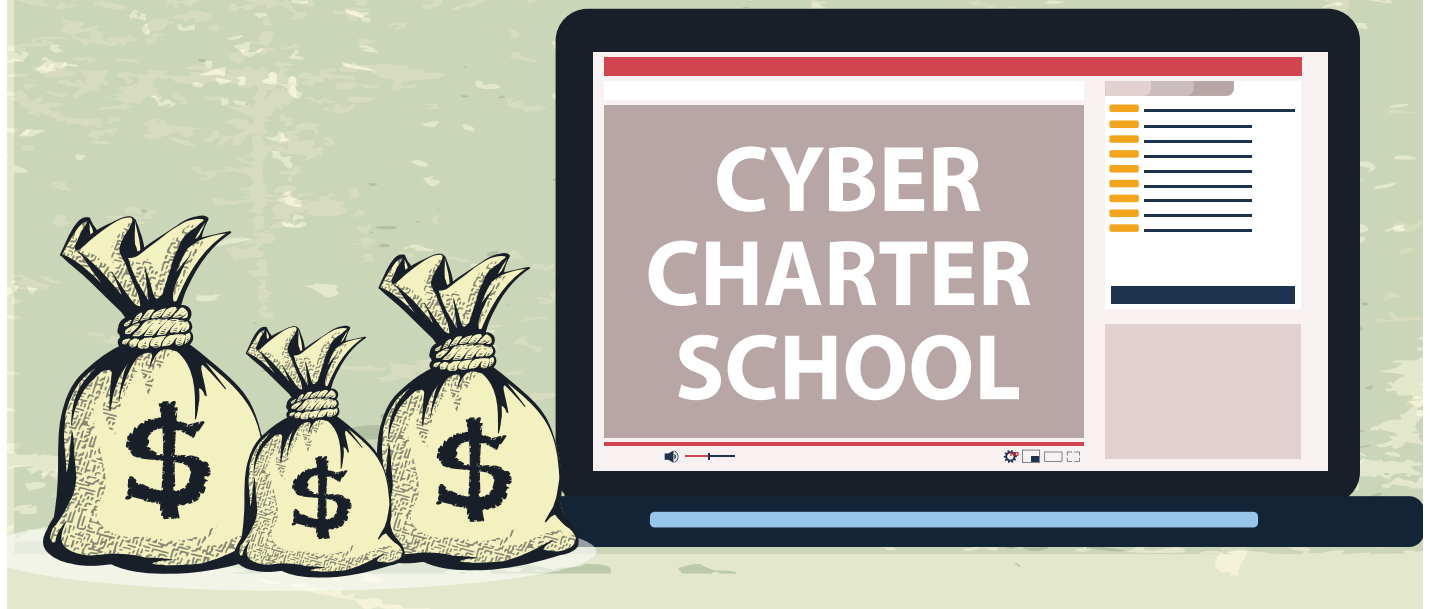




Why it's time to change the cyber charter funding system



Pennsylvania's current method of funding cyber charter schools utilizes a flawed and outdated formula that results in inconsistencies and overpayments. It's time for a new statewide funding mechanism for cyber charter schools that is predictable, more accurate and reflects the lower costs of these schools to provide education programs.

Cyber charter schools are funded by school districts

While charter schools receive some limited funding from the state, most of their funding comes from local school districts, which places a significant financial burden on districts' resources and taxpayers. Although cyber charter schools have been in existence in Pennsylvania since 2002, the funding mechanism used to calculate tuition is the formula used under the 1997 charter school law that authorized the creation of brick-and-mortar charter schools.

Every Pennsylvania school district makes payments to cyber charter schools for resident students who are enrolled. In the 2018-19 school year, school districts paid more than \$600 million taxpayer dollars to cyber charter schools in the form of mandatory tuition payments. As the COVID-19 pandemic forced all public schools



to transition to an online or virtual instructional platform and more families began exploring virtual education options, increased cyber charter enrollment also brought renewed attention to the significant flaws in the way cyber charter schools are funded.

Why the current funding method is inaccurate

The current funding formula is inaccurate and unfair because it requires school districts to send more money to cyber charter schools than is needed to operate their programs. This has a dramatic impact on school district budgets. Here's why:

Cyber charter schools receive the same tuition payment from school districts as brick-and-mortar charter schools despite not having the same level of expenses as their brick-and-mortar colleagues. For example, 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 administer state testing, those costs pale in comparison to the costs of maintaining a physical school building. Plus, school districts are required by law to provide cyber charter schools with access to district facilities for the administration of state assessments.

The charter school tuition payments calculated by school districts are based on the districts' expenses and bear no relation to the costs needed by the cyber charter schools to provide their online educational program. This is particularly problematic in relation to cyber charter schools because the tuition rate calculation includes several school district expenses that cyber charter schools just do not have. For example, cyber charter schools do not incur costs related to tax assessment and collection and providing support services to private schools, nor do they incur costs to the extent school districts do for extracurricular activities, food services, debt service, health services and infrastructure.

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

2019-20 Charter Tuition Rate Range

	REGULAR EDUCATION	SPECIAL EDUCATION
Highest	\$21,602	\$55,727
Lowest	\$8,604	\$16,738
Difference	\$12,998	\$38,989



Cyber charters profit from the current system

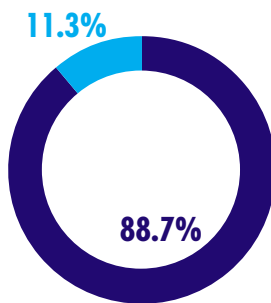
The result is that cyber charter schools profit from the current method by which they are funded. There are no limitations or restrictions on what a cyber charter school can do with any profit it receives from tuition payments. And because many cyber charter schools are operated by private for-profit management companies, taxpayers have no idea how those dollars are being spent, aside from the ubiquitous advertisements for cyber charter schools appearing on radio, television and elsewhere.

School districts provide more affordable options

Even before the COVID-19 pandemic, most school districts provided their students with a virtual education option comparable to cyber charter schools. And, due to the pandemic, we know that this percentage has certainly increased. Further, these school district programs are being provided at a fraction of the cost paid by those school districts for cyber charter tuition.

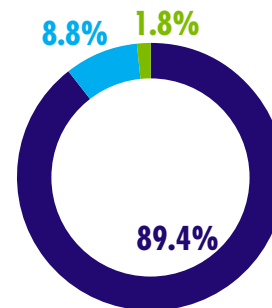
However, even if a school district provided their students with a virtual learning option, the district would still be required to pay the inflated cyber charter tuition rate if one of their students chose to enroll in a cyber charter school.

SD Virtual Programs



■ Offers a virtual program ■ Does not offer a virtual program

SD Virtual Program Cost Compared to Charter Tuition Rates



■ Significantly Lower ■ Lower ■ Same or higher

We need a fair cyber charter funding system

The need for significant cyber charter school funding reform is vital and clear. The current formula is unfair because it is based on a school district's expenditures and not what it costs to educate a child in the cyber charter school. This creates wide discrepancies in the amount of tuition paid by school districts for the same charter school education, and results in drastic overpayments to cyber charter schools, which means that districts have fewer resources available for the education of all of the other students remaining in the sending district's schools. The fact is that cyber charter schools are profiting from the current method by which they are funded.

School districts are providing their students with a virtual education option at a fraction of the cost paid by those school districts for cyber charter tuition. At the same time, they are struggling to pay millions of dollars each year to keep up with growing cyber charter costs. Many districts are forced to raise taxes and cut programs and services for their own students in order to pay exorbitant cyber charter school costs.

The Pennsylvania School Boards Association urges the General Assembly to adopt a common-sense plan, which includes a statewide flat rate that more accurately funds cyber charter schools to ensure that school districts and taxpayers are no longer overpaying these schools. Cyber charter funding reform will create savings that will stay within school districts, benefitting all their students and taxpayers.