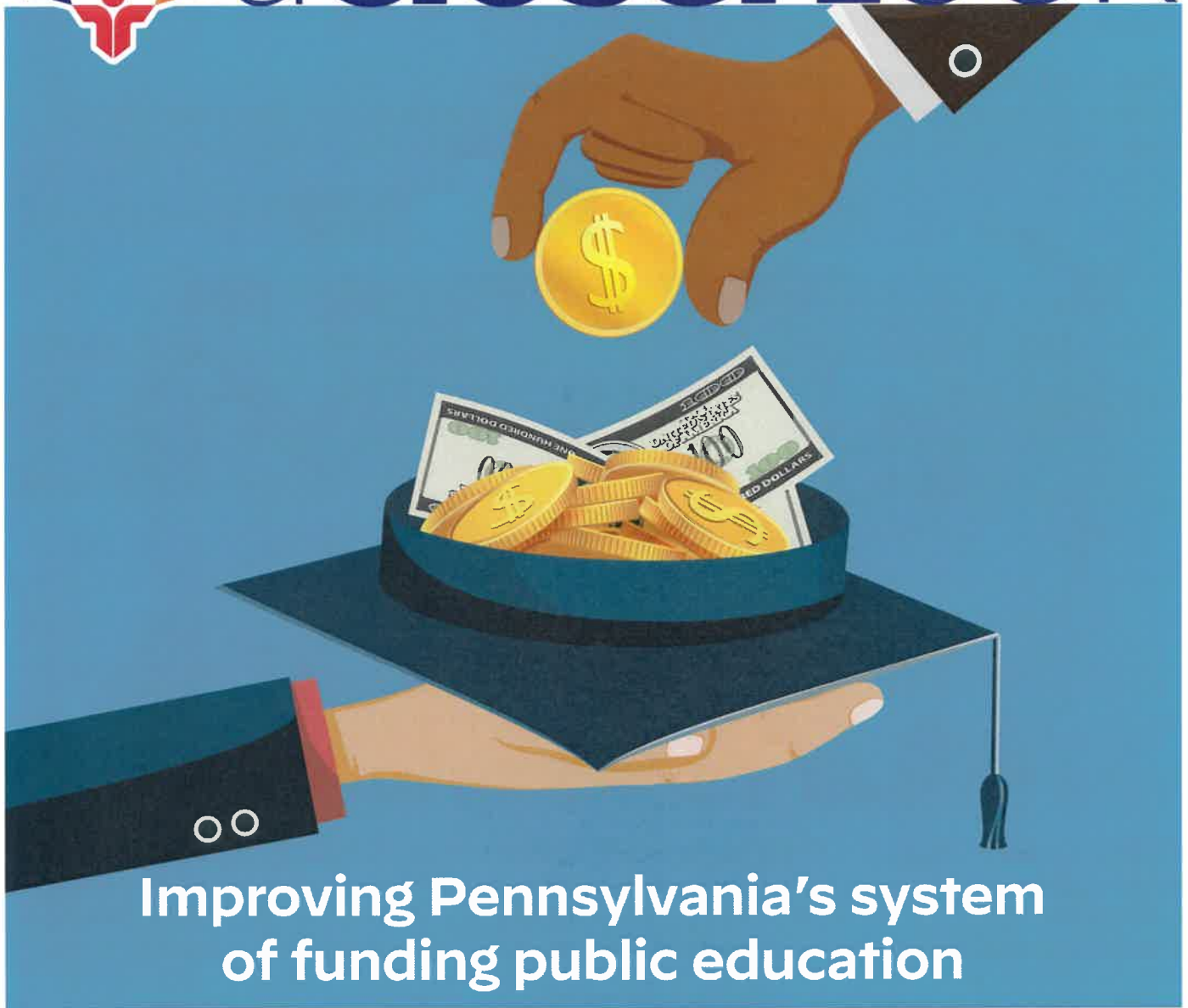




a closer LOOK



Improving Pennsylvania's system of funding public education

Since the Commonwealth Court issued its ruling in 2023 finding Pennsylvania's system of public education unconstitutional, the General Assembly is tasked with developing a new system for distributing state money to school districts. The new system must be able to fully fund public schools in a manner that will benefit all school districts equitably and ensure no district is harmed.

Statewide, only about 37% of education revenues come from the state. Only eight other states have a lower percentage of education revenues coming from the state. However, when we look at school districts individually, we see a very diverse picture. In rural and urban parts of the state, there is a reliance on the state for education revenues while in suburban areas, there is a reliance on local sources.

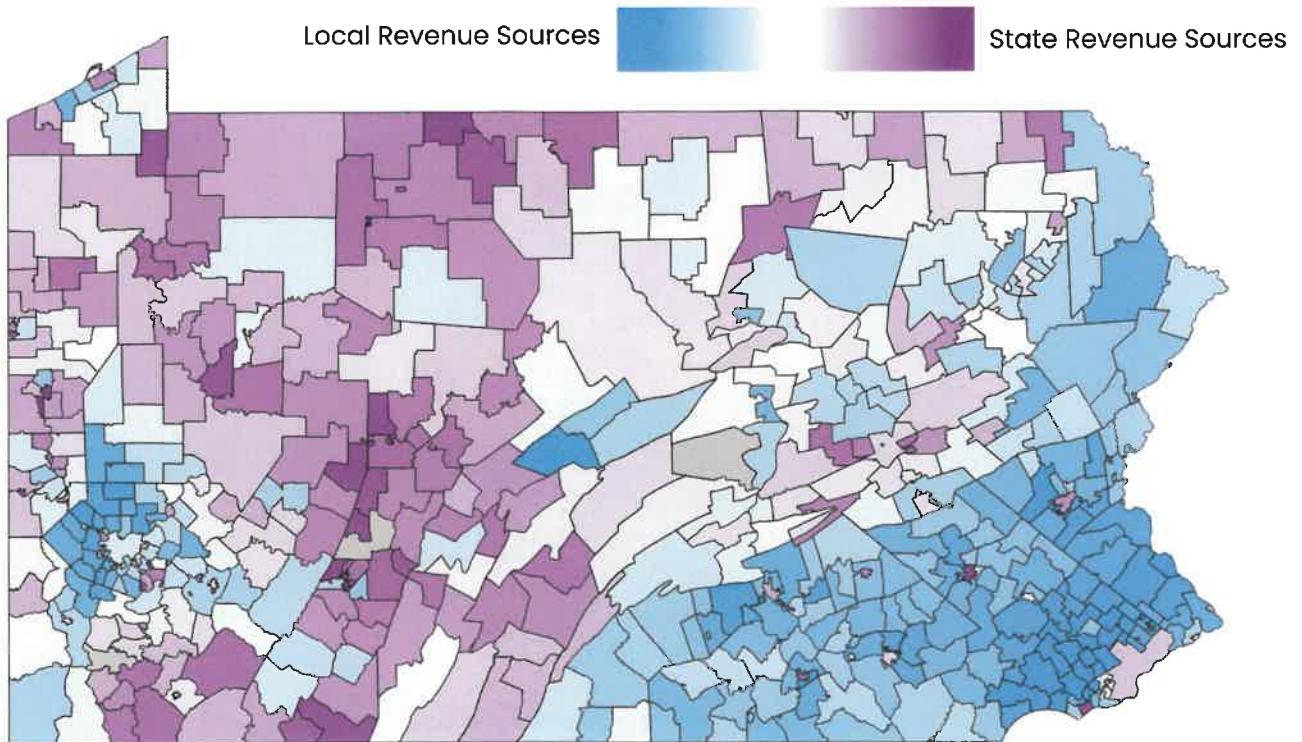
This diversity was one of the keys to the Commonwealth Court's ruling. In many of the suburban school districts, property values and income levels may be sufficient enough to pay the mandated cost gap and still be able to invest in classrooms, while in rural and urban areas,



many of those school districts do not have resources to invest in educational programs and services after paying for the mandated cost gap, thus contributing to an education system consisting of the “haves” and “have nots.”

Impact of mandated costs on school budgets

The past few state budget cycles have brought historic increases in basic education funding. While these increases are extremely welcome by school districts, they pale in comparison to



increases in mandated costs for pensions, charter school tuition and special education. These three mandated costs alone have been the primary cause for increases in education spending over the last decade. Combined, those costs have increased by more than \$6.2 billion over the last decade, while state revenue intended to help pay those costs has only increased by more than \$2.2 billion. That leaves schools with a nearly \$4 billion mandated cost gap to fill. Even if public schools used every single dollar of Basic Education Funding increase to help pay those costs, there would still be a mandated cost gap of more than \$2.5 billion.

Considerations for a new funding system

In developing a new funding system, legislators are urged to consider these factors:

School infrastructure: The current system of funding public education also results in very different means for improving and addressing school infrastructure needs. Across the state, many school buildings are deteriorating and becoming obsolete. Yet most communities simply do not have the resources to undertake a major school construction or renovation project without the state’s help. They are forced to make difficult choices between improving their educational program or making repairs to their school buildings. The General Assembly is urged to begin funding the PlanCon program passed into law in 2019 or funding on a recurring basis a facilities construction, renovation, maintenance and remediation program. This gives school leaders predictable funding for long-term facilities planning.



Mental health and school safety: Two of the biggest challenges facing public education today are addressing the mental health needs of students and providing a safe and healthy learning environment. Investments made in the last several state budgets have been crucial to helping schools and should continue to be a consideration in addressing the critical needs of school districts and students. Further, school leaders must maintain the authority to see that the mental health needs as well as the safety and security of their school buildings can be addressed in a manner consistent with the beliefs of their community.

Community engaged schools: There is discussion about creating a voucher program to help students attending struggling schools. The Opportunity Scholarship Tax Credit program currently provides scholarships to eligible students in low-achieving schools. Adding a duplicative scholarship program does not address barriers to achievement present in communities with struggling schools. That is what the community engaged school model is intended to do.

Community engaged schools focus on what students in the community truly need to succeed – whether it's access to free healthy meals, health care, tutoring, mental health counseling or other tailored services before, during and after school. Community engaged schools identify these needs and then bring together academics, health and social services, youth and community development, and community engagement. The General Assembly is urged to include finances to fund the proven community engaged schools model.

Mandate relief: School districts must comply with hundreds of individual mandates. When considered separately, many mandates can be viewed as implementing important policy objectives or as genuine efforts to enhance the quality of education, student achievement, safety and wellness, accountability, transparency, and the efficient expenditure of taxpayer money. However, when viewed as a collective whole, mandates create burdensome requirements, force money away from classrooms or result in higher property taxes. Mandate relief presents the opportunity for the General Assembly to provide additional resources for public education without appropriating more funds.

Charter school reform: It's important to note that school district leaders are not seeking the elimination of charter schools or school choice. However, what school leaders are calling for is a fair funding mechanism and a level playing field for all types of public schools.

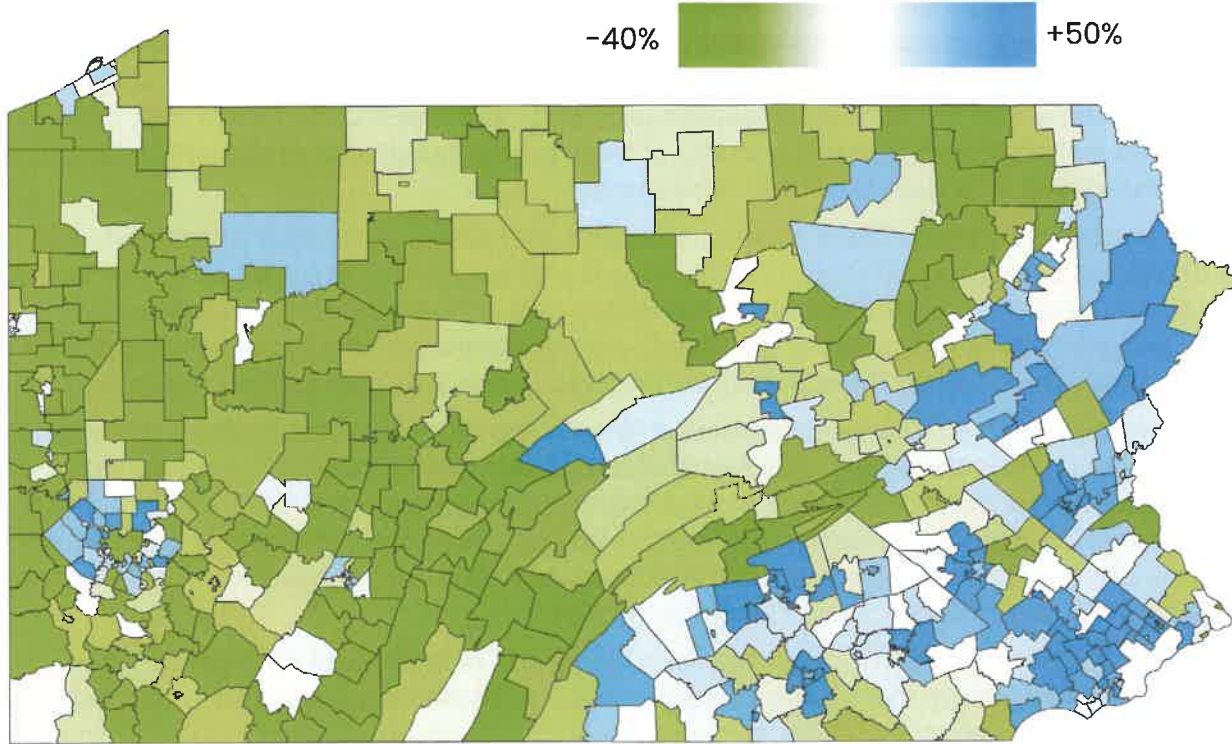
The 26-year-old funding mechanism for charter schools contains a number of flaws which results in districts overpaying charter schools, particularly when it comes to cyber charter school tuition and tuition for special education students. The charter school tuition payments calculated by school districts 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. 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. Providing meaningful charter reform would allow school districts to maintain the necessary resources to invest in their buildings and classrooms.

Other recommendations for a new funding system

Do not end "hold harmless" immediately. Doing so would be catastrophic to hundreds of school districts. In the current 2023–24 fiscal year, running all Basic Education Funding (BEF) dollars through the formula would result in a little more than \$1 billion being taken from 311 school districts and given to 189 districts. The loss of funding for those 311 districts varies, but 224 districts would see BEF reductions of more than 20% and 107 of those districts would see a reduction of more than 40%. As illustrated by the map on the next page, rural areas would be especially impacted negatively.



Change in BEF funding levels by running all BEF through the current formula



Exercise caution in sending all BEF money through the formula. Running all BEF money through the formula would also present school districts with a new set of challenges. The current formula brings with it the possibility that formula factors for each district can change from one year to the next. While in some cases, those changes will benefit a district and bring more funding, they can also result in a reduction in the district's funding allocation. The impact of these annual fluctuations will only grow with the more money that goes through the formula.

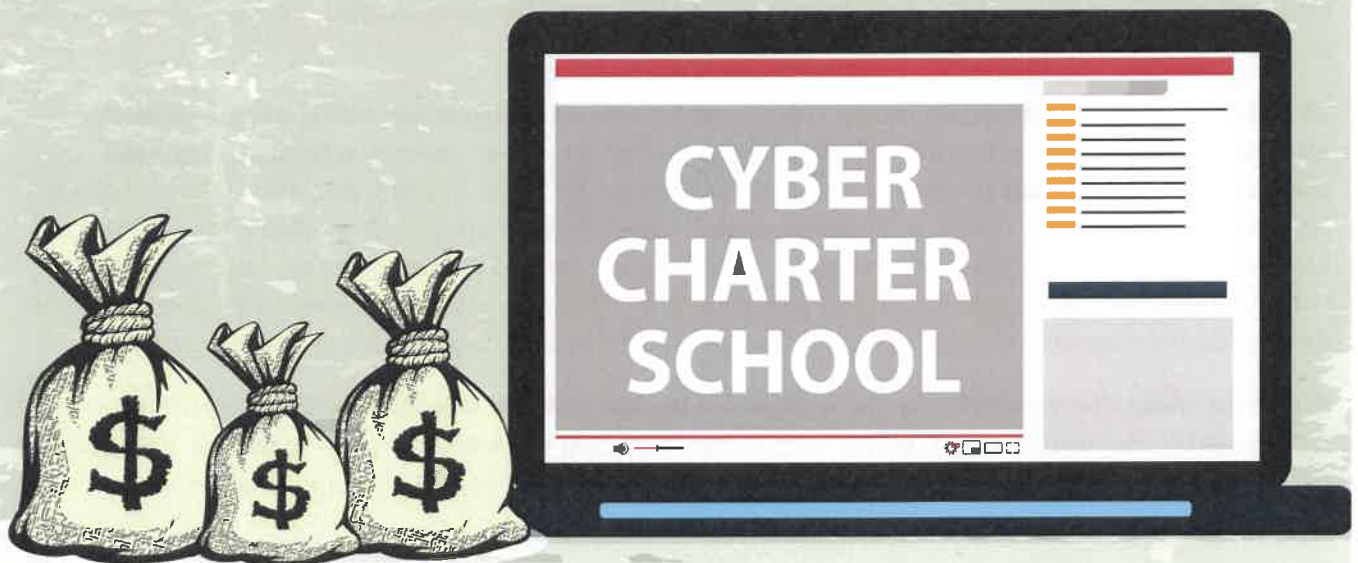
Not only would school districts be confronted with potentially large swings in their BEF funding from one year to the next, but they would not know about those swings until they are set to approve their own budgets. Formula factors for the upcoming year are currently not set by June, the same month school districts are required by law to approve their final budgets. Since those factors decide how much funding each school district will receive, districts could be confronted with substantial last-minute changes to their financial plans.

Do not mandate mergers or consolidations. The state should recognize that mergers and consolidations may not have significant financial savings. Rather than forcing school districts to merge or consolidate, the state should find ways to incentivize mergers, consolidations and sharing of services. Where school leaders choose to consider merging or consolidating, additional state financial assistance could go a long way in studying and carrying out those plans.

Maintain local control over expenditures and revenues. Local control is one of the core tenets of public education in Pennsylvania. Locally elected and accountable school leaders are empowered to make decisions regarding taxation and spending in order to provide the educational programs that meet the needs of their local community. Decisions regarding taxation and spending are not taken lightly by school leaders and local control must be preserved in the new system.



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 2021-22 school year, school districts paid more than \$1 billion 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.

2022-23 Charter Tuition Rate Range

	REGULAR EDUCATION	SPECIAL EDUCATION
Highest	\$25,150	\$60,166
Lowest	\$7,922	\$18,329
Difference	\$17,228	\$41,837



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.

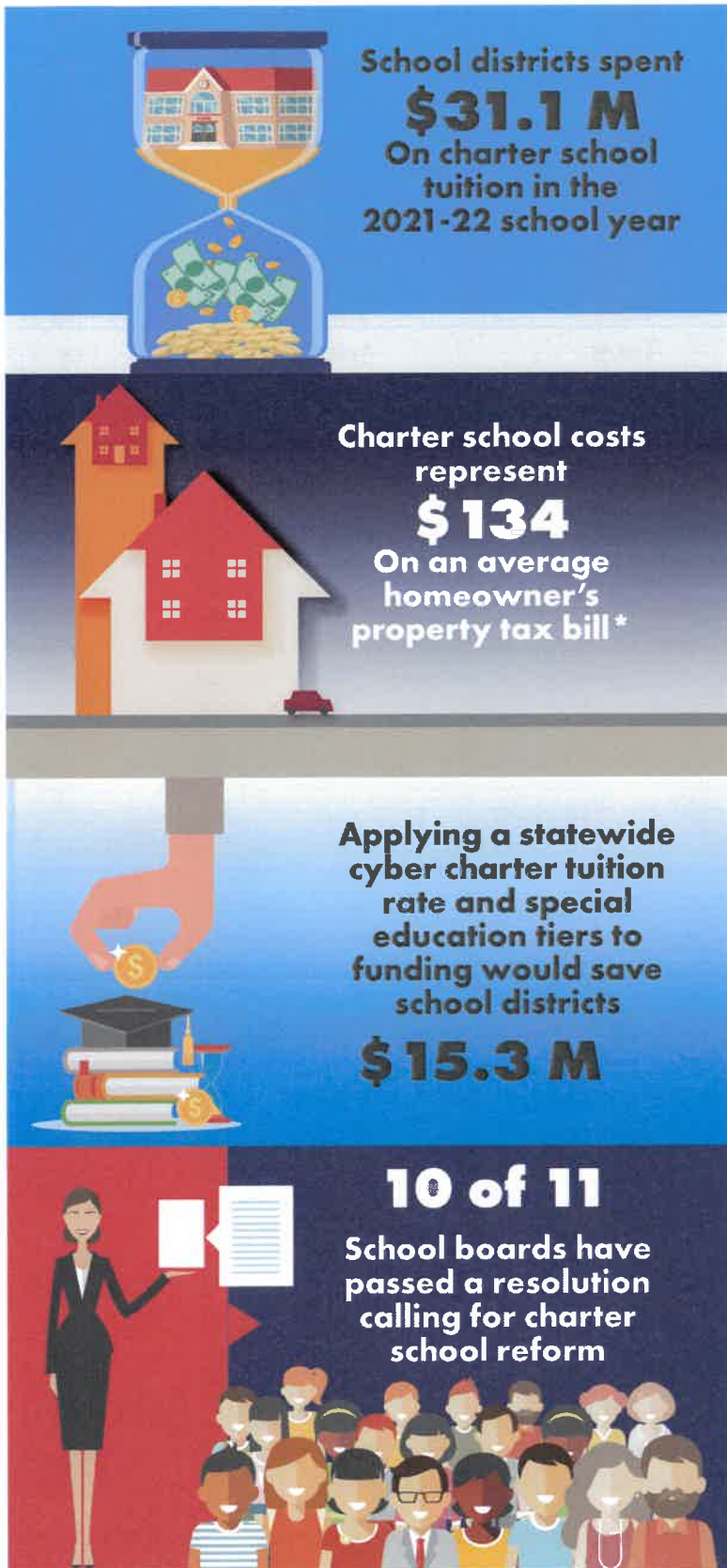
However, even if a school district provided their students with a virtual learning option, the district would still be required to pay the inflated cyber charter tuition rate if one of their students chose to enroll in a cyber charter school.

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.



Pennsylvania school districts now spend more than **\$1 billion** on tuition payments to cyber charter schools.

Cyber charter tuition payments are a primary reason for local **property tax increases.**

Cyber charter school reform **legislation passed by the House (HB 1422)** creates a fair, commonsense plan that more accurately funds cyber charters to reflect the actual costs to educate students in regular and special education programs.

More than **94%** of Pennsylvania's locally elected school boards are calling for cyber charter reform. **After more than 20 years, the time for reform is now!**

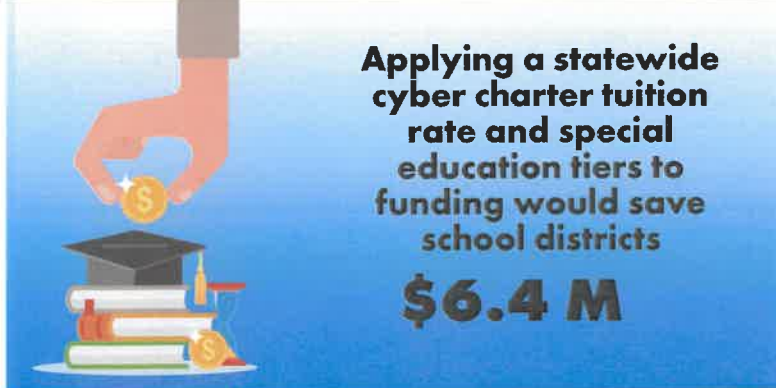
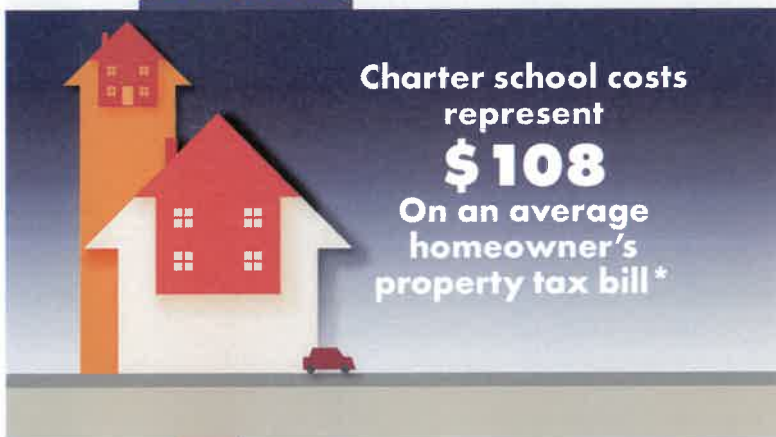
School Districts in Senate 16, Jarrett Coleman



School District	Total Charter School Cost	Charter Costs Per Median Homestead *	Charter Reform Savings	Passed Resolution
Allentown City	\$9,300,577	\$200.71	\$3,336,911.03	Yes
East Penn	\$3,206,075	\$117.82	\$1,556,931.03	Yes
North Penn	\$4,685,354	\$96.24	\$2,466,805.35	Yes
Northern Lehigh	\$1,341,048	\$285.21	\$653,611.84	Yes
Northwestern Lehigh	\$718,027	\$97.30	\$375,296.36	Yes
Palisades	\$1,245,320	\$161.93	\$1,006,143.19	Yes
Parkland	\$3,268,815	\$88.61	\$1,806,028.27	Yes
Pennridge	\$2,342,169	\$112.87	\$1,162,048.74	Yes
Quakertown Community	\$3,061,806	\$184.28	\$1,661,583.23	Yes
Souderton Area	\$1,349,345	\$72.19	\$609,959.53	Yes
Southern Lehigh	\$586,057	\$53.35	\$713,442.75	No

* Represents how much of an average homeowner's property tax bill it would take to pay the school district's charter school costs, if property taxes went directly to pay for charter school tuition costs. Data for school districts in multiple counties may not be included. Based on an analysis of PA Department of Education data.

^ If applicable, previous year or estimate used due to cyber charter costs not being reported separately on 2021-22 Annual Financial Report



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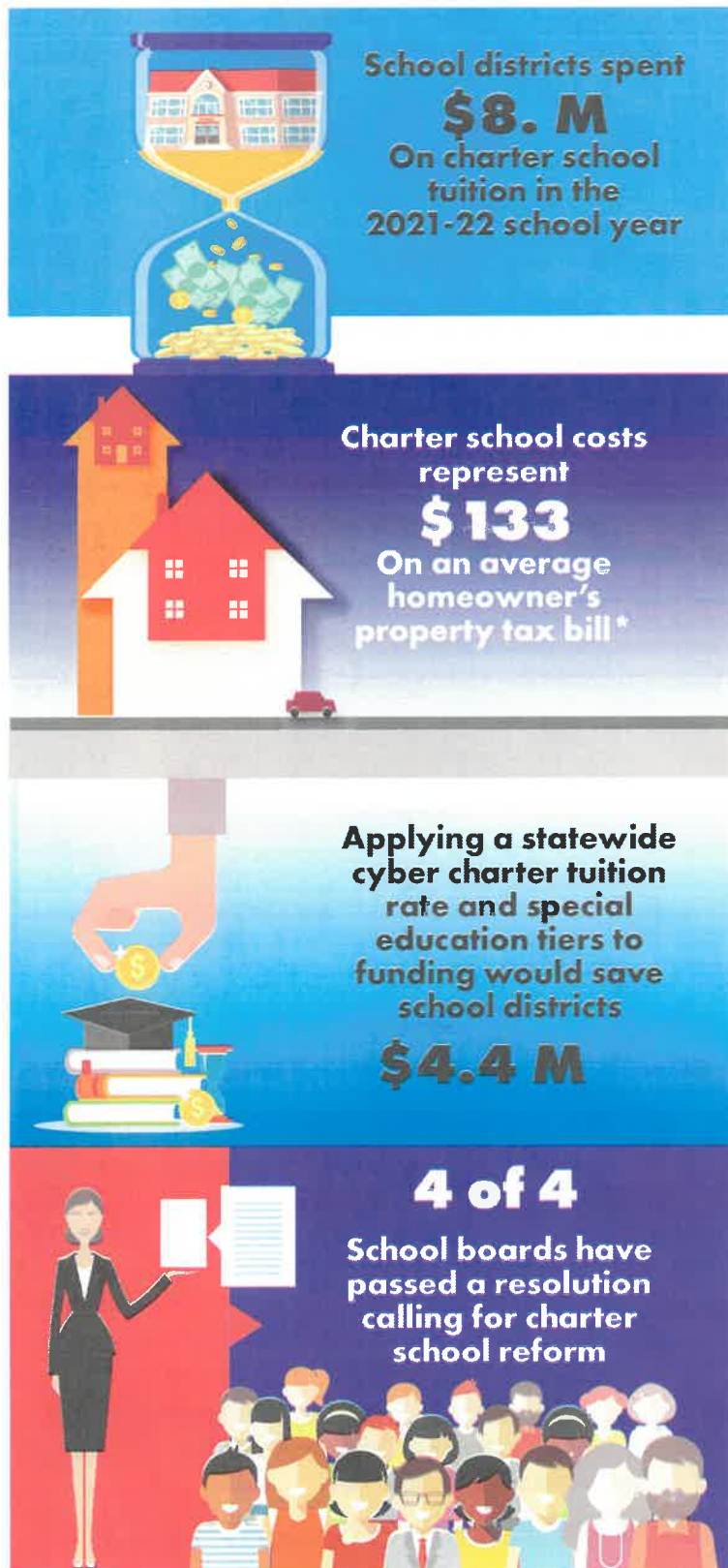
School Districts in House 143, Shelby Labs



School District	Total Charter School Cost	Charter Costs Per Median Homestead *	Charter Reform Savings	Passed Resolution
Central Bucks	\$3,156,836	\$62.26	\$1,793,189	No
North Penn	\$4,685,354	\$96.24	\$2,466,805	Yes
Palisades	\$1,245,320	\$161.93	\$1,006,143	Yes
Pennridge	\$2,342,169	\$112.87	\$1,162,049	Yes

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School Districts in House 145, Craig Staats



School District	Total Charter School Cost	Charter Costs Per Median Homestead *	Charter Reform Savings	Passed Resolution
Palisades	\$1,245,320	\$161.93	\$1,006,143	Yes
Pennridge	\$2,342,169	\$112.87	\$1,162,049	Yes
Quakertown Community	\$3,061,806	\$184.28	\$1,661,583	Yes
Souderton Area	\$1,349,345	\$72.19	\$609,960	Yes

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