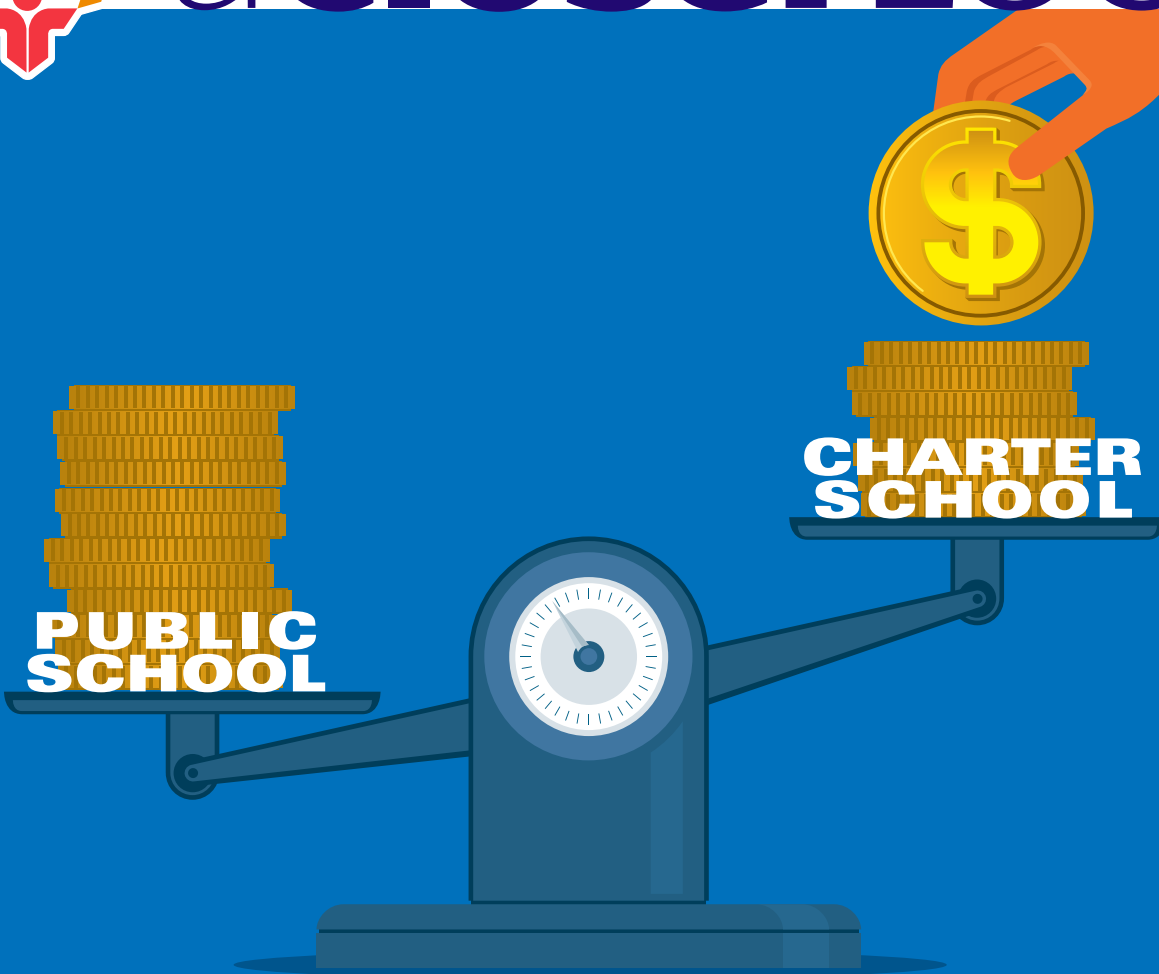




a closer LOOK



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

In 2020-21, 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 system disproportionately benefits school districts. They contend that charter schools get less money per student for education than school districts and that charter schools, on average, receive 25% less funding per student. Is this an accurate statement, and are school districts “making money” when students enroll in charter schools? To unlock the 25% myth, it is important to understand the revenue and the reasons surrounding charter school funding issues.

Charter school revenues

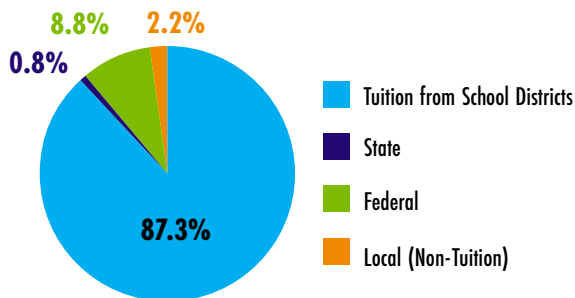
Charter schools, as public schools, are funded at taxpayer expense – mostly in the form of tuition payments from school districts.

Under the current method of funding charter schools in Pennsylvania, nearly 88% 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. On a per-student basis, charter schools only receive roughly 8.5% less revenue per student than school districts. So, yes, charter schools receive less funding per student than school districts, but the actual difference is nearly one-third of the 25% claimed by charter schools and based on completely valid reasons.

Charter School Revenues by Source



TOTAL REVENUE PER STUDENT ¹	
School Districts	\$19,286
Charter Schools	\$17,656
Difference - \$	\$1,630
Difference - %	-8.5%

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.

School districts are subject to all of the requirements of the School Code and State Board of Education regulations regarding public education, while charter schools are exempt from many of these provisions. These additional mandates and expenditures have a significant impact on school district budgets. For example, school districts must:

- Provide transportation to charter school students. If the school district provides transportation to its own students, it must also provide transportation to nonpublic school student.
- Provide health services to nonpublic schools.
- Identify students who are gifted and provide them with an appropriate educational program. Charters are not required at all to provide gifted education to students.
- Levy, assess and collect taxes.
- Pay tuition to charter schools.
- Provide access to career and technical education programs.

These expenses alone account for nearly 15% of school district spending. And there are many other instances where the law or regulation creates an uneven playing field between school districts and charter schools. For example, school districts must ensure that all educators are properly certified in the areas they teach, while only 75% of teachers in charter schools must be appropriately certified. School districts also must comply with the state-developed evaluation system for teachers and principals that is based on a variety of factors, while charter schools are not held to the same state standards of accountability.

School districts are required by law to participate in the Public School Employees’ Retirement System (PSERS) while charter school participation is discretionary. In the 2020-21 school year, 21 charter schools did not contribute to PSERS. For school districts, those costs have skyrocketed over the last 12 years and those costs are included in a school district’s charter school tuition payment whether the charter school participates in PSERS or not.

School districts also provide a variety of educational and extracurricular 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

¹ 2020-21 state, local and federal revenues. School district revenues per student based on average daily membership. Charter school expenses per student based on PDE enrollment data.



school district activities in most instances. As a whole, school districts must comply with, and pay for, hundreds of individual mandates that may not impact charter schools and the cost of which cannot be reduced after a student leaves for a charter school.

Inconsistent charter school tuition calculations

School districts are spending billions of dollars each year in mandated payments to charter schools because the unfair calculations used to set these tuition rates results in inconsistencies and overpayments to charter schools. The tuition rate calculation is based on the district's expenses, creating significant variations in rates. Further, the calculation does not consider what charter schools need to provide an education. This is particularly true for cyber charters. Without much of the overhead of traditional districts and brick-and-mortar charter schools, 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 special education rates

Charter schools 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 nearly one-third 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.



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