



NATIONAL RESOURCE CENTER ON

**CHARTER
SCHOOL**

FINANCE & GOVERNANCE



A Cost Estimation Tool For Charter Schools

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ABOUT THE NATIONAL RESOURCE CENTER ON CHARTER SCHOOL FINANCE AND GOVERNANCE

The National Resource Center on Charter School Finance and Governance was established in fall 2006 with funding from the U.S. Department of Education's Office of Innovation and Improvement (Grant No. 0282N060012) under the Charter Schools Program National Leadership Activities Grant Program. The National Resource Center (NRC) develops and disseminates tools, information, and technical assistance to help charter leaders at all levels—operators, authorizers, and state policymakers—take steps to improve charter school finance and governance.

For more information, visit the NRC website at www.CharterResource.org or e-mail NRC at info@charterresource.org.

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Preface

The Cost Estimation Tool for Charter Schools is one in a series of tools created by the National Resource Center on Charter School Finance and Governance (NRC). The NRC created this series to support efforts to ensure successful and sustainable charter schools through effective finance and governance.

The NRC designed the Cost Estimation Tool to help start-up charter school operators identify and estimate the range of costs and timing of expenditures they will be obligated to cover during start-up and the early years of operation. The tool provides several worksheets to help charter school operators identify basic cost assumptions (e.g., student enrollment and facilities needs) and use those assumptions to estimate their operating costs.

Costs vary widely among charter schools in different states and communities, and these schools serve students of different ages and with different needs. Although the benchmark figures used to calculate costs in this document were obtained through extensive research and vetted by national experts, they are only estimates and may not represent true costs for many charter schools.

The contents of this tool were developed under a grant from the U.S. Department of Education (Grant No. U282N060012). However, the contents do not necessarily represent the policy of the department, and endorsement by the federal government should not be assumed.

Introduction

Sound financial management is essential to the success of every charter school, regardless of the state or district where it is established. Inadequate resources and poor financial management are the most common reasons charter schools fail, accounting for 41 percent of all charter school closures annually.¹ Charter school leaders must plan for and cover a wide variety of costs—from facilities to teachers' salaries to student supports—often with very limited resources. Leaders starting new charter schools should fully understand the different costs they are likely to incur in order to accurately project resource requirements during the start-up period and the early years of operation. To align their financing strategies and fundraising efforts with their fiscal needs, charter school leaders need to know how much funding they need and what that funding will support.



This cost estimation tool offers a simple set of worksheets to help start-up charter school operators identify and estimate the range of costs and timing of expenditures they will be obligated to cover during start-up and the early years of operation. It also provides benchmark cost information synthesized from other published sources. This tool can be used by itself or as a companion to the National Resource Center's *Revenue Planning Tool for Charter Schools* (http://www.charterresource.org/files/TFP_Revenue_Tool.pdf). When used together, these tools enable charter school operators to develop sound budgets that properly project costs and identify gaps between available state and local per-pupil allocations and what is needed to fully implement their school's academic programs and other supports and services.

This tool identifies and categorizes anticipated costs for three years to highlight the importance of multiyear planning and budgeting. The tool identifies costs for the initial planning period before a charter school opens (Year 0) and for the first two years of a school's operation (Years 1 and 2). Year 0 is likely to be fundamentally different from Years 1 and 2, because many nonrecurring costs are associated with initial planning and getting the school up and running. Costs between Year 1 and Year 2 will also differ as variables such as student enrollment change. Understanding how and why these costs are likely to rise and fall over time is essential to effectively projecting financial needs and managing cash flow.

The cost estimation tool aims to project the *full costs* of starting and operating successful charter schools, whether those costs are covered by *monetary payments* or by *in-kind contributions* of goods and services. Donated goods and services also entail real costs to someone, even if the school does not pay in cash for these items. Valuing in-kind contributions of space, program materials, volunteer staff, administrative support, and other services can be challenging, but it has important benefits, both in terms of accurate cost estimation and as a way to claim cost sharing when funders require a match.

¹ Jeanne Allen et al., *The Accountability Report: Charter Schools* (Washington, D.C.: Center for Education Reform, February 2009).

Moving Toward a Cost Framework

The first step in estimating charter school start-up and operating costs is to clarify the relevant cost categories and line items. To do so, charter school leaders must understand the instructional programs and other supports and services their school will provide. Following is a broad framework for identifying the major cost categories that will apply to most charter schools.

- **Research and Planning**—the costs associated with gathering information, preparing and submitting a charter application, program and facility planning, and other aspects of starting a new charter school, including consultants, architects and space planners, market research, reference and background checks, and administrative costs.
- **Instructional Services**—the costs associated with classroom instruction, including direct labor for teachers, aides and substitutes, curricular and instructional materials, furniture, equipment, and supplies.
- **Special Education Services**—the costs of direct labor for special education teachers and aides, special facilities and equipment to serve students with special needs, curriculum and instructional materials, and other contracted services for these students.
- **Supplemental Instructional Programs and Services**—the costs of direct labor and other resources required to operate athletic programs, arts and enrichment programs, summer school and after-school programs, community service programs, tutoring and other remedial education services, and other instructional programs for students and parents.
- **Library Programs**—the direct labor costs for a librarian and the costs related to purchasing and replacing books, computers, audiovisual equipment, software, and other library/research resources.
- **Student Support Programs and Services**—the direct labor and other resource costs associated with school-based health and mental health services, guidance counseling, and vocational/career services.
- **General Administration and Support**—the costs of direct labor and other direct costs related to the staff and financial management, governance, and program administration.
- **Facilities**—the costs of purchasing, renovating, repairing, and maintaining school buildings and grounds, including rent, mortgage, utilities, and direct labor for custodial services.
- **Student Transportation**—the costs of transporting students to and from school and to and from activities and field trips.
- **Food Services**—the costs of providing school breakfasts, lunches, and snacks to eligible students.

A comprehensive sample template with line items related to each of these cost categories is presented in Worksheet 3. Specific line items will vary from school to school, depending on local conditions, state charter school laws, school district relationships, and specific charter school missions and programs.

Identifying Basic Cost Assumptions

Reliably estimating the costs of starting and operating a charter school depends on several basic assumptions about the school's key characteristics and its programs. These include:

- the total student enrollment at full-scale operation and the pattern of enrollment growth after startup;
- the anticipated student-teacher ratio in classrooms and other instructional programs; and
- the space, facilities, and equipment requirements for school programs and activities.

Each of these basic assumptions will significantly affect the estimated cost in specific line items.



Student Enrollment

The first and most critical step in estimating costs is projecting the number of students who will be enrolled in the charter school at each grade level. Subsequent projections on the number of staff members, the amount of space, and the scale of facilities required will all flow from projections of the student population's age, size, and growth pattern.

Most charter schools serve specific age groups (i.e., elementary school, middle school, or high school students). Some schools begin by serving a single grade level and add grades each year as their initial student population advances. Others open their doors serving students at all the grade levels the school intends to serve, adding additional students at each grade level as needed. Per-student costs and revenues often vary by grade level, so clarifying the number of students and the timing of projected enrollment increases at each grade level is important. Generally, costs and revenues increase for students at higher grade levels because they have more specialized academic coursework that requires specially trained teachers as well as specialized facilities and equipment (e.g., science labs).

When projecting student enrollment, it is also important to estimate the number of students who will be served according to student characteristics that can affect costs.

- **Residence outside the local school district**—transportation costs are likely to be higher for students who live outside the boundaries of the school district where the charter school is located.
- **Low-income status**—students from low-income families may require instructional and other supports to attend school and be successful, including subsidized meals and aid for uniforms, athletic equipment, or participation in after-school programs.
- **Special needs**—students with special needs (e.g., physical disabilities, learning disabilities, and limited English proficiency) may require specially trained teachers and staff, smaller classes, and special facilities or equipment that add costs.

Depending on the specialized educational focus of the charter school and the local community where it plans to open, other relevant student characteristics can affect cost estimates.

When estimating the size of the student population, it is also useful to understand the relationship between projected enrollment and anticipated attendance. Per-student funding is often linked to average daily attendance, so knowing the difference between projected enrollment and anticipated attendance is important. Few school leaders have 100 percent attendance every day of the school year or even any day of the school year. In most schools, leaders use a reasonable average daily attendance level for budgeting purposes. For line items that involve variable costs (e.g., school lunches), this leads to lower cost estimates than do calculations based on total enrollment.

Overestimating student enrollment is a common pitfall for charter school leaders and can lead to significant financial setbacks (see Tips for Estimating Student Enrollment below). When enrollment falls short of projections, charter school leaders find themselves with unused capacity and less revenue than expected to cover both fixed and variable costs. Market research is a key to developing reliable enrollment projections. Charter school leaders should look at the experience of other charter schools in their communities and ask:

- How many students do they enroll?
- How many students did they enroll when they opened?

TIPS FOR ESTIMATING STUDENT ENROLLMENT

- **Conduct a market analysis.** Examine enrollment trends at other charter schools and general economic and demographic shifts in the community. In addition, hold an interest meeting for prospective parents and students.
- **Use conservative estimates.** It is often easier for charter schools to handle a larger-than-expected student enrollment than manage the revenue shortfall caused by low enrollment.
- **Account for attrition.** Many charter schools experience an attrition rate of 10 percent during their first year of operation. Accounting for attrition will produce more accurate estimates for Years 2 and 3.

- What was the year-to-year rate of growth in their student population during the early years of operation?
- Do many charter schools in the community have waiting lists, indicating an unmet demand?

When there are no existing charter schools in the community, charter school leaders can hold interest meetings to help assess demand for their new school. School leaders should also consider the broader economic and demographic trends in their communities, for example:

- Are public schools currently overcrowded?
- Are new housing developments opening that could result in an increase in school-age children?

The answers to these questions will not enable charter school leaders to predict student enrollment precisely, but they will go a long way toward ensuring their estimates are reasonable. In addition to helping project costs, these questions will also help new charter school leaders develop market analyses, which often are required in charter school applications.

Worksheet 1 can be used to record projected student enrollment by grade level for three years. It may be helpful to experiment with different estimates for the student population's size and characteristics to determine how these factors will affect costs. Experimenting with a low estimate affords an idea of how many students a school needs to enroll to be financially viable.

Class Size and Student-Teacher Ratio

The desired average class size of the charter school will also significantly influence cost estimates. The number of teachers and classrooms will depend on how many students will be placed in each class at each grade level. Smaller class sizes require more teachers and more classrooms, which can quickly drive up costs. However, for many charter schools, maintaining small classes is an integral aspect of their educational philosophy and mission and, therefore, a central assumption in planning and budgeting. For others, class size is a variable factor they take into account in determining the most efficient way to organize and operate. Some states, such as California, provide additional funding to schools that keep class sizes below a designated student-teacher ratio,² which can create financial incentives for determining class

² For more information on California's Class Size Reduction funds, see <http://www.cde.ca.gov/ls/cs/>.

WORKSHEET I: Estimating Student Enrollment

Student Enrollment			
Category	Year 1	Year 2	Year 3
Kindergarten			
1st Grade			
2nd Grade			
3rd Grade			
4th Grade			
5th Grade			
6th Grade			
7th Grade			
8th Grade			
9th Grade			
10th Grade			
11th Grade			
12th Grade			
Total			
Estimated Average Daily Attendance			
Assumptions			

Student Characteristics			
Category	Year 1	Year 2	Year 3
Total number of students residing outside the school district.			
Total number of students with low-income status.			
Total number of students with special needs.			

size. A relatively simple formula can be used to calculate the number of standard classrooms that are needed:

Total enrollment/class size=number of classrooms

In addition to class size, student-staff ratios are an important factor affecting costs. Student-staff ratios may differ for students at different grade levels, for different parts of the curriculum, or for students with special needs. They can also differ for different types of instructional programs. For example, science and computer courses may require smaller classes and lower teacher-student ratios than library or athletic programs. Therefore, projecting the student population and the numbers of teachers and aides needed to work productively with students throughout the day is essential to accurately estimate total personnel costs. The following formula can be used to calculate the required number of staff:

Total enrollment × student/staff ratio= number of teachers, aides, and other staff

Estimating the number of specialized instructors and other staff to be hired requires specifying the types of instructional programs and other student supports and services that will be offered. Special education teachers, teachers with special content knowledge, librarians, counselors, coaches, and nurses can be factored into a charter school's desired staff-student ratio, but these individuals are specialists. They may command higher salaries because of their specialized skills and knowledge, and these salary differentials will influence estimates of personnel costs.

Space and Facilities Needs for Programs and Services

Estimating costs for space, facilities, and equipment depends on having a clear concept of the instructional programs and other student programs and services that will be offered. Science and arts programs, for example, require specially designed and outfitted space and equipment. Similarly, schools that offer on-site health services must have dedicated space for basic health care facilities and equipment. Facilities projections will also significantly influence cost estimates for maintenance and custodial

services. Maintaining athletic fields and playground spaces, for example, entails substantial ongoing costs after construction.

Elementary schools generally have lower student-space ratios than junior high schools and high schools that offer more specialized courses and services that require dedicated facilities (e.g., science labs, athletic facilities, and library space). Elementary schools also frequently use spaces in multiple ways. A multipurpose room can serve as a gymnasium, a cafeteria, and an assembly hall. A school library can also house a computer lab.

Based on projected student enrollment, average class size for specific instructional programs and other student programs and services, and space for general administrative services, charter school leaders can generate sound estimates for space requirements using standard formulas for space needs. A quick method for calculating indoor space requirements is to use the following general formula:

Number of students × 70 – 100 square feet per student=total interior square footage

For charter schools (particularly high schools) that plan to offer diverse specialized instructional programs (e.g., science programs, vocational educational programs, and visual and performing arts programs), more customized space estimates will be needed. These estimates require specific space projection formulas based on the number of standard classrooms, arts studios, science labs, performance facilities, and vocational training spaces that will be needed. Charter school leaders should also estimate requirements for administrative offices, specialized services (e.g., on-site health clinics), and exterior space needs. Worksheet 2 provides detailed formulas for estimating a charter school's full indoor and outdoor facilities/space requirements.

To understand space and facilities costs, charter school leaders need detailed knowledge of the local real estate market and the costs of building or renovating facilities in their area. Charter leaders may benefit from researching what other similarly sized schools in their area pay for their facilities. Many organizations, such as Community Development Financial Institutions (CDFIs), provide technical assistance to charter schools on facilities planning, development, and financing.³

³ To learn more about CDFIs, visit <http://www.cdfi.org/>.

WORKSHEET 2: Estimating Facilities Space Requirements⁴

Total Interior Space								
No. of standard classrooms		×	750 – 1,000	sq. ft.	=		–	sq. ft.
No. of science labs		×	850 – 1,200	sq. ft.	=		–	sq. ft.
No. of computer labs		×	850 – 1,200	sq. ft.	=		–	sq. ft.
No. of art studios		×	850 – 1,200	sq. ft.	=		–	sq. ft.
All-purpose music room		×	1,700 – 2,000	sq. ft.	=		–	sq. ft.
Auditorium: no. of students		×	7 – 10	sq. ft.	=		–	sq. ft.
Library: no. of students		×	3 – 6	sq. ft.	=		–	sq. ft.
Gymnasium: no. of students		×	4 – 7	sq. ft.	=		–	sq. ft.
Lockers : no. of students		×	3 – 5	sq. ft.	=		–	sq. ft.
Cafeteria: no. of students		×	4 – 7	sq. ft.	=		–	sq. ft.
No. of administrative offices		×	70 – 100	sq. ft.	=		–	sq. ft.
Teachers' resource room		×	250 – 350	sq. ft.	=		–	sq. ft.
Nurse's office or health clinic		×	500 – 700	sq. ft.	=		–	sq. ft.
Special ed resource room		×	700 – 800	sq. ft.	=		–	sq. ft.
Subtotal					=		–	sq. ft.
Multiply Subtotal by 30% for hallways, bathrooms, storage, etc.					=		–	sq. ft.
Total interior square footage (subtotal plus 30%)					=		–	sq. ft.

Total Exterior Space								
No. of playgrounds		×	10,000 – 15,000	sq. ft.	=		–	sq. ft.
No. of athletic fields		×	80,000	sq. ft.	=		–	sq. ft.
No. of parking spaces		×	140 – 160	sq. ft.	=		–	sq. ft.
Total exterior square footage					=		–	sq. ft.
Total interior square footage					=		–	sq. ft.
TOTAL SQUARE FOOTAGE					=		–	sq. ft.

⁴ Estimated square footage based on a variety of recommendations from public and private education facilities organizations. See Additional Resources section for more information.

Categorizing Costs

This cost estimation tool organizes charter school costs in 10 categories. Within each category, the tool highlights relevant assumptions and variables that drive costs. To the extent possible, it also offers estimates of the costs of specific line items for which pricing is documented. This tool does not provide a comprehensive list of all possible costs and considerations, because conditions will vary from one charter school to another. Accordingly,



Charter school leaders should add line items and cost information that is specific to their school and ignore line items that do not apply. Charter school leaders should also adjust the estimates provided in this document according to their local conditions (see Getting Reliable Local Estimates on page 11).

Charter school leaders should think carefully about how they allocate costs among categories. For example, facilities costs generally should not be more than 15 percent to 20 percent of a charter school's total costs. Some charter schools choose to allocate at

least 55 percent of total costs to teachers' salaries and benefits. Leaders should thoughtfully decide how much to spend in each cost category, and these decisions should reflect their charter school's mission and priorities.

Research and Planning

A charter school will incur many costs long before the first child walks through its doors. These include costs related to:

- hiring and retaining consultants, architects and space planners, and others with specialized expertise;
- conducting market research and developing marketing and outreach materials;
- recruiting and screening board members;
- hiring and training staff and volunteers and performing reference and background checks; and
- ensuring administrative support.

At a minimum, charter school leaders should plan to pay the school director and one administrative staff for two to six months before the school opens as well as pay the entire teaching staff for several weeks of orientation prior to the school's opening.

Instructional Services

Classroom instruction entails costs related to:

- direct labor for teachers, aides, and substitutes, including fringe benefits and leave;
- professional development and support for teachers;
- classroom volunteers;
- curricula and instructional materials, including textbooks, workbooks, and other supplies;
- furnishings, including desks, chairs, bookcases, and blackboards; and
- equipment, such as science lab equipment, audiovisual equipment, and computers.

With a clear concept of the types of instructional programs that will be provided and the specific requirements of each, charter school leaders can develop sound estimates of the costs of running these programs. Furnishing standard classrooms with desks, blackboards, and bulletin boards is a comparatively modest expense. However, the cost of furnishing science and computer labs, libraries, gymnasiums, and other special instructional spaces can vary dramatically.

Following are formulas for estimating furnishing costs for standard classrooms:

- Number of students × \$100–\$150 for student desks
- Number of students × \$20–\$50 for student chairs
- Number of staff × \$300–\$500 for staff workstations, desks, and chairs
- Number of classrooms × 1–2 bookshelves × \$60–\$100 each
- Number of classrooms × 1–2 file cabinets × \$100–\$200 each
- Number of classrooms × 1–2 bulletin/dry-erase boards × \$100–\$150 each

Special Education Services

Special education services entail costs related to:

- direct labor for special education teachers, aides, and substitutes, including fringe benefits and leave;
- professional development and support for teachers;
- special education volunteers;
- special facilities and equipment to serve students with physical disabilities, learning disabilities, and other special needs;
- curricula and instructional materials, including textbooks, workbooks, instructional materials, and other supplies; and
- other contracted services for these students.

GETTING RELIABLE LOCAL COST ESTIMATES

The cost of operating a charter school varies widely depending on where the school is located, how many students it serves, and what services it provides.

However, the following strategies can help any school operator make reasonable costs estimates.

- **Request quotes from vendors.** Rather than guessing what chairs, desks, or computers will cost, contact a vendor for a free quote. Be sure to provide detailed specifications on what is needed to obtain the most accurate quotes possible.
- **Consult the state charter school association.** Charter school associations in many states provide guidance related to the start-up process. Links to state associations and charter school technical assistance centers are available at <http://www.charterresource.org/organizations.cfm#2>.
- **Contact other charter school operators.** Charter school operators can learn a great deal simply by communicating with one another. Established local charter school operators may have the best knowledge of what it costs to operate a charter school and may be happy to share insights from their work.

Supplemental Instructional Programs and Services

Many charter schools offer other instructional programs and services to help keep students safe, strengthen their academic achievement, develop and nurture their interests and talents, and afford them opportunities to form bonds with adults and older youth who are positive role models. Some of these programs are provided during the school day; others are offered during out-of-school time hours. Depending on their content and focus, these instructional programs and services entail costs for:

- direct labor for teachers, coaches, aides, and substitutes, including fringe benefits and leave, who can provide athletic, arts and enrichment programs, summer school and after-school programs, community service programs, tutoring and other remedial education services, and English-as-a-Second Language

- and other instructional programs for students and parents;
- professional development and support for teachers, coaches, aides, and volunteers;
- program volunteers;
- curricula and instructional materials, including textbooks, workbooks, and other supplies; and
- specialized facilities and equipment, such as athletic uniforms and equipment, art equipment, computers, and other instructional equipment.

Library Programs

Libraries are an important resource for students at all grade levels. Library programs encourage students to read, teach research skills, and help students learn to identify and locate information resources. Libraries can be very costly for new charter schools to start. Relevant costs include:

- direct labor costs for a librarian and an aide, including fringe benefits and leave;
- professional development for a librarian, library aides, and volunteers;
- library volunteers;
- books, periodicals, and subscriptions;
- furnishings, including tables, chairs, bookshelves, and computer desks;
- equipment, including audiovisual equipment, computers, printers, and scanners; and
- software, research tools and resources, and supplies.

Student Support Programs and Services

Many charter schools offer student support programs and services aimed at helping students address fundamental issues that may affect their academic achievement and ability to stay in school. These include school-based health and mental health services, guidance counseling, and vocational and career services. Costs associated with the provision of these types of student support programs and services include:

- direct labor costs, including fringe benefits and leave, for a school nurse, guidance counselor, and other staff with specialized skills to address student needs;
- community volunteers;
- facilities and furnishings for special programs (e.g., school-based health clinic and job placement and career services);

- equipment, including health care equipment, computers, printers, and scanners; and
- software and supplies.

General Administration and Support

Charter schools are independent education institutions within the public school system, so they are responsible for providing or contracting for administrative and management services, including governance, financial management, human resources management, payroll, grants and contracts management, and information systems management.

Depending on how many of these administrative tasks are to be managed in-house or contracted out, the size and skill levels of administrative staff will vary. Generally, administrative staff members include a director, a business manager, and an administrative assistant. Administrative costs include:

- direct labor for all administrative staff, including fringe benefits and leave;
- office furnishings and equipment, including computers, printers, telephones, copiers, and facsimile machines;
- software and supplies;
- board meeting expenses; and
- website and other marketing/outreach tools and materials.

Increasingly, school leaders find that it may be less costly and more reliable to contract out some or all of their administrative systems.

Facilities

School facilities need to effectively house the academic and student support programs that a charter school intends to provide. Facilities costs are a major budget item for most charter schools, including the development, purchase or renovation, and maintenance of buildings and grounds. Understanding the full scope and timing of facilities costs is critical to sound financial management. Facilities costs can include:

- the purchase, development, and renovation of school buildings and exterior space, including parking lots, playgrounds, and athletic fields;
- rent or mortgage payments;
- costs for utilities such as water, electricity, and gas;
- facilities and equipment repair and replacement;

- direct labor for custodial services, including fringe benefits and leave;
- custodial contracts; and
- equipment and supplies.

Charter school leaders should check their state’s charter law to determine whether school districts are required to give or rent empty public school buildings to new charter schools.

Many space and facilities costs will require up-front capitalization, and charter school operators cannot open their doors until they have a school building that is furnished and passes local building codes. These costs can be covered in various ways, including cash purchases, in-kind contributions, and mortgage or bond financing and lines of credit. Depending on whether space is purchased or leased and whether equipment is purchased, contributed, or leased, charter school leaders will be able to determine the necessary up-front investments (e.g., the mortgage down payment) and the annual carrying costs of paying the debt service on mortgages, construction loans, bonds, and credit lines. These annual costs for space and facilities are among the largest fixed costs that charter school leaders need to understand and estimate.

Student Transportation

To ensure transportation is not a barrier to equal access for all students residing within a reasonable distance of a charter school, many schools provide transportation services. Transportation options will depend on provisions in state and local law, the transportation capacity of local school districts, and the availability of other transportation resources. They include:

- charter school owns and operates school buses;
- school district provides school buses;
- private contractors provide school buses;
- school or district provides smaller vehicles for isolated or disabled students;
- public transit; and
- parent carpooling.

To estimate the annual cost for providing student transportation, charter school leaders should project how many students will use transportation services. Then, leaders can apply a general cost-per-student formula that reflects local conditions and comparability.

Transportation costs for students who reside outside district boundaries may be significantly higher than for those who reside within the district. It is not unusual for school leaders to offer more than one transportation option, depending on student residence. For example, charter schools may contract for bus service for students who live within district boundaries and use vouchers for public transit for those outside these boundaries. Similarly, providing transportation for students with disabilities and other special needs may require special drivers and vans, and the costs may be higher than the costs for transporting other students. Other factors that can influence student transportation costs include school opening and closing times, compatibility with existing school bus routes, and the grade levels of students on buses.

Food Services

Many charter schools provide school lunches. Depending on whether they operate before- and after-school programs, charter schools may also serve breakfasts and snacks to students. The cost of providing school food services can be estimated by multiplying average daily attendance to a per-student formula for the cost of meals and snacks. The cost of meals and snacks can be estimated based on guidelines from the U.S. Department of Agriculture.⁵

Average Daily Attendance _____ × \$1.74 per student breakfast × _____ days per year

Average Daily Attendance _____ × \$ 2.85 per student lunch × _____ days per year

Average Daily Attendance _____ × \$ 0.74 per student snack × _____ days per year

⁵ Estimates based on the maximum reimbursable rate for U.S. Department of Agriculture National School Lunch, Special Milk, and School Breakfast Programs in 2009–2010.

WORKSHEET 3: Cost Estimation Template

Instructions: Complete this worksheet by entering estimated costs for each line item that is applicable to the charter school in Year 0, Year 1, and Year 2. To complete these estimates, charter school leaders should consider their existing assumptions related to projected student enrollment, staff size and facilities requirements. The cost estimation strategies and ballpark figures presented in this tool will help school leaders generate estimates for some line items. For other line items, it may be necessary to receive vendor quotes or conduct specific research.

This worksheet is available as an Excel document that performs automatic calculations at <http://www.charterresource.org/files/CostEstimationWorksheet.xls>.

Expenses	Year 0 Costs	Year 1 Costs	Year 2 Costs	Assumptions
Example: Computers	\$ 15,000	\$ 20,000	\$ 25,000	One per staff member/One for every 15 students. Will add 3 teachers and 40 students each year.
Research and Planning				
Market Research				
Curriculum Development				
Application Costs				
Consultants (including architects or space planners)				
Staff Recruitment/Hiring				
Board Recruitment and Screening				
Website Development				
Brochures/Information				
Nonprofit Incorporation				
Admissions Lottery				
Other:				
Subtotal				
Instructional Services				
Teacher Salaries and Benefits				
Substitute Salaries and Benefits				
Aide Salaries and Benefits				
Textbooks				
Classroom Supplies				
Classroom Furniture				
Classroom Equipment				
Staff Development				
Travel and Conferences				
Other:				
Subtotal				
Special Education Services				
Special Ed Teachers (Salary and Benefits)				
Special Aides (Salary and Benefits)				

(continues on page 15)

Expenses	Year 0 Costs	Year 1 Costs	Year 2 Costs	Assumptions
Special Facilities and Equipment				
Curriculum				
Instructional Materials				
Contracted Services				
Other:				
Subtotal				
Supplemental Instructional Programs and Services				
Athletic Programs				
Arts and Enrichment Programs				
Summer School Programs				
After-School Programs				
Community Service Programs				
English Language Learner Programs				
Music Programs				
Tutoring Programs				
Uniforms				
Other:				
Subtotal				
Library Programs				
Librarian (Salary and Benefits)				
Books and Other Reading Materials				
Furniture				
Computers				
Software				
Audiovisual Equipment				
Other:				
Subtotal				
Student Support Programs and Services				
Nurse (Salary and Benefits)				
Health Supplies and Equipment				
Guidance Counselor (Salary and Benefits)				
Community Volunteers				
Other:				
Subtotal				
Facilities				
Rent/Lease/Mortgage				
Maintenance and Repair				
Utilities				
Phone				
Internet Service				

(continues on page 16)

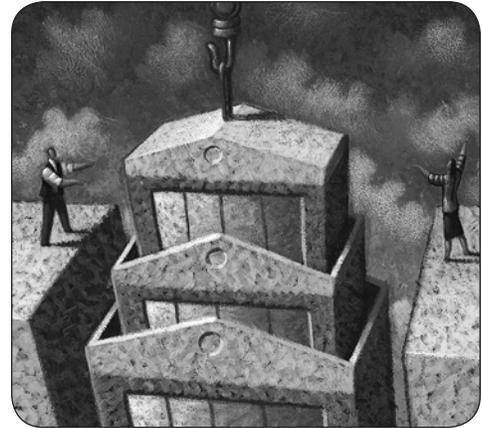
WORKSHEET 3: Cost Estimation Template *(continued)*

Expenses	Year 0 Costs	Year 1 Costs	Year 2 Costs	Assumptions
Fire and Security				
Custodial Services				
Custodial Supplies and Equipment				
Renovation and Repair				
Maintenance				
Waste Disposal				
Other:				
Subtotal				
Transportation and Food Service				
Busing costs				
Bus Driver Salary and Benefits				
Field Trips				
School Breakfast				
School Lunch				
School Snacks				
Cafeteria Supplies and Equipment				
Cafeteria Staff Salaries and Benefits				
Subtotal				
General Administration and Support				
Administrators' Salaries and Benefits				
Office Supplies				
Copy Machine				
Facsimile Machine				
Mailing Machine				
Printers				
Printing and Postage				
Bookkeeping and Auditing				
Payroll Services				
Banking Fees				
Legal Services				
Liability and Property Insurance				
Director's and Officer's Insurance				
Marketing				
Grant Writing				
Board Meeting Expenses				
Staff Recruitment				
Subtotal				
Total Costs				

Valuing In-Kind Contributions

Public and private funding can be provided as cash contributions or as in-kind contributions of goods and services, including:

- **facilities**—dedicated building or use of indoor and outdoor space;
- **goods and supplies**—consumable materials needed to operate instructional and noninstructional programs and services; and
- **services**—personnel services, including technical and volunteer services as well as items paid for on a fee-for-use basis.



Although these line items do not require a cash outlay by the charter school, they do entail costs to someone, generally the contributor, and they should be accounted for in estimating the total costs of startup and ongoing operations. Once received, in-kind contributions become a source of revenue to help offset costs. Generally, in-kind contributions cover a relatively small proportion of total charter school costs, but these contributions can be essential. In-kind contributions often provide goods and services that would be very expensive to purchase (e.g., specialized scientific equipment and materials, computers, and equipment for visual and performing arts). Similarly, volunteers with specialized program, management, legal, and administrative expertise are valuable resources for charter schools that may otherwise not be able to purchase their services. Finally, the value of in-kind contributions can count toward matching requirements for public funding, creating important opportunities to leverage additional resources. (See How to Value In-Kind Contributions below.)

Facilities

Contributions of space in schools, community centers, and commercial buildings are a common way for charter schools to fulfill their space requirements. Accurately valuing contributed space depends on identifying market rates. Most public schools and community centers, as well as commercial properties, have

HOW TO VALUE IN-KIND CONTRIBUTIONS

In-kind contributions can be given outright as gifts, or they can be made available at a discounted price. For cost estimation purposes, the full monetary value of the good or service should be identified. If contributions are donated to a charter school free of charge, the full monetary value of the good or service can be counted as a source of funding. If contributions are provided at a cost below the market value, school leaders can count the amount of the difference between the full value of the good and what was paid for it as a source of funding.

designated rates for renting space, and these rates should be used to estimate the applicable facilities costs.

Goods and Supplies

Charter schools need various supplies and materials to support their instructional and non-instructional programs. These include furniture and equipment, computers, curricular materials, and consumables (e.g., food, books, art supplies). For cost estimation purposes, the value of donated goods and supplies is the full monetary value of these items, if they were purchased through commercial vendors. If the items are used, then the value should be based on a fair depreciated value.

Services

Successfully running a charter school requires the skills and talents of many different people. Paid staff members play important roles as principals, teachers, aides, and administrators. Other services (e.g., professional services, administrative services, and building maintenance) generally

are purchased on a fee-for-service basis. Some of these services are highly technical and require the skills and expertise of specialists, such as accountants, lawyers, health professionals, librarians, athletic coaches, and curriculum consultants. Other services, such as photocopying, can be provided by non-specialist volunteers. One of the ways successful charter schools are able to stretch their program dollars is by getting some of the services they need donated or provided at a discounted rate.

To reliably estimate the costs of services required for start-up and ongoing operations, charter school leaders need to project the number of hours that will be required of all staff and volunteers and what they will do. To project volunteer costs, minimum wage rates can be used for unskilled functions. For skilled positions and tasks, it is important to locate comparable salaried jobs in the local job market and use these wage rates to estimate the costs of needed services.

Testing Cost Assumptions

Charter school leaders should carefully document their estimated costs and the assumptions they used to arrive at those projections, because this information will be extremely useful in future budget planning. Once a charter school is up and running, school leaders should compare their estimated costs with their actual costs and scrutinize any variances that arise. These variances should be calculated and reported monthly on a routine basis.

Variances between estimated costs and actual costs can arise for several reasons.

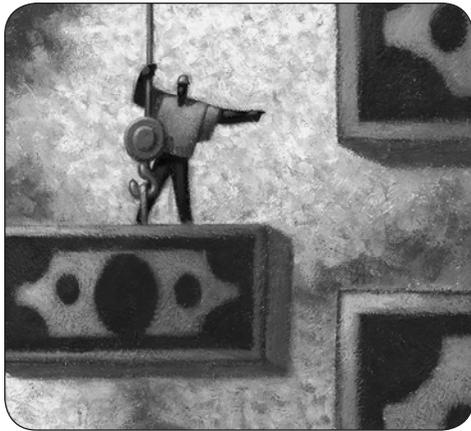
First, unanticipated cost items can arise within a cost category. For example, maybe personnel costs were higher than expected because school leaders hired new staff mid-year or paid additional salary to teachers leading extracurricular activities.

Second, estimates can differ from actual costs because the underlying assumptions were inaccurate. For example, perhaps food service costs were higher than expected because the actual per-meal costs were higher than anticipated or the average daily attendance was higher than projected. Similarly, maybe transportation costs were higher than projected because of increased gasoline prices. Carefully refining these assumptions will enable charter school leaders to make more accurate cost estimates in the future.



Considering Potential Revenue Sources

Although this tool focuses on estimating costs, charter school leaders need to consider their revenues to gain a full understanding of their school's financial condition. The primary source of revenue for charter schools is the per-pupil payments received from the state or the local school district. Per-pupil revenues vary among states; state charter school associations or departments of education can provide information on how the allocation is determined. Remember many states allocate per-pupil funds according to a school's average daily attendance rather than its total enrollment. School leaders should also account for



student attrition when making revenue projections; many new schools experience 10 percent attrition during the school year.

Most charter schools supplement their per-pupil payments with federal entitlement funds (e.g., Title I) and additional funding sources such as donations or state and federal grants. Charter school leaders should consider pursuing additional monetary and in-kind sources of funding that are well aligned with the needs and long-term goals of their school. By clearly defining funding needs and strategically pursuing funding

sources that both meet those needs and help expand on their school's strengths, charter schools leaders can wisely spend the limited time and resources that can be dedicated to development activities.

The National Resource Center on Charter School Finance and Governance provides useful tools to help charter school leaders identify and understand potential funding sources for charter schools.

- The **Federal Funding Catalog for Charter Schools** identifies federal funding sources and provides information to help charter school leaders understand how each program works and how to access the funds. Charter leaders can narrow their search by specific topic areas, such as special education, health education, facilities development, and student support services. <http://www.charterresource.org/index.cfm?page=5>
- The **Revenue Planning Tool for Charter School Operators** helps identify and assess potential revenue sources that are appropriate for each school's unique situation and needs. The tool facilitates the collection of important information on funding sources and explains how charter school leaders can analyze this information to determine which sources are likely to produce a sound and reliable base of revenue for their school. http://www.charterresource.org/files/TFP_Revenue_Tool.pdf

Worksheet 4 helps estimate the total amount of yearly revenue a school will receive. The worksheet presents the main sources of prospective revenue for charter schools, but many charter schools do not receive funding from all of these sources. Although it is useful

to estimate how much revenue might be received through grants and donations, the per-pupil allocation is often the only consistent source of revenue that charter schools are guaranteed to receive from year to year. Therefore, it is wise for charter school leaders to consider whether their basic per-pupil allocation is sufficient to meet total

costs in the event other anticipated revenue sources do not materialize.

A gap between initial cost and revenue projections may suggest the need to raise additional funds. Understanding this gap will help in approaching prospective funders with a reasonable estimate of how much money must be raised.

WORKSHEET 4: Estimating Revenue

Estimated Yearly Revenue		Assumptions
Per-Pupil Allocation	\$	
Federal Entitlement Funds	\$	
Federal and State Grants	\$	
Foundation Grants	\$	
Fundraising Events	\$	
Parent Contributions	\$	
Other	\$	
Total	\$	

Conclusion: Linking Spending Decisions to Education Goals

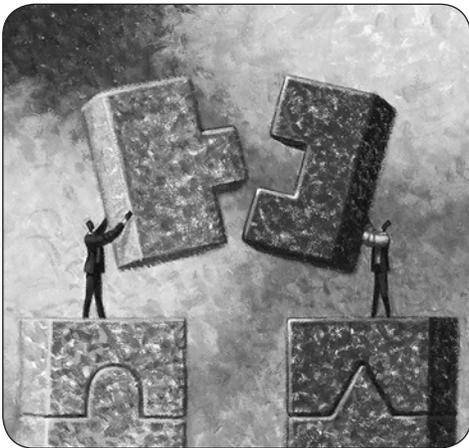
To develop reliable cost estimates, charter school leaders need to understand their school's programmatic features. This requires leaders to first address the question, "Financing for what?" They need to decide exactly what instructional programs and other supports and services are needed to help their students succeed. These services should reflect the charter school's mission, goals, and priorities.

Charter school leaders have much more flexibility in determining how to generate new revenue and allocate resources than do principals in most traditional public schools. However, making these decisions inevitably involves trade-offs between costs and desired benefits. For example, charter school leaders need to consider whether the benefits achieved through reduced class size are worth the increased cost in staff salaries. Often, a straightforward answer to this question will not exist, but charter school leaders need reliable cost estimates before they can make informed decisions about these important trade-offs.

The worksheets presented in this cost estimation tool can help charter school leaders accurately identify the costs they will be obligated to cover and project how those costs will

fluctuate during the early years of operation.

The completed worksheets also provide a means of determining whether a school's projected spending decisions reflects its education goals and priorities. Clearly linking a charter school's budget to its education goals helps ensure the school is spending its money in a targeted and strategic way that supports student achievement.



Additional Resources

- Charter Friends National Network. *Guide for Developing a Basic Business Plan for Charter Schools*. Sacramento, Calif.: The Charter School Development Center, 2002. <http://www.cacharterschools.org/Library/bizpl.html>.
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- New Hampshire Center for School Reform and Charter School Resource Center. *New Hampshire Charter School Budget Template*. Concord, N.H.: New Hampshire Center for School Reform and Charter School Resource Center, 2008. http://www.nhschoolreform.org/Sample%20Policies%20and%20Templates/Budget_templates.htm.
- Self-Help Resource Center for Charter Schools. <http://www.self-help.org/business-and-nonprofit-loans/resource-center-1>.
- US Charter Schools, *Charter School Facilities: A Resource Guide on Development and Financing*. San Francisco, Calif.: US Charter Schools. http://www.uscharterschools.org/gb/dev_fin/fac_dev.htm.

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Cheryl D. Hayes, president and chief executive officer, and Eric Keller, program associate, at The Finance Project, prepared this cost estimation tool for the National Resource Center on Charter School Finance and Governance, a multi-year research and technical assistance initiative funded by the U.S. Department of Education. The authors would like to extend their sincere thanks to the entire National Resource Center team, especially Lori Connors-Tadros, Guilbert C. Hentschke, Robert LaVallee, and Nichole H. Stewart. The team provided valuable support in conceptualizing this document and reviewing earlier drafts. The authors would also like to recognize Louis Caditz-Peck, Morgan Diamond, and Steve Saltzman of the Self-Help Charter School Lending Team. These individuals served as external expert reviewers and provided thoughtful feedback on this publication.

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