

LEARNING CURVE

A Guide to Navigating School Funding in New Orleans' Unified District

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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:

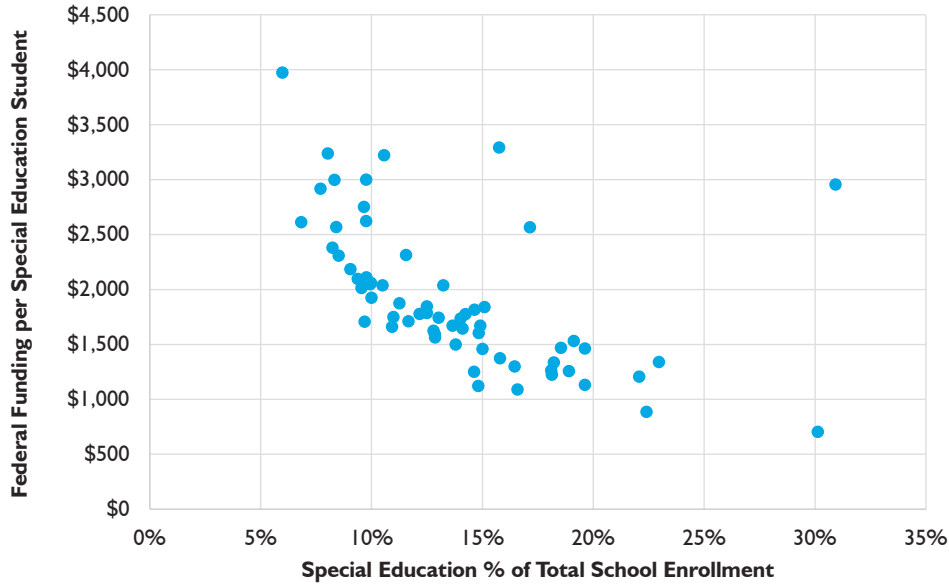
- Strengthen the underlying analysis for the New Orleans funding formula.
- Better align federal formula grant funding with school needs.
- Increase federal funding from Medicaid for health and behavioral health services schools provide students.
- Increase accountability for public funds used by charter 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.

ALLOCATIONS OF FEDERAL SPECIAL EDUCATION FUNDING PER STUDENT IN NEW ORLEANS CHARTER SCHOOLS, 2017-18 SCHOOL YEAR



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.