House Education Committee
Informational Meeting
Cyber Charter School Governance
May 8, 2025, at 10am, Stroudsburg High School

10:00am **Call to Order**
Committee Member Introductions
Opening Remarks- Chairman Schweyer
Representative Probst

10:10am **Panel 1- National & State Perspective**

Attorney Maura McInerney, Legal Director
Education Law Center

11:10am **Panel 2- Local Perspective**

Mr. Kevin Busher, Chief Advisory Officer
Pennsylvania School Boards Association

Dr. Cosmas Curry, Superintendent
Stroudsburg Area School District

12:10pm **Panel 3- Cyber Perspective**

Mr. Jonathon Shiota, MBA, SFO, PCSBA, Business Administrator
21st Century Cyber Charter School

1:10pm Closing Remarks/Adjournment

All times are approximate and include time for questions.

Live streamed at www.pahouse.com/live

EDUCATION COMMISSION OF THE STATES
Your education policy team.

May 1, 2025
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This response was prepared for the Pennsylvania House Education Committee

Our Response:

Charter schools are public schools that are independently run with public funding. Charter schools operate autonomously through charters or agreements that usually provide flexibility. Education Commission of the States' 50-State Comparison of Charter School Policies has a data point on states that allow public charter schools. Forty-six states and the District of Columbia allow public charter schools. **Montana** is the most recent state to allow public charter schools, enacting H.B. 549 in 2023. A state-approved charter school authorizer establishes each public charter school. There are different ways states establish and fund charter schools. Many different entities serve as charter school authorizers and vary among states. Charter school authorizers are responsible for the terms of the charter and play a critical role in ensuring that schools meet the terms outlined in their charter agreements.

According to the National Education Policy Center's (NEPC) 2023 report on full-time virtual schools (not only charters), during the 2021–2022 school year, over 643,000 students were enrolled in full-time virtual schools across the United States. While charter schools comprised approximately one-third of these virtual institutions, they accounted for 58.4% of the total virtual school enrollment. Virtual charter schools may operate as standalone schools or part of a larger group of schools. They can also be under a contract at the state or district level.

Virtual Charter School Authorization and Governance

Like charter schools, virtual charter schools operate under a contract or charter with a charter school authorizer. The contract includes details on how the school will be organized and managed, and how accountability and student success will be measured. Authorizers are responsible for ensuring schools comply with the terms of their charter. Authorizers have the power to grant charters to schools and to take them away if the charter is not being fulfilled. Effective authorizing is essential to ensuring charter schools are both autonomous and accountable, balancing innovation with public oversight. States have different policies for organizations that can serve as charter authorizers. Examples of authorizers include state education agencies, school districts, independent charter boards, higher education institutions and nonprofit organizations. Virtual charter schools can operate as single-district schools, serving students within one local school district, or as multi-district schools, serving students across multiple districts. State policies also vary in the level of governance and oversight, with some states having a more centralized approach and others allowing more local control. Education Commission of the States' 50-State Comparison of Charter School Policies includes a data point specific to virtual charter school oversight. There are at least 20 states with additional virtual charter school oversight. **Pennsylvania** is one of those 20 states with oversight with specific requirements for finances, enrollment, reporting, information for parents and students, student records and administrative offices. Below are some state examples of policies that establish additional oversight of virtual charter schools.

Idaho statute requires an application to an authorizer for a virtual school to include the following additional information:

- The learning management system by which courses will be delivered.

- The role of the online teacher, including availability of the teacher to guide course material, methods of individualized learning and how student work will be assessed.
- A plan for providing professional development specific to the public virtual school environment.
- How public virtual school students will receive appropriate teacher-to-student interaction.
- How the public virtual school will verify student attendance and award course credit.
- A plan for providing technical support relevant to the delivery of online courses.
- How the public virtual school will provide for student-to-student interaction.
- Any financial agreement requiring an education service provider to assume a virtual school's financial risk when the virtual school does not have sufficient residual funds to pay the education service provider.
- A plan for ensuring equal access for all students, including providing necessary hardware, software and internet connectivity required for participation in online coursework, and utilizing remote testing, proctoring, and administration procedures for state-required assessments.

Maine statute requires the governing board of virtual charters to:

- Provide each student enrolled in the virtual public charter school with online courses that meet or exceed state standards, and all instructional materials required for the student's participation.
- Ensure that the persons who operate the virtual public charter school on a day-to-day basis comply with and carry out all applicable requirements, statutes, regulations, rules and policies of the school.
- Ensure that a parent of each student verifies the number of hours of educational activities completed by the student each school year.
- Adopt a plan by which the governing board provides:
    - Frequent, ongoing monitoring to ensure and verify that each student participates in the virtual public charter school, including synchronous contact between teachers and students and between teachers and parents to ensure and verify student participation and learning.
    - Regular instructional opportunities in real time that are directly related to the virtual public charter school's curricular objectives, including, but not limited to, meetings with teachers and educational field trips and outings.
    - Verification of ongoing student attendance in the virtual public charter school.
    - Verification of ongoing student progress and performance in each course as documented by ongoing assessments and examples of student coursework.
    - Administration to all students in a proctored setting of all applicable assessments as required by the state.

South Carolina statute requires the governing bodies of charter schools that offer online or computer instruction to adopt a plan to provide:

- Frequent, ongoing monitoring to ensure and verify that each student participates in the program, including proctored assessment(s) per semester in core subjects graded or evaluated by the teacher, and at least bi-weekly parent-teacher conferences in person or by telephone.
- Regular instructional opportunities in real time that are directly related to the school's curricular objectives, including, but not limited to, meetings with teachers and educational field trips and outings.
- Verification of ongoing student attendance in the program.
- Verification of ongoing student progress and performance in each course as documented by ongoing assessments and examples of student coursework.

Management and Operations for Virtual Charter Schools

Nonprofit or for-profit entities may manage virtual charter schools. In cases where a for-profit education management organization (EMO) operates the school, it is common for the charter to be held by a nonprofit organization. This structure allows the nonprofit to serve as the official charter holder, meeting state legal requirements that may prohibit for-profit entities from holding charters directly. The nonprofit board then typically contracts with the for-profit EMO to manage the day-to-day operations, which may include staffing, curriculum, technology, and administration. This arrangement enables for-profit companies to play a significant role in publicly funded charter school education. The use of for-profit management organizations can raise concerns about financial risks and potential conflicts of interest. **Arizona** is one of the only states allowing private organizations to sponsor a charter. **California** is an example of a state with a statute that explicitly prevents a charter school from being operated by a for-profit corporation, a for-profit educational management organization, or a for-profit charter management organization.

Virtual Charter School Funding

Virtual charter schools have unique characteristics that may make them difficult to fund through traditional finance formulas. States fund virtual schools in various ways, including at an equivalent or lower rate than brick-and-mortar charter schools and using a performance-based funding model. Virtual schools do not have the facilities and maintenance requirements of traditional schools, and there are no physical limits to the number of students who may enroll. States have enacted policies to limit overall student enrollment in virtual charter schools. **Michigan** is an example of a state that limits cyber school enrollment in statute to 2,500 students in the first year and no more than 10,000 in the third and subsequent years. There are additional challenges for funding models based on student attendance, minimum hours and days of instruction or seat time. The 2023 review of virtual schools from NEPC (noted above) reports that no state has implemented a *comprehensive* formula that ties allocation directly to virtual school costs, despite many attempts to enact legislation addressing funding issues.

Pennsylvania funding for cyber charter schools is aligned with the formula funding for brick-and-mortar school students. For each student attending a cyber charter school, the local school district where the student resides must pay tuition to the cyber charter school. The tuition paid for non-special education students is based on each district's budgeted total expenditure per average daily membership of the prior school year. For students receiving special education services, the amount of funding is the same as for each non-special education student, plus an additional amount determined by dividing the district of residence's total special education expenditure.

Percentage of Brick-and-Mortar Student Funding

Arizona state statute sets virtual student funding at 95% of the base per-pupil funding amount.

California requires nonclassroom-based charter schools, which include virtual schools, to meet three criteria to receive "full" funding. This report from the Legislative Analyst's Office outlines the requirements to be eligible to receive full funding. For nonclassroom-based attendance, a nonclassroom-based charter school must meet three criteria:

- Spend 40 percent of annual revenue on certificated staff compensation.
- Spend 80 percent of annual revenue on instruction and related activities.
- Maintain a student-to-teacher ratio of 25-to-1 in most cases.

If a school does not meet these thresholds, it would receive a prorated amount, typically 85% or 70%.

Indiana funds virtual charter schools at 85% of the per-student funding rate. Virtual schools are given funding for each student on a monthly basis based on that month's attendance, which ensures that funding is representative of the student population served.

Performance-Based Funding

Performance-based funding "links funding for public education programs with measurable student performance outcomes," according to a report, Performance-Based Funding and Online Learning, by the International Association for K-12 Online Learning. **Idaho** statute provides that each student in a virtual charter school is funded "based upon either the actual hours of attendance in the public virtual school on a flexible schedule, or the percentage of coursework completed, whichever is more advantageous to the school, up to the maximum of one (1) full-time equivalent student."

Virtual Charter School Academic Performance

Overall, multiple studies' findings show that virtual charter school students perform worse than their peers in traditional public schools and brick-and-mortar public charter schools. Some have pointed to the limitations of these studies, arguing that there are unobservable characteristics of the students who opt into virtual charter schools. These survey results from an EdChoice working paper indicate that students in virtual charter schools may have chosen this learning mode because they faced difficult circumstances, like bullying, in traditional school settings. However, research data available and summarized below point to virtual charter schools' overall academic weakness.

This May 2023 technical report found negative associations between virtual charter attendance and short-term academic achievement. Using data from **Oregon's** Department of Education and earnings data from the Internal Revenue Service, the report finds that virtual charter students have substantially worse high school graduation rates, college enrollment rates, bachelor's degree attainment, formal employment rate, and earnings among those employed.

This 2023 study from the Center for Research on Education Outcomes (CREDO), using data across 29 states and the District of Columbia, found that the majority of online charter students had far weaker academic growth in math and reading compared to their brick-and-mortar charter school peers. This study was the third of three studies that found virtual charter school students' academic performance worse than that of traditional public school students.

Findings in this article (2020) indicate that students who switched to virtual charter schools experienced large, negative effects on math and English language arts achievement that persisted over time, and these effects could not be explained by observed teacher or classroom characteristics.

This paper (2020) uses public school student and teacher data from Georgia and finds that attending a virtual school is associated with reduced achievement in math, English language arts, science, and social studies for elementary and middle school students. The paper also reports that students who have ever attended a virtual school are associated with a 10-percentage point reduction in the probability of ever graduating from high school.

This 2017 article from RAND finds that the performance of students in e-schools (online charter schools) is considerably lower than that of their peers in traditional charter schools and traditional public schools.

Academic Assessment Environments

A potential limitation of assessing academic progress in virtual charter schools is that the statewide summative tests may be given in settings that are unfamiliar to the students. **Pennsylvania** statute requires the school district in which a student enrolled in a cyber charter resides to provide that student reasonable access to its facilities for the administration of standardized tests. Several states have enacted policies allowing students attending school in virtual environments to take state assessments virtually. Below are examples of policies that allow remote testing for state assessments.

Beginning with the 2025-26 school year, **Alabama** statute allows a virtual school or program to administer state-required assessments in a virtual setting that aligns with the student's regular academic instruction, subject to the following conditions:

- The assessment is administered on an assigned date and at an assigned time.
- The student attends a synchronous assessment session initiated and managed by personnel designated by the virtual school or program.
- The assessment is administered through a device that permits the proctor to monitor the student by video for the entire duration of the assessment.
- If the assessment platform does not allow integrated camera proctoring, the student uses two devices for the entire duration of the assessment: one device on which the student takes the assessment and a second device that allows the proctor to monitor the student via a camera.
- The virtual school or program maintains a student assessment taker to assessment proctor ratio of 10 to one or lower.
- The student does not exit the assessment administration area until instructed to do so by the proctor.
- Submission of the assessment is verified by the proctor.
- An individual who administers an assessment or serves as a proctor must be a teacher who holds a valid Alabama professional education certificate

Idaho statute requires an application for a virtual charter school to include a plan for ensuring equal access for all students, including the provision of necessary hardware, software, and internet connectivity required for participation in online coursework, and use of remote testing, proctoring, and administration procedures for state-required assessments.

West Virginia statute allows virtual public charter schools to administer any required state assessment, if available, in a virtual setting using remote proctoring that best meets the educational needs of the student.

Graduation Rates

The NEPC report highlights the four-year graduation rates for full-time virtual schools. The graduation rate of 65.1% in virtual schools fell far short of the overall average national graduation rate of 86.5%. District-operated virtual schools reported higher graduation rates of 66.7% than virtual charter schools, which reported graduation rates of 59.4%. According to this EdWeek article, virtual charter school graduation rates are less than 50% using federal data.

Attendance and Engagement

Attendance and student engagement are concerns with virtual charter schools. Student attendance and how it is measured may be a challenge for funding, as noted above in the funding section. Poor attendance is linked to weaker academic outcomes in a traditional brick-and-mortar school. Virtual schools allow students and their families to

engage in flexible learning time that is at odds with the typical concept of using seat time, the time that students are present in school, for assessing student engagement. States have addressed the challenge of moving from a seat-time model to assess student engagement to other methods more suited to a virtual environment.

There are several state-level polices in **Pennsylvania** that address student attendance and engagement in cyber charter schools. One statute requires "attendance at a cyber charter school shall satisfy requirements for compulsory attendance." Regarding compulsory attendance, this statute, specific to charter and cyber charter schools, allows cyber charter schools to establish an attendance policy to accurately determine when a child who is enrolled has an excused absence, which may be different from the school district policy where the child resides. In the area of engagement, cyber charter school applications must provide "an explanation of the amount of online time required for elementary and secondary students." In addition, this statute addresses student wellness by requiring a cyber charter school ensure "each enrolled student can be visibly seen and communicated with in real time by a teacher, administrator or other representative of the cyber charter school, either in person or via electronic means, to ensure the well-being of the student and verify participation in the educational program" at least once a week in any week consisting of three full days. Below are examples of state policies that address attendance and engagement in virtual charter schools.

Arizona statute requires that schools maintain a daily log for each pupil who participates in online instruction, including state-approved charter school authorizers. The state education agency is required to report annually on participation in online instruction.

Indiana statute requires virtual charter schools to establish an onboarding process and orientation that all students and families must complete before enrolling and annually thereafter. Additional information on the state's student engagement policy and virtual charter school reporting requirements can be found here.

Michigan statute provides extensive guidance on defining activities that constitute "participation" by a virtual school student, including virtual charter schools. The requirements define participation on "pupil membership count days," which includes attendance at a live lesson with a teacher; documentation of login for the lesson with a teacher; documentation of email dialogue between the student and teacher; documentation of work completed with teacher or coach during the lesson; and additional two-way interaction three weeks after the pupil membership count day.

Ohio statute permits virtual charter schools to include students in their attendance count if the student participates in at least 90% of the hours of instructional activities offered by the school in that school year, or the student is on pace for on-time completion of courses in which they are enrolled. Instructional activities include online logins to curriculum or programs, offline activities, completed assignments, testing, in-person, virtual, or phone meetings with school personnel, and other documented contact with school personnel relating to course curriculum or programming.

Oregon statute outlines comprehensive requirements for virtual charter schools around planning, student engagement and student supports. Specifically, Oregon requires virtual schools to develop and implement plans to conduct virtual meetings between teachers and students at least twice a week and provide opportunities for face-to-face meetings between teachers and students enrolled in the school at least six times each school year.

Testimony Before House Education Committee

May 8, 2025

Good afternoon, Chairman Schweyer, Chairman Cutler, and Members of the Education Committee. Thank you for the opportunity to speak to the Committee today. My name is Maura McInerney and I am the Legal Director at the **Education Law Center-PA (ELC),** a statewide nonprofit, legal advocacy organization dedicated to ensuring that all children in Pennsylvania have access to a quality public education.[1] My testimony is informed by ELC's experience handling hundreds of individual matters on behalf of children educated in cyber charter schools and ELC's advocacy work analyzing cyber charter laws and governance. I am also one of the attorneys who represented Petitioners in the school funding lawsuit, *William Penn Sch. Dist. v. Pennsylvania Dep't of Educ.*, 294 A.3d 537 (Pa. Commw. Ct. 2023) where the court made findings based on the consistent testimony of several witnesses that students in cyber charter schools underperform traditional schools and brick and mortar charters across the state.[2]

[1] **The Education Law Center-PA (ELC)** is a nonprofit, legal advocacy organization with offices in Philadelphia and Pittsburgh, dedicated to ensuring that all children in Pennsylvania have access to a quality public education. Through legal representation, impact litigation, community engagement, and policy advocacy, ELC advances the rights of underserved children, including children living in poverty, children of color, children in the foster care and juvenile justice systems, children with disabilities, English learners, LGBTQ students, and children experiencing homelessness.

[2] *William Penn Sch. Dist. v. Pennsylvania Dep't of Educ.*, 294 A.3d at 930-31. Specifically, the court referenced the testimony of Matthew Stem former Deputy Secretary for Elementary and Secondary Education of the Pennsylvania Department of Education, Petitioner's expert witness, Dr. Matthew Kelly and Dr. Maurice Flurie, former CEO of Commonwealth Charter Academy (CCA) all of whom documented the lower test scores of students in cyber charters, particularly those who are economically disadvantaged.

Reforms are needed to address three major issues: (1) the need for commonsense cyber charter funding reform; (2) increased transparency and oversight of cyber charter school spending; and (3) increased accountability and oversight by the Pennsylvania Department of Education ("Department") to improve academic performance of cyber charter schools. Each of these issues is critically important because Pennsylvania is now home to the highest student enrollment in cyber charter schools of any state in the nation. Enrollment in Pennsylvania's 14 cyber charter schools is over 60,0000, representing 5% of all public school enrollment. Notably, this is a 63% increase in charter school enrollment since the 2019-2020 school year when 38,266 students attended cyber charter schools.[3]

Cyber Charter Funding Reform is Needed

For decades we have funded cyber charter schools in a manner which is costly, inefficient, and fails to recognize the distinct cost structure of cyber charter schools. The financial impact of cyber school enrollment on school districts is significant and growing: cyber charter tuition rates have more than doubled since 2016-2017.[4] Notably, of the 27 states that have cyber charters, none fund them as Pennsylvania does as most fund cyber charter schools at the state level, whereas cyber charter schools in Pennsylvania are funded by local school districts.[5] Pennsylvania's approach is a by-product of an outdated charter school law which did not anticipate the advent of virtual charter schools. As you know, Pennsylvania funds cyber charters as if they were brick and mortar schools when they are not. Cyber charter schools don't have the

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[3] See Pennsylvania Department of Education Public School Enrollment 2023-2024 available at https://www.pa.gov/agencies/education/data-and-reporting/enrollment.html#accordion-eb5f3bee47-item-9b3fef9ab9 and Enrollment Data and Statistics (historical enrollment data) available at https://public.tableau.com/app/profile/padeptofed/viz/EnrollmentDataandStatistics/Enrollment.

[4] PA Disconnect in Cyber Charter Oversight and Funding, PA Charter Performance Center and Children First (2022) at p. 10, available at https://www.childrenfirstpa.org/wp-content/uploads/2022/01/PA-Disconnect-in-Cyber-Charter-Oversight-and-Funding-Children-First-2022.pdf

[5] *Id.*

same costs -- such as physical classrooms and laboratories, energy costs, food service, maintenance of buildings and grounds, or other infrastructure needs. Yet cyber charters receive the same per-student tuition from a local public school district as a child in a brick and mortar school, providing a windfall to cyber charters to use on advertising, travel for administrators, or to increase their reserves. Per pupil tuition rates also vary widely for students who are educated in the same cyber charter school, as the rate is based on a student's current school district tuition instead of the actual cost of educating children. For example, in 2021-2022 per student cyber charter tuition payments ranged from $8,917 to $23,799.[6]

Another windfall to cyber charters is the well-documented "special education charter school loophole" whereby all charter schools – unlike school districts – receive the same amount of special education funding per student regardless of a student's disability category. While school district funding is predicted on a cost-based Special Education Funding Formula (SEFF) that differentiates funding for students with disabilities based on cost tiers which reflect their educational needs, special education funding for cyber charter schools is allocated based on a flat fixed special education rate without regard to a student's needs or the actual cost of providing services.[7] This loophole creates an incentive for cyber charter schools to educate students with low-cost special education needs and not to serve students with high-cost needs.[8] According to data from Pennsylvania's Department of Education in 2021-22 there are about half as many students with disabilities in the two highest cost service tiers as would be expected in charter

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[6] Id. at p.9.
[7] 24 P.S.§ 25-2509.5
[8] See *Fixing the Special Education Funding Gap*, 2022, Education Law Center and PA Schools Work available at https://www.elc-pa.org/wp-content/uploads/2022/05/Special_Ed_Report_PASWEDU_Law_Center_2022-5-24.pdf ; Still Shortchanging Children with Disabilities: State Underfunding of Special Education Continues Education Law Center, Oct. 2019 at https://www.elc-pa.org/wp-content/uploads/2019/10/Special-Education-Report-10-1-19.pdf; Shortchanging Students with Disabilities, Education Law Center and PA Schools Work, Oct. 2018 available at https://www.elc-pa.org/wp-content/uploads/2018/10/Special-Education-Report-Online.pdf.

schools. Charter schools typically serve students with more mild disabilities (*e.g.*, speech/language) and in many cases the flat special education rate may be higher than the money actually expended to serve students with less costly disabilities, leading to a surplus for charter schools and overpayments by districts, who consequently serve a disproportionate number of students with higher-cost needs. Notably, approximately 20% of students enrolled in the state's cyber charter schools receive special education, compared to just over 17% of students in school districts.[9]

Both the basic education and special education funding schemes waste taxpayer dollars because neither funding mechanism aligns with a cyber charter's actual expenditures for serving students. The overpayments to cyber charters impose a significant cost on school districts. As documented by Research for Action, the current funding mechanism negatively impacts a vast majority of districts statewide and disproportionately siphons money away from our most underfunded school districts where enrollment in cyber charters is higher.[10] Moreover, there is a secondary cost to school districts which ELC has observed in most of our cases: many students cycle in and out of cyber charter schools and often return to their home school district far behind their peers, requiring additional investments in tutoring and support, special education services, etc. in order to meet a child's needs. Reviewing cases over the past three years, ELC attorneys have represented many students in cyber charter schools. In the majority of cases, students with disabilities have IEPs which were not implemented while they were in cyber charter schools. In other cases, a child's lack of attendance or remedial needs were never addressed. In one case, a child leaving a cyber charter school and entering a district's 6th grade was unable to read; in

[9] The Negative Fiscal Impact of Cyber Charter School Expansion in Pennsylvania Due to COVID-19 (2022) available at https://www.researchforaction.org/wp-content/uploads/2022/06/RFA-PACER-cybercharterfiscalimpact-final.pdf.
[10] *Id.* at p. 1.

another matter a 9th grader was told she would need to repeat a grade when in fact her IEP was not implemented, and in another case, a child's IEP from another state was unilaterally dropped while the child was in a cyber charter and the child was not re-evaluated until the following year. These failures and barriers to success are often unearthed when a child returns to their home school district and the negative impact of high "churn rates" – that is students entering and exiting cyber charters -- becomes clear.

For all these reasons, **ELC strongly supports Governor Shapiro's 2025-26 budget proposal to eliminate wasteful spending by setting a statewide flat rate of $8,000 for school district payments to cyber charter schools**. The rate is based on cybers' estimated actual costs and would save districts $265 million in taxpayer funds annually. The Governor's proposed tuition cap for cyber charter schools to reflect what is actually being spent to educate students is an essential and much needed commonsense reform and long overdue. In addition, ELC recommends implementing the same tiered Special Education Fair Funding Formula used by public schools for cyber charter school special education funding. This change would direct dollars based upon the needs and cost of each student and eliminate the current incentive to serve only students with less costly disabilities.

Providing Greater Fiscal Accountability

The need for greater fiscal oversight of cyber charter school spending is also clear to ensure that public school dollars are used to educate students and not mis-used by cyber charter schools. The 14 cyber charter schools currently operating in Pennsylvania cost taxpayers $1 billion with very few guardrails or guidance on how they spend this money. This issue has been documented in several reports. During the COVID-19 cyber charter enrollment surge, over half the $335 million in additional tuition to cybers went to increasing cyber charter school fund balances,

leaving cyber charters flush with cash. According to Research for Action's analysis, in the 2020-21 school year, cyber charters in Pennsylvania maintained fund balances at nearly $2,250/pupil more than school districts. In addition, cyber charters used these "excess" resources to pay millions for advertising which commonly target low-wealth communities.[11]

More recently, this past February, state Auditor General Timothy L. DeFoor became the third auditor general to call for cyber charter funding reform. He conducted an audit of five Pennsylvania cyber charter schools[12] which called for major funding reform and highlighted the misuse of public education dollars. In addition to finding that cyber charters had "legally increased their revenue from $473 million in the 2019-2020 fiscal year to $898 million in the 2022-2023 fiscal year," Auditor General DeFoor observed:

> *We found instances of the cyber charter schools legally using taxpayer dollars on things like staff bonuses, gift cards, vehicle payments and fuel stipends. Additionally, Commonwealth Charter Academy spent $196 million to purchase and/or renovate 21 buildings, which to us seems a bit out of the ordinary for a public school that is based in online instruction.*

Cyber Charter School Performance Audit and Calls for Major Reform to How They are Funded at p.1.[13]

These findings were reinforced in a report by Education Voters PA which documented extravagant spending by the state's largest cyber charter, Commonwealth Charter Academy (CCA) which is the second largest local education agency in the state behind the

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[11] *Id.* at p. 3; FN 14. *See* fund balance data available at *https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/financial-data/summary-of-annual-financial-report-data.html*.

[12] The five cyber charter schools selected for the audit were: Commonwealth Charter Academy; Pennsylvania Leadership Charter School; Insight PA Cyber Charter School; Pennsylvania Cyber Charter School; and Reach Cyber Charter School.

[13] Auditor General Timothy DeFoor, Cyber Charter School Performance Audit and Calls for Major Reform to How They are Funded at p.1 (Feb. 2025). available at https://www.paauditor.gov/auditor-general-defoor-releases-cyber-charter-school-performance-audit-and-calls-for-major-reform-to-how-they-are-funded/.

Philadelphia School District.[14] According to this report, CCA spent nearly $600,000 at car dealerships and car washes in one year and more than $115,000 for dining – including $5,000 to a vineyard.[15]

To address these issues, legislation is needed to ensure transparency and impose reasonable restrictions on cyber charters spending which should include a cap on advertising expenses, event sponsorships, and the elimination of expenses not related to providing a virtual education for students. There should also be caps on unassigned fund balances which are already required for school districts. This is another commonsense reform which is clearly needed and overdue. We must update Pennsylvania's outdated Charter School Law to accomplish this.

Greater Academic Oversight and Accountability By the Department

Finally, we must address and remedy the cost to our students of poor academic outcomes in cyber charter schools, which disproportionately harm Black and Brown students.[16] Due to systemic and structural racism, Black students are far more likely to be educated in underfunded schools and deprived of a quality education.[17] Academically, cyber charters post consistently poor academic results, falling far below school districts and other charter schools

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[14] Auditor General Timothy DeFoor, A Performance Audit Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School, (July 11, 2024) available at https://www.paauditor.gov/wp-content/uploads/Commonwealth-Charter-Academy.pdf.

[15] Our Taxes, Their Slush Fund, Ed Voters, (Feb 2025) available at https://edvoterspa.org/wp-content/uploads/2025/02/Revised-Full-Report-1.pdf.

[16] Pennsylvania Cyber Charter Schools Fail Black and Brown Students (August 2024), Good Jobs First, available at https://goodjobsfirst.org/wp-content/uploads/2024/08/Pennsylvania-Cyber-Charter-Schools-Fail-Black-and-Brown-Students.pdf.

[17] David Lapp and Anna Shaw-Amoah, Pennsylvania School Funding and School Staffing Disparities (May 2023) available at https://www.researchforaction.org/wp-content/uploads/2023/06/Pennsylvania-School-Funding-and-School-Staffing-Disparities-6-1-2023.pdf.

across Pennsylvania.[18] It is well documented that cyber charter schools are failing our children academically. This is not a surprise as nationwide research discloses that virtual charter schools "have substantially worse high school graduation rates, college enrollment rates, bachelor's degree attainment, employment rates, and earnings than students in traditional public schools."[19] Certainly many reports analyzing student outcome data during and after COVID-19 have documented negative academic results.[20]

Accordingly, any system of governance must provide sufficient oversight and accountability to approve only those cyber charter schools that can provide a quality education, deny reauthorization to failing cyber charter schools, and hold cyber charters accountable to improve academic outcomes through the imposition of enrollment caps. This includes decisions related to the approval, renewal, or nonrenewal and revocation of a cyber charter school's charter. However, the Department has indicated that it lacks capacity to provide such oversight. In 2022, 11 of 14 cyber charter schools were operating without renewed charters and many cyber charter schools have never undergone an enrollment or financial audit.[21] This trend has continued.[22] Once again, we must ensure greater oversight. Specifically, we recommend that the Department be required to issue a public annual report to the legislature on students outcomes of cyber charter schools and its efforts to hold cyber charters accountable. This report should include

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[18] Sarah A. Cordes, Cyber versus Brick and Mortar: Achievement, Attainment, and Postsecondary Outcomes in Pennsylvania Charter High Schools. *Education Finance and Policy* 2024; 19 (3): 361–384. doi: https://doi.org/10.1162/edfp_a_00399.

[19] Yoo, Paul, Thurston Domina, Andrew McEachin, Leah Clark, Hannah Hertenstein, and Andrew M. Penner. (2023). Virtual Charter Students Have Worse Labor Market Outcomes as Young Adults. (EdWorkingPaper: 23-773). Retrieved from Annenberg Institute at Brown University: https://doi.org/10.26300/7n80-pv38.

[20] *See e.g.*, Cortés-Albornoz MC, Ramírez-Guerrero S, García-Guáqueta DP, Vélez-Van-Meerbeke A, Talero-Gutiérrez C. Effects of remote learning during COVID-19 lockdown on children's learning abilities and school performance: A systematic review. Int J Educ Dev. 2023 Sep;101:102835. doi: 10.1016/j.ijedudev.2023.102835. Epub 2023 Jun 14. PMID: 37361921; PMCID: PMC10266495, https://pmc.ncbi.nlm.nih.gov/articles/PMC10266495/;

[21] The Negative Fiscal Impact of Cyber Charter School Expansion Report at p. 3.

[22] Our Taxes Their Slush Fund Report at Appendix A, Cyber Charter Renewal chart.

student attendance, churn rates, special education data by disability category, and a range of academic performance outcomes including standardized test scores, graduation rates, and post-secondary outcomes. This report should include recommendations to the General Assembly regarding the imposition of enrollment caps on cyber charter schools whose students fail to meet academic proficiency measures and other outcomes. The Department must delineate the academic, operational, and financial performance expectations by which a cyber charter school will be evaluated, including standards for renewal, non-renewal, imposition of enrollment caps, and revocation of a cyber charter authorization. Until such a system is in place, ELC supports efforts like Senate Bill 27, which calls for a moratorium on cyber charter school applications.

Conclusion

Cyber charter schools have largely failed the majority of our students at a high financial cost to our state and school districts but at an even higher cost to individual students who have failed to receive a quality education through cyber learning. Legislative reforms are needed to remedy fiscal waste and ensure greater oversight by the Department as a charter authorizer. Creating laws to align cyber charter tuition with the actual cost of educating students and ensure greater oversight and accountability fiscally and academically is essential for the future of our students, our school districts, and our state. Thank you.

TESTIMONY OF THE

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION

BEFORE THE HOUSE EDUCATION COMMITTEE

MAY 8, 2025

KEVIN BUSHER

PSBA CHIEF ADVOCACY OFFICER

Chairman Schweyer, Chairman Cutler and members of the Education Committee, thank you for inviting the Pennsylvania School Boards Association (PSBA) to testify today on behalf of the 5,000 local public school leaders we represent. My name is Kevin Busher and I am not only the Chief Advocacy Officer for PSBA, but also a former nine-year veteran of the Lower Dauphin School Board in Dauphin County.

I wanted to start by formally thanking the General Assembly and the Administration for the cyber charter reforms that were included in Act 55 of 2024. Those changes were truly historic. For the first time in 20 plus years we saw bicameral and bipartisan support for meaningful reform to the Charter School Law (CSL). However, the work is not done, which is why we are here today.

Having been at PSBA for two and a half years, I wanted to see what PSBA has said on cyber charter reform in the past. In looking through our files, I was able to find testimony prepared for this same Committee back in 2006 and I wanted to include an excerpt from that testimony – "Let me begin by stating that PSBA supports parental options within the public education system that provide educational services to students who do not benefit from traditional public school settings."[1] That sentiment has transcended political changes and remains unchanged. PSBA still sees cyber charter schools as a fixture of our public education system and we look forward to working with policymakers and stakeholders to achieve reforms that build on Act 55 while maintaining cyber charter schools as an option for families.

Governance

The issue of governance is vitally important when talking about our public schools. The decisions made by locally elected school boards can impact teachers, students, and taxpayers for years to come. School directors are easily among the most accountable locally elected officials. They are elected by their neighbors, friends, and peers from their own communities. There's nowhere for school directors to hide when their community is upset, not even in grocery stores or little league games. As a school director during COVID I can certainly attest to that. Because of this accessibility community members have direct contact with their local school board. If communities are unhappy about the decisions being made, they can also voice their opinions at open school board meetings, they can vote for new school directors, or they can choose to run for their school board.

[1] Testimony on House Bill 2616, Vicki J. Lightcap, President, Upper Perkiomen School Board of Directors, August 22, 2006.

However, despite the Charter School Law's statement that charter schools "shall be accountable to the parents, the public and the Commonwealth",[2] many of those basic principles of governance that make local school boards directly accountable are missing when we look at cyber charter schools. Despite being public schools, cyber charter schools are privately operated. Cyber charter school boards of trustees are not elected, they are self-appointed by existing members of the board of trustees. This can result in:

- Lack of accountability. Because trustees are not elected, they do not have the same level of scrutiny as elected board members, leading to a lack of accountability for their actions.
- Groupthink. The absence of external pressure or dissenting voices can lead to groupthink, where members may be less likely to challenge the status quo or express opposing viewpoints.
- Limited perspectives. Self-appointed boards may not be as diverse in terms of skills, backgrounds, or perspectives as elected boards.

Compounding these governance issues is the fact that cyber charter schools can contract with educational management companies which can be private, for-profit entities that operate various aspects of the school. Management companies operate completely outside of public view as they are not subject to any of the accountability or transparency provisions of law that apply to traditional public schools, or even those of cyber charter schools.

Act 55 of 2024 took some steps to help improve cyber charter school governance. It:

- Required a charter school's board of trustees to have a minimum of five (5) nonrelated voting members, one of which must be a parent of a child currently attending the charter school entity. However, the parental appointee is still self-appointed by the board of trustees.
- Prohibited actions that could be considered a conflict of interest.
- Required a quorum of trustees to convene meetings, a majority vote on action items, and several other reforms that will improve board governance.

Cyber charter schools' lack of accountability to the public through their governance structure is intended to be made up for by oversight from the Department of Education

[2] 24 P.S. § 17-1715(a)(2)

(PDE). But "the weak oversight provisions of the CSL"[3] severely limits PDE's authority over cyber charter schools.

Again, PSBA and its members were very appreciative of the reforms included in Act 55. Many of those reforms have been issues our members have been advocating to see for years as a way to level the playing field between traditional public schools and charter schools. However, the issue of governance becomes a much more significant issue for PSBA and its members because of the flawed oversight and funding system currently in place which requires school districts to send inflated tuition payments to cyber charter schools.

Cyber Charter Funding

Auditor General DeFoor's recent audit report into the finances of five cyber charter schools highlights some of the CSL's funding flaws and illustrates one of the biggest governance issues with cyber charter schools.

Residents and taxpayers were justifiably upset by what they read in the Auditor General's report, yet because of the governance structure in place for cyber charter schools they have no recourse beyond becoming an advocate for legislative cyber charter reform. Although they can voice their displeasure at a board of trustees meeting (when and if they are scheduled and announced), they cannot vote out trustees responsible for the actions outlined in the audit report and they can't run for a seat on a cyber charter's board. They could voice their concerns to PDE as the schools' authorizer, but because the Auditor General's findings did not indicate any wrongdoing or noncompliance, there is little, if anything, PDE could do.

But again, this frustration is due primarily to the flaws in the CSL's funding system for cyber charter schools which "raises important questions about the need for a more reasonable and logical approach to funding."[4]

The February 2025 audit report was hardly the first time the state's funding system for cyber charter schools has been questioned or some of the flaws pointed out by officials outside of the education sphere.

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[3] Performance Audit Report, Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, Reach Cyber Charter School, February 2025. Page 1. Available: https://paauditor.b-cdn.net/wp-content/uploads/speCyberCharters022025.pdf.

[4] Performance Audit Report, Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, Reach Cyber Charter School, February 2025. Cover Letter Page 3. Available: https://paauditor.b-cdn.net/wp-content/uploads/speCyberCharters022025.pdf.

- In June 2007, then Auditor General Jack Wagner started pointing out flaws in the charter school funding formula after audits of several charter schools.[5]
- September 2010 and June 2012, then Auditor General Jack Wagner released special reports highlighting flaws in charter school funding which cost taxpayers hundreds of millions of dollars annually.[6]
- May 2014, then Auditor General Eugene DePasquale released a special report reemphasizing some of the same flaws and inequities in charter school funding while raising new concerns.[7]
- May 2017, the Legislative Budget & Finance Committee released a study of the financial impact of public charter schools on Pennsylvania school districts which found that tuition formulas used to determine what districts pay to charter schools were not related to actual charter school costs, particularly as it relates to special education and cyber charter schools.[8]

Below is a more detailed description of the cyber charter school funding flaws that have been identified and how they impact school districts and their taxpayers.

Flaw #1 – Special Education Funding Based on Assumptions not Student Needs

Act 55 of 2024 did try to address one of the biggest areas of concern with cyber charter school funding, special education. Under the prior formula for calculating a district's special education tuition rate, which is still the current calculation for brick-and-mortar charter schools, the formula takes the district's special education expenses and then assumes that 16% of the district's student population require special education to come up with an additional supplement for special education that is added onto the district's non-special education tuition rate. For districts with special education percentages greater than 16% (the average school district rate is now 19.5%), the formula exaggerates per student expenses and resulted in higher than necessary tuition rates.

Act 55 changed this calculation to allow districts to use their actual percentage of special education students or 16%, whichever is greater. Although this reform will save districts

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[5] Pennsylvania Global Academy Charter School, performance Audit Report, 06/18/2007. See Page 18 https://www.paauditor.gov/wp-content/uploads/audits-archive/Media/Default/Reports/schPAGlobalAcademyCS061807.pdf

[6] Charter and Cyber Charter Education Funding Reform Should Save Taxpayers $365 Million Annually, Special Report, June 2012; The Commonwealth Should Revise Its Charter and Cyber Charter School Funding Mechanisms, Special Report, September 2010.

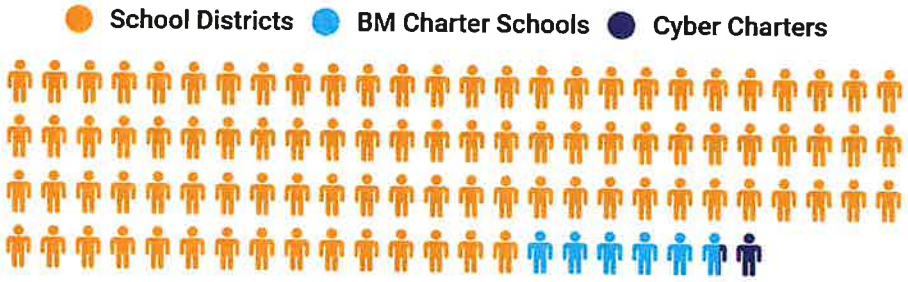
[7] Pennsylvania Charter School Accountability and Transparency: Time for a Tune-Up, Special Report, May 2014.

[8] Public Charter School Fiscal Impact on School Districts, Legislative Budget & Finance Committee, May 2017.

millions of dollars, special education payments to charter schools are still flawed for the following reasons:

- The tuition calculation is still based on the special education expenses of the student's home school district. More than 93% of the students requiring the most extensive special education services[9] were educated by or through a school district, which inflates tuition rates. For example, the average special education tuition rate in 2024-25 was $29,891, which was above the threshold for cost category 2 in 2023-24 ($28,182.24).

Special Education Enrollments for Cost Category 2 and 3 Students by School Type



- Nearly 98% of special education students enrolled in a cyber charter school required specialized programs and support services which were in the lowest cost category reported to the Department of Education.[10] Yet, school districts are required to pay the cyber charter school the same inflated tuition rate for all of their special education students regardless of the actual needs of the student.

Cyber Charter Special Education Enrollments by Cost Category

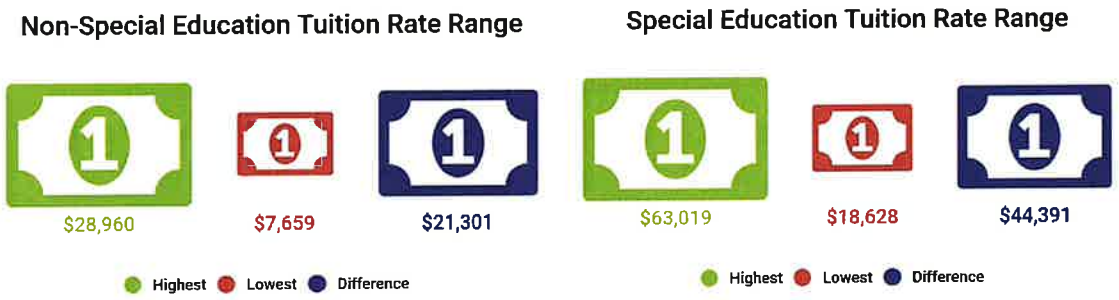
[9] Those students in Category 2 or 3 (costing $27,303.08 and above), based on an analysis of Act 16 data for the 2021-22 school year, which is the latest data year we have available.
[10] Those students in Category 1 (costing less than $27,303.08), based on an analysis of Act 16 data for the 2021-22 school year, which is the latest data year we have available.

- The tuition rate paid to a charter school assumes that all special education students have the same level of need. A charter school receives the same one-size-fits-all tuition payment for a special education student whether the student has the highest or lowest level of needs.
- State special education funding for school districts is driven out based on a formula which recognizes the needs of special education students.

Students with special needs must have access to all of the specialized programs, supports, and services they need whether they attend a school district or a charter school. Our system of funding must reflect that priority, but the current system ignores student needs and results in school districts continuing to overpay charter schools for special education students overall.

Flaw #2 – Tuition Rate Calculations Based on District Expenditures

One of the most common funding flaws recognized by Auditor Generals and school leaders is that cyber charter schools receive 1,000 different tuition rates for enrolled students. Based on tuition rates reported to the Department of Education for the 2024-25 school year, tuition rates ranged as follows:



This flaw results in cyber charter schools receiving vastly different tuition payments for providing access to the same non-special educational programming.

Flaw #3 – Not Recognizing Different Levels of Expenditures

As the Education Commission of the States pointed out more than a decade ago, "we do know that virtual schools do not have the same expenses that brick-and-mortar schools have".[11] Cyber charter schools do not maintain a physical school building and do not incur the costs of maintenance, utilities and other overhead that go along with it. Although cyber charters incur costs for shipping educational materials to students and for finding space to

[11] What State Policymakers Need to Know about Funding Virtual Charter Schools, Education Commission of the States, Page 5. https://www.ecs.org/clearinghouse/01/11/11/11111.pdf.

administer state testing, those costs pale in comparison to the costs of maintaining a physical school building.[12]

Student Achievement

PSBA has stated before that it believes student assessments should be approached as an evaluation of strengths and areas needing improvement used to enhance student success rather than for any high-stakes reasons. However, with taxpayers spending over $1.2 billion on cyber charter tuition annually, it's only fair to examine the proficiency of cyber charter school students on state assessments.

Every cyber charter school in operation during the 2023-24 school year was identified by PDE as being in need of improvement under the accountability measures established to implement the federal Every Student Succeeds Act (ESSA).[13] During the five years when the state issued School Performance Profile scores under the federal No Child Left Behind Act (2013-2017), none of Pennsylvania's cyber schools earned passing grades.

Another way to measure educational achievement is to compare cyber charter proficiency on state assessments and graduation rates to those of school districts. When we do, the results are as follows:[14]

- PSSA ELA proficiency rates averaged 23.8% lower at cyber charter schools.
- PSSA Math proficiency rates averaged 29.3% lower at cyber charter schools.
- PSSA Science proficiency rates averaged 15.2% lower at cyber charter schools.
- Keystone Exam proficiency rates averaged 23.9% lower at cyber charter schools across all subjects tested.
- 4-year graduation rates are 22.6% lower at cyber charter schools.

A more detailed breakdown of academic performance measures follows below.

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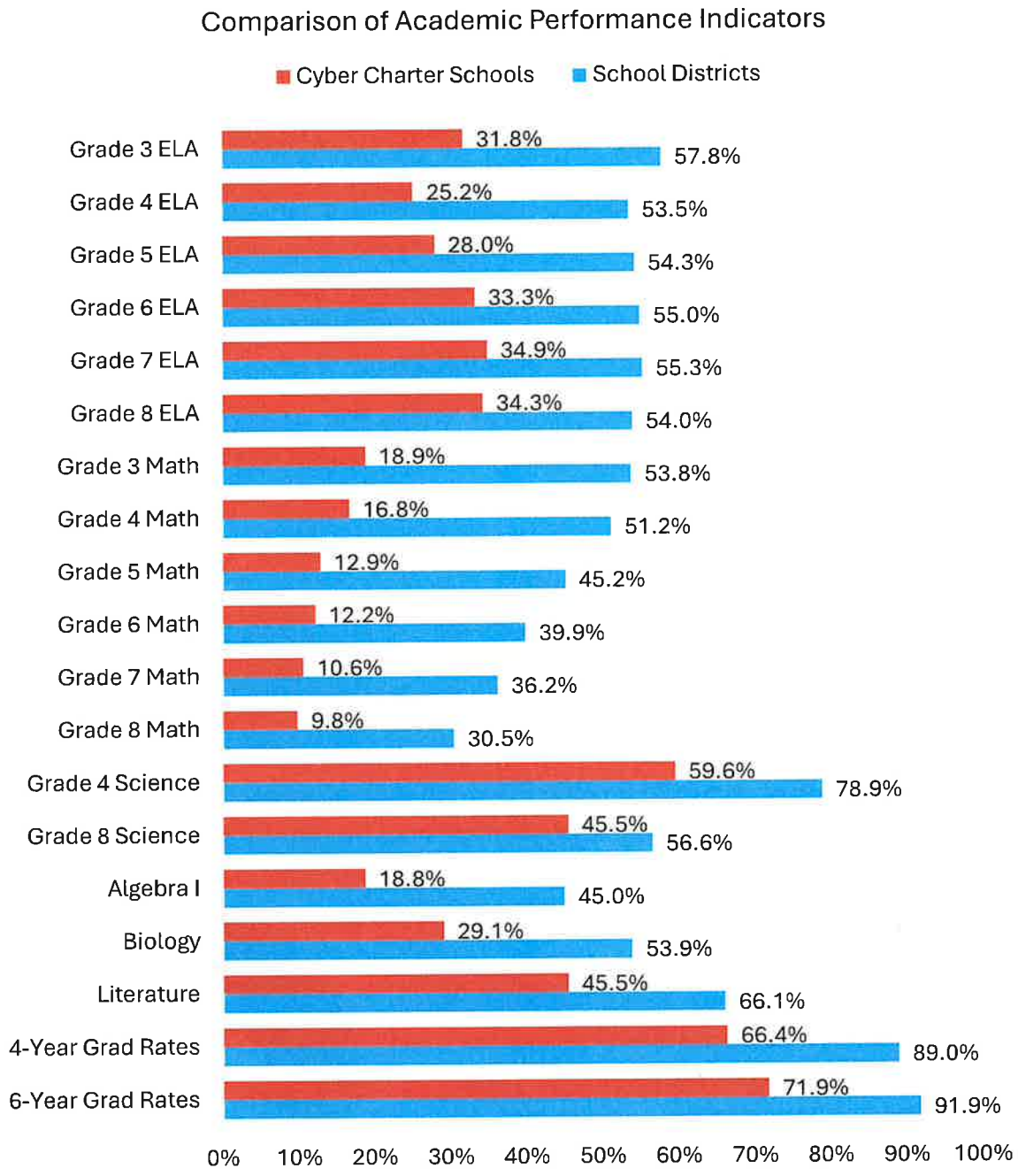
[12] Act 55 added subsection (f) to 24 P.S. 17-1722-A which requires school districts to allow cyber charter schools to use their facilities to administer state testing. Districts may only charge cyber charter schools a reasonable fee for facility rental.

[13] Either Comprehensive Support and Improvement (CSI), Additional Targeted Support and Improvement (A-TSI), Targeted Support and Improvement (TSI).

[14] Based on an analysis of 2024 PSSA and Keystone Exam results. 2022-23 data used for graduation rates as it if the latest available data set.



Myths and Misconceptions

Myth #1 – The 75% Myth

You will hear the common claim that charter schools are underfunded because they only receive 75% of the funding that traditional school districts receive. But those claims are

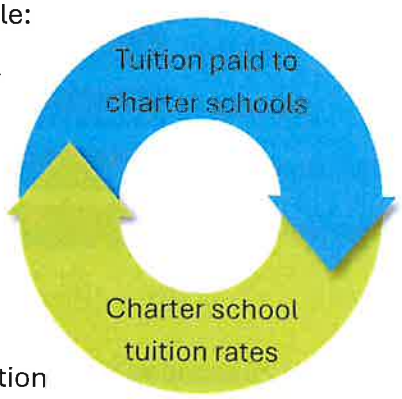
simply not true and any lower funding for charter schools can be justified by the fact that school districts have numerous expenditures that charter schools do not, and ones that go well beyond what's required of charter schools.

The myth overlooks the fact that charter schools receive funding through many of the same state and federal funding streams as school districts. For example, charter schools receive Ready-to-Learn block grants, state safety and security grants, state student mental health support grants, federal Title I funding for improving academic achievement, and federal IDEA funding for special education to name a few. It's perfectly reasonable that school districts are permitted to deduct these funds from their tuition rate calculations because charter schools are already receiving these funds directly.

When you add up all of the local, state, and federal funding that school districts and charter schools receive and divide it by their average daily membership (ADM), it ends up being only 9.2% less than school districts.[15]

	Total Local Revenue 6000	*Total State Revenue 7000*	*Total Federal Revenue 8000*	*ADM*	*Rev. per ADM*
School Districts	$20,358,710,568	$13,691,327,636	$2,411,029,276	1,668,493	$21,853
Charter Schools	$2,715,418,786	$25,623,389	$560,739,284	165,052	$20,004

This difference in funding also makes perfect sense when you consider the expenditures school districts have that charter schools do not, and ones that go well beyond those of charter schools. Here are just a few examples along with the amount of school district expenditures on those mandates in 2022-23, where available:



- School districts are required to pay tuition to charter schools ($2.6 billion in 2022-23). Yet these tuition payments are included in a school district's charter school tuition rate calculation which creates a cycle of inflation - tuition rates increase, which increases what districts spend on charter tuition, which increases tuition rates, and so on.[16] Including tuition payments in the tuition rate calculation

[15] Based on 2022-23 data taken from Annual Financial Reports and Financial Data Elements posted on PDE's website. Revenues and ADM excluded for school entities that did not include both.
[16] Tuition paid to charter schools is not a permitted deduction in section 17-1725-A or on the charter school tuition rate calculation form (PDE-363).

increases tuition rates by hundreds, if not thousands of dollars. For the average school district, this flaw inflates their non-special education tuition rate by more than $560, but in districts with high charter school populations, this flaw inflates tuition rates by $4,000 to $5,000.[17]

- School districts are required to pay to transport charter school students even if the school districts don't transport their own students.[18] School districts that transport their own students are also required to transport private school students even if the private school is up to 10 miles outside of the district, or in another state[19] ($201 million in 2022-23).
- School districts are required to provide students with access to career and technical education[20] ($711 million) and are required to identify gifted students and provide them with an individualized education[21] ($153 million in 2022-23).
- School districts are required to spend money to levy and collect taxes ($82 million in 2022-23).
- School districts are subject to strict special education caseload limits which increase costs and are required to develop special education plans whereas charter schools are not.[22]

Myth #2 – School Districts Save Money When Students Enroll in Cyber Charters

Another common misconception is that school districts save money when a student leaves for a cyber charter school. This is also not true due to stranded costs that stay with the school district even after the student leaves. When a student leaves for a cyber charter school, they take with them the tuition payment that their district is required to send, however, the district they leave is unable to save any significant costs.

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[17] Calculated by taking a school district's total charter school tuition payments and dividing by their ADM as outlined in the tuition rate calculation under 24 P.S. § 17-1725-A(a)(2).

[18] 24 P.S. § 17-1726-A

[19] 24 P.S. § 13-1361

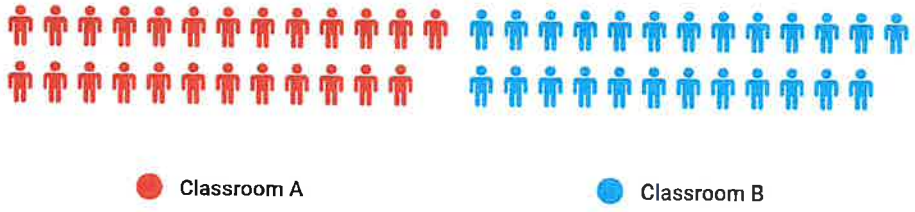
[20] 22 Pa Code § 4.23(d)(1). PDE Basic Education Circular for Charter Schools. 22 Pa Code § 4.23 not applicable to charter schools under 24 PS 17-1732-A.

[21] 22 Pa Code Chapter 16 not applicable to charter schools under 24 P.S. 17-1732-A. See also PDE FAQs for gifted education. Though, Act 55 of 2024 added Chapter 16 to 24 P.S. 17-1749-A as being applicable to cyber charters.

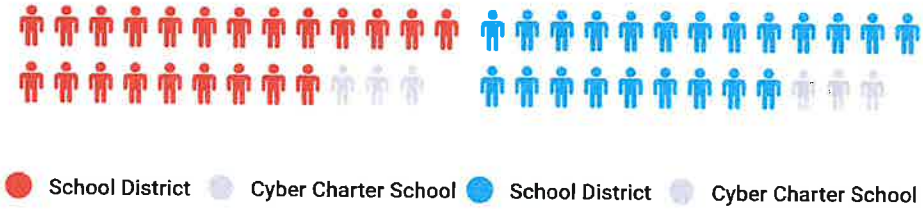
[22] Chapter 14 special education regulations apply to school districts while Chapter 711 special education regulations apply to charter schools. The requirements of 22 Pa. Code 14.104 and 14.105(c) are not included in Chapter 711.

How do stranded costs work?

Imagine a school district elementary school with 50 children in its third grade class at the start of the school year. Those children are divided into two classrooms of 25 students each.



If six of those third grade students were to leave the school district for a cyber charter school, they would be taking $88,800 in school district funding with them (at the average non-special education tuition rate, assuming none of those students require special education).



The district would not be able to reduce its teaching staff, building space, maintenance or utility bills. Transportation routes would remain unchanged, so the number of drivers, buses and fuel costs remain the same. The district would have to maintain enough books and educational supplies for those students in case they decide to return to the district school. There would also be no potential savings on extracurricular activities because the district would be required to allow cyber charter students to participate in district activities.

School districts may also end up with increased cyber charter costs by having to pay tuition for private school and home-school students that enroll in a cyber charter school or by allowing cyber charter students to participate in the school district's activities. This plays out in every grade level in every school district in the state.

The loss of tuition dollars, when combined with the inability to experience savings, force school districts into the position of making difficult choices such as raising property taxes or cutting programs and services for district students who choose to stay. This is one of the biggest reasons why mandatory charter school tuition payments have been identified as

the top source of budget pressure for school districts in each of the last 6 State of Education reports.

Myth #3 – School Districts are Afraid of the Competition

Pennsylvania has several forms of school choice, yet the vast majority of families across the Commonwealth are choosing to send their children to their local community schools. Many school districts have been motivated by the flaws in the cyber charter funding system to create their own in-house virtual education programs. Because those programs are in-house, they come at a fraction of the per student cost of their cyber charter tuition rates.

The severe negative funding impact of cyber charter schools also led some districts to seek to verify the residency of students that cyber charter schools claim are district residents. But if the CSL were changed to provide fairer payments to cyber charter schools and residency verifications were strengthened, districts would likely close their internal virtual programs as a cost-savings measure and may even look to cyber charter schools as options to provide their students with individual courses that the district does not offer.

Solutions

The funding system for cyber charter schools has been flawed since it was enacted 20 plus years ago. It's time to put aside the rhetoric and find solutions that are fair to all parties involved. PSBA firmly believes that if the funding system for cyber charter schools were to be fairer to school districts and taxpayers, that the adversarial nature of the relationship between districts and cyber charters would ease and present more opportunities for collaboration and cooperation. Here are some of PSBA's recommendations for cyber charter school reform:

- In years past, state budgets have included a reimbursement for cyber charter costs such as the one included in last year's state budget. However, a reimbursement does not address the flaws in the system that impact all taxpayers in the state. School districts also cannot rely on the availability of state funding for reimbursements since it would be up for negotiation every year and an easy target for elimination in tough budget years. Rather than apply a costly band-aid to the problem, let's fix the problem for once and for all.
- Establish a statewide cyber charter school tuition rate that is fair and reasonable for non-special education students with a provision that requires all school districts to pay the statewide tuition rate or their calculated charter school tuition rate, whichever is lower. This will ensure that cyber charter schools receive consistent payments while ensuring that school districts are not hurt by the new arrangement.

- Establish a tiered system of funding for special education students similar to the formula used to drive state special education funding to school districts which is based on the needs of the individual student. This will ensure that cyber charter schools have all of the resources needed to provide the required Free Appropriate Public Education (FAPE) to special education students while not requiring school districts to overpay.
- Allow cyber charter schools to contract with other educational institutions to sell access to individual courses or programs. This would create an entirely new revenue stream for cyber charter schools and provide school districts with access to courses they are not otherwise able to provide.
- Strengthen PDE's ability and authority to oversee the operation of cyber charter schools, including strengthening the language to allow PDE and school districts to perform residency checks.

Conclusion

To wrap up, I just wanted to go back to PSBA's testimony from 2006 that I referenced earlier which tried to highlight the financial impact of cyber charter schools on district taxpayers.

> [L]ocal school districts, and consequently property taxpayers, have been unduly saddled with the responsibility of funding cyber charter schools. At the same time, school districts have no authority to ensure accountability over the millions of taxpayer dollars they are expending on cyber schools. This is at odds with the General Assembly's directive under Act 1 to control costs, because districts cannot in this circumstance.[23]

PSBA stands ready to work with anyone to help make meaningful cyber charter reform a reality.

Thank you.

[23] Testimony on House Bill 2616, Vicki J. Lightcap, President, Upper Perkiomen School Board of Directors, August 22, 2006.

Good morning Chairman Schweyer, and members of the House Education Committee. I am Dr. Cosmas C. Curry, the Superintendent of the Stroudsburg Area School District. Welcome to our district and high school. Thank you for the opportunity to speak about cyber reform and why it is needed. I will speak to the concerns consistently shared by my colleagues regarding cyber charter programs, with a brief overview of the funding and financial drain to our district programs; however, my primary focus is on the task of this hearing, which is Governance of cyber charter schools and the current systems and practices directing them. Cyber charter schools are publicly funded schools and should be held to the same standards and requirements of districts.

Concerns fall into several categories:

• Student Academic Performance, inclusive of Student Participation: According to the Pennsylvania Department of Education's most recent School Performance Profile data and Future Ready PA Index, cyber charter schools in the state rank in the bottom tier for academic achievement and growth. Many have failed to meet basic standards for graduation rates, standardized test performance, and student growth measures for years. This long history is outlined in several research studies by the PA Department of Education (PDE). The first was conducted in 2014 and is titled: Policy Brief: Revisiting Cyber Charter School Performance; the second in 2019 and is titled: The Effects of Charter Schools on Student Outcomes in Pennsylvania; and most recently the Performance Audit report by the Department of the Auditor General from February of 2025. These reports demonstrate poor academic performance and growth. Please see page 5 of the powerpoint I provided you as it contains data regarding cyber charter performance. This is not a new problem; rather, it is a systemic issue spanning over many years as to how students are performing in our cyber charter programs. School code section 1742-A calls for an annual review of performance, based on Pennsylvania System of School Assessment (PSSA), standardized tests, and the performance indicators found within PA code Ch 4.

• Attendance: Attendance is a key indicator of student academic success. When there is a high rate of daily student attendance, students typically perform better. If there is a low rate of attendance, students typically perform worse. If students are not learning well in a cyber environment, why are we allowing them to continue in a cyber program? Cyber charters average 54-94% attendance rate. While 94% is admirable, why aren't scores higher? Our SACA program has a 94% attendance rate which is one reason why our data is above the state average and improving annually. I will explain how the Stroudsburg Area Cyber Academy (SACA) operates a related to attendance (please see page 7 of PP); path of least resistance; Logging in vs. verification of work completed, again I cite page 5 of the powerpoint; Attendance in PIMS, SIPs, SAIPS, truancy court.

I must link attendance to improper enrollments as related to expulsions and starting students before there's a request for records. When expulsions take place, we offer FAPE to our students with several options for education. At times we negotiate terms of expulsion with the parent to pay for cyber charter programs outside of our SACA program, our local Intermediate Unit AEDY

program, or PATH AEDY program. Cyber schools continue to bill us even though we have a legal document stating the parent is responsible. Also, cyber schools should not be allowed to start students early until we have the formal request for records because then we have a student in two schools for an undefined period of time.

The last point of attendance is based on the following example: A student may be in attendance of a cyber program for 100 days with payment for 100 days but only in session 20 days. We do not know or have the data on our students.

• Graduation Rate (GR): According to the 2023–2024 Future Ready PA Index, the four-year cohort graduation rate for cyber charters averages 65%, more than 20% lower than the state average of 87%. Every cyber charter school is currently performing in the lowest 5% of schools in Pennsylvania. Our GR at SASD is 92% in our brick and mortar facilities and 93% in SACA. Please see page 6 of my powerpoint.

• Enrollment and Residency: This is an issue of verification of home district addresses. We can tell from the IP address if the student is working within the community boundaries or even the state. When we notify a cyber charter school that a student is not living in our district anymore or within the boundaries per our policy; and after we verify this fact via a residency check and phone call(s), it is brushed off and it's our problem to deal with. In essence, we pay for students that do not live within the district lines.

Additional items that need to be given consideration as related to cyber charter reform:

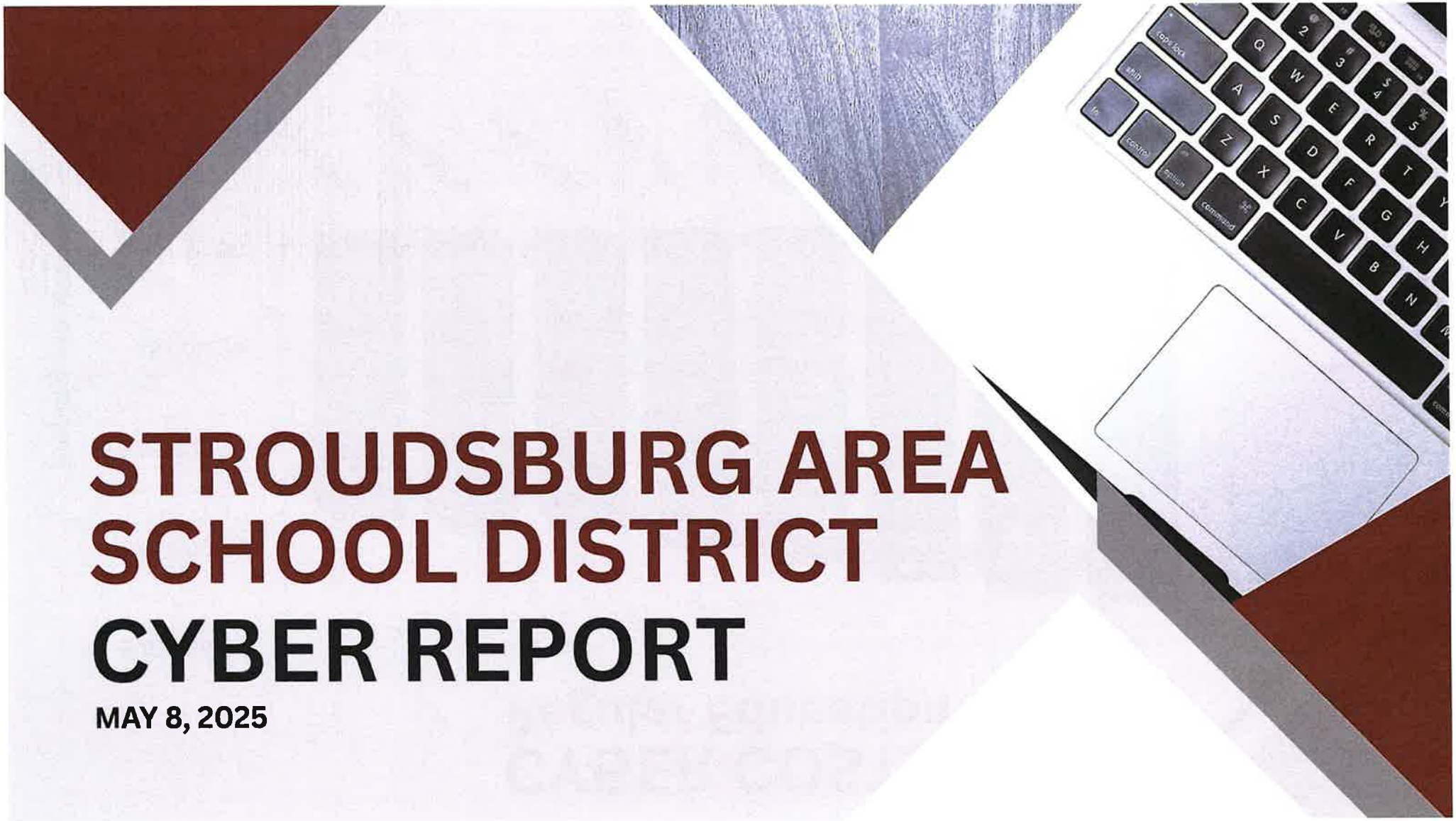
1) Students participating in extracurricular and cocurricular activities: We are obligated to bill/invoice cyber schools appropriately for the prorated portion of their cost to participate in that particular activity/event. We never get the payment from the cyber charter schools.
2) Special ed. We have noticed an uptick in the special ed numbers of students who leave us and go to cyber programs and then are suddenly vested with an IEP. When we request the IEP we get the cover page. We have no idea what services are provided nor the frequency of those services. We just know that the cost goes from $17,800-$42,986.62 per student for services that we believe are not taking place at the level or accountability that we have when it comes to the same service under chapter 14 and/or 16. We don't understand how special ed costs could be so different particularly with the provisions of support being done online for LS, OT, PT, and or speech. We also find it interesting how the timelines for us are so tight that we've requested an extension via law. How can students so quickly be identified, psychologically tested, an IEP drafted and developed, and then implemented? It is all questionable.

3) Cyber student data vs. ours sent along with this testimony.

In accordance with this information, we receive no data on our cyber students. We only receive a bill.

There are 500 different cyber rates that districts pay. The statewide cap of $8,000 for both regular and special ed that has been discussed would be nice and certainly easier to administer. If we continue with 500 different rates, can we consider the rate that we pay for our own cyber program? The former would save over 4 million annually and the latter over 6 million annually.

I respectfully urge our lawmakers to: 1. Implement a fair and accurate funding formula for cyber charter schools that reflects the true cost of virtual education. 2. Increase academic accountability for cyber charters, including performance-based renewal and closure standards to ensure the academic success of our students under PA SC: Section 1742A. 3. Enhance transparency and oversight of cyber charter spending and operations to ensure responsible stewardship of public funds following state and federal requirements. Reform is long overdue. Let's work together to build a public education system inclusive of cyber charter schools that is equitable, sustainable, and committed to student success. I thank you and appreciate the House Education Committee in providing me with the opportunity to provide my expertise on Cyber Charter reform. I welcome questions and am happy to be a part of a solution to strengthen the measures of success of our schools across the great state of Pennsylvania.

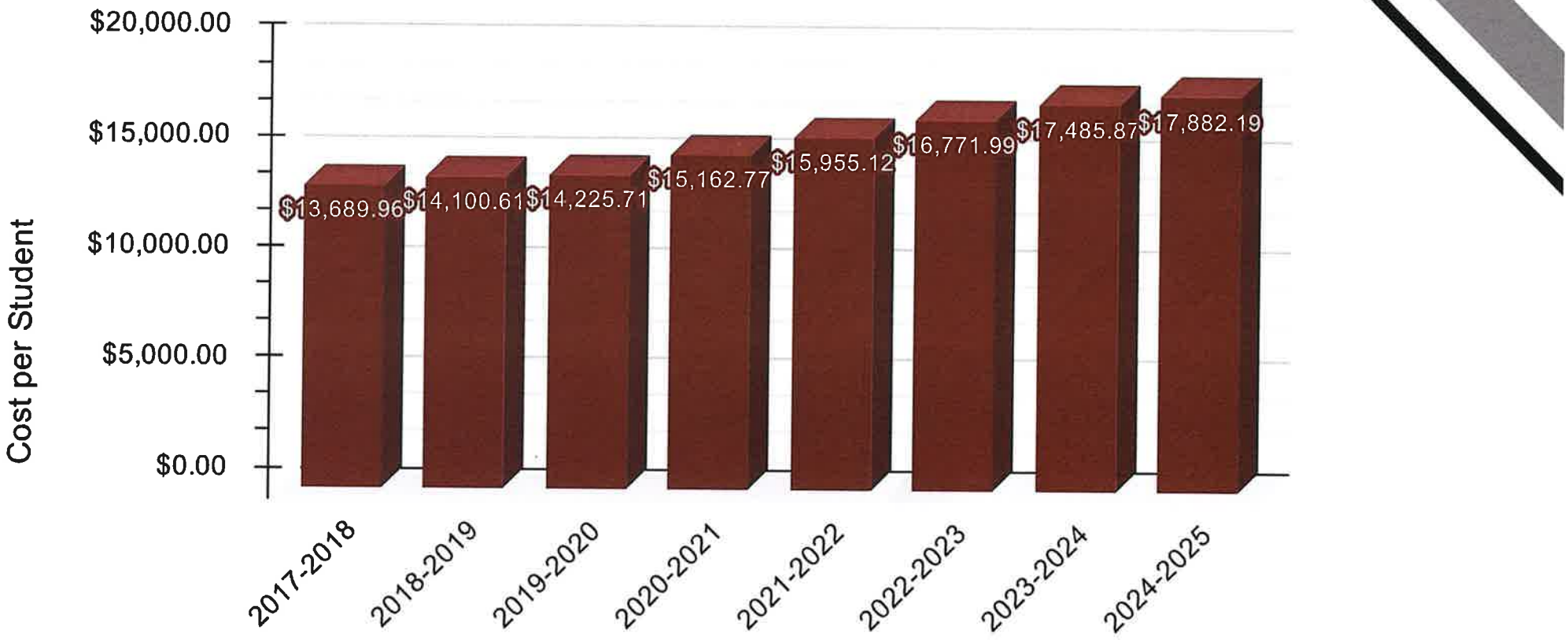


STROUDSBURG AREA SCHOOL DISTRICT

CYBER REPORT

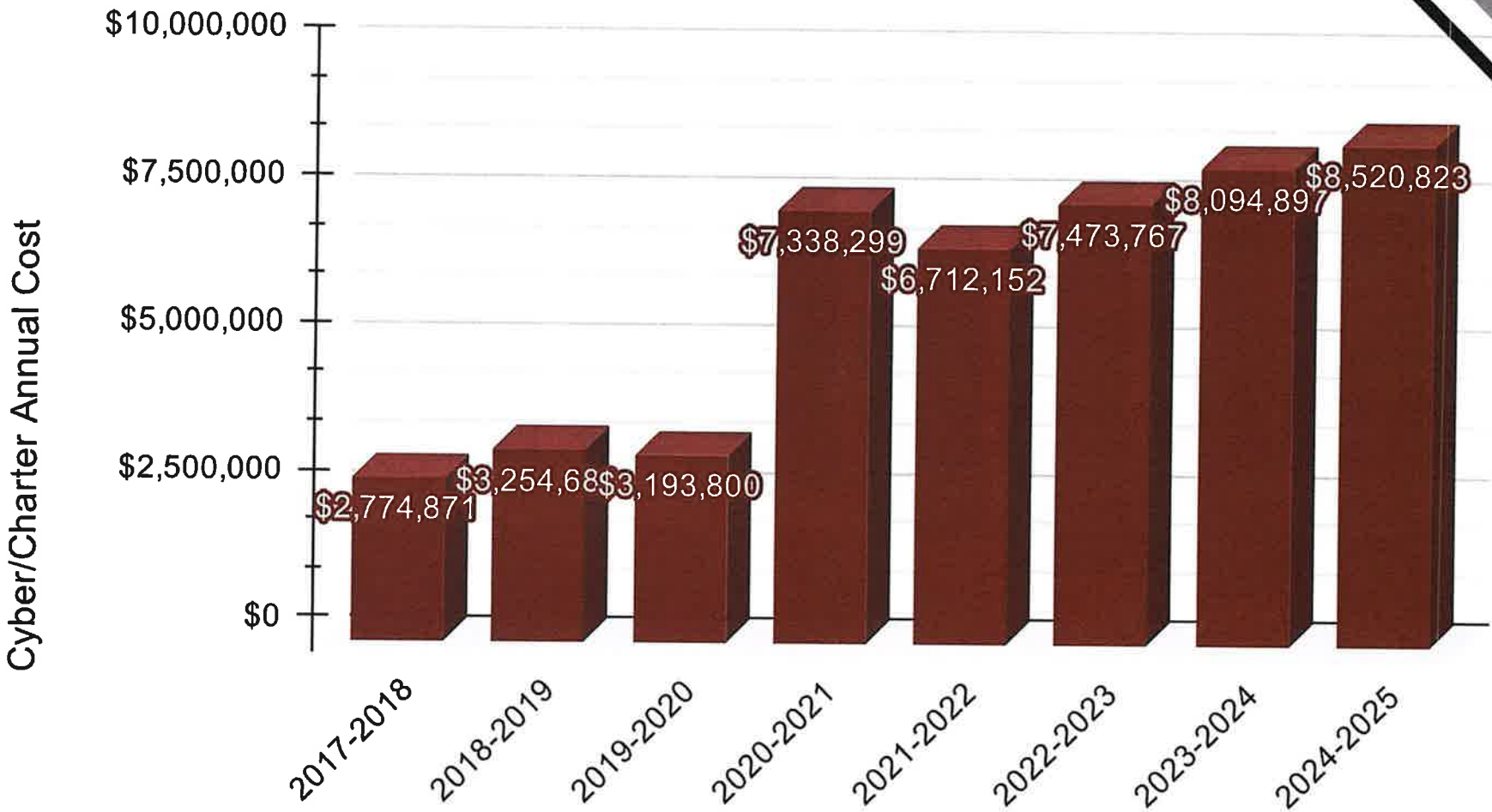
MAY 8, 2025

CYBER COSTS
Regular Education




CYBER COSTS
Special Education
Cost per Student
$50,000.00
$40,000.00
$30,000.00
$20,000.00
$10,000.00
$0.00
$ 27,979.36
$ 30,657.79
$ 30,754.07
$ 34,248.11
$ 36,790.26
$ 40,153.14
$ 41,758.02
$ 42,986.62
2017-2018
2018-2019
2019-2020
2020-2021
2021-2022
2022-2023
2023-2024
2024-2025

CYBER COSTS

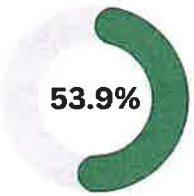

Cyber/Charter Annual Cost
$10,000,000
$7,500,000
$5,000,000
$2,500,000
$0
$2,774,871
$3,254,68
$3,193,800
$7,338,299
$6,712,152
$7,473,767
$8,094,897
$8,520,823
2017-2018
2018-2019
2019-2020
2020-2021
2021-2022
2022-2023
2023-2024
2024-2025

State Assessments

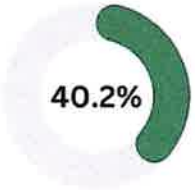
Percentage of students scoring Proficient or Advanced

*futurereadypa.org

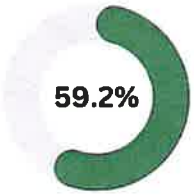
STATE AVERAGES*



ELA/LITERATURE



ALGEBRA



BIOLOGY

LEA AVERAGES*	ELA/LITERATURE	ALGEBRA	BIOLOGY
Stroudsburg Area SD	**74 %**	**53.50%**	**61.10%**
21st Centrury Cyber CS	47.50 %	25.50%	43.80%
Agora Cyber CS	24.70%	7.20%	34.80%
Achievement House CS	28 %	3.30%	10.90%
Commonwealth Charter Academy CS	11%	4.70%	13.20%
Insight PA CS	20%	4.40%	24.8%
Pennsylvania Cyber CS	27.40%	12.50%	13.20%
PA Distance Learning CS	21.60%	8.20%	31.30%
PA Virtual CS	34.50%	16%	42.30%
Reah Cyber CS	19.30%	6.30%	24.20%
CYBER AVERAGE	**26%**	**9.79%**	**26.50%**

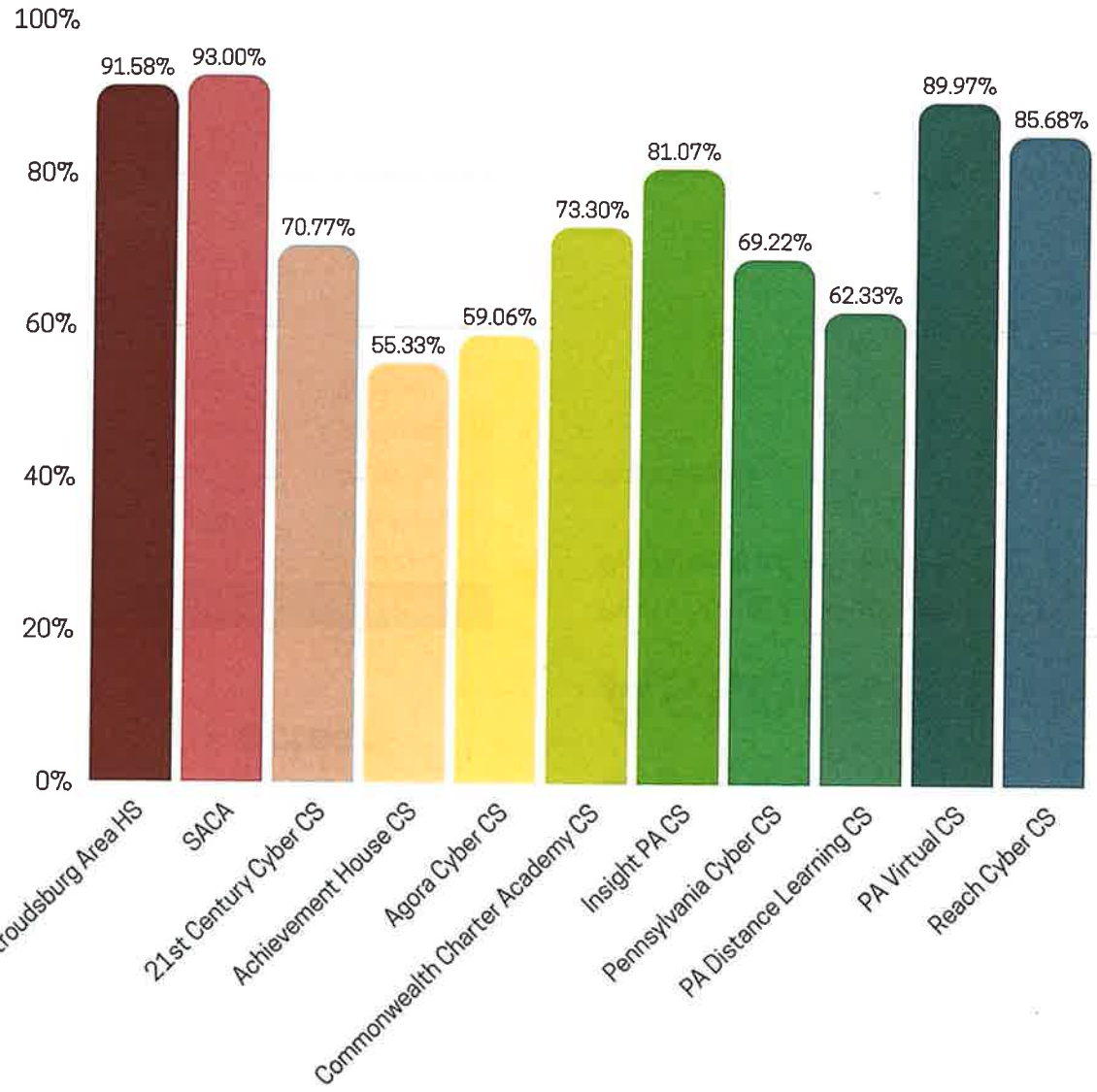
GRADUATION RATES 2023-2024

State Average
90.45%

SASD Average
91.58%

SACA
93%

Cyber CS Average
71.85%



Stroudsburg Area Cyber Academy (SACA)

- All of the Stroudsburg Area School District resources are available to support student's learning.
- Student can participate in any of the SASD after-school activities, clubs, and sports.
- Student can quickly and easily transfer from or back to their brick-and-mortar school.
- SACA students are eligible to attend Monroe County Technical Institute.
- Face-to-face support with our school mentor offered.
- SACA students earn an SASD diploma!

Graduation Rate: 93%
Cost per student: $6,335.46

SACA Requirements

- All school rules must be followed when attending after-school functions/activities/athletic events.
- If you are in cyber because of an expulsion you may not attend school functions/activities/athletic events.
- K - 4 students will not get an emailed report card while in cyber school. Please go to the parent sign-in on Imagine Edgenuity to see progress. Grades 5 through 12 WILL be able to pull up their report cards in the system at the end of each marking period/quarter. ALL classes will have grades pulled on the last day of the marking period/quarter whether it is a quarter class or a full semester class. Please keep up with your work!!!
- Students may not fall more than 10% behind in class or they may be brought back to brick-and-mortar school.
- All students must log in each SCHOOL DAY and complete at least one assignment each school day. You may work on weekends but the time spent online during those times only counts toward pacing NOT attendance. Truancy rules apply to cyber students as well. Please follow the school calendar.
- If you do not log in on a school day you will be marked absent. All Stroudsburg Area School District absentee rules apply. A doctor's note or parent note must be emailed to Mrs. Bendixen at abendix@sburg.org within 3 days of absence. If not, it will be marked an unlawful absence.
- Do not download anything other than schoolwork on the SASD computer given to you. This will slow the Chromebook down drastically.
- SASD dress code policy must be followed if you need to go to the school for any reason (ex. Math Lab, Band, Orchestra). You will also need the school's approval and a note from Mrs. Bendixen.
- Kajeet hotspots must be returned at the start of summer break.
- Cyber students will not receive release for educational trips. The cyber classroom is portable and therefore work can be done while away.
- Even work done at home can be seen once you have logged into your school Chromebook. Please do not do anything you do not want us to see on your SBmounties.org account.

As of the current fiscal update, the Stroudsburg Area School District maintains a strong financial position with a total fund balance of $25,469,431. This balance is strategically distributed across three key categories to ensure both fiscal responsibility and future readiness.

- Committed Funds account for $11,740,073, designated for targeted priorities aligned with the district's long-term goals and educational mission. These include:
  - Technology upgrades: $3,200,073
  - Future capital projects: $1,000,000
  - SACA (Stroudsburg Area Cyber Academy) development: $540,000
  - Curriculum development: $500,000
  - Educational programming initiatives: $500,000
  - Special education programming: $1,500,000
  - Future PSERS (Public School Employees' Retirement System) costs: $2,000,000
  - OPEB (Other Post-Employment Benefits) expenses: $2,500,000

- Assigned Funds total $2,603,747, which have been earmarked to offset the projected budget deficit for the 2024–2025 fiscal year.
- The Unassigned Fund Balance remains healthy at $11,125,611, providing the district with flexibility to address unforeseen expenses or strategic opportunities without compromising core services.

Additionally, the district's Capital Reserve Fund, which is designated for facility improvements and major infrastructure needs, holds a balance of $17,027,340.51 as of March 31, 2025. This reserve strengthens the district's capacity to address capital needs without immediate reliance on borrowing or impacting operational budgets.

Overall, Stroudsburg Area School District's financial stewardship reflects a thoughtful approach to sustaining academic excellence, investing in future priorities, and maintaining fiscal resilience.

Fund Balance		
3/31/2025		
0810	Nonspendable Fund	-
0830	Committed Fund	11,740,073
0840	Assigned Fund	2,603,747
0850	Unassigned Fund	11,125,611
	Ending Fund Balance	25,469,431.00

Committed Fund Balance Detail	
3/31/2025	
Technology	3,200,073.20
Future Projects	1,000,000.00
SACA Development	540,000.00
Curriculum Development	500,000.00
Education Programming	500,000.00
Future PSERS Costs	2,000,000.00
OPEB Expenses	2,500,000.00
Special Education Programs	1,500,000.00
	11,740,073.20

Financial & Operational Impacts on Pennsylvania Public Cyber Charter Schools

Jonathon Shiota, MBA, SFO, PCSBA
Business Administrator, 21st Century Cyber Charter School
Hearing Before the Pennsylvania House Education Committee
May 8, 2025

Chairman Schweyer, Chairman Cutler, and Members of the Committee:
Thank you for the opportunity to speak with you today. I appreciate that this Committee has already heard from several stakeholders across school districts and advocacy organizations. While I wasn't included in the earlier finance hearing, I thank you for the opportunity to present these insights now, and hope they add to the broader understanding of Pennsylvania's public education landscape.

My name is Jonathon Shiota, and I serve as the Business Administrator for 21st Century Cyber Charter School, a Pennsylvania Department of Education-authorized public cyber charter. I am a Pennsylvania Certified School Business Administrator (PCSBA) through PASBO and a Certified Administrator of School Finance and Operations (SFO) through ASBO International.

In addition to my current role, I've worked in school finance leadership positions across both cyber charter and traditional districts. I also participated in a merger feasibility study involving a small, financially struggling district and a larger, better-resourced neighboring district. The larger district ultimately declined to move forward — a reminder that consolidation, collaboration, and long-term sustainability require more than just numbers on paper. These experiences have shaped how I approach school business: always with students first, and with an eye toward long-term fiscal responsibility.

While I work at 21st Century Cyber Charter School, I appear before you today not on behalf of any school or organization, but as a school business official with experience in both traditional and cyber charter environments. My perspective is shaped by cross-sector leadership and a commitment to fairness, fiscal responsibility, and student-centered decision-making.

Cyber Charter Schools Are Public Schools

While I don't speak on behalf of every school in the sector, I appreciate the chance to offer this testimony as someone working directly in the cyber charter space, and as someone who sees both sides of the ledger.

Too often, the term "public school" is used in a way that implicitly excludes us, but let me be clear: cyber charter schools are public schools. We are authorized by the Pennsylvania Department of Education, serve students statewide, and are held to the same civil rights, testing, and special education requirements as districts. Our financial audits and enrollment practices are publicly accessible. We're not a parallel system — we're part of the public system.

At 21st Century, I work to ensure we receive accurate revenue from each school district based on the PDE-363. My responsibility is to ensure not only financial sustainability for our school, but accountability to the students we serve, the taxpayers who fund us, and the districts from which our students enroll.

Cyber Charter Scale and Funding in Context

Cyber charter schools are often portrayed as a disproportionate fiscal burden on school districts, but a closer look at the aggregate data offers a more balanced perspective.

According to the most recent PDE data (2023–24), cyber charters represent just 3.84% of total Average Daily Membership (ADM) and receive approximately $1.33 billion in total revenue — 3.33% of statewide public education funding, compared to $38.59 billion for school districts. The new special education formula enacted through Act 55 is projected to reduce cyber charter revenues by nearly $64 million, lowering the sector's share to around 3.27%. A proposed $8,000 cap on regular education tuition would cut an additional $161.6 million, reducing the share to just 2.84%.

Focusing specifically on tuition, school districts reported paying $1.21 billion in regular and special education tuition to cyber charters — just 3.14% of their total revenues. Even after factoring in the $100 million Cyber Charter Transition Reimbursement — a one-time payment made directly to school districts to help offset their cyber tuition expenses — the overall financial share remains largely unchanged. This funding did not go to cyber charter schools and is sometimes misunderstood in public discussions.

With 3.84% of public school students enrolled in cyber charters and only 3.14% of school district revenue following those students, districts are effectively retaining nearly $272 million for students they no longer educate — while holding no responsibility for their instruction, services, or outcomes.

That said, not all districts are impacted equally. Some with higher cyber enrollment may face more financial pressure, while others experience little effect. These differences matter. Policy responses should be data-driven and responsive to local variation — not one-size-fits-all mandates that risk unintended harm.

While cyber charter schools are often at the center of policy discussions, their voices are not always present in the legislative process. I appreciate the opportunity to contribute here today, and I encourage continued collaboration with leaders across all sectors — district and cyber alike — to shape balanced, sustainable public education policy in Pennsylvania.

District Pressures: Not One-Size-Fits-All

In both the traditional and cyber sectors, school organizations vary significantly — in size, funding levels, student demographics, academic programming, and operational models. A large urban district with thousands of students and substantial legacy costs will experience charter enrollment very differently than a small, rural district already stretched thin.

Similarly, the cyber charter sector includes very large and very small schools, schools that operate on lean budgets, and schools that may have accumulated substantial reserves. These differences matter. We cannot rely on averages or anecdotes to shape policy for all.

We must move beyond oversimplified narratives and acknowledge that there are outliers and edge cases on both sides. Pennsylvania's public education system is complex, and efforts to fix it must be thoughtful, equitable, and data-driven.

Meeting Student Needs While Managing Resources Responsibly

There are significant differences in how school districts and cyber charters approach finance. Districts answer directly to local taxpayers and often center efforts on controlling expenditures. At a cyber charter school, our focus is ensuring that state-required tuition is received accurately, and that those funds are managed to support statewide educational access.

We're not exempt from the financial pressures facing all schools. Costs rise year over year — from healthcare and professional services to software and student equipment. Unlike districts, we absorb the cost of delivering technology and curriculum to every student's home, managing device distribution, replacements, and collections across Pennsylvania. Economies of scale exist — but so do unique operational burdens.

Some district-operated virtual programs only report direct costs of staffing and devices. Many overhead costs (facilities, administration, testing, special education) are already absorbed by the district and not included in reported program budgets — a key consideration when comparing cost per pupil in a district-run virtual program versus a full-scale cyber charter school.

Fund Balance Growth: The Full Picture

From the 2018–19 to the 2023–24 school year, General Fund balances increased across all sectors of public education. While cyber charter growth has received significant attention, it is important to compare like categories of fund balances — not aggregate totals that include other funds such as capital projects or debt service, which are not reported consistently across school types in public data.

While cyber charter fund balances grew at a faster rate, it is worth noting that this occurred during the COVID-19 pandemic, when enrollment surged rapidly. Schools like ours served thousands of new students without the need to expand physical infrastructure, creating temporary surpluses that have since stabilized. During that period, cyber charters served as a critical safety net, providing uninterrupted access to education during an unprecedented crisis. We scaled rapidly to meet demand and helped stabilize the system at a time of great uncertainty.

It's also important to acknowledge the limitations in PDE's public data. The General Fund is the only fund consistently reported across sectors. A 2025 performance audit by the Auditor General confirmed that additional balances — such as capital project funds — are not included

in public reporting. Yet these other funds often hold significant reserves, particularly for large districts with ongoing construction and capital planning. I want to note that 21st Century Cyber Charter School was not one of the schools audited in that report. As such, I cannot speak to individual findings, but I support greater transparency across all public education entities — including consistent fund balance classifications and public access to data for all funds.

A recent Right-to-Know response from PDE revealed that total public school fund balances across all funds in Pennsylvania exceed $14 billion, while the public-facing General Fund total stands at just $8.91 billion. That's a $5 billion gap — not from one sector hiding funds, but from inconsistent reporting and classification practices across the system.

Transparency and consistency in public financial reporting should be a shared priority. Only with accurate, comparable data can we responsibly shape education finance policy in Pennsylvania. To support more meaningful comparisons and enhance public understanding, I encourage the General Assembly and the Pennsylvania Department of Education to implement standardized fund balance reporting requirements across all public school entities — including districts, charter schools, and hybrid models. Consistent reporting practices will ensure that policymakers and the public can draw fair and accurate comparisons, leading to more informed decision-making.

Truancy, Enrollment and Accountability

Truancy and enrollment challenges impact all schools — both brick-and-mortar and cyber; but when a student becomes disengaged in a cyber charter school, they often withdraw entirely, and the school immediately loses the corresponding funding. For traditional districts, local taxes continue to flow in regardless of enrollment shifts because those revenues are not tied to individual student counts. This fundamental difference creates greater funding volatility for cyber charters, where each student represents not only a unique academic need but also the primary unit of financial sustainability.

It's also important to note that districts do not send their full per-student revenue to a cyber charter. The current tuition formula deducts 15 to 25 percent from a district's actual expenditures per student before calculating the tuition rate. That means districts retain a significant share of their local, state, and federal funding even after a student chooses to enroll in a cyber school.

At the same time, cyber charters assume full responsibility for educating that student — including providing a state-aligned curriculum, offering mandated special education services, administering state assessments, and maintaining continuous student engagement in a virtual setting. These schools also take on the logistical and financial burdens of shipping instructional materials and devices, covering losses from unreturned equipment, facilitating in-person testing and evaluations, and developing or licensing online platforms and curriculum tools. These are real costs, even if they look different from those in a traditional classroom.

Equity in Funding Reform and Caution in Policy

Act 55 of 2024 introduced a restructured special education formula for cyber charters, effective midyear on January 1, 2025. Until at least June 30, 2026, we won't have a full-year picture of its impact on cyber schools or the districts that pay them.

Yet additional legislation continues to be introduced — including proposals like HB 1081, which would bar cyber charters from owning or leasing property. We must be cautious here. Restricting cyber charter schools through legislative mandates risks locking students into environments that may not serve their needs. Further, barring cybers from owning or leasing facilities — when buildings are essential for testing, IEP evaluations, and family engagement — could compromise operational viability for schools required to serve students across a statewide footprint.

Current estimates from the cyber sector project that Act 55 will result in a $63.8 million reduction in special education revenue — about $5,529 per student affected. Additional proposals, such as a flat $8,000 regular education cap, would cut an estimated $161 million from the sector — about 13% of total cyber revenue.

Cyber schools serve some of Pennsylvania's most vulnerable populations: over 58% of cyber students are economically disadvantaged, and nearly 59% are nonwhite. We should not implement broad policy changes without knowing how they would impact those students.

As you likely recall, on February 7, 2023, the Commonwealth Court ruled in William Penn v. Commonwealth that Pennsylvania's public school funding system violates the state Constitution's guarantee of a thorough and efficient education. The court found that the system creates wide disparities between wealthy and low-income districts, depriving students in underfunded communities of equal education opportunities.

At times, the Cyber Charter sector has been portrayed as a primary driver of financial strain in public education, but framing the issue this way risks obscuring the deeper structural inequities identified in William Penn v. Commonwealth.

A Call for Collaboration, Not Polarization

I want to be clear: not every school district is affected by cyber charter enrollment in the same way. Some see significant tuition outflows; others do not. Just as there are massive differences between cyber charters — large and small, expansive and niche — the same holds true for districts. Policy must reflect those differences.

Instead of creating divides between sectors, we should be exploring ways to build common ground — including shared services, cost-saving innovations, and collaborative solutions that serve both students and taxpayers. Everyone deserves a seat at the table, because every student deserves our best.

Thank you again for the opportunity to be here and share my perspective. I look forward to your questions.

Appendix A

Public School ADM, Revenue, and Revenue per Student

Entity	ADM	% of ADM	Est. Revenue	% of Rev.	Est. Rev/ADM
School Districts	1,616,442	96.16%	$38.59 billion	96.67%	$22,961
Cyber Charters	64,506	3.84%	$1.33 billion	3.33%	$20,602
Total	**1,680,949**	**100.00%**	**$39.92 billion**	**100.00%**	—

Cyber Total ADM deducted from Total SD ADM Data. Source: 2023-24 PDE ADM & AFR Revenue Data.

Appendix B

2023-24 Tuition as Reported by School Districts

Category	Amount	% of School District Revenue
Regular Education Tuition	$660 million	1.71%
Special Education Tuition	$549.8 million	1.42%
Total Tuition	**$1.2 billion**	**3.14%**

Based on $38.59 billion in total School District revenue. Source: 2023-24 PDE AFR Tuition Expenditures.

Appendix C

General Fund Balance (FB) Growth by Sector (2018-19 to 2023-24)

Sector	2018–19 FB	2023–24 FB	Change	% Increase
School Districts	$4.59B	$7.37B	$2.78B	60.49%
Brick-and-Mortar Charters	$329.6M	$889.1M	$559.5M	169.77%
Cyber Charters	$144.3M	$653.6M	$509.3M	353.03%
Total	**$5.06B**	**$8.91B**	**$3.85B**	**75.94%**

Source: PDE General Fund Balance Data.

Appendix D

Equity and Reform Proposals - Fiscal Impact

Description	**Estimated Value**
Special Education Formula (Act 55)	
Estimated Total Revenue Reduction	~$63,873,463
Estimated Loss per Affected Student	~$5,529
% of Cyber Students with IEPs	~28.6%
Proposed $8,000 Tuition Cap for Regular Education	
Estimated Total Revenue Reduction	~$161,693,375
% of Cyber Students - Economically Disadvantaged	~58.65%
% of Cyber Students - Nonwhite	~58.83%

Source: Data compiled by Cyber Charter CEOs & CFOs.