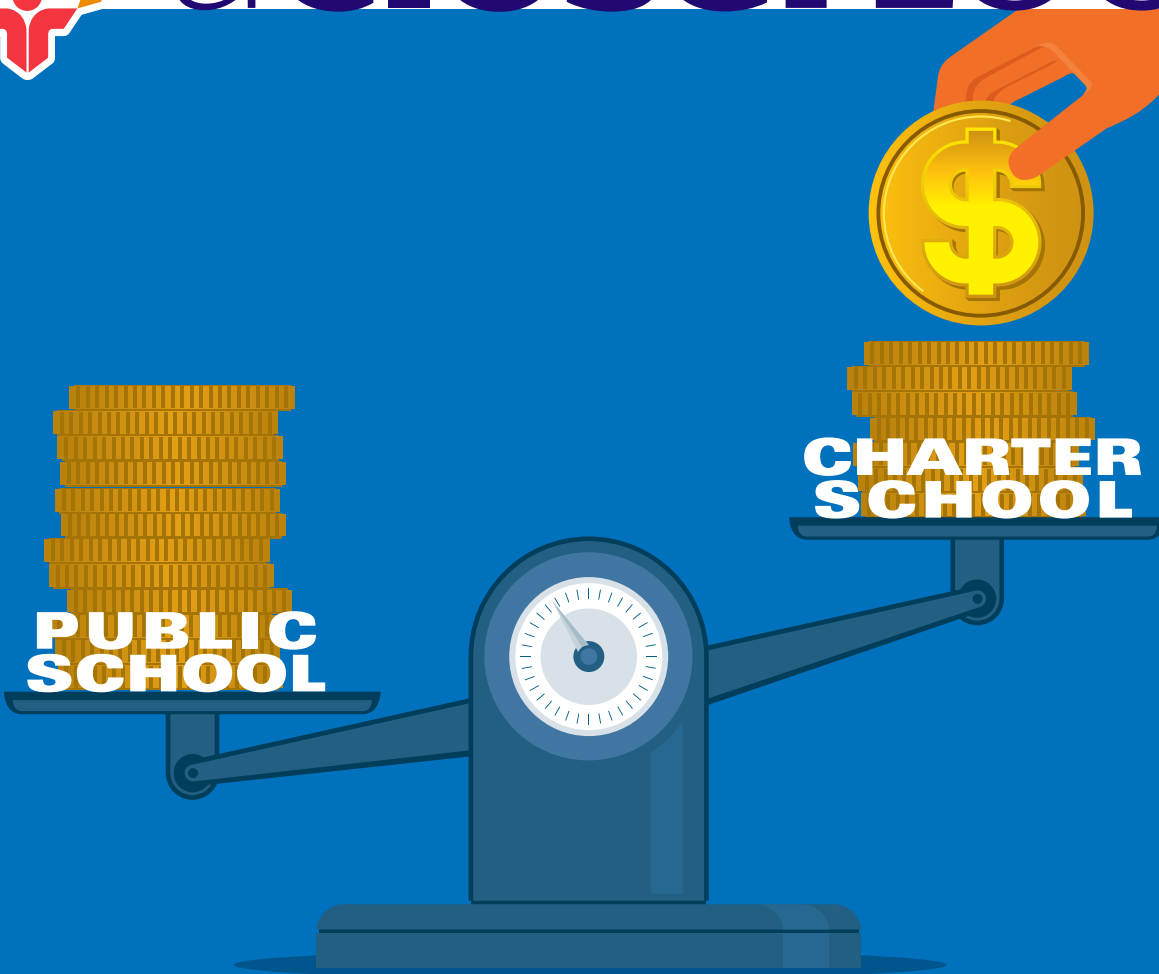




a closer LOOK



Do charter schools really receive 25% less funding per student than school districts?

In 2021-22, Pennsylvania school districts in total spent over \$2.6 billion in mandated payments to charter schools. And yet, as the need for charter school funding reform builds momentum, charter school advocates maintain that the current funding system disproportionately benefits school districts. They contend that charter schools only receive 75% of the per-student funding of school districts. Is this an accurate statement, and are school districts keeping money when students enroll in charter schools? To unlock this myth, it is important to understand how charter schools are funded and why this system unfairly impacts school districts and their taxpayers.

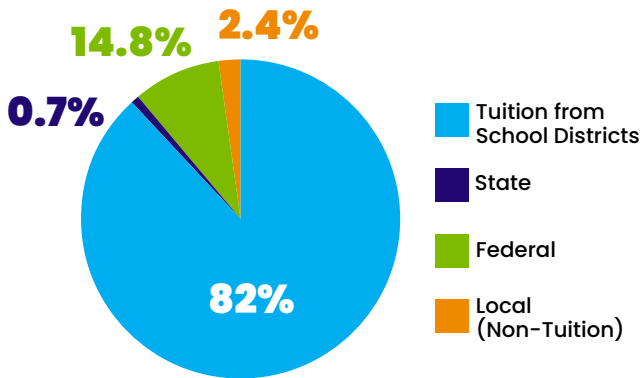
Charter school revenues

Charter schools, as public schools, are funded at taxpayer expense – mostly in the form of tuition payments from school districts.



Under the current method of funding charter schools in Pennsylvania, 82% of charter school revenue comes from tuition payments from school districts. Charter schools also receive other state, local and federal funding, such as the state Ready-to-Learn block grants and federal Title I funds. Because charter schools receive these funds directly, school districts deduct that revenue from the district’s tuition rate calculation.

Charter School Revenues by Source



On a per-student basis, charter schools only received roughly 6.1% less revenue per student than school districts in 2021-22. So, yes, charter schools received less funding per student than school districts, but the actual difference is less than a quarter of the 25% claimed by charter schools and based on completely valid reasons.

REVENUE PER STUDENT¹

School Districts \$20,646
Charter Schools \$19,455
Difference - \$ \$1,191
Difference - % -6.1%

Why charter schools should receive less revenue than school districts

As a matter of fairness and transparency, there are several important reasons why charter schools justifiably should have lower revenues than school districts. Most

importantly, school districts have expenses that charter schools do not (or at least go well beyond those of charter schools) and are subject to numerous costly mandates that may not apply to charter schools. These additional expenses and mandates have a significant impact on school district budgets and inflate tuition rates used to pay charter schools. For example, school districts are required to:

- Pay tuition to charter schools. Paying tuition to charter schools is an expense that is unique to school districts. Yet, those costs are included in the calculation for charter school tuition rates. Tuition payments alone accounted for more than \$2.6 billion (7.6%) of school district spending in 2021-22.
- Provide transportation to charter school students. Even if a school district does not provide transportation to its own students, it is still required to provide transportation to students attending a charter school within the district and charter schools within 10 miles of school district boundaries.
- Participate in the Public School Employees’ Retirement System (PSERS). With mandatory employer contributions to PSERS above 30% for the foreseeable future (meaning that participating school entities are required to contribute an additional 30+ cents on every dollar spent on salaries to PSERS), having the ability to not participate in PSERS presents the opportunity for considerable savings. In 2021-22, 22 charter schools did not report any contributions to PSERS in their Annual Financial Reports.
- Develop special education plans and comply with special education caseload limits. State regulations require school districts to develop and implement a special education plan which specifies the special education

1 2021-22 state, local and federal revenue divided by average daily membership.



programs and services available in the district and impose limits on the number of students that a district special education teacher may have assigned to them.

- Identify students who are gifted and provide them with an individualized educational program. State regulations for gifted students require school districts to develop plans to identify, screen and provide specially designed instruction to children who are gifted.
- Provide students with access to career and technical education programming. State regulations require school districts to make career and technical education available to any student in the school district's high school.
- Ensure that every professional staff member is appropriately certified. Charter schools are only required to ensure that at least 75% of their professional staff are appropriately certified. Employing certified educators comes with additional cost to the school entity reflecting the educator's qualifications.
- Provide health services to nonpublic schools. State law and regulations require school districts to provide school nurse services to private and parochial schools within its jurisdiction.
- Levy, assess and collect local taxes. In order to generate the local revenues vital to school district operations, districts are required to incur the costs associated with levying, assessing and collecting taxes.

School districts also provide a variety of extracurricular and non-instructional programs for students that go well beyond those offered or provided by charter schools. This includes interscholastic athletics, clubs, band, theater, and other activities. Charter schools may also provide these activities, but school districts are required to allow charter school students to participate in school district activities in most instances. It also

includes food services, library services and health services, which cyber charter schools do not provide.

Inconsistent charter school tuition rates

The current tuition rate calculation is based on each individual school district's expenses, which creates significant variations in tuition rates. Further, the calculation does not consider what charter schools need to provide an education. This is particularly true for cyber charter schools that do not have much of the overhead and infrastructure of traditional school districts and brick-and-mortar charter schools. These cyber charters benefit from receiving inflated tuition rates. The calculation also includes several district costs that charter schools either do not or may not have. Because calculations are based on the district's expenses, a charter school receives vastly different tuition payments from students in different school districts despite providing those students with the same education. These inconsistencies in tuition rates for regular education students can vary by almost \$15,000 per student and by \$39,000 for special education students.

Inflated cyber charter and special education rates

Cyber charter schools receive the same tuition payment as brick-and-mortar charter schools despite not having the same overhead and infrastructure costs of traditional school districts and brick-and-mortar charter schools. Further, because tuition rate calculations are based on the school district's expenses, cyber charter schools receive vastly different tuition payments from students in different school districts despite providing those students with the same education. The inconsistencies in tuition rates for regular education students can vary by more than \$17,000 per student for regular education and by nearly \$41,000 for special education students.

Charter schools also do not have the same special education costs as school



districts and comply with a more limited set of regulations for special education as compared to school districts. But with mandatory charter school tuition payments based on the home school district's expenses, charter schools benefit from an inflated tuition rate for special education students. In 2020-21, more than 93% of the students requiring the most extensive special education services, those costing more than \$26,718 per student, were educated by or through a school district.

In comparison, more than 93% of all charter school special education students were educated for less than \$26,718. Yet, because the tuition calculation is based on the school district's expenses, the average special education tuition rate paid by school districts was \$28,553. A 2016 PSBA study found that school districts paid charter schools more than \$100 million more for special education than charter schools reported spending on special education. By the 2020-21 school year, that overpayment had grown to \$185 million.

Conclusion

Do charter schools really receive less funding per student than school districts? The short answer is yes, but less than one-quarter of the 25% claimed by charter schools. And the reasons for the difference are clear and fair given that charter schools directly receive some of the same state and federal funding as school districts and are exempt from many costly mandates placed on school districts.

Charter schools were created to operate with more flexibility and less funding than traditional school districts. Charter schools are exempt or granted flexibility from many of the costliest mandates that drive school district spending, so they should operate with less funding. Even with less funding, there is ample evidence that charter schools are being overpaid, especially for special education and cyber charter students. It is time to dispel the myths about charter school funding and talk about real funding reform that would save school districts and taxpayers hundreds of millions of dollars each year.