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**HOUSE DEMOCRATIC POLICY COMMITTEE**

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**HOUSE OF REPRESENTATIVES**

COMMONWEALTH *of* PENNSYLVANIA

*House Democratic Policy Committee Hearing*

**Charter School Impact on Rising Property Taxes**  
**Monday, April 4, 2022 | 12:00 p.m.**  
**418 Main Capitol, Harrisburg and Virtual**  
**Representatives Mary Isaacson and Joe Ciresi**

12:10p.m.

**Uri Monson, Chief Financial Officer**  
***School District of Philadelphia***

*Q & A with Legislators*

12:40p.m.

**Arthur Steinberg, President**  
***American Federation of Teachers***

*Q & A with Legislators*

1:00p.m.

**Stephen Rodriguez, Superintendent**  
***Pottstown School District***

*Q & A with Legislators*

1:20p.m.

**Tomea Sippio-Smith, K-12 Education Policy Director**  
***Children First***

**Larry Feinberg, Director**  
***Keystone Center for Charter Change***

*Q & A with Legislators*

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**HOUSE OF REPRESENTATIVES**  
COMMONWEALTH *of* PENNSYLVANIA



THE SCHOOL DISTRICT OF  
PHILADELPHIA

**Impact of Charter School Costs on Local Taxes:  
Presentation to the PA House Democratic Policy Committee**

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**Uri Monson  
Chief Financial Officer  
April 4, 2022**

# School District of Philadelphia: Background

Largest School District in the Commonwealth of Pennsylvania

In School Year 2020-21:

- The District served 201,818 students
  - 122,417 in District public schools and alternative programs
  - 68,364 in Philadelphia Brick and Mortar Charter schools
  - 9,481 in Cyber charter schools
  - 1,556 students in Brick and Mortar Charter schools outside Philadelphia
- Total District Operating expenses in 2020-21 were \$3.4 billion, of which nearly \$1.2 billion was expended on Charter School payments

# School District of Philadelphia: Local Funding

Only School District in the Commonwealth that has no Taxing Authority

Local Funding is not limited to Property taxes:

Source	FY21 Actual
Property Tax	\$881.8 million
Liquor Sales Tax	\$37.8 million
School Income Tax	\$55.2 million
Business Use & Occupancy Tax	\$178.9 million
Cigarette Tax	\$58.1 million
Sales Tax	\$120 million
Ridesharing Revenues	\$3.1 million
Other Taxes	\$1.3 million
Local Non-tax Revenues (primarily City Grant)	\$268.6 million
<b>TOTAL</b>	<b>\$1.6 billion</b>

# School District of Philadelphia: Local Burden

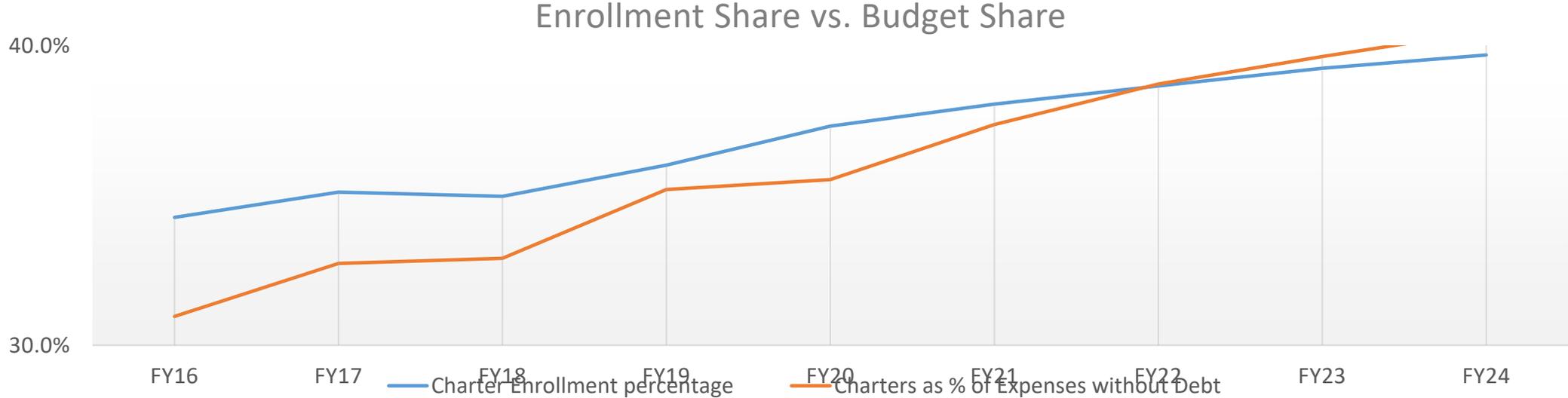
Philadelphia taxpayers bear a significant local burden for school funding relative to other Districts in the Commonwealth

According to Pennsylvania Department of Education Data:

- Philadelphia ranks 433 out of 500 Districts for Median Household Income
- Philadelphia ranks 457 out of 500 Districts for Local Capacity per Weighted Student
- Philadelphia's equalized millage rate ranks 83 out of 500 Districts
- Philadelphia's ranks 19 out of 500 Districts for Local Effort Capacity Index

**Philadelphia has among the lowest household income in the Commonwealth, one of its neediest student populations, and has one of the highest tax burdens for local residents in the Commonwealth.**

# Charter Costs are Increasing Faster than all Other District Costs at a Rate Disproportionate to the Increase in the Percentage of Students Enrolled in Charter Schools



Budget share should always trail enrollment because of a small number of expenses that are not included in the Charter formula and the fact that the Charter rate is always a year behind actual District per pupil expenditures.

**The burden of charter costs on local tax payers will continue to grow disproportionately as the District projects that over the next five years District Operated school costs will grow by an annual rate of 1.5 percent while Charter school costs will grow at an annual rate of 4.8 percent.**

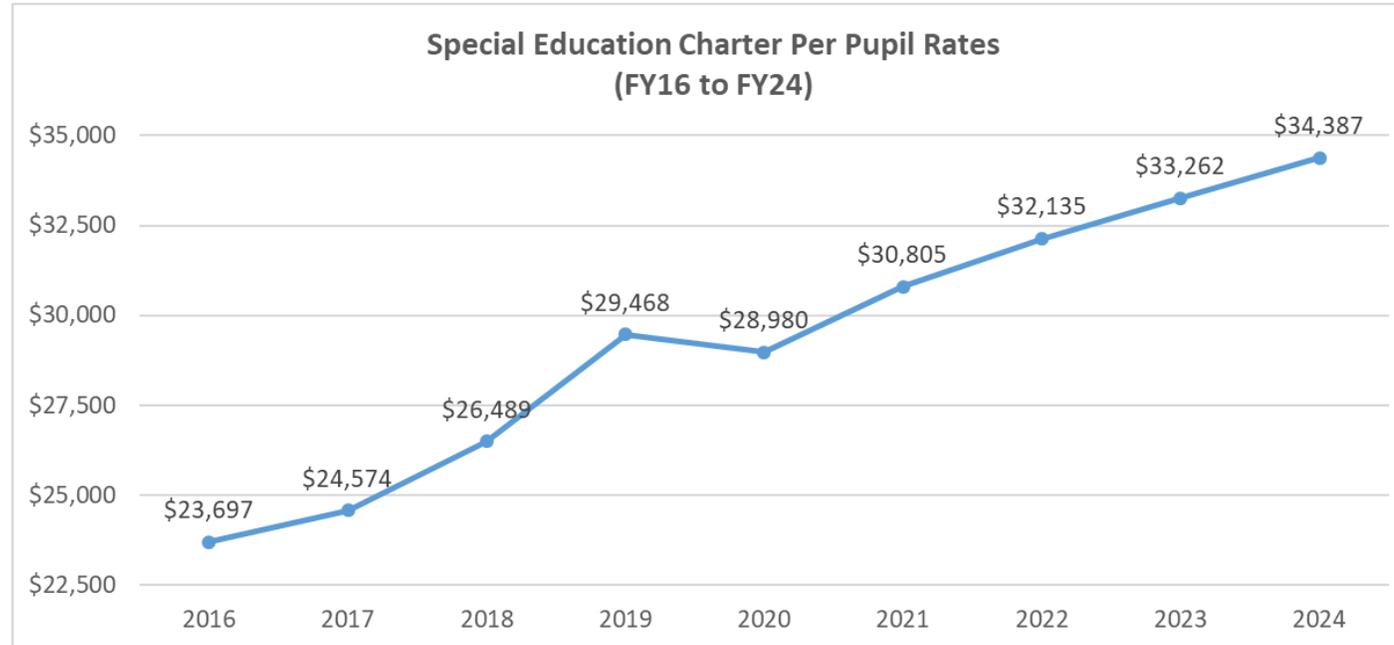
# Compounding Conundrum of Stranded Costs

When students leave District Operated Schools for Charter Operated schools, revenues follow the student, but related expenses do not, resulting in “Stranded Costs.” These Stranded Costs compound in a manner which increases the cost of delivering services to students without increasing the level of service to students.

- If there are 28 students in a fifth grade classroom, and 3 leave to attend a Charter school, all of the costs associated with that classroom remain – number of teachers, counselors, principal, school supports, etc.
- Revenues follow the students who left in the form of Charter tuition payments to those students’ new school, regardless of whether or not their move results in increased expenses for the school.
- The impact of Stranded Costs is compounded each year, as the per-pupil cost for the District operated students (same expenses divided by a smaller number of students) increases, resulting in an increase in the calculated Charter Tuition rate for all students attending Charter Schools.

**The result is that District expenses increase for both the students they are serving directly, and payments to Charter Schools, even though there is no increase in the services being provided to students in District Operated Schools.**

# Charter School Special Education (SPED) Payments are Driving the Dramatic Cost Growth: SPED Charter Payment Rates are Growing at a 5.6% Annual Average



Charter SPED rates are increasing at a rate of 5.6 percent annually, while non-Charter District spending is increasing at 1.5 percent annually.

# SPED Related Payments to Charters are Independent of Actual SPED Expenditures

## (FY18 Figures)

- Among SPED students, ~80 percent of SDP students, and 93 percent (~12,700) of Charter students fall within the Tier 1 category – those for whom actual expenditures are below \$25,000
- For Tier 1 students, the SDP spends on average \$20,000
- For each of the Charter Tier 1 students, Charters receive \$26,489
- For Tier 2 students, the District spends on average \$40,000  
Approximately 5.4 percent (~730) of Charter SPED students are Tier 2
- For Tier 3 students, the District spends on average \$79,000  
Approximately 1.2 percent (~160) of Charter SPED students are Tier 3

Based on population and average tier spend, the District estimates it sent Charters payments of more than \$51 million in excess of actual Charter costs for SPED students in FY18.



***Thank You For Being Part of the Progress***

## Policy Hearing Testimony, Rodriguez

Stephen J. Rodriguez

Superintendent of Schools, Pottstown School District

President, League of Urban Schools Caucus

April 4, 2022

Greetings Committee Members. Since 1997, when Charter School Law passed in Pennsylvania, the question of school choice has been answered for our Commonwealth. Pennsylvania families, however, after 25 years of ample opportunity, have voted with their feet. The overwhelming majority of Pennsylvania students still attend local public schools. To be clear, of the 1.7 million students in Pennsylvania, more than 1.5 million still attend their local public school, with pride.

So why has this issue continually divided our legislature? The answer is simple. It's not about school choice. It's about money. It's about how that choice gets paid for. It's about why we consistently raise taxes on the local homeowner through the back door of Charter and Cyber Charter School funding law. My intention today is to show you how taxpayers who can least afford it are paying, and I would venture to say overpaying, for Cyber Charter Schools.

The Pottstown School District, of which I am Superintendent, is an urban school district with a majority of at-risk student population with a community population of about 22,300. 46% of Pottstown residents earn less than \$40,000. We have about 3,400 students enrolled. 70% of them live in low-income families, with 30% living below the poverty level. 100% of students receive free lunch, as calculated by the state's poverty determination.

I also represent the PA League of Urban Schools or PLUS, a Caucus of PASA. All of my colleagues in urban school districts are facing financial crises that have been exacerbated by the burden of Charter schools, specifically, the way they are funded in this state.

Charter tuition is a state-mandated cost. Each year those costs go up because of a convoluted formula that virtually guarantees an increased annual income for Charter Schools. These increases are costing Pennsylvania taxpayers millions of dollars each year, with very little accountability on the part of these schools.

The most puzzling fact in Pennsylvania's Charter School system is that of Cyber Charter Schools. Despite having a much lower cost to operate compared to brick and mortar schools, they receive the same and/or better funding. According to the PA Department of Education, in 2021, tuition rates for Charter Schools (including Cyber Charters) ranged from \$8,917 (Hazelton) to \$23,798 (New Hope-Solebury) for a regular education student. For special education students, that cost exploded to a range of \$18,599 (Steelton-Highspire) to \$57,371 (Lower Merion).

The majority of the highest special education rates - as determined by this formula - are found in lower-income school districts, Both Urban and Rural. Districts that are most affected by cyber schools are also districts with the poorest communities and the most underfunded by the state's fair funding formula.

When I explain this to Legislators or State and/or Community leaders, I get a few responses which I'd like to address now:

## Policy Hearing Testimony, Rodriguez

“Those districts are mismanaging their money. They are poor because they are not good stewards of taxpayer dollars and these charter schools give parents options.”

Having the experience of rubbing shoulders with other school leaders, I can tell you that the vast majority of urban districts are doing their very best to survive; and quite frankly there's little to mismanage! In fact, it is often urban districts that are innovating, because necessity is the mother of all invention. An example from my own experience? My district was the first in the state to embrace trauma-informed educational practices which are now being embraced across the nation. We've been doing it for years. But setting aside both those points, the reality, when you visit these schools, is that good management can't fix poor infrastructure. I've worked in Urban, Suburban, and Rural Schools. It's not astonishing at all how well communities can manage money when they have enough to do the job, and vice versa.

To address the second part of the concern often raised, 'Parent options' is not and has not been contested. I have spoken to parents from my church, and from my own district about this issue, and giving families choices beyond the traditional local school is terrific. But no one is talking about school choice. Even though Cyber and most Charter Schools are at the very bottom of academic performance and every other vital sign we judge schools, we are not against school choice at all. It's the funding structure and governing rules that must be addressed. And as a side note, when I share this information with the aforementioned parents, even those who start the conversation in anger, find themselves agreeing that funding reform is critical if school choice is to remain viable in the future.

The other challenge I hear most frequently is that “charter schools have costs just like you do. They may not be the same, but they should have the same resources as Commonwealth students.”

On its face, this seems like a fair point. But again, no one is debating this point. Of course, Charter Schools have costs. But let's discuss some facts that shed light on this issue. First, it's an undeniable fact that millions of taxpayer dollars are being turned into huge profits for 'management companies' that work specifically with Cyber Charter Schools. That's a huge point of contention with taxpayers that I talk about because communities are paying far more than they realize for Cyber Charter Schools. Second, those costs, most especially for Cyber Charter Schools, are very different. I can say this with some authority because my District competes and operates its own multi-tiered cyber programming and I know what it costs, and we keep our students so I also know it's a quality program. The reality is simple: virtual education is significantly less expensive than schools with brick and mortar requirements and special education costs.

Let's talk about special education. Funding from the State has been nearly flat for many years, despite rising costs and higher numbers of identified special education students throughout the Commonwealth. According to the work of Professor Bruce Baker and from a separate organization, David Lapp from Research for Action, the funding structure set up for Cyber Charter Schools literally punishes communities and taxpayers when students attend a Cyber Charter School. It does not cost the same, in fact, it costs more. Consider this well-known fact: 16% was an average special education number used in a formula for Cyber Charter Schools. Meaning that when figuring out the tuition costs that school districts would pay, it is assumed that the special education population would be 16% of any given school district. But my special education population is more than 23% of the school district which means that straight off the bat, before anything is said or done, Cyber Charter Schools get a bigger piece of tuition money than the school district. For example, in my District, because we are required to use 16% as the number for our student population instead of the actual 23%, Charter schools receive \$6,500 more per student.

## Policy Hearing Testimony, Rodriguez

But it gets worse. Special education students are broken up into three tiers. The first tier includes the most common type of special education student that is only a little bit more expensive than a general education student. The second tier would be a little more expensive and the third tier would be significantly more expensive involving multiple disabilities and usually special schools. The average that the Cyber Charter School receives is based on all of these tiers. But Cyber Charter School's very rarely have to bear the expense of second and third-tier students. Here are some real numbers: The most needy student in my district costs more than \$124,000. Our top 20 students cost us more than \$2 million dollars. On the other hand, our least needy students can cost only hundreds of dollars more than general education students each year. But the Charter School law makes no distinction between these students and forces the formula to simply take the average. This is above and beyond the problem of the 16% population part of the formula.

Finally, the way the funding structure has been for many years punishes School Districts for following the law and educating students appropriately. When they do, Charter Schools see tuition expenses rise even if they do not gain student population. Why? Because the formula is based on the district budget, regardless of reason, including rising tuition costs of other charter schools! So imagine being an urban district leader, educating students with more stipulations and requirements than charters, keeping all expenses down, and having to answer to taxpayers why taxes are still going up, because a formula from 25 years ago is non-negotiable and outside taxpayer control.

If you've been paying attention and this is the first time you've heard such a thing you probably think I'm lying. This is not a joke, or an exaggeration. The bottom line is that the formula rewards Cyber Charter Schools and punishes Public Schools. This is bad policy.

For 20 years, Superintendents have been asking Legislators why this is allowed to happen? Why do school districts have to pay different rates for the same service? Why should we pay in excess of \$50,000 for a service that may cost less than \$10,000?

According to a recently released report by Children First, Pennsylvania spends the most money for its Cyber Schools -- of any of the 27 states that authorize Cyber Schools. According to this report, PA has the weakest system to ensure students and taxpayers are getting their money's worth. In addition, a recent report by the Pennsylvania Charter Performance Center shows that every one of the State's 14 Cyber Charter Schools was identified as needing improvement, and was ranked among the State's lowest-performing schools, according to its ESSA School Improvement and Accountability Plan. Last year state taxpayers paid nearly \$1 billion to cover the costs of Cyber Charter Schools, and that is estimated to increase to approximately \$1.7 billion by 2025.

Let me provide some more examples as to how the funding of Charter Schools has had an impact on taxpayers. The education funding allocated by the State has not kept pace with the increasing costs to fund Charter Schools. According to a report released by PASA in the fall of 2021, the Newport School District reported a five-year increase in charter costs from FY 15-16 through FY 20-21 as \$683,983. The five-year increase in Basic Education Funding (BEF) from FY 15-16 through FY 20-21 was \$286,211. The percent of a five-year increase in state BEF passed through to Charter Schools was 239%. In other words, for every \$1.00 increase received in BEF, \$2.39 went toward paying charter school tuition. That additional cost was passed on to taxpayers locally or resulted in program reductions for students in the school district. Charter Schools have been another in a long line of unfunded mandates.

## **Policy Hearing Testimony, Rodriguez**

The Greater Johnstown Area School District spends about \$2.2 million on Charter Schools. It also spends a significant amount of time and money verifying the addresses of students claiming to be residents and attending a Charter School. The District has found charter families were using addresses that turned out to be empty lots, abandoned storefronts, and other properties that were condemned. The Charter Schools do not have to verify these addresses, but they have no problem collecting tuition from school districts for students who don't even live in the district.

Woodland Hills shares similar problems. Of its 5,000 students, approximately 1,500 attended Charter Schools costing taxpayers about \$20 million. Many of these students, once enrolled in a charter school, would move out of the District. Last summer, Woodland Hills had to pay its social workers overtime to verify residences. It found about 150 students not living in the District but were being billed as attending a Charter School.

Butler Area School District reported that their principals found students being removed from a Charter School for not being in attendance for ten or more days or students that had not completed any work for a few months. This Charter School billed the district for these students - even when they weren't educating them.

Steel Valley School District has a \$3 million deficit with charter expenses of more than \$7 million. They are mandated to pay the charter tuition and are mandated to balance their budget. They will not be able to make any budget reductions in charter tuition, so the reductions will come from programs and services to students attending Steel Valley Schools.

Aliquippa School District reports a similar problem with approximately \$3.8 million in charter tuition costs and a budget deficit that needs to be closed. The costs will be passed onto taxpayers - and programs, services, and staff will need to be reduced.

Historically, the PA General Assembly has been kind to charters and has made it easier for them to operate a more expensive and less academically focused school compared to the public schools with which they compete. This has been done with surprisingly less concern for taxpayer dollars and has come at the expense of children attending non-charter public schools.

In 2006, the General Assembly passed Act 1, which limits tax increases to a cost-of-living formula. That Act 1 index does not apply to charter schools, thus putting school districts in the position of raising taxes to the Act 1 limit or cutting programs and services to balance a budget to the Act 1 limit.

To help offset the costs of charter schools, in the early 2000's school districts were provided 30% of the charter school tuition payments in funding from the state. That funding was cut in 2011 during a recession, and school districts had to absorb those cuts without cutting any tuition payments to charter schools.

Over the years, I have watched children return to our public schools from charters, so far behind our public school students that they need expensive remedial help. Not only do we pay huge tuition payments for them to attend a charter school, but we also spend additional money when they return to our District in order to close the gaps that were allowed to develop while they attended the charter school. The cost of this remediation has all been passed onto taxpayers; We have no choice - as we have no other way to raise revenue.

It is time to act. Charter schools are paid for by local commonwealth taxpayers, and these charter schools will receive nearly \$3 billion in publicly paid tuition during the 2021-2022 school year. Charter reform is needed and needed now. There are 179 charter schools and cyber charter schools operating in Pennsylvania this school year. All 67 counties in Pennsylvania have students enrolled in some form of charter school, so the impact of reform will positively impact taxpayers in every single county in the state.

## **Policy Hearing Testimony, Rodriguez**

I am recommending the following:

- We need to cap the Cyber School tuition, rather than using a 25-year-old formula to fund these schools where the costs are dependent on where a student lives.
- Special education costs should be based on actual service provided and not based on a flawed formula.
- Charter schools need to be held accountable for the progress of students, especially in the area of growth.
- Charter Schools need to have the same or more transparency with their finances to have parity with school districts and restore the public's trust that tax dollars are not being siphoned out of the education system as huge profit margins

Thank you for holding a hearing on this important issue. Thank you for your dedication, time, and effort to address these complex problems, and thank you for caring about our students and communities!



**Testimony for the House Democratic Policy Committee  
Impact of Cyber Charter Schools on Rising Property Taxes  
and What We Can Do About It  
Irvis Office Building, Capitol Complex, Harrisburg  
Monday, April 4th, 12:00 PM to 1:00 PM G-50**

My name is Tomea Sippio-Smith, and I am the K-12 Policy Director at Children First. Thank you for allowing me to testify on behalf of Children First and the PA Charter Performance Center.

I would like to focus my testimony on Pennsylvania's cyber charter sector. Not only are the cybers among the lowest performing schools in the commonwealth, but they are also growing much faster than brick and mortar charter schools, overburdening local taxpayers in many school districts.

Since the start of the pandemic, cyber charters have been the biggest driver behind the increase in local property taxes. In fact, last year, 99.7% of the Pennsylvania's charter enrollment growth occurred in virtual charter schools, which means that cybers are accountable for virtually all the charter related cost increases.

Pennsylvania is in the unenviable position of being the cyber charter capital of the nation. Enrollment in Pennsylvania cyber charter schools mushroomed by 59% to 60,900 full-time students last year, largely as a result of COVID-19. While complete data for the current year is not yet available, reports from many individual school districts indicate that cyber enrollment remains at or near an all-time high.

Last year taxpayers spent nearly \$1 billion on cyber charter schools, more than double the total from just five years ago. And while taxpayers may be hoping that the worst is over, Temple University's Public Policy Lab projects that charter fees will soar by \$1.7 billion by 2025. If recent enrollment trends continue, cyber charters will remain the major cost driver putting additional pressure on local taxpayers.

The flight to cyber charters is even more concerning given the evidence that cyber charters have had a profound and negative impact on student achievement. All 14 of Pennsylvania's cyber charters scored below the statewide average on the 2018-2019 English and math assessments and all 14 have been identified as needing support under the state's ESSA School Improvement and Accountability plan.

Unfortunately, the 2020-21 state assessments do not tell us anything new about cyber performance because only 24% -- or one in four -- cyber charter students took the tests. With such a small sample, there is no way of knowing if students who took the test are representative of all students. In comparison 83% of cyber students took the assessments in the 2018-19 school year.

The results are even more shocking for CCA, formerly known as Commonwealth Charter Academy. Only 5% -- or one in 20 -- CCA students took the 2020-21 state assessment compared to 79% two years ago. CCA is the largest cyber charter in Pennsylvania with over 16,000 students. It is hard to understand how CCA can justify testing so few students, especially given the millions they pay to outside contractors annually.

The bottom line is that we know local school districts spent close to a billion dollars on cyber charter tuition last year, but we do not know how well cyber charters performed. This puts parents who are struggling to keep up with local property taxes in a very difficult position.

Fortunately, there are ways that Pennsylvania can reduce the cost burden on local taxpayers. The PA Charter Performance Center, a project of Children First, recently compared funding and oversight policies in the 27 other states that allow cyber charter schools.

This research revealed that no other state funds their cyber charters like Pennsylvania.

More specifically, 20 states set tuition rates at the state, not school district level using a statewide formula or standardized rate. This differs from Pennsylvania's approach of calculating cyber tuition based on school district costs. One of the downsides of Pennsylvania's approach is that it generates unequal tuition rates that last year ranged from \$8,900 to almost \$24,000 per student.

The national scan also showed that 11 states set tuition for cyber charter schools below the rate for brick-and-mortar charters. In Pennsylvania, both types of charter schools receive the same per student tuition even though independent studies show that cyber charters cost are 25% to 30% less.

I would like to suggest three recommendations based on this national landscape.

***First, Pennsylvania should replace its wasteful cyber payment formula with a statewide tuition rate.*** Pennsylvania should adopt a statewide cyber tuition rate as proposed in Representative Ciresi's House Bill 272. With 75 co-sponsors including 14 Republicans, HB272 shows that there is support on both sides of the aisle. Governor Wolf proposed a similar approach in his latest budget, calculating that a statewide rate would reduce the cyber tuition bill by \$199 million.

***Second, the Auditor General should conduct regular audits to reduce the risk of cyber charter enrollment and performance fraud.*** Nearly half of the state's 14 cyber charter schools have never been reviewed by the state auditor and the largest cyber charter in the state was last audited a decade ago. In contrast, state audits in Ohio and Indiana found that virtual schools padded enrollment by 25,000 students, bilking the states for nearly \$150 million. Regular audits by the PA Auditor General would protect Pennsylvania taxpayers from this kind of wasteful and fraudulent spending.

Auditor General DeFoor recently took a step in the wrong direction by declaring that his office will no longer conduct public school audits, including audits of charter schools and cyber charter schools. This unilateral decision is shocking, and the legislature may have to take action to require regularly scheduled audits for public schools including cyber charters.

***Third, stop paying twice.*** Even before the pandemic, over 90% of school districts offered online educational programs staffed by state-certified teachers and nearly all districts gained new capacity in the last two years. Taxpayers should not be required to pay for redundant programs, especially in the current financial climate. Public funding for online charter schools should be prohibited if a student's home district already offers an online education program whose educational track record is as good or better than the charter school.

Adopting any of these recommendations will require bipartisan support in both chambers which is easier said than done. The House has previously advanced charter school reform legislation only to see it stall in the Senate.

One option to break the legislative stalemate is to create a bipartisan Cyber Charter School Funding Advisory Commission made up of legislators and the Governor's Office. This might be modelled after the Basic Education Funding Commission hammered out the school funding formula in 2016. The Cyber Commission would be charged with studying and drafting changes, and even looking into whether we need cybers at all. Given the increasing concern about the impact of cyber charters on taxpayers and students, it might even decide to follow the example of 22 other states that have all made a deliberate decision to prohibit cyber charter schools from operating in their state.

Thank you for allowing me to testify.



**Testimony Regarding the Impact of Charter Schools  
on Rising Property Taxes**

**Prepared by  
Lawrence A. Feinberg  
Director, Keystone Center for Charter Change  
<https://www.PaCharterChange.org/>**

**Prepared for  
The Pennsylvania House Democratic Policy Committee**

**April 4, 2022**

## **Introduction**

Chairman Bizzarro, Vice Chair Isaacson, Representative Ciresi and members of the Policy Committee, thank you for the opportunity to contribute to today's hearing regarding the impact of charter schools on rising property taxes.

My name is Larry Feinberg. I am serving in my 22<sup>nd</sup> year as a school director in the School District of Haverford Township in Delaware County. Currently Vice President of that board, I served as President from 2017 through 2021. For most of my board tenure I have also served as our legislative liaison and as Chair and Co-Chair of the Delaware County School Boards Legislative Council, comprised of board members from each of the 15 school districts in the county.

I have served in several capacities with the Pennsylvania School Boards Association (PSBA), as a Region Director, a Circuit Rider with the Campaign for Fair Funding, an Advocacy Ambassador serving 97 districts in the southeast, a member of the statewide Charter Reform Task Force and as a member of the Governing Board for seven years.

I come before you today as the Director of the Keystone Center for Charter Change (the Center). Established one year ago, our mission is to build support and political will for the development and enactment of legislation that would provide meaningful changes to Pennsylvania's 24-year-old Charter School Law.

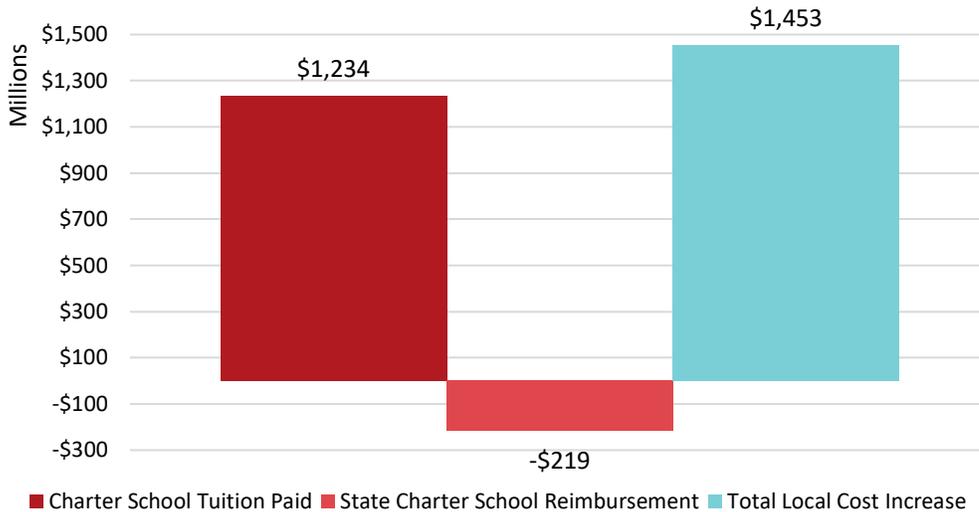
I am not arriving late to this dance. Back in September of 2007 I testified before the House Education Committee regarding cyber charter school funding, oversight and accountability. I have been an active advocate for charter reform ever since.

Some years ago, discouraged by how little progress was being made in this arena I said that I would probably be a grandfather before substantive charter reform was enacted in Pennsylvania. I am now the very proud grandfather of a two-month-old healthy baby boy.

Let me be perfectly clear on an important point, so there is no misinterpretation later: there is no question that charter and cyber charter schools have a place in our public educational system and that they work well for many students. However, with the flaws that exist in the current formulas used to fund charter schools and the lack of any state reimbursement for charter school costs, there is a straight line from inflated charter tuition payments to increased local property taxes.

Over the past ten years, mandated charter tuition costs have increased more than \$1.23 billion (128%) while the state charter school reimbursement – the last year of which was funded at \$219 million – was discontinued. This means that local taxpayers have been forced to pick up the entire \$1.4 billion tab.

## Charter School Expenses vs State Revenues 2010-11 to 2109-20



These funding flaws and substantial cost increases have caused school districts to label mandatory charter school tuition payments as the most significant budget pressure they face in each of the last three annual PSBA State of Education surveys.

This discussion is not about putting charter and cyber charter schools out of business. It is about accountability for taxpayers' money, another rapidly growing unfunded state mandate in the context of Act 1 budget caps, and ensuring that school districts and taxpayers are no longer overpaying or reimbursing charter schools for costs they do not have.

Today I will provide a brief summary of the charter funding issue, a bit more detail regarding cyber charter tuition and special education funding for all charter schools, and close with information regarding the 419 resolutions that have been passed by school boards across the state thus far.

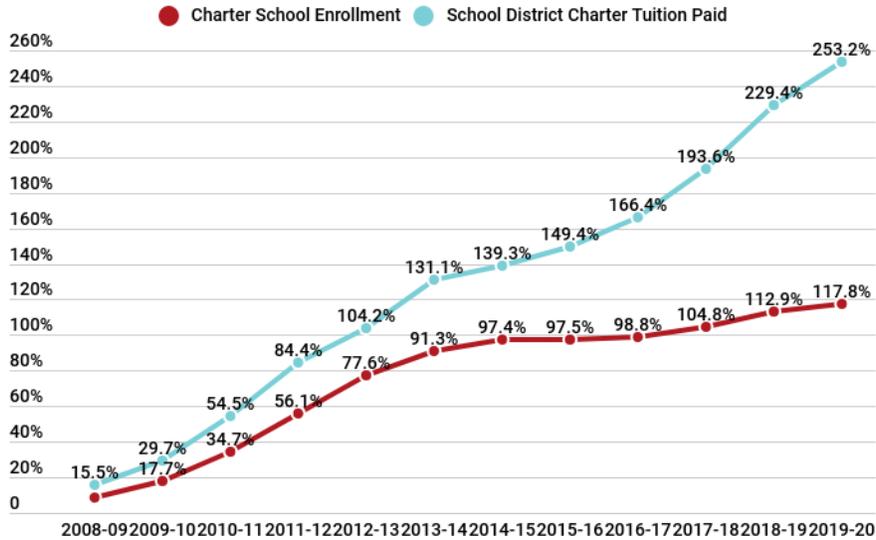
### Issue Summary

According to information from the Pennsylvania Department of Education, there are 179 charter schools and cyber charter schools that are authorized to operate in the state. Those charter schools will receive about \$3 billion to operate this school year — far more than it costs to educate the roughly 170,000 school children enrolled in a charter or cyber charter school.

The most common explanation for the increase in charter school tuition costs is that tuition costs continue increasing for school districts because more and more families are choosing to enroll in charter schools. It is true that charter school enrollments have gone up, but due to the flaws in the way charter schools are

currently funded, tuition costs have increased at a much faster rate than enrollments, illustrating a flaw in the funding mechanism. Between the 2014-15 and 2019-20 school years, enrollment in charter schools increased roughly 10% while charter school tuition costs increased nearly 50%.

### School District Charter School Tuition Payments and Charter School Enrollment Growth from 2007-08



Year	Charter School Enrollment	School District Charter Tuition Paid
2007-08	67,275	\$621,151,495
2019-20	146,556	\$2,193,604,996

 **10.4%**  
Growth in charter school enrollments between 2014-15 and 2019-20.

 **47.6%**  
Growth in charter tuition payments by school districts between 2014-15 and 2019-20.



In their January 2022 COVID Impact Report, the Pennsylvania Association of School Administrators (PASA), the Pennsylvania Association of School Business Officials (PASBO), and the Pennsylvania Association of Rural and Small Schools (PARSS) noted that “*charter school tuition expenditures continue to be the largest area of fiscal concern for school leaders. Behind looming labor challenges, escalating charter school tuition costs were reported to be the next most significant area of concern among superintendents and school business officials. Between the 2013-14 and 2019-20 school years, charter school*

*enrollment grew 13.9% while charter school tuition costs rose 52.8% during that same time frame. **Further, the 2020-21 charter tuition increase estimate is expected to exceed the entire statewide district increase in property taxes for the same fiscal year.***

That Impact Report also noted that “**across survey responses, far too many districts noted that charter increases (as a single budget line item) exceed their Act 1 property tax increase dollar amount and/or their BEF increase allocations.**”

The Governor’s 2022-2023 budget proposal contains a number of policy changes which would provide local taxpayers with relief. Specifically, the proposal calls for aligning charter school funding closer to actual costs, which is projected to provide \$373 million in savings to school districts and taxpayers. These savings fall into two main categories: cyber charter tuition (estimated savings of \$199 million) and special education overpayments (estimated savings of \$174 million).

### **Cyber Charter Tuition**

All 500 Pennsylvania school districts make payments to cyber charter schools for resident students who are enrolled. In the 2019-20 school year, school districts paid nearly \$700 million taxpayer dollars to cyber charter schools in the form of mandatory tuition payments. As the COVID-19 pandemic forced all public schools to transition to an online or virtual instructional platform and more families began exploring virtual education options, increased cyber charter enrollment also brought renewed attention to the significant flaws in the way cyber charter schools are funded.

Although cyber charter schools have been in existence in Pennsylvania since 2002, the funding mechanism used to calculate the tuition paid for students enrolling in a cyber charter school is the exact same formula used under the 1997 charter school law that authorized the creation of brick-and-mortar charter schools. This may have been the most expeditious method to include cyber charter schools into the law at the time, but it never worked, and the flaws embedded in the law have reached a point where it is quickly becoming unsustainable.

Cyber charter schools receive the same tuition payment from school districts as brick-and mortar charter schools despite not having the same level of expenses as their brick-and-mortar colleagues. Cyber charter schools do not maintain physical school buildings and do not incur the costs of maintenance, utilities and other overhead that go along with that. Cyber charter schools do not incur costs related to tax assessment and collection and providing support services to private schools, nor do they incur costs to the extent school districts do for extracurricular activities, food services, debt service, health services and infrastructure.

Because each school district calculates its own unique tuition rates based on the school district's expenses, this results in vastly different tuition rates being paid by districts to the cyber charter school despite all students in the school being provided the same education.

A statewide [Charter School Task Force](#) convened by PSBA during 2019/2020 recommended that we apply a flat, statewide tuition rate of no more than \$9,500 for all students enrolled in a cyber charter school. That recommendation was included in the Governor's prior budget proposal and was revised upwards to \$9,800 in his current proposed budget.

### **Special Education Funding for Charter Schools**

Special education tuition rates for charter schools paid by school districts continue to be calculated under the system contained in the original charter school law. This antiquated formula harms school districts and taxpayers alike by misallocating special education resources at a time when every dollar of special education funding is precious and needs to be used for special education services.

Currently, each school district calculates its own unique tuition rates for its resident students who choose to attend a charter school using a three-step process.

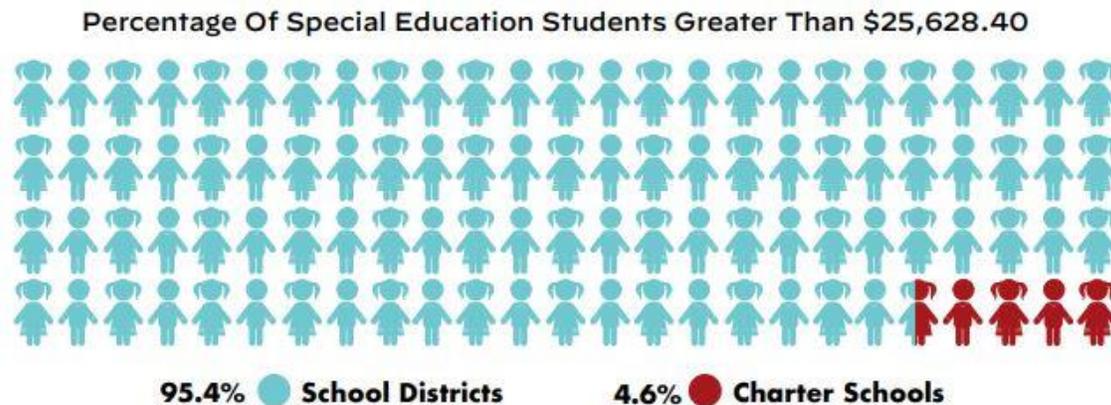
First, the school district starts by taking its own expenses for special education and subtracting any federal special education funding the district received. This is because charter schools already receive federal special education funding directly.

Next, the district multiplies that amount by 16% of the school district's average daily membership. The formula assumes 16% of the school district's students are identified for special education despite many school districts having special education student populations greater than 16%.

Finally, the school district adds that amount to its tuition rate for students not in special education to get its special education charter tuition rate. **This funding mechanism is based on the school district's expenses for special education and not on what the charter school spends to educate its students with disabilities.**

This flaw is critical because school districts are responsible for educating almost all of the students with disabilities who require the most extensive special education services and supports – those costing more than \$25,628.40 per student (as adjusted annually pursuant to School Code section 1372(8)).

In 2017-18, more than 95% of the students requiring the most extensive special education services were educated by or through a school district. In comparison, more than 94% of all charter school special education students were educated for less than \$25,628.40. Yet, because the tuition calculation is based on the school district's expenses, the average charter school special education tuition rate paid to charters by districts was \$24,200.



The Center recommends that we apply a tiered special education funding system (like school districts operate under) for charter school students that more accurately reflects the actual costs of providing special education.

### **School Boards Resolutions**

Well over 400 locally elected volunteer Boards of School Directors have passed resolutions calling upon the General Assembly “to meaningfully revise the existing flawed charter school funding systems for regular and special education to ensure that school districts and taxpayers are no longer overpaying these schools or reimbursing for costs the charter schools do not incur.” A copy of a sample resolution is attached as an appendix. In other words, these resolutions are saying – increasing charter school costs are impacting our budgets and leading to either property tax increases, reductions in programs for students, or both. We need the legislature’s help to stop overpaying for these services which will assist school districts in being more responsible with taxpayer dollars and focusing resources on students.

The resolutions of school districts represent overwhelming bipartisan support for the General Assembly to take action. They are from urban, suburban, and rural districts throughout the state; from wealthy and not-so-wealthy districts; from red, blue and purple areas of the political map.

## Map of Passed Charter Resolutions



419 83.8%

Charter Resolutions % School Districts

District	County
Union Area S D	Lawrence
Union City Area S D	Erie
Uniontown Area S D	Fayette
Unionville-Chadds Ford S D	Chester
United S D	Indiana
Upper Adams S D	Adams
Upper Darby S D	Delaware
Upper Dauphin Area S D	Dauphin
Upper Dublin S D	Montgomery
Upper Moreland Township S D	Montgomery
Upper Merion S D	Montgomery
Upper St Clair Twp S D	Allegheny
Valley View S D	Lackawanna
Wallerpaupack Area S D	Pike
Wallingford-Swarthmore S D	Delaware
Warren County S D	Warren
Warrior Run S D	Northumberland
Washington S D	Washington
Wattsburg Area S D	Erie
Waynesboro Area S D	Franklin
Weatherly Area S D	Carbon
Wellsboro Area S D	Tioga
West Branch Area S D	Clearfield
West Chester Area S D	Chester
West Greene S D	Greene
West Jefferson Hills S D	Allegheny
West Middlesex Area S D	Mercer
West Mifflin Area S D	Allegheny
West Penn S D	Penn



As of March 30<sup>th</sup>, 419 school boards, almost 84%, have passed resolutions. With school boards now in the thick of their budget deliberations, traffic has picked up, with additional resolutions coming in almost daily.

You may access the map and list of school districts on the Center's website at: <https://www.pacharterchange.org/take-action/school-board-resolutions/>

Please visit the Center's website for more information regarding this important issue: <https://www.pacharterchange.org/>

Follow me on twitter at: [@pacharterchange](https://twitter.com/pacharterchange)

Additionally, if you or staff would like to keep abreast of charter reform news and developments, the Center generates an email newsletter three times each week. [Click here to sign up to receive the PA Charter Change Roundup.](#)

Thank you very much for your time and attention.

# APPENDIX – SAMPLE BOARD RESOLUTION

## RESOLUTION CALLING FOR CHARTER SCHOOL FUNDING REFORM

### BY THE BOARD OF DIRECTORS OF THE

### \_\_\_\_\_ SCHOOL DISTRICT

**WHEREAS**, the average Pennsylvania school district spends millions of dollars in taxpayer money annually in mandatory payments to brick-and-mortar and cyber charter schools; and these payments are calculated in a manner which requires districts to send more money to charter schools than is needed to operate their programs and places a significant financial burden on districts' resources and taxpayers; and

**WHEREAS**, the current charter school funding formula was established in 1997 under the state's Charter School Law and has not been changed in the 24+ years since it was first created; and the formula for regular education programs is unfair because it is based on a school district's expenditures and not what it actually costs to educate a child in the charter school; and

**WHEREAS**, the calculation for charter special education tuition is unfair because it is also based on the special education expenditures of the school district rather than the charter school; and although the General Assembly revised the special education funding formula in 2014 to more accurately target special education resources for students identified with high, medium and low needs, this formula was applied only to school districts and not to charter schools; and

**WHEREAS**, because the tuition rate calculations are based on the school district's expenses, they create wide discrepancies in the amount of tuition paid by different districts for the same charter school education and result in drastic overpayments to charter schools; and these discrepancies in tuition rates for regular education students can vary by almost \$13,000 per student and by \$35,000 for special education students; and

**WHEREAS**, the latest data from the PA Department of Education (PDE) shows that in 2019-20, total charter school tuition payments (cyber and brick-and-mortar) were nearly \$2.2 billion, with \$694 million of that total paid by districts for tuition to cyber charter schools; and

**WHEREAS**, further analysis of PDE data shows that in 2014-15, school districts paid charter schools more than \$100 million for special education services in excess of what charter schools reported spending on special education; and

**WHEREAS**, the costs of charter schools for school districts continue to grow significantly each year; and on a statewide basis are the most identified source of pressure on school district budgets; and

**WHEREAS**, the need for significant charter school funding reform is urgent; and school districts are struggling to keep up with growing charter costs and are forced to raise taxes and cut staffing, programs and services for their own students in order to pay millions of dollars to charter schools.

**NOW, THEREFORE BE IT RESOLVED** that the \_\_\_\_\_ School Board calls upon the General Assembly to meaningfully revise the existing flawed charter school funding systems for regular and special education to ensure that school districts and taxpayers are no longer overpaying these schools or reimbursing for costs the charter schools do not incur. We, along with the Pennsylvania School Boards Association, are advocating for substantial change.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

Signed,

\_\_\_\_\_  
School Board President

\_\_\_\_\_  
Board Secretary