



# Fair Charter Funding and Reconciliation Reforms Allow Reinvestment in Classrooms

The Pennsylvania School Boards Association (PSBA) urges the General Assembly to support the recommendations below for charter school funding and reconciliation reform. For a deeper explanation and facts and figures on charter school funding, visit the Keystone Center for Charter Change at [www.pacharterchange.org](http://www.pacharterchange.org).

## School districts will spend an estimated \$3 billion in charter tuition this year.

Unlike the charter school advertisements seen on TV and radio touting free tuition, the costs of charter school tuition fall squarely on taxpayers. Although not the largest expenditure in school district budgets, charter school tuition was rated as the biggest budget pressure facing school districts for the third year in a row. This budget pressure continues to consume an ever-growing portion of school district budgets and forces school districts to make difficult choices. Districts are forced to raise property taxes, cut services and staff, or lessen student programs and learning opportunities in order to make the required tuition payments to charter schools. School districts need relief, beginning with changes in the flawed and outdated funding formula created 25 years ago.

## The current funding formula and reconciliation process is inaccurate and results in overpayments.

The need to revise the charter school funding formula is urgent – especially for students attending a cyber charter school and students in need of special education. Further, the process for reconciling payment errors and disputes in current law does not provide for a complete and timely dispute resolution process, and this lack of structure and timelines has resulted in longstanding, unresolved disputes over millions of dollars.

## Cyber charters profit from the current formula.

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. They do not maintain a physical school building and do not incur the costs of maintenance, utilities and other overhead that goes 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 physical schools and other facilities for students to attend each day and for general student and community use.

There are no limitations or restrictions on what a cyber charter school can do with any profit that it receives from tuition payments. And with many cyber charter schools being operated by private for-profit management companies, taxpayers have no idea how those dollars are being spent. How else, for example, could the state's largest cyber charter school afford to spend \$8.5 million per year on advertising and marketing?

## School districts are overpaying charters for special education.

Currently, charter school tuition rates for special education are based on the home school district's special education expenses. More than 95% of the students requiring the most extensive (and costly) special education services are educated by or through a school district. This results in an inflated special education tuition rate and allows charter schools to use special education funding windfalls for other purposes. The bipartisan Special Education Funding Commission recognized this flaw and recommended that charter school special education funding be based on the same tiered system applicable to school districts which more accurately targets resources for students identified with high, moderate and low needs. However, this change has never been enacted into law. With the overwhelming majority of federal- and state-mandated special education services being unfunded, requiring the difference to be made up by local property taxes, precious special education resources should be used for the students who are actually entitled to such services.

## **The need for genuine reform to the state's outdated law is long overdue.**

School districts and taxpayers have been paying charter schools based on a flawed funding formula since 1997. At a time when education resources have never been more important, school leaders are urging the General Assembly for funding reforms that are predictable, accurate and reflect the actual costs to educate students in regular and special education programs. Charter funding reform will create savings that districts will be able to reinvest in their students, staff and classrooms.

## **Recommendations for fair reforms**

**For cyber charter regular education tuition:** The General Assembly should adopt a statewide flat rate for regular education tuition that more accurately funds cyber charter schools to ensure that school districts and taxpayers are no longer overpaying these schools.

**For charter special education tuition:** The General Assembly should enact legislation to apply a tiered special education funding formula to charter schools in the same manner as it did for school districts.

**For charter school payment reconciliation:** The General Assembly should enact legislation to create a process to ensure that payments due to a charter school are accurate, and further provide that the process used to reconcile those payments, including addressing any disputes that arise, is fair and timely. One of the greatest sources of friction between charter schools and school districts is the accuracy and timeliness of payments.

## **Legislation supported by PSBA**

**Comprehensive charter reform:** [House Bill 272](#) (Rep. Ciresi, D-Montgomery) and [Senate Bill 27](#) (Sen. L. Williams, D-Allegheny) address transparency, performance and funding issues.

**Special education funding reform:** [House Bill 1749](#) (Rep. Rosemary Brown, R-Monroe) and legislation being introduced by Sen. Mario Scavello (R-Monroe) addresses the special education funding tuition for charter schools.

**Charter school reconciliation process:** [House Bill 1892](#) (Rep. Sonney, R-Erie) establishes a process to ensure that payments due to a charter school are accurate, and further provides that the process used to reconcile those payments, including addressing any disputes that arise, is fair and timely.