teacher Incentive Fund grants in partnership with several New Orleans charter schools in 2010 and 2016. The 2016 grant will award nearly $19 million over five years to 27 partner schools.

Research found that federal funding increased on a per-pupil basis after Hurricane Katrina. The study concludes that since the demographics of the parish’s public school population did not change over the same period, the increase was likely the result of Charter School Program Grants and other competitive grants awarded to New Orleans schools following the Hurricane Katrina disaster.95

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**TABLE 15. FEDERAL FUNDING AS A SHARE OF TOTAL CHARTER SCHOOL REVENUE IN 2018**

<table>
<thead>
<tr>
<th>Source</th>
<th>Average Share of School’s Total Revenue</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total federal funding</td>
<td>16.1%</td>
<td>2.9% - 40.0%</td>
</tr>
<tr>
<td>• ESSA grants</td>
<td>6.8%</td>
<td>1.2% - 16.8%</td>
</tr>
<tr>
<td>• Schools meals programs</td>
<td>5.3%</td>
<td>0% - 11.4%</td>
</tr>
<tr>
<td>• IDEA and other special education</td>
<td>1.9%</td>
<td>0% - 4.8%</td>
</tr>
<tr>
<td>• Other federal funding</td>
<td>2.2%</td>
<td>0% - 16.4%</td>
</tr>
</tbody>
</table>

Source: Fiscal year 2018 Annual Financial Reports for charter schools in Orleans Parish, excluding type 2 charters. Shares do not add to total percentage due to rounding.
APPENDIX G: KEY FUNCTIONS OF NOLA PUBLIC SCHOOLS

Today, NOLA Public Schools’ key functions include:

- Charter authorization, oversight and system-wide planning
- Financial management
- Geographic Local Education Agency (LEA) responsibilities
- System governance and administration
- Facility ownership, planning and oversight
- District-operated school functions (when such schools exist)
- School-based LEA responsibilities

Most functions are citywide. It performs these functions for all schools in the unified district, the school system as a whole, or for the city’s entire population.

Charter School Authorization and Oversight

Across the district, NOLA Public Schools is responsible for authorizing new charter schools and overseeing existing school performance and compliance. It approves new schools based on defined district needs and priorities and the strength of submitted applications. It monitors existing schools through annual site visits and analysis of required reporting. It also investigates any reports of school noncompliance with the terms of its charter or applicable laws and policies. NOLA Public Schools closes schools or renews their contracts according to the criteria specified in its Charter School Accountability Framework. It may also close schools prior to contract expiration in cases of repeated deficiencies or serious threats to students’ health or welfare.

The 2016 State law that directed the return of all New Orleans RSD schools to NOLA Public Schools’ control requires all schools in the unified district to participate in the centralized enrollment process, known as EnrollNOLA. It also operates the Student Hearing Office, which conducts expulsion hearings for all schools. The RSD ran both initiatives prior to unification.

Financial Responsibilities

As the political subdivision authorized to levy school taxes in New Orleans, the School Board is responsible for putting school tax propositions on the ballot and annually determining levied rates for existing taxes. The School Board receives all school tax revenue the City of New Orleans collects on its behalf and manages the revenue in the appropriate fund.

NOLA Public Schools is also responsible for developing and implementing the district-level computation that allocates local and State funding to all schools in the unified district. It must calculate each school’s allocation and distribute the correct amount of funding every month.

Geographic LEA Responsibilities

As the geographic LEA for New Orleans, NOLA Public Schools is responsible for the following citywide functions:

- Educational services for youth in city-operated secure care facilities
- Special education screenings and evaluations for children and youth age 3 to 21 who do not attend school or attend private schools
- Special education services for children and youth age 3 to 21 who do not attend school or attend private schools
- Administering federal grants and Louisiana’s textbook program for private New Orleans schools

NOLA Public Schools has schools for youth in secure care at New Orleans’ juvenile detention facility (Juvenile Justice Intervention Center) and adult jail (Orleans Justice Center). It does not run these schools directly, but instead contracts with the nonprofit Center for Educational Excellence in Alternative Settings. This organization began operating the Travis Hill School at the Juvenile Justice Intervention Center in the 2016-17 school year. It opened the Travis Hill School at the Orleans Justice Center the following year.

The federal IDEA Child Find mandate tasks states with developing a process for identifying all children with disabilities within their jurisdiction, including children who are not yet school age and youth through age 21 who have not graduated from high school. IDEA requires states to provide all children identified as hav-
ing a disability with free and appropriate educational services. Louisiana charges LEAs with identifying, screening and providing appropriate special education services to children and youth in their jurisdiction.

As shown in Table 16, independent LEA charter schools carry out this responsibility for their own students, while NOLA Public Schools performs special education testing and service provision for all other New Orleans children and youth. This includes children and youth not attending school, as well as students enrolled in private schools. It also includes students attending district-run schools (if in existence) and charter schools without LEA status. However, NOLA Public Schools’ special education responsibilities for these students will be discussed in the sections below on the School Board’s district-operated school functions and school-based LEA functions.

NOLA Public Schools’ Child Search program works to identify and screen all children and youth with disabilities or exceptionalities (including gifted and talented) throughout New Orleans. Once Child Search determines a disability or exceptionality, NOLA Public Schools’ Exceptional Children’s Services department must work with the child’s family to create and implement an appropriate individual education plan or service plan for the child. The plan determines the services NOLA Public Schools must provide, either directly or through a third party.97

The number of special education preschool children served by NOLA Public Schools more than doubled between fall 2017 and spring 2018, rising from 71 to 151. Although the number dipped slightly in fall 2018, it rose to 268 in February 2019. District officials attribute the rapid growth to the introduction of proactive special education identification and screening, particularly at early childhood centers.98 In addition, NOLA Public Schools opened a second Child Search location to improve access for families at the beginning of the 2018-19 school year.

As discussed earlier, federal grants provide funding for eligible private students and schools, although these funds do not flow directly to private schools. As the geographic LEA for New Orleans, NOLA Public Schools administers federal grant funding for students in private schools by either directly providing services to these students, or contracting out the work to third party providers. Under Louisiana’s textbook program, NOLA Public Schools uses program funding to purchase eligible textbooks on behalf of participating private schools.

### System Governance, Planning and Administration

NOLA Public Schools is responsible for planning and holding monthly public meetings of the School Board. The School Board adopts district policies and handles legal matters. The School Board also hires NOLA Public Schools’ superintendent.

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**TABLE 16. SPECIAL EDUCATION RESPONSIBILITIES IN NEW ORLEANS**

<table>
<thead>
<tr>
<th>Age 3-5*</th>
<th>Who is responsible for identification and screening?</th>
<th>Who is responsible for special education and support services?</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOLA Public Schools</td>
<td>NOLA Public Schools</td>
<td></td>
</tr>
</tbody>
</table>

| Age 5-21 in district-run school or charter school without LEA status | NOLA Public Schools | NOLA Public Schools** |

| Age 5-21 in independent LEA charter | charter school | charter school |

| Private school students | NOLA Public Schools | NOLA Public Schools – limited responsibilities*** |

| Students not in school | NOLA Public Schools | NOLA Public Schools |

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* If a charter school with independent LEA status enrolls students in this age group, it is responsible for special education identification, screening and services.

** As the LEA for these schools, NOLA Public Schools is responsible for ensuring that every student receives a free and appropriate public education. However, NOLA Public Schools does not directly provide all special education services for children attending charter schools without LEA status.

*** NOLA Public Schools provides some services to special education preschool children attending private schools and early childhood centers. The IDEA does not entitle every private student to the same services they would receive if attending a public school. Instead, IDEA requires the geographic LEA to spend a proportionate share of its federal IDEA grant funding on private special education students as a group.
As system manager, NOLA Public Schools plans for the unified district’s long-term school needs. It must track demographics and enrollment to ensure that there are sufficient seats for all students. Its portfolio of schools must align with population demands in terms of both geography and grade levels.

**Facility Ownership, Planning and Oversight**

NOLA Public Schools maintains ownership of almost all school buildings in the city, and owns additional buildings and properties that are not currently in use. While charter operators are responsible for day-to-day upkeep and operations of the buildings and pay their share of the property insurance premiums, NOLA Public Schools retains responsibility for the long-term maintenance and preservation of these facilities. It also is responsible for planning for future facility needs.\(^9\)

In addition, it continues to repay debt it undertook to finance pre-Katrina capital projects, and oversees remaining construction projects funded with post-Katrina FEMA and insurance settlement proceeds. NOLA Public Schools is the policyholder for insurance on all property it owns.

**Other Citywide Initiatives**

NOLA Public Schools may choose to provide additional citywide programs, projects and services. These initiatives typically attempt to address particular unmet needs and invite participation from all schools in the district. Recent initiatives include the following:

- The Citywide Exceptional Needs Fund provides additional funding to schools to help cover the costs of special education services for students with particularly high needs, or specialized programming for students with cognitive or behavioral disabilities.
- The Youth Opportunity Center offers services for truant and at-risk youth throughout the New Orleans.
- Parent and community engagement activities and meetings with charter school leaders provide opportunities for stakeholder input.
- Partnerships with various organizations leverage additional resources to address priority issues.

**District-Operated School Functions**

If NOLA Public Schools directly runs any schools, it is fully responsible for all operations at these schools. Although it will not directly operate any schools in the 2019-20 school year, it plans to take over operation of one charter school for the 2020-21 school year. The district did not renew the school’s charter, and it was unable to find another qualified charter operator for it. NOLA Public Schools also took over operation of one troubled charter school during the middle of the 2018-19 school year and one at the end of the 2017-18 year. NOLA Public Schools assumed operations of the schools because closing them would have left students with limited enrollment options at other schools.

NOLA Public Schools continues to run its federally-funded child nutrition program, which provides school meals for participating schools. While NOLA Public Schools is responsible for providing, either directly or through a contract provider, meals for students enrolled in any district-run schools, it has no obligation to provide meals for students in any other schools. Although NOLA Public Schools no longer directly runs any schools, it has maintained its child nutrition program for charter schools electing to participate. The program currently provides meals for 14 schools.

**School-Based LEA Responsibilities**

NOLA Public Schools serves as the LEA for any district-run schools and district charter schools without independent LEA status. In this capacity it applies for and administers federal grants for these schools and also provides certain special education services. It may allocate federal grant funding to the schools in its LEA, or use the grant funding to directly provide eligible services to the schools. NOLA Public Schools is responsible for identifying and screening students with disabilities enrolled in its LEA schools. It must ensure that all special education students at these schools have appropriate individual education plans, and that the plans are properly implemented. NOLA Public Schools also provides data reporting and financial reporting services for the schools in its LEA. It enters into an annual LEA agreement with each school that specifies services provided.
This appendix summarizes the recurring revenue streams for K-12 public education that NOLA Public Schools administers through funds other than its General Fund.

Debt Service and Facilities Preservation

All revenue from NOLA Public Schools’ general obligation bond property tax goes towards paying the costs of debt service on five outstanding series of general obligation bonds issued between 1995 and 1998 to fund capital projects. As the amount needed to cover annual debt service costs has fallen, NOLA Public Schools has decreased the bond millage rate. In 2018, the 2.85-mill tax brought in about $10.5 million in revenue. NOLA Public Schools will fully pay off the bonds by the end of 2021. It also dedicates about $11.7 million in sales tax revenue annually to service other school construction bond debt. It will pay off this debt in 2021 as well, and then redirect the revenue to facilities preservation.

The Facilities Preservation Program is governed by State law. Until NOLA Public Schools retires its existing bond debt in 2021, it will use the sales and property tax revenue dedicated to the Facilities Preservation Program to fund its facilities office, emergency school repairs, and the additional per-pupil funding it must provide to district charter schools not housed in district-owned facilities. Revenue remaining after these expenditures accumulates in NOLA Public Schools’ Facilities Preservation Fund, and cannot be used for other purposes.

In 2018, the facilities preservation program received $7.8 million from its dedicated property tax and $10.1 million from sales tax. Combined, the School Board and RSD spent $1.4 million on emergency school repairs and $1.1 million on their facilities offices. NOLA Public Schools’ facilities preservation fund closed the year with a balance of $46 million, including funding returned from RSD. Since unification, the RSD has not been eligible to receive any facilities preservation revenue.

Because NOLA Public Schools annually takes in more tax revenue for facilities preservation than it expends on emergency repairs and the facilities office, the facility preservation fund balance will likely continue to grow through 2021. However, 2019 amendments to the laws governing the facilities preservation program reduced the portion of sales tax dedicated to the program. As a result, sales tax revenue for the program will fall by about $10 million in 2020. Because the facilities preservation millage rate increases each year by the same amount the general obligation millage rate decreases, property tax revenue for the program will continue to grow.

Under the law, when NOLA Public Schools retires its bond debt in 2021, it must redirect property and sales tax revenue previously used for debt service to the Facilities Preservation Program. NOLA Public Schools projects that after retiring its bond debt it will send at least $35 million annually to the facilities preservation program. However, instead of reserving the funding solely for the purposes discussed earlier, NOLA Public Schools will direct facilities preservation revenue to:

- School facility accounts for each school to fund capital repairs, improvements and replacements
- A revolving loan fund for school repair and replacement projects
- A capital improvement fund to facilitate improvements and capital repairs to schools that have not had major renovations since September 2005
- NOLA Public Schools’ facilities office
- Additional per-pupil funding required for charter schools not housed in district-owned buildings

School facility accounts for unrenovated schools built before 2005 will receive $800 per pupil annually, while facility accounts for new or renovated school accounts will receive $500 per pupil. While charter school operators will control facility accounts for their schools, the accounts remain the property of NOLA Public Schools. The accounts follow the school campus, not the school operator, for as long as the campus is in use. School operators must adhere to NOLA Public School policies and State law regarding facility account management and usage.

In the first year after paying off all bond debt, NOLA Public Schools will transfer $50 million from the balance in the facilities preservation fund to the revolving loan fund. It will transfer the remainder of the balance to the capital improvement fund. In subsequent years,
it will deposit remaining facilities revenue after making payments to the school facilities accounts and facilities office into the revolving loan and capital improvement funds. The portion of remaining revenue allocated to each fund depends on how much revenue the funds have previously received.

Schools with facility account balances below $75,000 may receive interest-free loans from the revolving loan fund for repair and replacement projects that conform to State law and NOLA Public School policies. The capital improvement fund will make grants to schools that were not constructed or renovated after Hurricane Katrina for repair and construction projects that conform to State law and NOLA Public School policies.

Prior to retirement of its bond debt, NOLA Public Schools’ facilities office will develop long-term capital plans for each school campus in consultation with the school’s current operator. These plans will identify timeframes for key building repairs and replacements. The plans should provide an estimate of facilities funding needs for existing buildings for the next several years. School operators will be responsible for updating the plans in subsequent years, subject to requirements developed by NOLA Public Schools and the approval of the school facilities office.

**Federal Grants and School Meals**

NOLA Public Schools receives grant funding from the U.S. Department of Education for any schools it directly runs, as well as for district-authorized charter schools without independent LEA status. NOLA Public Schools’ federal formula grant allocations differ from those of independent LEA charter schools in that they include a proportionate share designated for funding eligible services for participating New Orleans private schools, as well as for the LEA’s public school students. With most federal grants, NOLA Public Schools passes funding through to participating private schools by purchasing approved materials or contracted services on their behalf. However, a substantial portion of its IDEA grant funding for private schools pays for direct services provided by NOLA Public Schools’ Exceptional Children’s Services department to private special education students.

NOLA Public Schools uses some federal grant funding to provide services directly to public schools without independent LEA status. It also passes through federal funding to those schools for eligible grant expenditures. NOLA Public Schools may also use IDEA grant funding to support its citywide responsibility for identifying and screening children in need of special education services. Federal rules allow NOLA Public Schools to apply an indirect cost rate of about 7.5% to most federal grant funding it receives to recover general administrative and overhead costs. While NOLA Public Schools accounts for the vast majority of federal grant funding in a special fund, it transfers the indirect cost amount to its General Fund. Chart L breaks down the district’s total U.S. Department of Education funding of about $11 million.

NOLA Public Schools also projects receiving about $0.5 million through the Federal Communications Commission’s E-Rate program to offset eligible Internet and telecommunications costs.

As long as NOLA Public Schools runs its school meals program for schools electing to participate, the U.S. Department of Agriculture will provide reimbursement for
the free and reduced price meals it serves lower-income students. Federal rules allow NOLA Public Schools to apply an indirect cost rate of about 7.5% to its federal meal reimbursements to cover general administrative and overhead costs. As with indirect costs from U.S. Department of Education grants, NOLA Public Schools transfers this portion to its General Fund and can use it for any purpose.

**Systemwide Needs Fund**

Beginning in 2020, NOLA Public Schools will keep a portion of local tax revenue to fund the Systemwide Needs Fund. The fund, which was recently created by the Legislature, will pay for initiatives designed to fulfill critical system needs. State law directs NOLA Public Schools to deposit $120 per district student, less system legacy cost expenditures, annually into the Fund. In its first year, the State projects the Fund’s revenue to total about $3.1 million. However, as legacy costs decline, revenue dedicated to the Systemwide Needs Fund will increase. Eventually, the Fund will receive the full $120 per student, or about $5.4 million annually based on current enrollment. The revenue for the Systemwide Needs Fund is not new revenue, but local sales tax revenue previously dedicated to school facilities preservation.

NOLA Public Schools supported the creation of the Systemwide Needs Fund because it maintains that addressing some systemwide challenges can be difficult for individual schools to remediate in a decentralized, all-charter district. And although the School Board handled certain systemwide functions and initiatives prior to the new fund’s creation, revenue limitations prevented it from acting on other pressing needs such as teacher recruitment, preparation and professional development.

The legislation governing the Systemwide Needs Fund requires NOLA Public Schools’ superintendent, in collaboration with charter school leaders, to develop the fund’s focus areas and plans for focus area improvement. The School Board must approve the superintendent’s proposed focus areas and improvement plans, and all focus areas must have an impact on at least 50% of the district’s public school students or schools. The legislation limits NOLA Public Schools to making competitive awards from the fund to eligible schools, organizations or vendors for implementing initiatives addressing the focus areas. NOLA Public Schools may not use any Systemwide Needs Fund revenue to pay its own staff or operating expenditures.

Under its first three-year Systemwide Needs Fund plan (2020 through 2022), NOLA Public Schools will fund stipends for teacher residencies and training, as well as other programs related to teacher recruitment. The plan also commits a portion of Systemwide Needs Fund revenue to programs for students with severe behavioral issues and crisis-intervention focused professional development for social workers and other school-based staff.
Currently, NOLA Public Schools’ comprehensive annual financial report (CAFR) does not break down revenue from each source by use. For example, while the report shows total tax revenue for NOLA Public Schools’ General Fund, it does not provide the amounts used for specific functions.

And while existing expenditure reporting included in NOLA Public Schools’ CAFR provides a breakdown of total expenditures from each fund, the specific sources of each expenditure line’s funding is not provided. In addition, the expenditure categories included are fairly general, and more reflective of the functions of a traditional school district. They do not give a clear picture of NOLA Public Schools’ allocation of resources to its specific responsibilities and initiatives, such as charter oversight, educating youth in secure care and support programs for at-risk students.

For transparency and accountability, policymakers, charter schools and the public need a more meaningful presentation of Orleans Parish public school revenues and how NOLA Public Schools allocates them. The public reporting template provided on the next two pages, which could be included in the Statistical Section of NOLA Public Schools’ CAFR, would show how much total revenue passed through NOLA Public Schools, and how NOLA Public Schools allocated revenue from each source to charter schools and its central management responsibilities. The report would break down the amount of revenue from each source by its various uses and account for those dollars in the appropriate fund.

For illustrative purposes, the template below indicates the alignment of sources, uses and funds based on BGR’s research. Each year, NOLA Public Schools would have to update the revenue usage categories to reflect any changes. For example, if the district operates one or more schools in a fiscal year, it would need to include line items reflecting their usage of revenues.
### Sources and Uses of Governmental Fund Revenue, Excluding Capital Project Funds

#### Fiscal Year Ended June 30, 20XX

(Unaudited)

<table>
<thead>
<tr>
<th>Local Tax Revenue</th>
<th>Charter Schools</th>
<th>General Fund</th>
<th>Debt Service Funds</th>
<th>Facilities Preservation Fund</th>
<th>Systemwide Needs Fund</th>
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#### Unused Revenue:

- Excess revenue to be distributed to schools next year: x
- Additions to fund balances: x

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<th>Other Local Revenue Sources</th>
<th>($ total)</th>
<th>$ total</th>
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<td>Support services for schools in NOLA Public Schools LEA</td>
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<td>Youth Opportunity Center</td>
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<td>Other (identify specific uses)</td>
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#### Unused Revenue:

- Additions to fund balances: x
## Orleans Parish School Board

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<th>State Minimum Foundation Program Revenue</th>
<th>Charter Schools</th>
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<th>Debt Service Funds</th>
<th>Facilities Preservation Fund</th>
<th>Systemwide Needs Fund</th>
<th>Federal Grant and Child Nutrition Funds</th>
<th>Total</th>
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<td>District charter schools</td>
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<th>Federal Grant and Child Nutrition Funds</th>
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<th>Federal Revenue Sources</th>
<th>Charter Schools</th>
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<th>Debt Service Funds</th>
<th>Facilities Preservation Fund</th>
<th>Systemwide Needs Fund</th>
<th>Federal Grant and Child Nutrition Funds</th>
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**TOTAL REVENUES** | Charter Schools | General Fund | Debt Service Funds | Facilities Preservation Fund | Systemwide Needs Fund | Federal Grant and Child Nutrition Funds | Total |
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<td>(Identify specific uses)</td>
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<td><strong>GRAND TOTAL, ALL FUNDING SOURCES</strong></td>
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<td>Debt Service Funds</td>
<td>Facilities Preservation Fund</td>
<td>Systemwide Needs Fund</td>
<td>Federal Grant and Child Nutrition Funds</td>
<td>Total</td>
</tr>
</tbody>
</table>
| (1) Reference CAFR page number with breakdown of legacy costs.  
(2) Example: Local tax revenue for youth in secure care consists of a per-pupil allocation of local tax revenue ($XXX,XXX), plus a portion of local tax revenue dedicated to specialized programming ($1 million).  
(3) Example: During the fiscal year, the Superintendent awarded, with approval of the Orleans Parish School Board, grants to the following organizations and purposes: (organization, purpose, grant amount). Link to the more detailed Systemwide Needs Fund report.  
(4) Explain that this revenue is subtracted from the tax revenue dedicated to the Systemwide Needs Fund.  
(5) Link to more detailed Facilities Preservation Program report.  
(6) Link to a detailed breakdown of administrative fee expenditures.  
(7) Example: During the fiscal year, the School Board received $10 million in a transfer of insurance settlement proceeds from the Recovery School District.
New Orleans has the highest percentage of charter schools among large U.S. districts.


Before 2018, the RSD received a significantly larger share from the local tax revenue dedicated to school facilities preservation. Although the RSD was legally entitled to almost $10 million in facilities preservation tax revenue in 2018 based on its proportionate share of New Orleans students, it opted to let the revenue remain with NOLA Public Schools. The RSD could not use its share of facilities revenue after July 1, 2018 because it no longer oversees any New Orleans schools.

The Louisiana Department of Education will receive about $40,000 of New Orleans K-12 education revenue in 2020 from BESE charter school administrative fees.

The $23.3 million is based on a 100% collection rate. It is net of the assessor’s 2% fee and the City’s 2% collection fee.

The amount of local tax revenue is net of fees paid to the assessor and City for tax collection. While it includes prior-year revenue that was distributed to schools in 2018, it does not include 2018 tax revenue that was distributed to schools the following year. For this reason, the local tax amounts presented in this report do not match those presented in the School Board’s 2018 Comprehensive Annual Financial Report.

This figure is net of the Orleans Parish Assessor’s fee and the City of New Orleans’ tax collection fees.

Under State law, school districts must fund charter schools operating in non-district owned facilities an amount equivalent to their pro-rata share of local school tax revenue dedicated to debt service and capital projects – $813 per pupil in New Orleans in 2018. In this way, charters using district-owned facilities pay their share of facilities debt and maintenance, while charters that provide their own buildings are not responsible for any district facilities debt or maintenance costs. The eligible legacy costs include workers compensation and legal claims that pre-date August 29, 2005. The calculation is net of the assessor’s 2% fee and the City’s 2% collection fee from the $24.3 million increase in property tax revenue and current enrollment.

State per-pupil funding totaled $197.4 million in 2018, including mid-year adjustments for enrollment changes.

State MFP funding (not adjusted for inflation) rose from $4,256 per pupil in 2014 to a peak of $4,398 in 2016, then declined to $4,288 two years later. These figures do not include funding allocated through MFP Level 4 for particular students or programs.

BGR calculation based on the legislative fiscal note on SCR 3 of 2019. About $101 million of the total increase will support teacher and support staff pay raises. The remaining almost $39 million represents a 1.375% increase to base per pupil funding.

NOLA Public Schools, “Informational Presentation on School Funding, including Ad Valorem Taxes and Millages,” October 15, 2019.

In the initial year of State-funded pay raises, the State calculates the amount of funding each district or charter school receives based on the actual number of employees eligible for pay raises. It then converts the initial year amount to a per-pupil amount based on the district or charter school’s enrollment. In subsequent years, the State calculates the district or charter school’s pay raise funding based on current enrollment and the per-pupil amount calculated in the initial year.

Funding for New Orleans students attending BESE charter schools is not subject to the formula.

Orleans Parish School Board Policy DCBA, District Level Funding Allocation.

Historically, school districts have relied on staffing ratios to determine individual school funding. Under these models, the number of staff members required per student is constant across the district, and each school’s funding is calculated according to the number of staff required for its enrollment.


“Weighted Student Funding Is On The Rise. Here’s What We Are Learning,” Institute of Education Sciences, May 9, 2019. While the article does not specify what funding was included in calculating each district’s total funding, it is unlikely that federal funding is included because schools account for almost all federal funding in separate budgets. In addition, New Orleans’ percentage of total funding directed through its weighted formula would be lower than 90% if federal funding was included in total funding.

These figures include transfer, or phase-in, payments to schools whose funding was significantly reduced by the implementation of the district-level computation in 2017. Six schools still receive phase-in payments because their average per-pupil funding would be more than 2% below the 2015 level otherwise.”
Schools projected total transfers about $1.1 million from non-phase-in schools to phase-in schools in 2020. Transfer payments among the six phase-in schools range from $107 to $506 per pupil. These figures also include the additional $100 per pupil local revenue allocation first implemented in 2020.

Federal law does not require schools to provide gifted and talented services, and State law exempts charter schools from having to provide these services.

In addition to their normal special education monitoring activities, under the 2015 settlement of a class action lawsuit, the Louisiana Department of Education and NOLA Public Schools are subject to a consent agreement that requires specific actions to monitor and improve special education identification and service provision in New Orleans schools. As part of the consent agreement, the Louisiana Department of Education must annually calculate certain special education metrics for every New Orleans public school, including the school’s identification rate for new special education students and special education service provision rate. It must engage in targeted monitoring of schools with the lowest identification rates and service provision rates. If the targeted monitoring reveals that schools are not in compliance with special education laws and regulations, the schools must develop and implement State-approved corrective action plans.

To check its math, NOLA Public Schools retained an outside accounting firm to perform an audit of the 2018 local differentiated funding model. The audit found some differences between the student counts in the source data and the student counts that were plugged into the district-level computation to determine per-pupil funding amounts for students in the weighted categories. The audit report recommended measures for improving the flow of source data into calculation workbooks and tracking updated versions of the calculation workbooks. It also noted that NOLA Public Schools had not documented the feedback it received from the State on the model, and should do so going forward.

BESE charter schools, which do not receive funding through the district-level computation, pay only a 0.25% administrative fee to the Louisiana Department of Education.

Data from fiscal year 2015 from National Center for Education Statistics: [https://nces.ed.gov/programs/digest/d17/tables/dt17_235.20.asp](https://nces.ed.gov/programs/digest/d17/tables/dt17_235.20.asp)

According to the U.S. Census Bureau’s Population Estimates Program, Louisiana’s July 1, 2018 poverty rate was 18.6%.

Economically-disadvantaged percentage from Louisiana Department of Education, October 2018 Multi-Stats report. Federal funding percentage calculated by BGR using data from charter school fiscal year 2018 Annual Financial Reports.

Typically, LEA status means that a charter school is responsible for administering its own federal grant funding, identifying and evaluating their students in need of special education and English language learner services, and providing services to their students as required by the Individuals with Disabilities Education Act (IDEA) and other applicable federal and State laws. See La. Admin Code, 28:2303.B.2.a.ii. Although all local school boards in Louisiana can authorize charter schools within their districts, BESE and NOLA Public Schools are the only two authorities currently allowed to oversee charters acting as their own LEA. The State superintendent of education may rescind a charter school’s LEA status for failure to meet specified requirements.


This includes two schools that did not meet the 70% threshold, but received a waiver from the State.


Annual financial reports can be downloaded from [https://www.louisianabelieves.com/resources/library/financial-data](https://www.louisianabelieves.com/resources/library/financial-data)

La. R.S. Sec. 39:1305.


La. R.S. Sec. 17:3995.

In Louisiana, the federal government also calculates formula grant allocations for a few cities.

BGR calculations are based on school-level IDEA Part B-611 allocation data for the 2017-18 school year from the Louisiana Department of Education’s electronic grants management system and the State’s October 1, 2017 MFP enrollment counts.

Although federal rules allow all nonprofit private schools to participate, some choose not to do so. According to the Louisiana Department of Education’s electronic grants management system, NOLA Public Schools’ enrollment included 17,312 students from participating private schools in 2018, and 462 of these students qualified for special education. Federal rules require the district to use a proportionate share of its IDEA allocation for services for special education private school students. The proportionate share is based on participating private school special education enrollment as a percentage of total (public and private) special education enrollment. The grants management system reported 625 special education students in New Orleans public schools without LEA status in 2018.

BGR based its calculations on 2017 Medicaid billing and settlement amounts for therapy, nursing and behavioral health services, and 2017 Louisiana Department of Education enrollment, special education and at-risk student data. Billing and settlement amounts for transportation services were not included. BGR considered a student’s at-risk status a proxy for Medicaid’s income requirement. Based on the State’s school-based Medicaid program requirements, BGR considered all at-risk students eligible for nursing services, but only at-risk special education students eligible for therapy and behavioral health services.

Sum of rollover funding for Title I, II and IDEA grants.

Funding allocations were determined in part by the enrollments of the newly independent LEA schools, as well as enrollments of schools that remained in NOLA Public Schools’ LEA.

In fiscal year 2017, the amount provided to these schools, known as “legacy Type 2” charter schools, totaled approximately $280,000.

The RSD continues to manage a few school construction projects it initiated prior to unification. Once these projects are completed, the RSD will return the facilities to NOLA Public Schools’ control.

While the RSD operated the common enrollment system, NOLA Public Schools paid a pro-rata share of its operational expenses.

The administrative fee does not apply to State funding outside of the MFP. Prior to unification, charter schools that served as their own LEA paid a 1.75% administrative fee to the RSD or NOLA Public Schools and a 0.25% administrative fee to the Louisiana Department of Education for federal grant oversight and reporting. Charter schools that were part of NOLA Public Schools’ LEA paid a 2% administrative fee to NOLA Public Schools. With unification, the State agreed not to charge charter schools in NOLA Public Schools’ district any administrative fees. However, the State is still responsible for the same federal grant oversight and reporting for independent LEA charter schools.

NOLA Public Schools also receives special education tier one funding (excluding base funding) through the district-level computation for special education private school students who receive services through its Exceptional Children’s Services Department. NOLA Public Schools also receives State funding dedicated to employee pay raises on a per-pupil basis. As with charter schools, the State
The Center for Educational Excellence in Alternative Settings began operating the Travis Hill School at the Youth Studies Center in the 2016-17 school year, and, at the request of NOLA Public Schools, opened the Travis Hill School at the Orleans Justice Center the following year.


The State provides school districts with some funding to offset the tax revenue they lose because of homestead exemptions applied to local property taxes. This money, commonly known as State revenue sharing, is divided among property between tax recipient bodies across Louisiana by legislative formula. Interestingly, the MFP formula’s inclusion of a district’s revenue sharing money when calculating the required local contribution to MFP base funding means that the State contribution shrinks by the amount of revenue sharing. Thus, what the State gives school districts in revenue sharing, it takes back in MFP funding.

Beginning in 2020, NOLA Public Schools will transition from using State revenue sharing funding for individual high-needs students to using the funding for grants to charter schools to develop specialized programming for students with severe disabilities.

Legacy costs will fall over time. State law allows NOLA Public Schools to redirect tax revenue previously used for legacy costs to the Systemwide Needs Fund. See endnote 9 for a detailed definition of legacy costs.

The $2.5 million nonrecurring funding comes from Harrah’s funding from prior years that NOLA Public Schools did not spend.

NOLA Public Schools expenditures for both years exclude expenditures it is obligated to make on behalf of private schools (as part of the State’s textbook grant program for private schools) or charter schools (for State-funded professional development teacher salary supplements). NOLA Public Schools projected these expenditures to total $0.6 million in 2018 and $0.5 million in 2020. NOLA Public Schools’ capital projects and facilities preservation expenditures are not accounted for in its General Fund.


See Orleans Parish School Board Policy DC, Annual Operating Budget.

Individual charter schools maintain their own fund balances, which must sustain school operations in the event of individual school budget shortfalls. NOLA Public Schools’ fund balance is the only significant resource available to address emergency citywide needs.


Although NOLA Public Schools’ General Fund budget does not include the State and local funding it passes through to charter schools, its total operating budget does include funding passed through to charter schools. Fifteen percent of gross annual school property taxes is equivalent to nearly two months of total operating budget local revenue. While NOLA Public Schools’ operating budget also includes State MFP revenue that it passes through to charter schools, it is unlikely that this revenue stream would also be affected by a local emergency.

In 2019, Standard and Poor’s raised NOLA Public Schools’ general obligation bond rating from A+ to AA- because of the district’s strong fund balance and projection that reserves will remain strong during the next two years.


In February 2020, the School Board appropriated $1.5 million from the transition fund to McDonogh 35’s charter operator to pay for current-year expenditures.

La. R.S. Sec. 17:3995.

La. R.S. Sec. 17:100.11.

La. R.S. Sec. 17:100.12.

The Fiscal Year 2020 Consolidated Budget states on page 10 that revenue for the Charter School General Fund budget funds district-operated schools. NOLA Public Schools does not have any district-operated schools in 2020. Revenue for this fund actually supports charter schools that are part of NOLA Public Schools’ LEA. In addition, the budget does not include the full Facilities Preservation Fund, which receives dedicated local tax revenue annually.

In certain sections the report discusses NOLA Public Schools’ reserves, which is nonrecurring revenue.

La. Const. Art. 8, Sec. 13(C) and Art. 6, Secs. 29 and 33.

Property taxes are often called millages because the tax rates are measured in mills, with one mill equaling 1/1000 of a dollar. As with all property taxes in Louisiana, school taxes in Orleans Parish are calculated by multiplying the millage rate by the assessed value of the property. The assessed value is 10% of the fair market value for residential property, 15% for commercial and 25% for public service. See La. Const. Art. 7, Sec. 18(B).

While La. Const. Art. 8, Sec. 13(C) imposes an upper limit of 13.00 mills on the Orleans Parish School Board constitutional millage, other sections of the Constitution have allowed the millage to rise above this rate. Art. 7, Sec. 23(A) mandated a reassessment of property valuations in all parishes in 1978 and subsequent reassessments at least every four years are stipulated by Sec. 18(F). Sec. 23(A) also mandated that existing millage rates should be increased or decreased following the 1978 reassessment so that the amount of revenue collected by the millages would not change as a result of increases or decreases in assessed property values. Sec. 23(B) also requires millage rate adjustments following subsequent reassessments to ensure that the reassessments are revenue-neutral. In Orleans Parish, the 1978 reassessment, which implemented the new constitution’s assessment and homestead exemption provisions, increased the rate of the School Board’s constitutional millage, increased the School Board millage from 13.00 mills to 23.75 mills in order to maintain the same revenue level. The last increase in the School Board’s constitutional millage rate occurred in 1992, following a fall in assessed property values. This increase brought the rate to 27.65 mills.

La. R.S. Sec. 47:338.54. In New Orleans, the City of New Orleans has a 2.5% sales tax, the School Board has a 1.5% tax and the New Orleans Regional Transit Authority has a 1% tax.

Act No. 422 of 2019 Regular Session and La. R.S. 33:2740.37. The sales tax cannot be levied on food and prescription drugs.


The weights are: students with disabilities, 150%; gifted and talented students, 60%; low income students and English language learners, 22%; and students securing career and technical education, 6%. School districts with enrollments below 7,500 also receive additional weight.

Enrollments and percentages from the State’s final 2017-18 MFP calculations. The State sets a cap of 75% for the local share of Level 1.

According to the data used to calculate 2017-18 MFP allocations, school districts’ enrollments ranged from 40.6% low income or English language learner to 94.3%. Across the state, 69.9% students counted for MFP funding were low income or English language learners. School districts’ enrollments ranged from 7.2% with disabilities to 22.4%. Across the state, 12.7% of students counted for MFP funding has disabilities.
These consist of funds from a hold harmless allocation that was completely phased out in 2016-17, and funds to support the increasing costs of health insurance, retirement and fuel. At the time the MFP concept Louisiana uses today was first enacted, certain school districts in the were overfunded by the state. The hold harmless allocation prevented these districts from experiencing a sudden drop in state funding with the advent of the new MFP. Gradually, the state has reduced the hold harmless allocations going to the previously overfunded schools and redirected these funds to the non-hold harmless districts. Fiscal year 2017 was the first year the entire hold harmless allocation was distributed to non-hold harmless districts.

The $205 million does not include State funding for New Orleans students attending charter schools authorized by BESE prior to 2008 or other State schools that do not receive local tax funding, such as the New Orleans Center for Creative Arts.

The legislation requiring a unique funding formula for New Orleans schools did not specify who had final authority to approve the formula. While BESE approved the student categories used in the formula, it maintained that it could not dictate how a local school board allocated funding. NOLA Public Schools' consultant maintained that the legislation did not give the School Board the authority to approve the formula, and that the responsibility for distributing a school district's funding lies with the district's superintendent. See Jewson, Marta, “Like BESE, Orleans School Board sidesteps a decision on student funding,” The Lens, March 15, 2016.

Applying the weights to both State and local base per-pupil funding significantly reduces the weight differences for gifted and talented. For example, consider a scenario with local base per pupil funding of $5,400 and State base per-pupil funding of $2,100. A gifted student would receive $1,260 in additional funding (60% of $2,100) under the statewide weighting system, which would be only 16.8% of total base funding. The same gifted student would receive $375, or 5% of total base funding under New Orleans' differentiated funding weights.

Affidavit of Adam Hawf, March 31, 2016, in Lake Forest Elementary Charter School and Advocates for Arts-Based Education Corporation v. Orleans Parish School Board et al., No. 16-CV-2323 (E.D. La. 2016). The school with the greatest decrease in average per-pupil funding was not a selective admissions school. It was an open admissions school with a very low percentage of special education students and a very high percentage of low income students. Because the district-level computation does not include a weight for low income as the state-wide weighting system does, the school’s average per-pupil funding fell significantly. The school with the greatest increase in average per-pupil funding was an alternative high school. No other school saw an increase higher than $2,000.


Federal competitive grants that are administered by state departments of education include: Title I, Part A – School Improvement, to improve student achievement in the lowest performing schools; Title IV, Part B – 21st Century Community Learning Centers, to support before- or after-school programs in schools serving low-income children; Carl D. Perkins, to support career and technical education; McKinney Vento, to support school enrollment, attendance and achievement of homeless youth; Striving Readers, to support literacy skills development; Charter School Program State Education Agency Competition, to support planning, design and implementation of new charter schools; and Teacher Incentive Fund Program, to develop and implement performance-based teacher and principal compensation systems in high-need schools.

The Community Eligibility Program (CEP) actually uses a school's Identified School Percentage (ISP) to assess its low income percentage. Students included in the school’s ISP numerator are those “certified for free meals based on existing data from needs-based programs such as the Supplemental Nutrition Assistance Program (SNAP) and children who are homeless, runaways, or in other special circumstances.” See U.S. Department of Agriculture, Community Eligibility Provision Perceived Barriers to CEP Implementation. The USDA reimburses registered CEP schools the full free meal amount for the school’s low income percentage times a multiplier of 1.6. If a school’s population is 50% low income, the USDA will reimburse it the full free meal amount for 80% (50% of 1.6) of meals served. Schools with populations that are at least 62.5% low income receive full reimbursement for 100% of meals served. The discount a school receives is equal to its low income percentage. If a school has a student population that is 90% low income, E-Rate gives it a 90% discount for eligible services. In some cases, the program directly reimburses schools’ communication services vendors, rather than the schools themselves.

BGR submitted a public records request to the Louisiana Department of Education seeking the breakdown of schools and entities that received funding through the 2009 Charter School Program grant. However, the requested information exceeded the department’s five-year limitation on public records requests, and it told BGR that it did not possess any responsive documents.

BGR calculations from information provided by the Louisiana Department of Education.

Harris and Buerger.

Louisiana’s Office of Juvenile Justice is responsible for providing educational services to youth in State-operated secure care facilities.

NOLA Public Schools partners with the ReNEW charter network on the provision of services to special education preschool children. ReNEW operates an early learning center that enrolls special education preschool children identified through the NOLA Public School’s Child Search program.

Information provided by NOLA Public Schools, April 30, 2019.

Orleans Parish School Board Policy FE requires the School Board to develop and approve a “school facilities master plan that describes a strategy to address the need for facility improvements and capital investments to support current and future educational programs” every five years.

La. R.S. Sec. 17:100.11 and Sec. 17:100.12.

State law allows NOLA Public Schools to allocate facilities preservation revenue of an amount equivalent to $20 per pupil (or $900,000 with an enrollment of 45,000) in the district to its facilities office. NOLA Public Schools policy also allows facilities preservation revenue to pay for administrative costs of emergency repair projects. Facilities preservation revenue for administrative costs cannot exceed 10% of total project costs. Prior to 2019 legislative changes, NOLA Public Schools could not use facilities preservation revenue to pay the additional per-pupil funding required for schools not housed in district-owned facilities. Act 430 of 2019 amended La. R.S. 17:100.11(A) (2)(a) to direct revenue to that purpose, as explained in the summary of amendments adopted by the Louisiana House of Representatives. See page 19 of the House BILL 393 of the 2019 Reg. Sess.

For complete details, see La. R.S. Sec. 17:100.11.

NOLA Public Schools may charge schools an origination fee not exceeding 5% of the value of the loan or $30,000 per loan, whichever is less.

The Louisiana Department of Education calculates the private share using federal guidelines.

The Legislative Fiscal Note for HB 324 of the 2019 Regular Session arrives at the $3.1 million estimate by multiplying $120 by 44,631 students ($5.35 million) and subtracting $2.24 million for legacy carve-out expenditures.