

## District school admin costs are sound, lower than charters

### *An analysis of administrative v. teacher pay in Arizona district and charter schools*

School district administrative salaries are a common punching bag by those opposed to increasing public education funding. Over the past several years there have been references in the media and online implying that administrative costs at Arizona public schools, particularly district schools, are either excessive or are expanding exponentially. For example, opponents to Proposition 208, the voter initiative to tax wealthy income earners at a higher rate to increase public education funding, claimed that “some superintendents make a quarter of a million.”<sup>1</sup> Politicians who want to evade the harder task of funding education, like to claim funding can come from administrative bloat. Kari Lake, should she be elected governor, would heavily influence education funding. On her website, Lake states, “Supporters of Government-run schools constantly demand more money for teachers, but routinely take the increased funding that has been provided and allocate it to ever-increasing administrative bloat....administrator salaries have spiked, as have the number of administrators employed by school districts.”<sup>2</sup>

The Grand Canyon Institute (GCI) performed an extensive analysis of the publicly available data on district school superintendent salaries and the highest paid salaries at Arizona charter schools. GCI comes to the same conclusion that a report done by investigative reporter, Jim Small, of the Arizona Mirror that accurately and conclusively analyzes the relationship between administrative salaries and teacher salaries at Arizona district schools<sup>3</sup>. GCI then reviewed the public data on charter school administrative leadership salaries and found that there is a much greater difference between administrative salaries and teacher salaries at Arizona charter schools and that charter

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<sup>1</sup> Phillips, Mark, Heather Cumberledge, and Justin Pazera (2020), “Truth be told: A fact check on Arizona’s Proposition 208,” ABC 15, Sept. 11, [Truth be told: A fact check on Arizona’s Proposition 208 \(abc15.com\)](https://www.abc15.com/news/2020/09/11/truth-be-told-a-fact-check-on-arizonas-proposition-208/).

<sup>2</sup> [Kari Lake’s Education Plan — Official Kari Lake Campaign Website - Kari Lake For Arizona Governor](https://www.karilake.com/education-plan/)

<sup>3</sup> See: Smal, Jim (2022), “There’s a big problem with how much teachers are paid, but it’s not because of administrative bloat, AZMirror, April 28,, <https://www.azmirror.com/2022/04/28/theres-a-big-problem-with-how-much-teachers-are-paid-but-its-not-be-cause-of-administrative-bloat/>.

administrative leaders receive salaries far greater than the amounts paid to district school superintendents regardless of school size.

The findings of GCI's analyses include that:

- Administrative costs for district schools are among the lowest in the country and about 10% of overall expenses, roughly half what charter administrative costs are.
- Administrative costs in Arizona are among the lowest in the country for district schools
- Superintendent salaries relative to the number of students overseen is generally lower than in the charter sector. For districts/charters with between 5,000 to 10,000 students, for instance, the average superintendent earned \$165,000 while the average charter head earned \$267,000. Average differences for other student ranges were more modest (see Figure 2).
- Since FY2017 average charter teacher pay has risen 24% while district pay has gone up 16.5%, helping to close the gap between the two. The consumer price index increased 11% during this period. District school teachers still earn on average \$8,000 more than their charter school colleagues, and their benefit packages remain superior to charters.

### **Methodology for this Analysis**

GCI reviewed FY2020 salaries and administrative costs for district and charter schools based on publicly available data. Its methodology included analysis of:

- District superintendent salaries reported in district Annual Financial Reports (AFR) submitted to the Arizona Department of Education (ADE) and follow up with those districts that did not provide this data on their AFR.
- Charter leadership salary data for nonprofit charter organizations reported in IRS Form 990s, the tax form filed by nonprofit organizations. This information was collated for for all non-profit charter organizations.
- Charter leadership distributions for for-profit charter organizations as reported in audit reports charter organizations submit to the Arizona State Board for Charter Schools. This data is presented in addition to the salary data.
- Payments received by nonprofit charter management corporations as reported in their IRS Form 990.
- Payments made to for-profit charter management organizations based on an analysis of the total expenditures of the charter group as reported in independent audits of charter organizations.

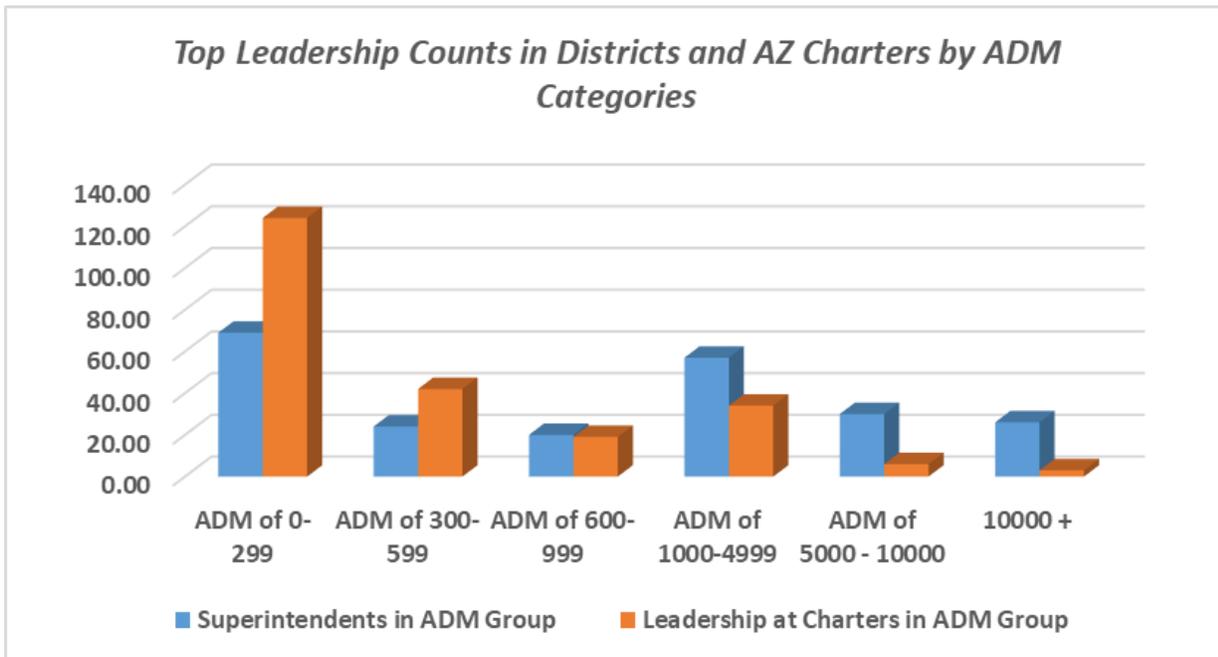
- Teacher full-time equivalent (FTE) counts and average teacher salaries at school districts and charter organizations from data on the Arizona Auditor General's Reports on Spending at Arizona Districts and FY 2020 and 2021 AFRs and the ADE Superintendent's Annual Reports.

### Arizona District and Charter Leadership Salaries

GCI analyzed district superintendent and charter school leadership salaries to provide evidence-based data to what is often a focus of public school funding debates. Charter school organizations use a variety of titles for their top leadership position including president and/or vice president<sup>4</sup>, superintendent, charter holder, corporate board chair, and in one case, parliamentarian. To provide context, GCI's analysis includes data on district and charter organization average daily membership (ADM), the average number of students enrolled within a school or district each day over a specific time period.

Figure 1 shows the distribution of leaders based on the ADM of their school districts or charter organizations.

*Figure 1: Distribution of Top Leadership at Arizona School District and Charter Organizations by ADM*



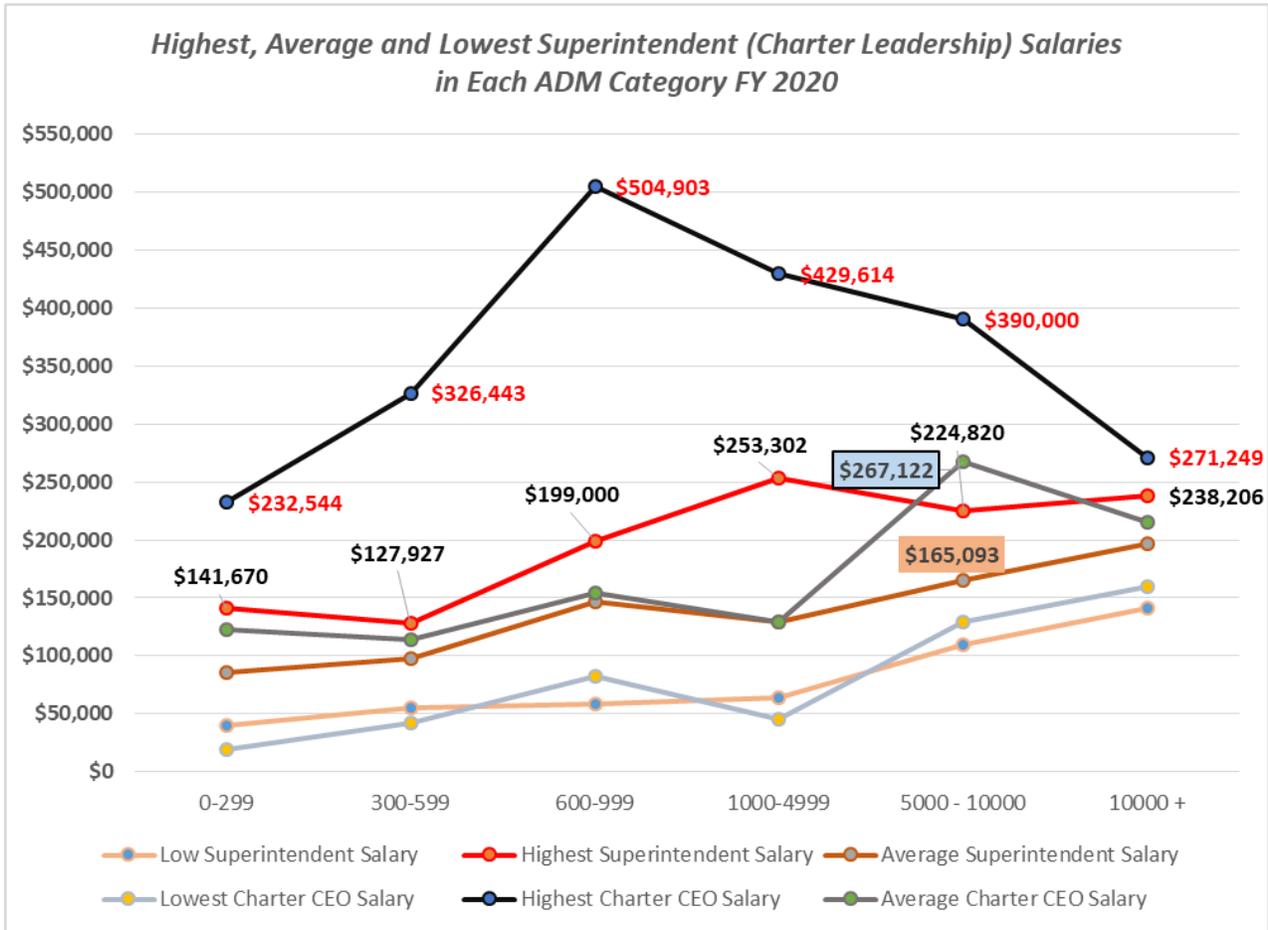
Source: GCIdistrict superintendent salaries data set organized by District Size as provided by ADE.

<sup>4</sup> GCI found instances where a charter organization's vice president was the highest paid as recorded in IRS Form 990s in instances where related parties served as president and vice president..

GCI also analyzed data based on highest paid, average paid, and lowest paid superintendent/charter leaders based on district and charter ADM. In Figure 2, it is apparent that in all categories, charter school leaders earn more — in many cases, substantially more — than district school superintendents. The highest paid school leader earned \$504,903 as the CEO of a charter corporation with ADM of 600-999. The highest paid district superintendent earned \$253,302 with ADM of 1000 to 4999.

District superintendent salaries are set by their elected governing board members. Charter school leader salaries are either determined by the governing board if it is a nonprofit organization or potentially by the leader themselves, if the charter is a for-profit company. Governing boards in the charter sector frequently included related parties who are not independent from the schools (i.e., the work for or help oversee the school as a paid position).

Figure 2: Charter CEO and Superintendent Salaries FY 2020 (Highest, Average, and Low)



Source: GCI data set on superintendent salaries organized by district size as provided by ADE and GCI analysis of charter leadership pay from IRS Form 990 limited to non-profit charter and non-profit management group reports.

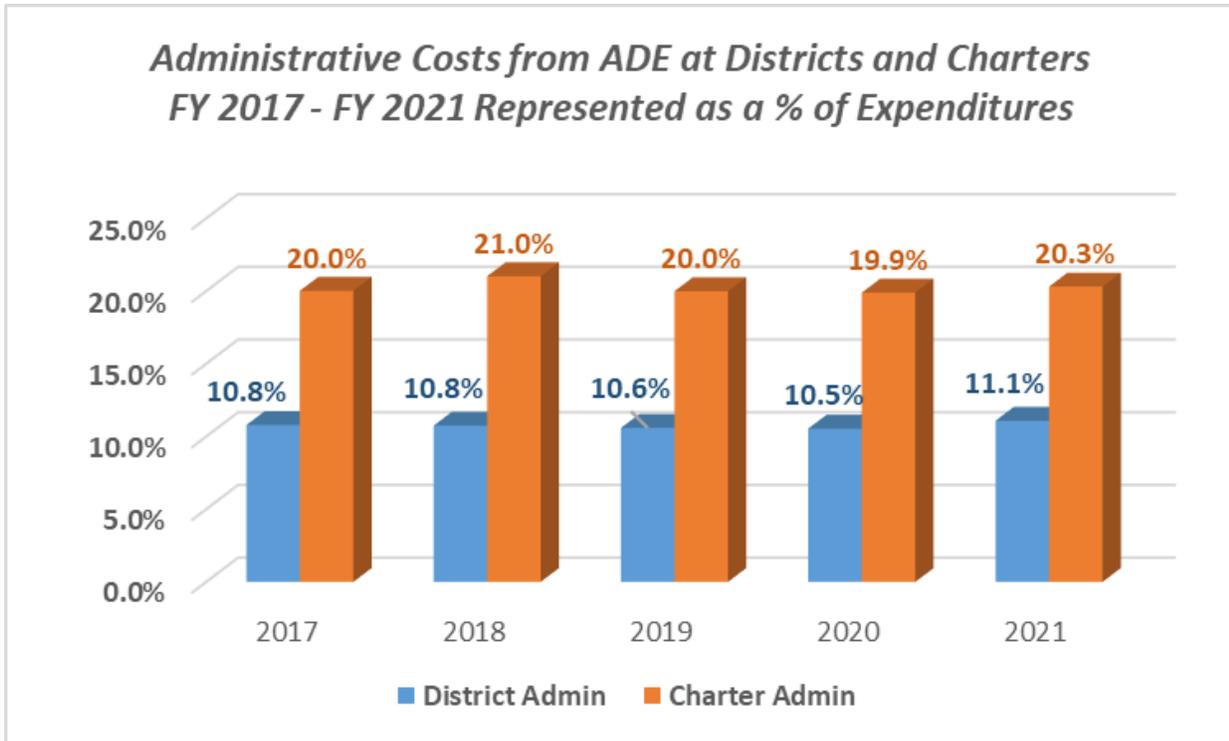
**Note:** In FY 2018 and 2019 claims of superintendents earning over \$250K were misleading. The only superintendent earning this amount served at the East Valley Institute of Technology. That person is no longer superintendent of EVIT.

### Administrative Costs at District and Charter Schools

GCI also looked at ADE’s assessment of administrative costs from FY2017 through FY2021. The difference in leadership salaries among districts and charters can be seen in their overall administrative costs. Charter organizations have administrative costs that are almost double relative to districts when comparing the two school sectors.

In national data, Arizona districts combined school and general administrative expenses are on par with Florida, Idaho and Utah as the lowest in the country.<sup>5</sup>

Figure 3: Administrative Costs at School Districts and Charter Organizations



Source: Annual Financial Reports, ADE.

GCI noted that there were a number of low ADM charters where management restrained from taking a salary or took a low payment for their services. However, there are considerable cases where charter management over-compensates itself when compared to district compensation for superintendents.

GCI also collected data on the distributions reported in for-profit charter organization audits. Distributions are the earnings, or owner's equity, taken in a particular fiscal year, and represent an additional payment to the charter organizations administrative leadership, therefore GCI treats it as an administrative expense. Note that the numbers are reported as negative as they are taken out of the school's net assets.. The two illustrations of positive numbers, Eastpoint and Flagstaff Montessori indicate infusions of cash by owners. GCI considers distributions in excess of \$1,000 per ADM problematic.

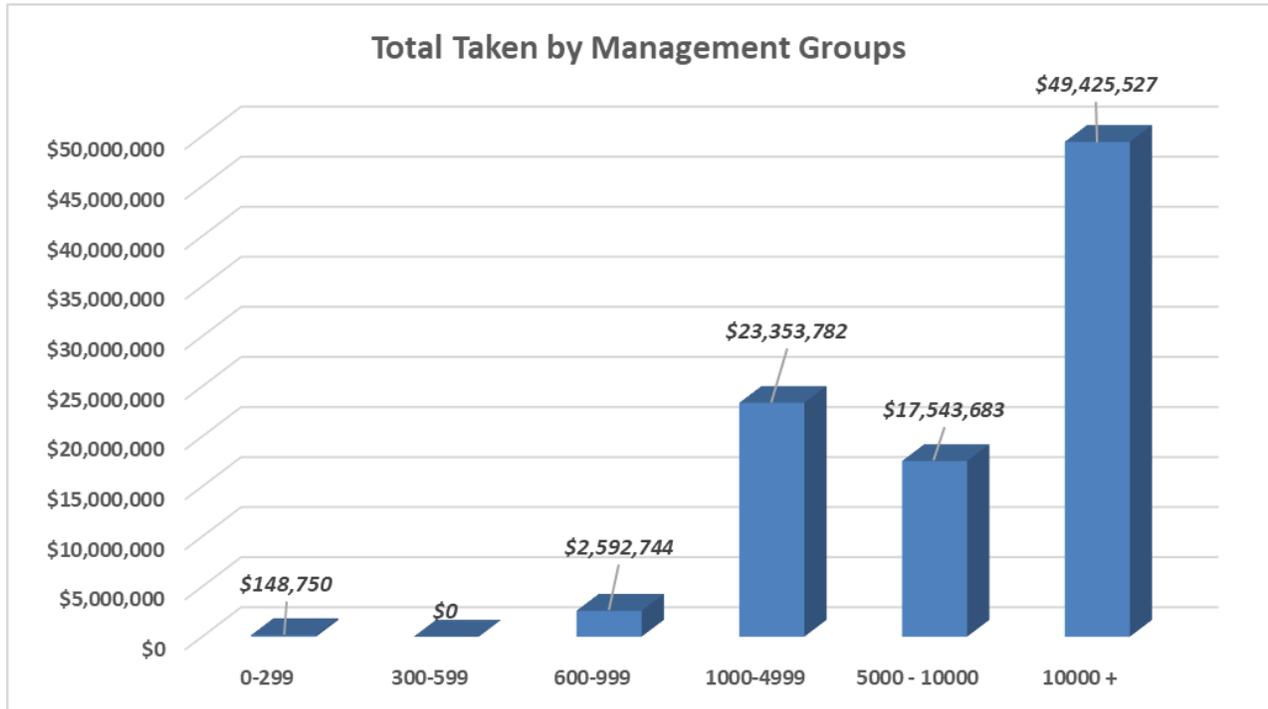
<sup>5</sup> National Center for Educational Statistics, Digest of Educational Statistics, Table 236.75 "Total and current expenditures per pupil in fall enrollment in public elementary and secondary schools, by function and state or jurisdiction, 2018-2019, [https://nces.ed.gov/programs/digest/d21/tables/dt21\\_236.75.asp](https://nces.ed.gov/programs/digest/d21/tables/dt21_236.75.asp).

Table 1: Distributions Taken in FY 2020 at For Profit Charters

Charter organization	Distribution	Distribution Per ADM Corporate
Pinnacle Online	<b>-\$1,150,656</b>	<b>-\$3,318.20</b>
Rose Academies: Pima Rose	<b>-\$375,218</b>	<b>-\$342.21</b>
Self Development Mesa	<b>-\$335,000</b>	<b>-\$705.82</b>
Ombudsman Charter West	<b>-\$1,750,000</b>	<b>-\$1,091.86</b>
Intelli School International Commerce Humanities and Science Academy	<b>-\$77,097</b>	<b>-\$67.27</b>
Happy Valley Schools American Basic FOR PROFIT Now Burke Basic Academy	<b>-\$111,870</b>	<b>-\$62.31</b>
GAR Inc Student Choice HS	<b>-\$1,642,000</b>	<b>-\$1,110.05</b>
Eduprize Gilbert	<b>-\$2,450,000</b>	<b>-\$712.91</b>
Eastpointe High School	\$904,175	\$1,943.63
Montessori Charter of Flagstaff AKA Flagstaff Montessori	\$584,229	\$3,516.44

Source: Data from FY 2020 Audits from ASBCS, Distributions are reported at For Profits Only

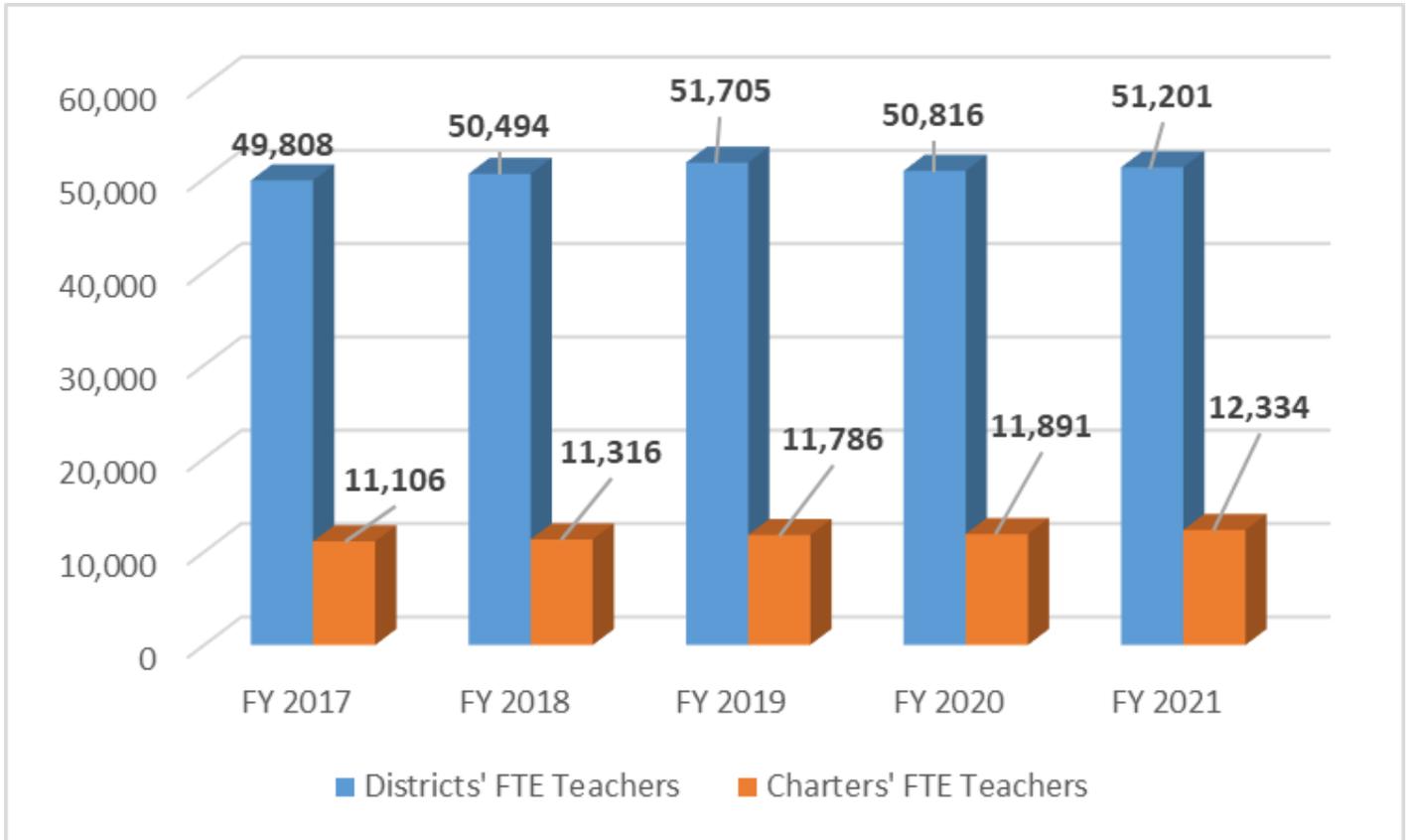
Figure 4: Distributions Taken by Charter Organizations



Source: Data on charter organization payments to charter management groups as reported in audits submitted to ASBCS in FY 2020. Data DOES NOT include payments for contracted teachers or other categories of related-party transactions outside management.

Charter organizations are not required to report salaries paid to staff working for the for-profit charter management groups they contract with as they are privately-run organizations and do not hold the charter with the Arizona State Board for Charter Schools. GCI considers management fees greater than 15% to warrant greater scrutiny. The average cost of district management is 10.6% versus 19.9% at charters as reported in ADE’s Superintendent’s Annual Financial Report. There were 15 charter management groups whose administrative costs exceeded 15% of their overall expenses. Paid corporate board members for nonprofit charters (for profit charter management groups do not disclose payments) took a total of \$378,934 in compensation. One individual was paid more than \$100k for serving on multiple charter school corporate boards — these payments are made with the taxpayer funds received by the charter organization. Elected governing board members serving with Arizona school districts do not receive compensation.

Figure 5: Full Time Equivalent Teacher Counts FY 2017 - FY 2021



Source: Arizona Superintendent's Annual Financial Report, FY 2006 – FY 2021 Volume II Collated by GCI.

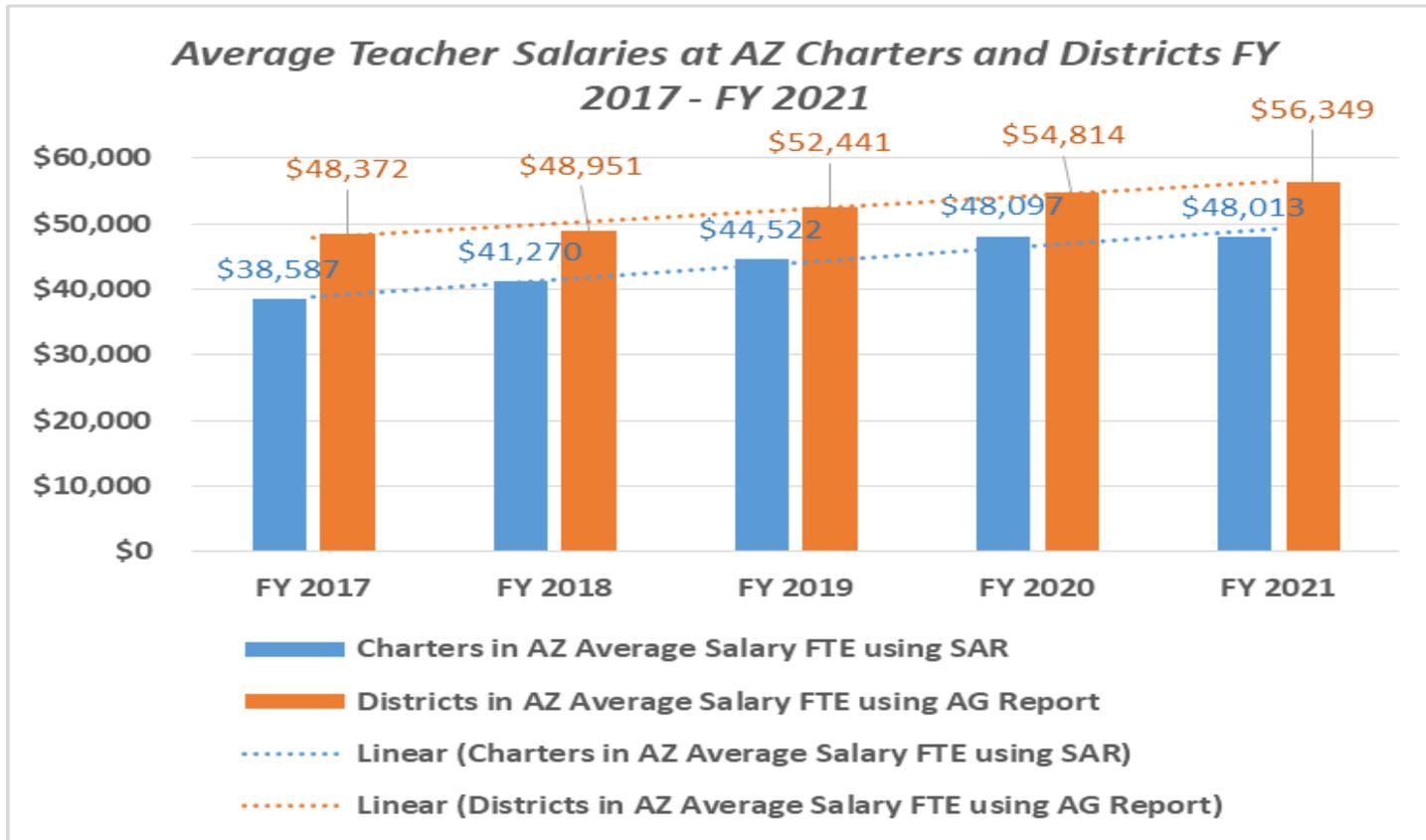
Student Teacher ratios between districts and charters are identical, yet both pay and benefits are superior in district schools.

Table 2: Student-Teacher Ratio at District and Charters FY2021

	FTE Teachers	ADM (Students)	Student-Teacher Ratio
Districts	51,201	904,006	17.7
Charters	12,334	215,985	17.5

Source: FTE Teachers: Arizona Superintendent's Annual Financial Report, FY 2006 – FY 2021 Volume II Collated by GCI, ADM Joint Legislative Budget Committee FY2021 Appropriations Report, Dept. of Education, p. 130 Table 2 K-12 ADM (unweighted).

Figure 6: Average Teacher Salaries at AZ Districts and AZ Charters FY 2017 - FY 2021



**Selected range note:** This time period is used as it includes Governor Ducey’s attempt to raise teacher pay initiated in this time frame. Source of data is ADE Superintendent’s Annual Financial Reports and Arizona Auditor General Reports from FY 2017 - FY 2021.

Since FY2017, teacher pay in charters has risen 24%, while district pay has risen 16.5%, showing some closing of the gap between the two. The combination of Governor’s Ducey’s 20x2020 plan and the requirement to post average teacher

pay on charter web sites were likely instrumental here. The consumer price index rose 11% during this time period.<sup>6</sup> GCI does not provide a full benefits analysis here—but has found that a minority of charters participate in the Arizona State Retirement System. Those charters that do not participate typically offer an inferior retirement package. Likewise, health benefits tend to be superior at district schools.

## **Conclusion**

Critics who claim excessive spending on administrative expenses at district schools in Arizona misrepresent actual spending patterns and mislead people as to how issues of underfunding impact schools. Arizona district schools have among the lowest administrative spending in the nation. Furthermore, the compensation for top leaders in the charter sector exceeds that of district superintendents in schools of all sizes.

Charter schools have consistently demonstrated administrative costs that are roughly double district schools, though charter expenses may not be always accurately conveyed in Annual Financial Reports—sometimes hiding and sometimes over-reporting administrative costs. Thus, GCI recommends the legislature mandate the Auditor General work with the Arizona State Board for Charter Schools to oversee more consistent interpretation and reporting of financial categories.

Teacher pay has improved for both districts and charters, with average pay rising a bit more for charters, but collectively district teacher pay and benefit packages are superior to charters. An analysis of student-teacher ratios shows no difference between the two sectors.

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<sup>6</sup> U.S. Bureau of Labor Statistics, “CPI Inflation Calculator,” done from the end of the respective fiscal years June 2017 to June 2021, [CPI Inflation Calculator \(bls.gov\)](https://www.bls.gov/calculator).

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