PASA issued a White Paper on September 22, 2021, that provides solutions to the cyber charter school funding issue.

**Excerpts from the PASA White Paper on Cyber Charter School Funding**

In June 2018 PASA cited a 2017 study from Research for Action, a Philadelphia-based research group, The study reviewed six Pennsylvania School Districts of varying size and demographics in regard to their charter school expenditures over a five-year period. The researchers found that funding for charter schools in Pennsylvania is deeply flawed. It is based on a formula that is not reflective of the actual cost to operate these educational programs, especially cyber charter schools. Rather, the tuition per student is based on the cost of the sending specific district to educate children as if they remained in their home school district.

Included in that sending district’s tuition cost are numerous expenditures that are not reflected in a charter school’s tuition costs, including gifted education, extra-curricular costs, and busing/transportation (ironically, since school districts must then expend additional funds to transport charter students). Even the cost of collecting taxes is included in the calculation for public school tuition. These costs are then bundled together to calculate the “cost” of tuition, even though brick-and-mortar charter schools do not incur all these expenses, and cyber charter schools operate with very little infrastructure overhead. **In other words, the formula requires traditional public schools to send more money to charter schools than is needed to operate their programs.** The result is a windfall for the charter schools and a deficit for traditional public schools, particularly for those with a higher concentration of charter students. The Executive Summary of that study emphasizes the following:

- The final impact of charter expansion is consistently negative for the school districts where the students have left for a charter school in both the short and long term.

- The total annual fiscal impact grows each year as more students depart for charters.

- The per-pupil impact decreases in the longer term. With a constant rate of charter growth, the per-pupil impact in Year Five is smaller than the per-pupil impact in year one because districts are able to economize on teacher salaries, building costs, and other fixed costs as more students leave.

- Yet the impact never reaches zero as charter expansion continues. **Even by Year Five in the fastest growth scenario, districts will only be able to recoup between 44-68% of the cost of charter tuition for each student that leaves.**
Charter schools appear to be somewhat financially insulated from the current educational financial environment, with much of their funding guaranteed from local school districts across the state no matter the local economic environment or level of state funding. Cyber charter school tuition cannot be negotiated and is based on the previously mentioned state formula. School districts do not enjoy the same funding stability as cyber charter schools and must make difficult financial decisions to ensure a balanced budget each year, which can often lead to increased property taxes, cuts to personnel, reductions in programs, or some combination of the three.

This creates constant and ever-growing pressure on school districts as they often see cyber charter school tuition increase well above the rate of inflation or the Act 1 index due to the way the tuition formula works. Over a five-year period, cyber charter school enrollment increased by 10.4%, yet tuition increased by 47.6%, creating significant budget implications for school districts. This rapid escalation of tuition increases is unsustainable for school districts and must be curbed in the future.

Potential Solutions

The funding of cyber charter schools is the number one reason why there is so much conflict, frustration, and anger between school districts and cyber charter schools. The state has established two distinct and separate systems of public education yet continues to employ one funding system that does not effectively support either system. It is time to ensure that public cyber charter schools and public school districts receive the funding needed to properly educate the children they serve. To that end, PASA offers the following potential solutions.

* Flat Funding Rate for Cyber Charter School Tuition and Cap Future Tuition Increases:

To date, there has not been an effort to ascertain how much is actually needed to operate a cyber charter school adequately and equitably via a per pupil expenditure basis. Governor Wolf’s proposal established a flat rate of approximately $9,500 per pupil to adequately operate a cyber charter school across the state. This figure was based on the operating costs of the three highest performing cyber charter schools in Pennsylvania. Districts should not have to pay differing amounts of tuition for students to attend the same cyber charter school and receive the same service.

The Governor’s plan also establishes a per pupil rate for special education students based on the three-tier per pupil subsidy structure for special education students in the new special education funding formula for school districts instead of relying on the current flawed formula of assuming that each school district has a special education population of 16%. PASA believes that this concept has merit and can serve as an effective funding construct for cyber charter school tuition.

We understand that the initial amount set for the flat rate may need to be discussed further to ensure that cyber charter schools receive what they need to adequately fund their schools. Once the rate is set, it will be imperative to ensure that any future increases in the rate are tied to a credible inflationary index such as the state CPI, ECI, SAWW, or the Act 1 Index. Districts need to know that their cyber charter school tuition rate will not increase exponentially on an annual basis. A fair tuition rate with moderate annual increases will help to stabilize the current cyber charter school funding crisis.

* Reinstate the 30% Tuition Reimbursement to School Districts and Cap Tuition Increases:

When the charter school law was first implemented in Pennsylvania, the state reimbursed school districts 30% of the cost of charter school tuition. This was extremely beneficial in helping districts balance their budgets and absorb much of the residual costs remaining in district operations as students leave for charter schools. Unfortunately, this reimbursement ended during the Great Recession and was never reinstated.

The reinstatement of this reimbursement, coupled with a cap on the annual growth in cyber charter school tuition as described above, would accomplish two goals. First, the cyber charter schools would not see any reduction to their tuition. Second, school districts would receive compensation for the residual cost of students leaving for charter schools, with the understanding that the tuition rate will only increase at a moderate rate annually.