



# Legislative Budget and Finance Committee

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## Public Charter School Fiscal Impact on School Districts

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May 2017

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## Summary and Recommendations

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In July 2016, the Officers of the Legislative Budget & Finance Committee adopted a study of the financial impact of public charter schools on Pennsylvania school districts. The study is also to include parental reasons for placing their children in charter schools.

We found:

- ***Pennsylvania is one of 43 states, including all but one neighboring state,<sup>1</sup> with laws providing for public charter schools as one type of publicly supported school choice option.<sup>2</sup>*** In 2013, Pennsylvania accounted for just over 5 percent of charter school enrollment nationwide, with only Arizona, California, Florida, Michigan, and Texas having higher enrollments. According to Pennsylvania Department of Education (PDE) data, on October 1, 2015, 134,925 students were enrolled in public charter schools, including 23,250 special education students and 111,675 nonspecial education students.
- **The 43 states with public charter school laws vary in important ways.** For example:
  - *Twenty-two of the 43 states, including Pennsylvania, do not limit the number of charter schools and/or enrollment through statutory “caps.”* Absence of such “caps,” however, does not indicate the state is without processes for limiting charter school authorization or enrollment. In Delaware, for example, where a local school board or the Department of Education may authorize a public charter school, a local school board may limit the number of new charter school applications it will consider in any year. Delaware’s statute also provides for consideration of impact on the school district, including financial impact, along with other criteria when approving or disapproving a charter application or expansion request. Specifically, regulation provides that such financial impact:

Shall include, but shall not be limited to, projected increases and decreases in costs and in revenues by local education agencies, including fixed costs, teacher units, and transportation expenses, which are calculated using publicly available and verifiable data and information.<sup>3</sup>

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<sup>1</sup> West Virginia does not have a law providing for charter schools.

<sup>2</sup> Other public school choice options available in Pennsylvania include magnet schools, career and technical centers, inter-district open enrollment, tuition tax credits and deductions, and full-time multi-district online schools.

<sup>3</sup> 14 Del. Admin. Code, 275:3.10.1.2.

- *Only 11 of the 43 states, including Pennsylvania, require school districts to be responsible for charter school student transportation.* Pennsylvania is unique among such states as it mandates school districts provide transportation services for charter school students they are not required to provide to district students, including transportation based on the charter school’s operating schedule (i.e., hours and days and school closings) and transportation 10 miles outside of the district’s geographic boundaries.
  
- *Charter school funding routinely includes access to local revenue sources<sup>4</sup> in only 13<sup>5</sup> of the 43 states.* Of the 13 states that provide significant local revenues, Pennsylvania had the highest proportion of local revenues, based on 2011 data. Its local revenue proportion was substantially more than New Jersey (84 percent compared to New Jersey’s 23 percent), twice that of Florida, Massachusetts, and New York, four times more than California, and seven times more than Delaware. The dominance of revenues from local school districts as the primary funding source for Pennsylvania charter schools has been consistent over time.
  
- *Of the 13 states that routinely depend on local revenues to fund charter schools, only Pennsylvania and Massachusetts make supplemental payments for students with disabilities based on assumptions that a fixed portion of the student body are students with disabilities and have similar intensities of disability and resource requirements.*<sup>6, 7</sup> When such assumptions are not accurate, a disproportionate share of available special education funding is effectively directed to schools serving relatively fewer students in need of

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<sup>4</sup> Government fund revenues can result from (1) taxation, (2) nonexchange transactions (e.g., fines, fees for licenses and permits, etc.), and (3) exchange transactions (e.g., charges for services, investment income, etc.), according to the Government Accounting Standards Board (GASB). For purposes of government accounting, revenues are typically segregated by source, such as federal, state, or local sources. PDE’s Chart of Accounts instructs charter schools to classify all tuition payments from school districts as local revenue. For Pennsylvania school districts as a whole, local tax revenues account for 96 percent of all local revenues (which comprise more than one-half of school district total revenue).

<sup>5</sup> The 13 states include California, Delaware, Florida, Illinois, Louisiana, Maine, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, and Rhode Island.

<sup>6</sup> Pennsylvania’s mandatory supplemental tuition formula assumes 16 percent of the school district’s average daily membership consists of students with disabilities.

<sup>7</sup> Delaware, Maryland, New York, Florida, Louisiana, Maine, and Rhode Island fund special education services for district and charter school students through their foundation/base funding formulas. New Jersey funds two-thirds of special education costs through its equalization aid formula and one-third through special categorical grants funding. Speech and language only students are excluded from New Jersey’s counts distributing the special categorical grants. The five remaining states (Pennsylvania, California, Illinois, Massachusetts, and North Carolina), fund special education students through categorical or separate funding. In California and North Carolina supplemental funding is based on actual counts (rather than estimates) of students with disabilities, and proportional supplements are passed on for charter school students. In Illinois, charter schools receive negotiated tuition payments from local school districts based on actual student counts.

special education and/or less intense and/or less costly services.<sup>8</sup> Massachusetts attempts to address possible differences in intensity and service resource requirements by providing a role for school districts in the development of a student's individual education plan (IEP), and excluding all out-of-district placement costs from the calculation of the school district's reimbursement rate for charter school students. Pennsylvania school districts do not have such a role, and such high intensity service costs are not excluded from a school district expenditures when calculating a district's charter school special education tuition supplement.

In 2016, based on PDE data, the Pennsylvania School Boards Association (PSBA) reported Pennsylvania school districts in 2014-15 paid over \$466.8 million in special education tuition payments to charter schools, roughly \$294.8 million of that being attributable to the special education tuition supplement. At the same time charter schools reported special education expenditures of \$193.1 million. The \$101.7 difference indicates charter schools are receiving substantially more than what was spent in meeting the needs of their special education students.

- *Only Pennsylvania and two (Illinois and New Jersey) of the 13 states that routinely depend on local revenue to fund charter schools provide for judicial appeals of decisions to approve or deny charters.* Five (Delaware, Massachusetts, New York, North Carolina, and Rhode Island) of the 13 states do not even provide for administrative reviews.<sup>9</sup>
- ***Virtually all of Pennsylvania's public school districts had at least one student attending a public charter school as of October 1, 2015; however, 51 school districts accounted for almost 80 percent of all charter school enrollment.*** The School District of Philadelphia has the largest charter school enrollment (over 70,000 students), or roughly half of all charter school enrollment in the state. Nonetheless, school districts with significant (i.e., more than 5 percent) charter school enrollment can be found in all corners of the state and in urban, suburban, and highly rural districts. Allegheny (with 11 school districts), Chester (6), Beaver (4), and Delaware (3) Counties have the highest number of school districts with substantial charter school student membership.

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<sup>8</sup> The Education Law Center in a 2013 analysis of PDE data found Pennsylvania charter schools served a “noticeably different” population of students than school districts, creating what it referred to as an “un-level playing field.” It noted the Philadelphia charter schools served higher than expected percentages of students with speech and language impairments and a specific learning disability and much lower percentages than would be expected for students with visual impairment, orthopedic disabilities, hearing impairments, mental retardation, autism, multiple disabilities, and emotional disturbances. Similar findings were reported for Pittsburgh, Chester-Upland, York City, and Erie School Districts.

<sup>9</sup> In total, nine states provide opportunity for judicial appeals; twelve states are without administrative or judicial appeal processes; and 20 states provide for some form of administrative review. The remaining states provide opportunity for appeal petitions to be placed on the ballot.

- Only 7 of the 51 school districts had increasing enrollment in Pre-K through Grade 12 from 2011-12 through 2015-16. Most of the seven school districts are located in suburban southeastern counties.
- Over 40 percent (22 of 51) of the school districts with significant charter enrollment are known to be facing fiscal challenges. They include 12 that requested and received approval from PDE to raise their 2016-17 school year real estate taxes above the Taxpayer Relief Act<sup>10</sup> index intended to serve as a cap on each school district’s allowable tax increase, and an additional nine school districts, plus the City of Philadelphia School District, that have been recognized by the Commonwealth as financially distressed.

LB&FC staff reviewed information for several financially distressed districts where the impact of charter schools has been previously documented, and we reached out to the superintendents of the other school districts with significant charter school enrollment. Thirty-six school district superintendents responded to our request and identified the financial impact of charter schools on their school districts and suggestions for how to improve the relationship between their districts and charter schools.<sup>11</sup> We found:

- ***The financial impact of public charter schools on school districts is influenced by several factors, and may be positive or negative.*** Such impact may be positive, particularly if the district’s overall enrollment is increasing.
  - *Several (4 of 36) school district superintendents identified specific positive impacts:*
    - **Provision of a Local School.** One small western Pennsylvania school district reported charter schools have been “a life line,” as the district had not been able to operate a high school since the mid-1980s.
    - **Prevent Overcrowding.** A large southeastern Pennsylvania school district noted the district would not know where to place a high volume of returning charter school students.
    - **Innovative Program.** A large central Pennsylvania school district noted a small “brick and mortar” charter school had successfully demonstrated an innovative learning model, and the district would consider “hosting” the program as a district magnet school.
    - **Customer Friendly Approaches.** A small central Pennsylvania school district noted charter schools had caused the district to be “more customer friendly and innovative.”

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<sup>10</sup> Act 2006-1 (Spec. Sess. #1).

<sup>11</sup> Almost all (34 of 36) of these school districts have at least half of their charter school students enrolled in “brick and mortar” charter schools.

- Online Curricula. Twenty (of the 36) districts reported having introduced their own fully online education curricula and/or hybrid education options for district students, though such program enhancements possibly would have occurred absent the advent of cyber charter schools.
- *Most (29 of 36) school district superintendents identified specific negative impacts.* Fiscal stress on school districts may be negative when charter schools generate unavoidable/excess costs that limit opportunity for cost savings. Unavoidable excess or additional costs for school districts result from:
  - Charter Schools Attracting Students From Private Schools. This results in shifting educational costs from private schools and the parents of their students onto the public sector and taxpayers. For example, one-third of the parents of charter school students from a large central Pennsylvania school district reported their children had not previously attended a district-operated school. In Philadelphia, about one-third of the district’s charter school students come from outside of the public school system (typically from private and parochial schools).
  - Additional Costs to Operate More Than One Public Education “System.” In many ways, charter schools are separate educational “systems” within the local public education system. As a result, additional personnel and buildings are required to educate a given or set number of students, often without the opportunity to reduce the number of district classroom teachers or close a district school. For example, the superintendent of one small central Pennsylvania school district reported that over several years, across all of the district-operated traditional public schools, the maximum charter enrollment per section was between 0.5 students and five students. Although as many as eighty-six students attended charter schools, they were scattered among thirteen grades, two elementary schools, one intermediate school, and one high school. Thus, there were too few students in one school or grade to allow fixed costs, such as personnel, utilities, debt, etc., to be reduced.<sup>12</sup>

At the same time, the district’s charter school tuition<sup>13</sup> reimbursement outpaced inflation and the school district’s ability to raise taxes to cover the increase. Rural and small school districts, in particular, can

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<sup>12</sup> PSBA reported similar findings for school districts statewide in a 2010 report.

<sup>13</sup> In 2015-16, this district paid over \$11,000 in annual tuition for each nonspecial education student and \$18,000 for each special education student enrolled in a charter school.

experience this problem as the statutory nonspecial education charter school tuition formula rate will increase when a district's total resident student number (i.e., resident district students in district-operated and public charter schools) declines even when a district's operating costs remain the same or decline.

- Impedes School Consolidation. At least 10 of the 36 school districts with whom we spoke reported experiencing higher charter school enrollment following efforts to consolidate school buildings or closure of neighborhood schools. Moreover, several reported reluctance to consolidate and provide for greater efficiency in use of public resources because of the possibility of a charter school forming in response. One rural district that had considered closing a high school with less than 50 graduates provided data showing if a charter school formed in response to the closing of the high school it would result in a \$2 million annual deficit. If the district continued to operate the school, its costs would be slightly more than \$7,000 per student, and over \$10,000 if the parents and teachers elected to form a charter school.
- Additional Costs Associated With Mandatory Transportation. Roughly half (17 of 36) of the school district superintendents expressed concern about added transportation costs the district incurs, in particular, as a result of having to operate “two busing systems.” The superintendent of a large school district in western Pennsylvania put it this way: the district could “save \$2 million [annually]...if charter schools were required to align their calendars and coordinate schedules with the school district,”<sup>14</sup> as private schools are required to do. One small western Pennsylvania school district board member advised us that in addition to the additional costs incurred (\$100,000 annually), parents of students who remain with the district and who do not receive transportation services to neighborhood schools are distressed about the inequity.
- Additional Costs of Oversight. School district superintendents with whom we spoke highlighted other added costs, including oversight of charter schools. One school district reported costs of \$500,000 for public hearings and the state charter school board appeal process, with significant additional costs anticipated as the charter school was appealing the revoking of its charter in court. This district was attempting to revoke the charter in view of the school's documented continued

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<sup>14</sup> In 2015, this district had resident students enrolled at 17 “brick and mortar” charter schools in Allegheny and Westmoreland counties, according to PDE data.



failure to meet state performance standards and problems in providing services to children with disabilities that were confirmed by PDE monitoring and outside consultants, according to the hearing officer's formal report.

- Additional Costs With Attendance Monitoring and PDE Tuition Payment Intercepts: One-third (12 of 36) of the school district superintendents reported added costs for additional staffing associated with attendance monitoring. Such additional staffing is required as the school district must manage compliance with state compulsory attendance requirements for all resident district students, including those in charter schools.

Additional costs also result from processes set forth in statute for charter school billing of school districts and requiring PDE to intercept state funds due a district and pay a charter school prior to the district confirming a charter school student's residence, or PDE determining if the district had previously paid the charter school. Such situations occur because:

- There is no provision in statute requiring a parent or guardian to first notify the school district of residence of enrollment of a child at a charter school.
- A 2011 PDE directive to school districts advising them they do not have authority under the Public School Code to require a charter school student to first register with the school district of residence or withhold tuition payment prior to verifying a charter school student's district residence.
- PDE staff advising school district superintendents that because of the statute, the Department cannot reverse an intercepted overpayment to a charter school if the charter school has been paid despite district documentation that it had previously made the required payment.

Currently, the statute only allows school districts 30 days after a payment has been intercepted to appeal to the Department (and ultimately the courts). In a 2016 performance audit, the Pennsylvania Department of the Auditor General noted that as of December 31, 2015, almost 75 percent of all appeals to PDE were in open status. Such appeals included 317 general appeals in which almost \$30 million had been withheld from school districts and redirected to charter schools.

- **Public policies also influence whether charter schools will financially impact public school districts, in particular, those with significant charter enrollment.** For example:
  - *State funding for charter school tuition:* In 1997, when the General Assembly provided for the establishment of public charter schools, it allocated funding for public school districts when students who previously attended a nonpublic school enrolled in a charter school, and transitional funding grants to address budgetary impacts as a result of district resident students attending a charter school. In FY 2010-11, almost \$225 million in state funds were appropriated to reimburse school districts for their charter school tuition payments. Since that time, state funds have not been available for such reimbursement.
  - *Requirement for tuition payments to out-of-district “brick and mortar” charter schools that have not sought approval as a regional charter school:* The Pennsylvania General Assembly may not have envisioned public school districts being responsible for tuition payments to charter schools that their district has not authorized, as the state Charter School Law specifically provides for the authorization of “regional charter schools.” Nonetheless, since 2002, Pennsylvania public school districts have been required to make such payments based on a Pennsylvania Supreme Court decision affirming a Commonwealth Court opinion that the state’s charter school statute does not authorize one school district to appeal a decision of another to authorize a charter school.

As a result, school districts may be forced to pay for their students to attend a charter school that they have not authorized. City of Philadelphia School District resident students, for example, may attend “brick and mortar” charter schools in other southeastern Pennsylvania counties; and students from school districts in the suburban counties attend “brick and mortar” charter schools outside of, and not authorized by, their districts. When this occurs, the charter school student’s resident school district pays its statutorily mandated tuition rate, which may be much higher than the rate for the district in which the charter school is authorized and located. Some superintendents with whom we spoke reported charter schools intentionally locate in areas where they anticipate obtaining a charter approval and being able to draw on residents from surrounding districts with substantially higher charter school tuition rates.

- *Statutory formulas to determine a district’s charter school tuition payments that are not related to actual costs to operate the charter school.* At least 17 (of the 36) school superintendents identified problems with the statutory

tuition formulas for both special education (discussed previously) and non-special education students, noting the methods for establishing charter school tuition would need to change to promote collaboration between the districts and charter schools. The statute's nonspecial education tuition formula is not related to a charter school's actual costs and includes school district expenditures for programs and activities the charter school may not actually provide (e.g., vocational education) and programs for which the charter school may obtain direct funding as a local education agency (e.g., pre-school programs, grants awarded by foundations for special programs).

Superintendents also note concern about the level of payments to cyber charter schools, which has been found by several studies to exceed actual costs. As early as 2001, a national accounting firm contracted by PDE recommended Pennsylvania establish a flat cyber school tuition rate that would be the same across all approved cyber charter schools and school districts. The consultant based this recommendation on the ability of larger cyber charter schools to leverage their fixed costs across many students, thus reducing their overall per student cost. Subsequently, a single statewide cyber charter school tuition rate was recommended in 2007 by the *Task Force on School Cost Reduction* created by the Taxpayer Relief Act of 2006; in 2012, by the Department of the Auditor General; and in recent Governor's budget proposals. In 2014, the Auditor General went further, recommending the elimination of cyber charter school payments from school districts, and their replacement with direct fixed payments from the state (which is the cyber charter school authorizer).

- ***To improve relationships between school districts and charter schools, school district superintendents with whom we spoke recommended:***
  - Changes to tuition payment formulas.
  - Greater charter school accountability, so as to prevent potential fraud and abuse.
  - Creation of a “level playing field,” in particular, for services for special needs students.
  - Change the tuition payment intercept processes.
  - Change in charter school funding sources, with increased state funding.
  - Changes to charter school transportation requirements.
  - Limits to promotional activities (e.g., prohibiting advertising that charter school tuition is “free”).
  - Other statutory changes (e.g., permitting districts to establish charter school enrollment caps, permitting authorization of charter schools only

when they offer unique programs not available within the school district, prohibiting duplication of educational services and denying charters to applicants offering substantially the same curriculum as a successfully performing school, requiring charter enrollment cycles be aligned with the district's budget cycle, eliminating the requirement that school districts with only half-day kindergarten pay charter schools for full-day kindergarten, and prohibiting State Charter School Appeal Board members from having a role in the formation of a charter school.)

We also sought to identify why parents elect to place their children in charter schools, and found:

- ***Parents often consider factors other than improved student learning and enhanced academic quality when deciding to place their children in charter schools, according to national studies, and studies of Pennsylvania school districts.*** For example:
  - An Indianapolis study that relied on parent surveys of school choice preferences and longitudinal student records (i.e., demographics, achievement, and enrollment) found 63 percent of the parents reported that academics was an important factor in their choice of charter schools. On the basis of test score data, however, though some students switched from lower-performing schools to higher-performing ones, many more switched from higher-to-lower performing schools, and nearly 40 percent of parents who switched from a traditional public school to a charter school selected schools that failed to make adequate yearly progress under No Child Left Behind.
  - A 2015 study by the Education Research Alliance for New Orleans similarly found parents care about academic, but not as much as they say they do. In their choice of schools, distance is a key consideration, with parents preferring schools across the street to a higher performing school a mile away. Parents of younger children preferred schools with extended school hours and after school programs. Extracurricular opportunities also mattered, especially for high school.
  - A Pew Charitable Trusts Philadelphia Research Initiative commissioned a poll of 802 parents with children in Philadelphia local schools (including 50 percent in district-operated schools, 25 percent in charter schools, and 25 percent in Catholic schools) and found parental desire for discipline and safety are central to the appeal of both charter and Catholic schools—and to parental unhappiness with the school district.
  - A 2016 study of parents from a small rural school district in central Pennsylvania found that when parents in the district become dissatisfied with the local public school option, they seek information from friends and other community members. In addition to such information, they based

their decisions on their interests in a school that provides interaction between the school and the home, higher order thinking experiences, individualized learning, and career interest opportunities.

- A large central Pennsylvania school district’s survey of all parents from the district with children in charter schools found parents opted for charter schools because of their preference for small class size, individualized learning, less emphasis on formal testing, specialized programs (e.g., foreign language in kindergarten, etc.), and free before and after school programs.
- **Such reasons are consistent with those provided by superintendents that agreed to provide input for our study.**
  - Over one-half (19 of 36) of the superintendents reported parental concern about school district policies, often related to school attendance.
  - About one-third reported parental preference for neighborhood schools and special programs offered by charter schools (e.g., foreign language in elementary school, arts education, etc.), including programs the district had been forced to discontinue for financial reasons.
  - At least one-quarter of the superintendents reported parents place children in charter schools for reasons of diversity, endorsements from friends and family, and charter school advertising.

## **Recommendations**

Since 1997, public charter schools have been an important school choice option for children in Pennsylvania. To provide that such choice options continue while still providing for an “efficient” system of public education, the General Assembly may wish to consider the following changes to the state’s Charter School Law.

1. **Allow fiscal impact criteria to be taken into account by school districts, the Pennsylvania Department of Education, the State Charter School Appeal Board, and the courts for new and expanded public school charter applications.** Pennsylvania charter schools are financed largely with local revenues, and such proportion of local financing is among the highest in the nation. The current statute does not provide for fiscal impact to be considered as a criteria when approving a new or expanded charter school application. In 2007, the *Task Force on School Cost Reduction* recommended that fiscal impact be weighed when considering applications for new and expanded charter schools.

The proposed fiscal impact analysis should be based on school district financial data that is publicly available, overall district resident student enrollment trends, the Taxpayer Relief Act index, and ability of the local property

tax base to provide revenues to adequately finance new and expanding charter schools. It should also include detailed financial information prepared by the charter school applicant concerning its ongoing financial requirements and the proposed actions the charter school will take to protect the school districts (and the Commonwealth) from financial liability in case of charter school bankruptcy or other illegal acts.

- 2. *Permit the public school districts to negotiate charter per pupil payment rates and payment methods.*** The current statutory formulas related to district charter school tuition payments are problematic. They may be unrelated to a charter school's actual costs; do not take into account differences in severity and resource requirements of special needs students served by public school districts and charter schools; and are calculated in ways that disadvantage public schools that serve greater numbers of special education students and special education students with high resource needs, and small, often rural, districts that are containing their instructional costs but are in areas with a declining population. They also result in school districts paying differing tuition amounts to the same charter school, and some charter schools having fund balances in excess of those allowed for school districts. Allowing the public school district and charter school to negotiate per pupil payment or payment for services such as transportation (as occurs in six states, including Illinois and Virginia) and payment methods addresses problems with the existing mandatory formulas; takes into account differences across school districts and differences in charter schools; and provides opportunity for districts and charter schools to consider ways to avoid unnecessary "excess" costs, and use reimbursement approaches based on planned and agreed upon budgets and actual expenditures.

Other alternatives include a single cyber charter school rate and charter school tuition payments for special education students based on student levels of disability. Both these approaches have been recommended by various studies and task forces. To date, however, such recommendations have not been implemented, though such recommendations could serve as mediated options if negotiations between a school board and a charter school are not successful.

- 3. *Eliminate mandates for transportation services that are inconsistent with provision of such services for students in district-operated schools.*** Pennsylvania is the only state with charter school legislation that currently provides mandatory transportation services for charter school students that are not available to other resident district students. Requiring school districts to provide only those services available to other district resident students will help reduce excess costs that have a negative financial impact on many school districts. The *Task Force on School Cost Reduction* in 2007 recommended

that transportation for charter school students only be provided consistent with school district operating policies and that the requirement for provision of transportation services 10 miles outside of the geographic boundaries of the school district be eliminated.

4. **Require parents and guardians choosing to place their children in charter schools to first register with their school district and promptly notify the district of subsequent changes of address.** According to several studies, at least one-third of students enrolled in charter schools were not previously enrolled with the school district and, therefore, are unknown to the school district receiving the student's charter school's tuition bill. This recommendation would help alleviate many of the billing problems public school districts have with charter schools. To facilitate implementation of the proposed registration requirement, PDE should develop a standard form and procedures to provide the required information.
5. **Modify the statutory process requiring PDE to intercept state funds owed a district to pay charter school tuition.** We recommend the statutory provisions providing for PDE to intercept payments should be modified to allow a school district to have 30 days to verify it is responsible for the payment prior to PDE intercepting state funds, to allow PDE to immediately reverse intercepted payments if the school district can show it has previously paid the tuition, and to permit tuition payments that are in dispute to be placed in an escrow account until disputed matters have been resolved. In this way, public school districts, and state taxpayers, will not be accountable for possible payments of intercept payments that ultimately are determined to have been "improper" (e.g., payments for non-district resident students, payments made to charter schools that are not operating under a lawful charter, etc.). Such changes may also substantially reduce the number of appeals that come to PDE, and ultimately the courts.
6. **Eliminate public school districts' responsibility for charter school students' compliance with state compulsory attendance requirements.** Alternatively, if the General Assembly prefers to continue to place such responsibilities on public school districts, the Charter School Law should be revised to require charter schools to routinely submit attendance data to the responsible school district.
7. **Require charter schools to provide increased fiscal accountability and fiscal transparency.** Federal agencies, the Pennsylvania Department of the Auditor General, and the City of Philadelphia Controller, among others, have recommended the need for stronger charter school fiscal accountability standards, including closing loopholes that allow shell corporations for property ownership, leasing, and additional state payments; establishing clear conflict

of interest policies and allowing audits of funds transferred to associated entities or non-profits; prohibiting schools from guaranteeing loans for property or items where there is no direct school involvement; and requiring charter schools to timely submit complete financial records (e.g., financial disclosure reports, board minutes, RFPs, etc.) for the district to review such records for possible conflicts of interests. In light of the widely reported cases of fraud and abuse involving several Pennsylvania charter schools, such enhanced fiscal accountability and transparency standards appear warranted.

8. ***Require that all “brick and mortar” charter schools serving students from multiple districts obtain regional charters.*** Under the current statute, charter schools are, for the most part, only accountable to their chartering districts. As the Pennsylvania General Assembly authorized multiple districts to create regional charter schools, it may not have envisioned resident district students attending “brick and mortar” charter schools outside of the district that have not been authorized by their resident district, a situation that has been created through a Supreme Court decision. Alternatively, if the General Assembly decides to allow charter schools to serve regions without obtaining regional charters, it may wish to amend the statute to provide all school districts with student enrollment at charter schools the district has not authorized with the same rights as an authorizing district, and require charter schools be accountable to all such districts, including the proposed changes noted above.



# I. Introduction

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In July 2016, the Officers of the Legislative Budget and Finance Committee directed staff to study the financial impact of Pennsylvania public charter schools on public school districts. In December 2016, the Officers expanded the scope of the study to better understand the reasons parents elect to place their children in public charter schools rather than schools directly operated by their resident school districts.

## Study Scope and Objectives

Specifically, this study sought to:

- Identify the extent to which public charter schools are available in Pennsylvania.
- Identify how Pennsylvania's Charter School Law and such laws in other states provide for charter school authorization and address possible financial impacts on traditional public school districts.
- Identify possible positive and negative financial impacts of charter schools on public school districts.
- Identify the financial impact of charter schools on Pennsylvania public school districts with moderate or more charter school enrollment.
- Identify parental reasons for placing their children in public charter schools.

## Methodology

To identify the extent to which public charter schools are available in Pennsylvania, we relied on U.S. Department of Education data from the National Center for Education Statistics. In addition, we utilized published data from the Pennsylvania Department of Education (PDE), including data on public charter school enrollments by school district and school districts' average daily membership. In our work, we also utilized spreadsheets based on PDE published data that were developed by the Pennsylvania School Boards Association (PSBA). The PSBA spreadsheets provide for each school district the number of district resident students enrolled in specific charter schools and the county location of each charter school.

To identify how Pennsylvania's Charter School Law compares with such laws in other states, we analyzed the Education Commission of the States' 2016 50-state comparison of states and how each state approaches specific charter school policies. We also reviewed Pennsylvania's law, relevant case law, and statutes and policies

for selected states. For those states with charter school laws that include local revenues in their funding of public charter schools, we have provided information on their approaches to funding special education students in public schools operated by the public school district and public charter schools.

To identify possible positive and negative financial impacts of public charter schools on public school districts, we reviewed published literature. We also reviewed studies and audits completed by the Pennsylvania Department of the Auditor General and the City of Philadelphia Controller, the Pennsylvania State University, and others. In addition, we had the benefit of a doctoral dissertation based on significant research and data for several central Pennsylvania school districts.

To identify the financial impact of charter schools on Pennsylvania school districts, we reviewed financial data published by PDE. Further, we reached out to the school districts with moderate or more enrollment, which are more likely to experience a financial impact as a result of charter school enrollment. We also reviewed reports that address issues for certain districts that have been recognized by the Commonwealth as districts in financial distress.

To identify parental reasons for placement of children in public charter schools, we reviewed the national literature and several studies specific to Pennsylvania, including a doctoral dissertation completed by an assistant superintendent for a central Pennsylvania school district. In addition to the information provided by school district superintendents with whom we spoke, we also had the benefit of surveys conducted by certain districts. Parents' comments about their reasons from such studies have been included in the report.

We were not directed, and did not include, study objectives to address several issues identified in other studies. Our study, therefore, did not focus on issues related to student performance, Pennsylvania's charter school appeal process, and concerns about diversity; and we have not included recommendations to specially address such issues. To the extent such issues were among those reported by school district superintendents we interviewed, however, we have noted them in the report.

## **Acknowledgments**

LB&FC staff completed this study with cooperation from the school districts that account for almost 80 percent of all students enrolled in Pennsylvania public charter schools as of October 1, 2015. Without their full cooperation and valuable assistance, we would not have been able to complete this study.

## **Important Note**

*This report was developed by Legislative Budget and Finance Committee staff. The release of this report should not be construed as indicating that the Committee members endorse all the report's findings and recommendations.*

*Any questions or comments regarding the contents of this report should be directed to Philip R. Durgin, Executive Director, Legislative Budget and Finance Committee, P.O. Box 8737, Harrisburg, Pennsylvania 17105-8737.*

## II. Findings

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### A. Most States Offer Public Charter Schools as One Form of Publicly Supported School Choice

Public charter schools are one of several forms of publicly supported school choice offering students the option of attending a school other than the one assigned by their residence. Other forms of publicly supported school choice include open enrollment magnet schools, open enrollment career and technical education, inter-district open enrollment, homeschooling, private school choice supported by tax credits and deductions and vouchers, and in-district and inter-district online and virtual schools. According to the Council of Chief State School Officers in 2013, Pennsylvania was:

- One of 35 states with magnet schools available to at least some students.
- One of 39 states with career and technical education centers available to at least some students.
- One of 42 states with inter-district open enrollment available to at least some students.
- One of 14 states with tuition tax credits and deductions available to support private school choice to at least some students.
- One of 24 states with full-time multi-district online schools available to at least some students.

Pennsylvania was also among the 43 states that provided for school choice through publicly funded charter schools.

### Public Charter Schools Nationwide

In 2013-14, all but 10 states in the United States had public charter schools with enrolled students, according to the National Center for Education Statistics data.<sup>1</sup> As shown in Table 1, in 2013-14 neighboring West Virginia is among the states without public charter schools.<sup>2</sup>

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<sup>1</sup> The National Center for Education Statistics, within the U.S. Department of Education, is the primary federal agency responsible for collecting and analyzing data related to education in the U.S.

<sup>2</sup> The ten states include Alabama, Kentucky, Mississippi, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington, and West Virginia.

Table 1

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**2013-14 Public Elementary and Secondary Charter Schools and Enrollment for  
the United States and Selected States**


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<u>State</u>	<u>Number of Charter Schools</u>	<u>Charter Schools as a Percentage of Total Public Schools</u>	<u>Charter School Enrollment</u>	<u>Charter Enrollment as a Percentage of Total Public Enrollment</u>
United States.....	6,465	6.6%	2,519,065	5.1%
Delaware .....	21	9.6	11,064	8.4
Maryland.....	53	3.7	20,269	2.3
New Jersey.....	87	3.5	33,430	2.4
New York.....	233	4.9	92,143	3.4
Ohio.....	390	10.7	120,224	7.0
Pennsylvania.....	181	5.9	128,701	7.4
West Virginia.....	0	0	0	0

Source: Developed by LB&FC staff from the National Center for Education Statistics, *Digest of Education Statistics*, 2015 Tables and Figures, Table 216.90.

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As shown in Table 1, Pennsylvania, which accounts for just over 5 percent of charter school enrollment nationwide, has the highest number of students enrolled in charter schools of the surrounding states. Nationwide, only Arizona, California, Florida, Michigan, and Texas have higher charter school enrollment.

In 2014, Pennsylvania had the second-highest percentage nationally of charter school students enrolled in cyber charter schools, at 28 percent—trailing only Ohio at 33 percent. As discussed in Finding B, neighboring Delaware, Maryland, New Jersey, and New York are among the states that do not provide for cyber charter schools in their charter school authorization legislation.

According to Pennsylvania Department of Education data, on October 1, 2015, 134,925 students were enrolled in public charter schools, including 23,250 special education students and 111,675 nonspecial education students. All but one Pennsylvania school district reported having at least one student enrolled in a charter school in 2015. As discussed in Finding C, student enrollment in charter schools is not evenly distributed across Pennsylvania public school districts.

## **B. States Vary in Their Policies Providing for Charter Schools, Including Funding and Access to Local Revenues.**

States vary in important ways in their public charter school policies. Such variations include, for example:

- who can authorize a charter school,
- limits on the number of schools and/or enrollments,
- responsibility for charter school student transportation,
- appeal processes for charter applicants,
- provisions for cyber charter schools, and
- funding, in particular access to local revenues.

In January 2016, the Education Commission of the States<sup>1</sup> issued the results of its 50-state comparison of states and how each state approaches specific charter school policies. The Commission reported 43 states<sup>2</sup> have state laws providing for charter schools.

As discussed in detail below, Pennsylvania's Charter School Law in many ways stands out among the states. In particular, it differs in its requirements for transportation, provision for judicial appeals, and financing with local revenues.

### **Charter School Authorizers**

State laws have designated a variety of different entities to authorize charter schools. They include, for example, local school boards, state superintendents of education, state boards of education, state charter school commissions, and universities. Typically, states have designated more than one entity. Two states, however, have only one charter school authorizer. In Mississippi, only the Mississippi Charter School Authorizer Board can approve a charter school applicant. In North Carolina, the State Board of Education is the sole authorizer.

Typically, state laws permit local school boards to authorize charter schools within their districts. In several states, however, the state board of education must

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<sup>1</sup> The Education Commission of the States partners with education policy leaders in the 50 states to address educational issues. It conducts research and maintains state legislative databases that allow for 50 state comparisons.

<sup>2</sup> The Commission's 2016 report with comparative state data on charter schools includes information on Alabama, Mississippi, and Washington state laws. Federal National Center for Education Statistics charter school enrollment data discussed in Finding A does not report actual charter school enrollment for the three states. As noted later in this finding, state charter school laws in two of the three states have been challenged in court.

also approve such local charters. In Alaska, Iowa, and Kansas, for example, the local school board and the state board of education must both approve a charter applicant. In New Jersey, charter applications may be submitted to the state commissioner of education and the local school board, and the commissioner alone has final authority to approve or reject a charter school application. In New York, the State Board of Regents must also approve charters authorized by the SUNY Charter School Institute, local school districts, or the New York City District Chancellor.

Many states have several state authorizers in addition to local school boards. For example, in addition to local school boards, state boards of education or state charter school commissions have been authorized to review and approve charter schools in Colorado, Connecticut, Georgia, Massachusetts, New Hampshire, and Oregon.

Pennsylvania's charter school legislation provides for local school districts to authorize "brick and mortar" charter schools. The Pennsylvania Department of Education (PDE) is responsible for authorizing cyber charter schools.

### **Charter School "Caps"**

States' laws are almost evenly split on whether they place limits on the number of charter schools that can be authorized or limits on the number of students a charter school may enroll. Twenty-one states (Alabama, Arizona, Arkansas, California, Connecticut, Idaho, Illinois, Maine, Massachusetts, Michigan, Mississippi, Missouri, New Mexico, New York, Ohio, Oklahoma, Rhode Island, Texas, Utah, Washington, and Wisconsin) include some form of "cap" in their legislation. Such caps may address the number of charter schools that may be authorized and/or the number of charter enrollments, or limit the types of charter schools that can be authorized. For example:

- In Connecticut, state charter schools (which are approved by the State Board of Education rather than a local or regional board of education) are capped at 250 students per charter or 25 percent of the enrollment of the district in which the charter is located, whichever is less. In the case of K-8 charters, 300 students per charter or 25 percent of the enrollment of the district in which the charter is located, whichever is less.
- In Illinois, 120 total charter schools may be authorized. Of this total, a maximum of 70 may be authorized in Chicago with at least 5 (of the 70) charters exclusively for students with low-performing or overcrowded schools and in addition 5 or fewer charter schools for re-enrolled high school dropouts or students at risk of dropping out in Chicago. Of the remaining 45 charter schools for the rest of the state, only one charter school by a local school board (or by an agreement between several local school boards) may operate per school district.

- In Massachusetts, 120 total charter schools may be authorized.<sup>3</sup> There are also in place financial limits on district payments to certain charter schools. Additionally, the State Board of Education may not approve a new commonwealth charter school in any community with a population less than 30,000 unless it is a regional charter school. In any year, moreover, the State Board may approve only one regional charter school in a school district where overall student performance on the statewide assessment system is in the top 10 percent in the year preceding the charter application.
- In Michigan, there is a statewide cap on cyber charter schools of 15.
- In Missouri, charter schools may only be operated in a metropolitan school district, an urban school district containing most or all of a city with a population greater than 350,000 inhabitants, an unaccredited school district, a provisionally accredited district under certain conditions, and districts without provisional accreditation if sponsored by the local school district.<sup>4</sup> If the accredited district's enrollment is 1,550 or greater, it cannot enroll more than 35 percent of its enrollment in charter schools it sponsors.
- In New York, state law sets a total limit of 460 charter school "start-ups." After July 1, 2015, no more than 50 such charters may be issued in a city with a population of one million or more.
- In Ohio, for each of five years after February 2016, the state can approve up to 20 applications to establish or continue charter schools, but only five can be new schools. In addition, new internet or computer-based schools are capped at five each year and enrollment growth in internet or computer-based schools is limited to 15 percent for a school with enrollment the previous year of 3,000 or more students, and 25 percent for a school with enrollment the previous year of less than 3,000 students.
- In Oklahoma, charter schools sponsored by a school district must be located in the geographic boundaries of the sponsoring district. The State Board of Education may sponsor charter schools when applicants are denied sponsorship by the local school district, but in counties with a population of less than 500,000, the State Board may sponsor up to five charter schools per year and no more than one charter school in a single district per year.

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<sup>3</sup> In November 2016, Massachusetts voters rejected (62 percent to 38 percent) an expansion of charter schools, reportedly due to concerns about the overall health of public education.

<sup>4</sup> In Missouri, state law provides for the State Board of Education to classify or accredit public school districts based on standards of the Missouri School Improvement Program. Based on such standards, a school district may be given one of three ratings: accredited, provisionally accredited, or unaccredited. State law also defines consequences for a school district that becomes unaccredited. In Missouri, unaccredited school districts must pay tuition for students transferring to an accredited school district, and the receiving district must accept those students.



- In Rhode Island, no more than 35 independent charters may be granted and at least one-half of the 35 must be reserved for charter school applications that are designed to increase educational opportunities for at-risk pupils.
- In Utah, the State Board of Education may approve an increase in charter school enrollment capacity, but such approval is subject to the legislature appropriating funds for the increased capacity or authorizing the increase.

Twenty-two of the 43 states with legislation providing for charter schools, including Pennsylvania, do not limit in statute the number of public charter schools that can be approved or place limits on their enrollment in their legislation. Such states include: Alaska, Colorado, Delaware, Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Louisiana, Maryland, Minnesota, Nevada, New Hampshire, New Jersey, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Virginia, and Wyoming.

The absence of statutory caps, however, does not indicate that the state has no process for limiting charter school authorization and enrollment. In Delaware, for example, where a local school board or the Department of Education may authorize a charter school, a local school board may limit the number of new charter school applications it will consider in any year or the number of charters it will grant. Delaware’s statute states: “there shall be no limit to the number of charter schools that may be established in the state...” and then established caps for the first several years after enactment of initial legislation.<sup>5</sup>

Delaware’s statute also provides:

Any local school board may limit the number of new charter school applications it will consider in any year or the number of charters it will grant....A local school board shall not be required to accept any new charter school applications for a charter school unless, by September 1 of each year the school board shall affirmatively vote to accept such applications.<sup>6</sup>

The statute also includes a provision requiring the Department of Education with the approval of the State Board to publish regulations setting forth information on impact that can be used along with other criteria set forth in statute (i.e., 14 Del.C. §512) to disapprove a charter application or expansion of a charter school, and impose conditions on charter applicants. As defined in the published regulations,<sup>7</sup> educational impact, community impact, and financial impact may be considered. Financial impact:

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<sup>5</sup> 14 Del.C. §501.

<sup>6</sup> 14 Del.C. §511(h).

<sup>7</sup> 14 Del. Admin. Code 275:3.10.

Shall include, but shall not be limited to, projected increases and decreases in costs and in revenues by local education agencies, including fixed costs, teacher units, and transportation expenses, which are calculated using publicly available and verifiable data and information.<sup>8</sup>

## **Charter School Student Transportation**

Over half (27 of 43) of the states with charter school legislation do not specify who must provide charter school student transportation. Such states include neighboring New York and Maryland, and Alabama, Arizona, Arkansas, California, Colorado, Georgia, Hawaii, Illinois, Indiana, Louisiana, Maine, Michigan, Mississippi, Missouri, Nevada, New Mexico, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Virginia, Washington, Wisconsin, and Wyoming. Some, however, require the charter applicants to specify how transportation will be provided in their applications.

Sixteen of the 43 states, including Pennsylvania, specify how transportation must be provided to charter school students. In five (Florida, Iowa, Oklahoma, Oregon, and Texas) of the 16 states, the charter school is responsible for provision of transportation to charter school students. In 11 (Alaska, Connecticut, Delaware, Idaho, Kansas, Massachusetts, Minnesota, New Hampshire, New Jersey, Ohio, and Pennsylvania), the local school district is responsible for charter school student transportation.

As shown in Exhibit 1, Pennsylvania differs from the other 10 states where school districts have responsibility for charter school student transportation. Typically, school districts are only required to provide transportation as they would for district students. In Pennsylvania, school districts are required to provide transportation for charter school students beyond that required for either district students or private schools.<sup>9</sup> If a Pennsylvania school district is not required and does not provide transportation for district students, it, nonetheless, is mandated to provide transportation to a charter school student, including provision of transportation based on the charter school's operating schedule (hours and days and school closings) and not the school district's schedule. As shown in Exhibit 1, Pennsylvania is also the only state that requires a public school district to provide transportation to charter school students outside the district's geographic boundaries. As discussed in Finding C, the added costs for charter school student transportation can be significant for many Pennsylvania school districts.

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<sup>8</sup>14 Del. Admin. Code 275:3.10.1.2.

<sup>9</sup> In Pennsylvania, with the exception of charter school students, school districts are not required to transport students. If the district elects to provide transportation for district students it must provide such services to nonpublic school students. Provision of such transportation occurs based on the school district's officially adopted calendar during regular sessions. Effectively, the Public School Code, as amended (24 P.S. §13-1362) permits school districts to ask a child, regardless of age, to walk up to a mile and a half to a bus stop. The mile and a half is measured by public roads and does not include any private lane or walkway of the child's residence.

## Exhibit 1

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### States With Requirements for Local School District Provision of Transportation to Charter School Students

*Alaska*—If a school district provides transportation services, it must provide transportation services to students attending a charter school operated by the district under a policy adopted by the district.

*Connecticut*—The local or regional board of education of the school district in which the charter school is located must provide transportation services for students who reside in the school district unless the charter school makes other arrangements for the transportation.

*Delaware*—Transportation is provided by the school district, the charter school, or a contractor. If the charter school provides transportation, it receives state transportation aid.

*Idaho*—The board of trustees of each district must, where practicable, provide transportation for the public school students within the district. For students who are residents of adjoining districts, the charter school may contract with the district for provision of transportation to the charter school.

*Kansas*—School districts must provide transportation for students who qualify for the free-lunch program and live 2.5 miles or more from the school.

*Massachusetts*—The children who reside in the district where the charter school is located must be provided transportation to the charter school by the resident district's school committee on the same terms and conditions as transportation is provided to children attending local district schools.

*Minnesota*—If the charter school does not elect to provide transportation, it must be provided by the district in which the school is located for a student residing in the same district in which the charter school is located.

*New Hampshire*—Pupils who reside in the school district in which the charter school is located must be provided transportation by the district on the same terms and conditions as provided for pupils attending other public schools within the district.

*New Jersey*—The students who reside in the school district in which the charter school is located must be provided transportation to the charter school on the same terms and conditions as transportation is provided to students attending the schools of the district.

*Ohio*—The school district must provide transportation to resident students attending a charter school within the school district.

*Pennsylvania*—Students must be provided free transportation to the charter school by the school district of residence if they attend a charter school located in their school district of residence, a regional charter school of which the school district is a part, and to a charter school located outside of school district boundaries at a distance not exceeding 10 miles by the nearest public highway. Some school districts must also provide transportation if the students are the same age or are enrolled in the same grade, grades or their grade equivalents as any students of the district for whom transportation is provided under any program or policy to the schools of the district.

Source: Developed by LB&FC staff from the Education Commission of the States, *50 State Comparison, Charter School Policies*, January 2016.

## Appeal Processes for Charter Applicants

For the most part, states do not provide opportunity for judicial appeal of decisions to deny a charter application. Nine states (Idaho, Illinois, Nevada, New Jersey, New Mexico, Oregon, Pennsylvania, South Carolina, and Utah) provide for judicial appeals. In Pennsylvania, denied applicants may appeal to the State Charter School Appeal Board, and all decisions by the State Charter School Appeal Board are subject to appellate review by the Commonwealth Court.

Twenty states (Alabama, Alaska, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Minnesota, Missouri, Oklahoma, Tennessee, Wisconsin, and Wyoming) only provide for some form of administrative review. Twelve states (Arizona, Connecticut, Delaware, Massachusetts, Mississippi, New York, North Carolina, Ohio, Rhode Island, Texas, Virginia, and Washington) are without administrative review or judicial appeal processes. One state (Michigan) allows charter applicants whose applications are rejected to petition to have the application placed on a local ballot. In New Hampshire, denied charters may be appealed to the State Board of Education. If the State Board approves the application, it must be submitted to the local school board for ratification or denial. The local board decision is final, though its decision to ratify the application must then be placed on the ballot for voter approval.

## Cyber Charter Schools

Twenty-four of the 43 states with legislation providing for charter schools explicitly permit cyber charter schools. Pennsylvania is one of the 23 states.<sup>10</sup> Other states include: Arizona, California, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Louisiana, Maine, Michigan, Minnesota, Mississippi, Nevada, New Hampshire, Ohio, Oklahoma, Oregon, South Carolina, Utah, and Wisconsin.

With the exception of Georgia, Hawaii, and New Hampshire, states that explicitly permit cyber charters school have certain added oversight for such schools. For example:

- In Arizona, each new school is placed on probationary status until it demonstrates the academic integrity of its instruction through actual improvement of the academic performance of its students.
- In Ohio, currently only applicants demonstrating experience and quality may be approved. As of February 2016, all cyber charter schools must comply with standards for online schools and programs developed by the International Association of K-12 Online Learning.

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<sup>10</sup> In 2014, the Education Commission of the States reported that one cyber charter school in Pennsylvania enrolled almost three times the number of students as the average school district in the state.

- In Utah, the State Board of Education in collaboration with the cyber charter school must develop a performance report on the online program provider. The report must include:
  - scores aggregated by tests on statewide assessments,
  - the percentage of the provider’s students who complete the course within the applicable time period,
  - the percentage of students who complete online courses after the applicable time period and before the student graduates from high school, and
  - the pupil-teacher ratio for the online course provider. Such reports are also required to be posted online.

In Pennsylvania, as noted above, the state Department of Education, rather than a local school board, is responsible for authorizing cyber charter schools and their oversight. As discussed in Finding C, however, local school districts are effectively required to perform oversight activities related to both cyber and “brick and mortar” charter school students’ attendance, and this can have a financial impact on the district.

## **Funding of Charter Schools**

States with legislation providing for charter schools differ in how they fund such schools. Such differences occur, in part, as a result of the differing options available to authorize a charter school (e.g., if the school is authorized by a local school board, the state, or by another state permitted entity), the varying approaches states use to fund public education, and the extent to which local dollars are required to fund public education.

### ***Access to Local Revenues***

One key difference across states is the extent to which charter schools are funded through local revenues.<sup>11</sup>

- In 14 states (Alabama, Arizona, Hawaii, Idaho, Indiana, Michigan, Minnesota, Missouri, Nevada, New Mexico, Ohio, Oklahoma, South Carolina, and

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<sup>11</sup> According to the Government Accounting Standards Board (GASB), government fund revenues can result from (1) taxation, (2) nonexchange transactions (e.g., fines, fees for licenses and permits, etc.), and (3) exchange transactions (e.g., charges for services, investment income, etc.). For purposes of government accounting, revenues are typically segregated by source, such as federal, state, or local sources. PDE’s Chart of Accounts instructs charter schools to classify all tuition payments from school districts as local revenues.

Texas), charter school funding does not include local revenues or includes only limited local revenues.<sup>12</sup>

- In 13 states (California, Delaware, Florida, Illinois, Louisiana, Maine, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, and Rhode Island), charter school funding routinely includes local revenues. About half of such states, including neighboring Delaware, Maryland, New Jersey, and New York, do not provide for cyber charter schools in their charter school statutes.<sup>13</sup>
- In 9 states (Arkansas, Colorado, Connecticut, Georgia, New Hampshire, Oregon, Tennessee, Utah, and Wisconsin), charter school funding routinely includes local revenues only if the charter has been authorized by the local school district.<sup>14</sup>
- In 5 states (Alaska, Iowa, Kansas, Virginia, and Wyoming), charter school funding is negotiated/specified in the school's approved charter and/or approved annual budget.<sup>15</sup> Virginia, for example, allows a local school board to establish by contract an agreement stating the conditions for funding the charter school. The negotiated amount, however, must be commensurate with the average school-based cost of educating students (unless the cost of operating the charter school is less than the average school-based cost).
- In 2 states (Mississippi and Washington), matters concerning use of public funds for charter schools are before the courts.

As shown in Table 2, according to the University of Arkansas's 2014 charter school study of 2011 charter school funding, Pennsylvania charter schools had the highest proportion of local revenues of the 13 states with legislation routinely providing for local revenues to fund charter schools. As shown in Table 2, Pennsylvania's charter schools' proportion of local revenue was substantially more than charter schools in New Jersey; twice that of charter schools in Florida, Massachusetts, and New York; four times more than charter schools in California, and seven times more than charter schools in Delaware.

The predominance of local revenue as the primary funding source for Pennsylvania charter schools has been consistent over time.

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<sup>12</sup> The University of Arkansas in its 2014 study of 2011 charter school funding reported that Arizona public charters received 0.1 percent of their funding from local tax revenue, Hawaii schools 0 percent, Idaho schools 0 percent, Indiana schools 0 percent, Michigan schools 1.3 percent, Minnesota schools 0 percent, Missouri schools 5.9 percent; New Mexico schools 2 percent, Ohio schools 0 percent, South Carolina schools 0.7 percent, and Texas schools 0 percent. Alabama, Nevada, and Oklahoma were not part of the University of Arkansas study.

<sup>13</sup> Massachusetts, North Carolina, and Rhode Island also do not provide for cyber charter schools in their state statutes.

<sup>14</sup> The University of Arkansas, in its study of 2011 funding of charter schools, reported that Arkansas charter schools received no local funding from local tax revenue, Colorado schools 0.2 percent, Connecticut schools 0 percent, Georgia schools 24.7 percent, Oregon schools 1.1 percent, Tennessee schools 37.4 percent, Utah schools 0 percent, and Wisconsin schools 4 percent. New Hampshire was not part of the University of Arkansas study.

<sup>15</sup> The University of Arkansas, in its study of 2011 funding of charter schools, did not report data for Alaska, Iowa, Kansas, Virginia, and Wyoming.

- In the 2008-09 school year,
  - Pennsylvania school districts received 56.54 percent of their total revenue from local revenues and 38.66 percent from the state.
  - Pennsylvania charter schools received 86.69 percent of their total revenue from local revenues, of which 95 percent were tuition payments from Pennsylvania school districts, and 4.13 percent from the state.<sup>16</sup>

Table 2

**FY 2011 Proportion of Public, State, and Local Revenues for Charter Schools in Selected States\***

State	Percent Public	Percent State	Percent Local
California	94.0%	66.7%	17.8%
Delaware	85.0	63.8	12.3
Florida	91.9	41.1	42.7
Illinois	88.2	56.4	Not Reported
Louisiana	96.1	43.2	30.8
Maine	Not included in the study	Not included in the study	Not included in the study
Maryland	Not Reported	Not Reported	Not Reported
Massachusetts	90.9	41.6	40.3
New Jersey	82.8	52.1	22.7
New York	95.7	43.8	42.6
North Carolina	94.2	59.2	23.7
Pennsylvania	97.4	4.2	84.1
Rhode Island	Not included in the study	Not included in the study	Not included in the study

Source: Developed by LB&FC staff from the Education Commission of the States *50-State Comparison of Charter School Policies*, January 2016, and the University of Arkansas, *Charter School Funding: Inequity Expands*, April 2014.

- In the 2014-15 school year,
  - Pennsylvania school districts received 44.5 percent of their revenues from property taxes and 13.1 percent from other local revenues for a combined local revenue total of 57.6 percent, and 36.3 percent from the state.
  - Pennsylvania charter schools, received 83.3 percent of their revenues from school district tuition payments and 3.6 percent from other local

<sup>16</sup> Pennsylvania Auditor General, *Special Report: The Commonwealth Should Revise Its Charter and Cyber Charter School Funding Mechanism*, 2010.

revenues for a combined local revenue total of 86.9 percent; and 3.3 percent directly from the state.<sup>17</sup>

As discussed in Finding C, the predominance of local revenues in support of Pennsylvania charter schools, the local school district's responsibility for oversight of such revenues, and statutory limits that are in place and prevent districts from overseeing such funds are a concern to many Pennsylvania school superintendents.

### ***Charter Tuition for Special Education Students***

The above funding data include revenues for both general and special education. Pennsylvania, like other states where locally contributed revenues are available to charter schools, provides additional/supplemental funding for special education students enrolled in charter schools. As shown in Exhibit 2, such states differ in their approaches to funding special education services provided by school districts and charter schools.

Of the 13 state that regularly channel local funds to support charter school students:

- eight (Delaware, Florida, Louisiana, Maine, Maryland, New Jersey, New York, and Rhode Island) fund special education services through their foundation/base funding formulas, and
- five, including Pennsylvania, (California, Illinois, Massachusetts, North Carolina, and Pennsylvania) through categorical or separate funding.

*Formula Funding for Special Education:* In the eight states that fund special education services as part of their foundation/base funding formulas, the formula considers the cost to provide a basic education to a pupil. Such formulas are then adjusted or weighted to account for differing student characteristics and/or special needs (e.g., grade level, poverty, English language learners, disability), or different resource requirements (i.e., student teacher ratios, types of special needs, and the cost of individual service plans). The amount of state funds provided, moreover, may also be adjusted (i.e. equalized) based on the ability of the local school district to generate the required minimum level of local funding to provide for the cost of a basic education.

As shown in Exhibit 2, typically, the states that rely on formulas to allocate funds for special education utilize the same approach to identify per-pupil amount for traditional school district and charter school students. States where the local

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<sup>17</sup> Pennsylvania School Boards Association in its *PSBA Special Report: Charter School Revenues, Expenditures and Transparency*, 2016.



tax levy may actually be in excess of the minimum local levy required by the foundation/base formula (e.g., New Jersey, and Rhode Island) permit school districts to provide less than 100 percent of the formula derived per-pupil allotment, or permit the local school district to negotiate a differing per-pupil tuition amount (e.g., New York).

*Categorical Funding for Special Education:* States that take a categorical approach to funding special education services, such as Pennsylvania, provide such funding separate from their foundation/base funding formulas. Pennsylvania's categorical special education funding approach for charter school students, however, differs from other states that use such an approach to support students requiring special education.

As shown in Exhibit 2, Pennsylvania bases its additional/supplemental per-pupil tuition for students with disabilities attending a charter school on the local school district's total actual expenditures for students with disabilities as applied to a fixed-estimate (16 percent) of the proportion of students in the district with disabilities. This average per-pupil amount, which can vary significantly from district to district, is then used as the amount charter schools are reimbursed for each of their special education students. As a consequence, Pennsylvania's additional charter school special education per-pupil tuition payment includes no adjustment for the student's intensity of disability or service resource requirements, and does not take into account possible differences in the intensity of disability or services requirements between district and charter school students. (Finding C provides additional information concerning such differences.)

As shown in Exhibit 2, California and North Carolina allocate supplemental funding based on actual counts (rather than estimates) of students with disabilities, and pass on proportional supplements for charter school students. Illinois, which provides for negotiated tuition payments by local school districts for charter schools, also relies on actual student counts for its special education allocations.

In Massachusetts, the census-based and resource assumptions used to allocate special education funds are the same for both school districts and charter schools. Massachusetts' approach, like Pennsylvania's, assumes a fixed portion of a district's student body are students with disabilities and have similar intensity of disability and resource requirements. When such assumptions are inaccurate, a disproportionate share of available special education funding is effectively directed to schools serving relatively fewer students in need of special education services and/or less intense and/or less costly services.

Massachusetts attempts to address possible differences in intensity and service resource requirements of school district and charter school special education students, in part, by providing a role for the school district in the development of a

Exhibit 2

**Selected State Special Education Instructional Funding Approaches for School Districts and Charter Schools**

States With Charter School Access to Local Revenue(s)	State Special Education Funding Type	Approach for Special Education Funding to School Districts	Approach for Special Education Funding to Charter Schools
California	Categorical Funding	<p>Since 2013, school districts and charter schools have been allotted base education funding through a formula that takes into account counts of children by grade level. For students with disabilities, in addition to the base formula amount, a fixed dollar amount per student is provided based on average daily attendance of the "local special education plan area."</p> <p>Foundation formula payments are resource-based taking into account required number of teachers and other staff, pupil counts, and staff units needed to provide services for general and special populations of students.</p> <p>Per-pupil amounts vary based on multiple-student weights such as student grade level, needs, disability, and type of placement. The formula provides for increased per-pupil allocations for students who have high-cost, low incidence disabilities.</p>	<p>The base funding formula is the same for school districts and charter schools. Charter schools also receive an "equitable portion" of their local special education plan area's special education funding.</p>
Delaware	Formula-Based		<p>Charter schools are allocated both general and special education funds based on the same formula as other public schools.</p>
Florida	Formula-Based		<p>Charter schools receive both general and special education funds based on the same formula as other public schools.</p>
Illinois <sup>a</sup>	Categorical Funding	<p>Special education funding is distributed based on the IDEA (Individuals with Disabilities Education Act) child count of all students in the state.</p>	<p>A charter authorized by a local district is to receive no less than 75 percent and no more than 125 percent of what the public school students in the district receive on a per-pupil basis. Tuition payments, including funding for special education, are identified in the charter.</p> <p>For charters authorized by the Illinois Charter School Commission, the board pays the charter any federal or state special education funds to which any other public school would be entitled.</p>
Louisiana	Formula-Based.	<p>Per-pupil amounts based on multiple student membership weights, including a weight for special education (150 percent).</p>	<p>Charter schools receive both general and special education funds based on the same formula as school districts.</p>

**Exhibit 2 (Continued)**

States With Charter School Access to Local Revenue(s)	State Special Education Funding Type	Approach for Special Education Funding to School Districts	Approach for Special Education Funding to Charter Schools
Maine	Formula-Based	The foundation formula per-pupil amount is increased by an amount (127.8 percent) determined by the state education department based on its determination of excess cost to provide special education services above the foundation per-pupil amount. Additional amounts may be provided, for example, if more than 15 percent of the students are special education students, or the cost of providing services to an individual student exceeds three times the statewide average special education foundation per-pupil rate.	Charter schools receive both general and special education funds based on the same formula as the school districts.
Maryland	Formula-Based.	The per-pupil foundation funding amount plus an amount equal to 74 percent of the annual per-pupil funding amount multiplied by 0.5 (i.e., the state share of special education funding).	Charter schools receive both general and special education funds based on the same formula as the local education agency.
Massachusetts <sup>b</sup>	Categorical Funding	District "foundation budgets" are determined by multiplying the number of students at each grade level and demographic group (e.g., low income and limited English proficiency students) by a set of spending categories (e.g., teacher compensation, professional development, building maintenance) and adding together total dollar amounts. The district foundation budget includes funding for in-district special education services, using an assumed full-time equivalent rate of 3.75 percent of total enrollment (i.e., the assumption that 15 percent of all students receive special education services and they receive special education services 25 percent of the time).	The foundation per-pupil rate for a specific charter school is unique to the charter school. It is developed using the same weights that are used to develop a district "foundation budget," but is derived using actual counts for the charter school rather than the district. The foundation per-pupil rate for a charter school's special education students differs from that used for general education in that it uses the same special education funding assumptions that are assumed for local school district foundation budgets and is not unique to the individual charter school.  All students requiring out-of-district placements are the responsibility of the local school district. Charter school students requiring out-of-district placement are transferred back to the local district. District costs for out-of-district placement are accounted for separately and are not counted toward the foundation budget rate.

**Exhibit 2 (Continued)**

States With Charter School Access to Local Revenue(s)	State Special Education Funding Type	Approach for Special Education Funding to School Districts	Approach for Special Education Funding to Charter Schools
New Jersey <sup>c</sup>	Formula-Based	<p>School districts receive equalized per-pupil aid based on "adequacy budgets" that take into account local fair share tax efforts. Adequacy budget amounts are weighted based on various student characteristics, including special education needs. Two-thirds of special education costs are funded through the equalization aid formula and one-third through special categorical funding. A census method (which excludes speech and language only students) is used to distribute the categorical funds for excess special education costs.</p>	<p>School districts must pay charter schools 90 percent of their per-pupil allotment (i.e., the equalized aid per pupil, certain categorical per-pupil aid and the general fund tax levy). Charter schools also receive 100 percent of any federal aid for which an individual student qualifies.</p> <p>Charter schools are not responsible for students requiring private residential placement.</p>
New York <sup>d</sup>	Formula-Based.	<p>The foundation formula provides aid based on the cost of education in successful school districts, student need, and local ability to pay in a "base year." Such "base year" payments are subject to increase/decrease through the appropriation process. Within the count of "aidable pupil units" used in the formula, full-time equivalent special education students in special classes 60 percent of the school day receive a weight of 1.70, those in special classes (resource rooms) at least 20 percent of the school week receive a .90 weight.</p> <p>If the approved state budget "freezes" foundation aid payments to school districts, such payments are also frozen for charter schools.</p>	<p>Charter schools receive the same foundation formula amount as the school district for general and special education students, unless the school district negotiates a reduced state or local fund amount with the charter and the negotiated amount is set forth in the charter.</p> <p>The school district must also pay the charter the amount of federal aid attributable to a student with disability attending a charter school.</p>
North Carolina	Categorical Funding	<p>Local school systems receive allotments based on instructional personnel and support services funding factors and their average daily membership counts. Separate additional funding for children with disabilities is provided based on the lesser of the April 1 handicapped child count or 12.5 percent of the allotted average daily membership and available appropriated funding.</p>	<p>Charter schools receive the same average per-pupil allocation and categorical funding as the local education agency from which the student came.</p>

## Exhibit 2 (Continued)

States With Charter School Access to Local Revenue(s)	State Special Education Funding Type	Approach for Special Education Funding to School Districts	Approach for Special Education Funding to Charter Schools
Pennsylvania	Categorical Funding	In addition to prior basic education funding amounts, new funding is distributed to school districts based on a formula that adjusts for school district factors (e.g., size, wealth, and local revenue generation capacity) and student factors related to level of disability and intensity of services required. Special education students costing between \$1 and \$24,999 receive a weight of 1.51 in the student membership count to establish the distribution of funds, those costing between \$25,000 and \$49,999 receive a weight of 3.77, and those costing \$50,000 or more receive a weight of 7.46.	School districts pay charter schools a per-pupil tuition based on the district's total expenditures for its average daily membership minus selected expenditures (e.g., federal fund expenditures; residence nonpublic school programs; adult education programs; community/junior college programs; student transportation services; special education programs; and facilities, debts, and transfers). For special education students, charter schools also receive additional per-pupil student payments. Such additional payments are based on the school district's average daily membership multiplied by 16 percent, with the results then divided into the district's special education program spending to arrive at the additional average per-pupil special education student tuition.
Rhode Island	Formula-Based	The basic education program funding formula includes three components: a core instruction, a student success factor, and a state share ratio. The student success factor is intended to reflect poverty and is specifically derived from free and reduced price lunch data. Student success factor weights are considered a proxy for student need, and viewed as adequate to meet the additional funding needs of students with special education needs.	School districts and charter schools are funded based on the same formula. The formula assumes an amount for the local contribution. The local per-pupil amount is paid directly to the charter school by the local school district. Beginning in 2017, the local per-pupil funding paid by the district of residence to charter schools may be reduced by the greater of 7 percent of the local pupil funding of the district of residence or the per-pupil value of the district's costs for items such as retiree health benefits, out-of-district special education and tuition and transportation, services for students age 18 to 21, and debt service.

<sup>a</sup> Illinois has state transitional payments for school districts.

<sup>b</sup> The state alone is responsible for student tuition payments in the first year for a charter school student who previously attended a private school or had been home schooled.

<sup>c</sup> The state alone is responsible for student tuition payments in the first year for a charter school student who previously attended a private school or had been home schooled.

<sup>d</sup> New York has in place a transitional aid program for certain school districts that have at least 2 percent of their student membership attending charter schools or that expend more than 2 percent of their budget on charter school tuition. Under the program, for a specified period, school districts are paid a portion of the tuition for increased numbers of students leaving the district to attend a charter school.

Source: Developed by LB&FC staff based on the Education Commission of the States, *50-State Comparison: State Funding for Students with Disabilities, June 2015* and data for individual states.

student's individual education plan (IEP) and providing that all out-of-district placement for special education services (i.e., typically the most costly) are the responsibility of the local school district. It further excludes all costs for such services from the calculation of the tuition rate for charter school students. In Pennsylvania, school districts do not have a role in charter school student IEP development, and adjustments are not made when calculating Pennsylvania charter school special education tuition. Thus, the high cost of out-of-district placements are factored into the per student charter school tuition reimbursement for special education students, even though the charter school may not have any out-of-district placements.

As a result of Pennsylvania's approach to establishing supplemental tuition for special education students in charter schools, school districts' tuition payments for charter school special education students can exceed the cost of educating such students. The Pennsylvania Department of the Auditor General, based on certain audited data, reported an \$8.9 million net difference in charter school actual education costs and school district tuition payments from 2003-04 through 2005-06. According to the Auditor General's *Special Report: Charter School Funding*:

- 89 percent of the total amount paid over the charter school's actual education cost for the three-year period was due to special education expenditures.

According to a Center for Rural Pennsylvania study conducted by the Pennsylvania State University, based on Pennsylvania Department of Education data:

- In 2012-13, charter schools received \$351 million in tuition payments for special education students and had \$151 million in special education instruction and related expenditures, an excess of \$200 million.

More recently, based on Pennsylvania Department of Education data, the Pennsylvania School Boards Association (PSBA) reported:

In 2014-15, school districts paid over \$466.8 million in special education tuition payments to charter schools, roughly \$294.8 million of that being attributable to the special education supplement, while charter schools reported special education expenditures of \$193.1 million. The difference of \$101.7 million [between only the special education supplement and the reported special education expenses] indicates that charter schools received substantially more than was spent in meeting the special education needs of their students based on their own expenditures for those students.<sup>18</sup>

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<sup>18</sup> PSBA, *Charter School Revenues, Expenditures and Transparency*, August 2016.

As discussed in Finding C, school district superintendents with whom we spoke expressed concern with charter school tuition payments that are unrelated to the actual cost of the service provided. Pennsylvania advocates for students with special education needs have also expressed concerns about the impact of the formula on students with more intense service needs.

### C. Pennsylvania School Districts With Relatively Higher Proportions of Students Enrolled in Public Charter Schools Typically Report Resulting Negative Financial Impacts

For FY 2014-15, as shown in Table 3, Pennsylvania charter schools reported total revenues of over \$1.7 billion, of which 87 percent was from local sources.<sup>1</sup> In that same year, state funds accounted for approximately 3 percent of total charter school revenues.

Table 3

<b>Pennsylvania Charter School 2014-15 Revenue by Source</b>		
	<u>Amount</u>	<u>Percent of Total</u>
Local.....	\$1,494,564,146	86.9%
Federal .....	109,665,099	6.4
State.....	57,082,135	3.3
Other .....	<u>58,686,750</u>	<u>3.4</u>
Total .....	\$1,719,998,129	100.0%

Source: Developed by LB&FC staff from Pennsylvania Department of Education 2014-15 Annual Financial Report data.

### Charter Schools’ Possible Fiscal Impacts

Charter schools’ fiscal impact on public school districts is influenced by several factors, according to independent researchers.<sup>2</sup> Such factors include:

- the extent to which the public sector or school district incur excess costs as a result of charter school enrollment,
- if the district’s total enrollment<sup>3</sup> is rising or declining,
- the effect of public school financing policies on the public school district’s finances, and
- the level of resident district student enrollment in charter schools.

<sup>1</sup> According to the Government Accounting Standards Board (GASB), government fund revenues, including local revenues, can result from (1) taxation, (2) nonexchange transactions (e.g., fines, fees for licenses and permits, etc.), and (3) exchange transactions (e.g., charges for services, such as tuition, investment income, etc.). PDE’s Chart of Accounts instructs charter schools to report all charter school tuition payments from school districts as local revenue. For Pennsylvania school districts as a whole, local tax revenues account for 96 percent of all local revenues. Fifty-five percent of school districts’ total revenues are local tax revenues. As discussed later in this finding, however, the proportion of total revenues accounted for by a school district’s local revenue can vary substantially across school districts.

<sup>2</sup> See for example, Bifulco, R. and R. Reback, *Fiscal Impact of Charter Schools: Lessons from New York*, December 2011.

<sup>3</sup> Such enrollment includes resident district students that remain in district schools and resident district students that enroll in public charter schools.



Charter schools' fiscal impact on a public school district may be positive if the district's overall enrollment is increasing as it may help a school district avoid building a new school. It may also be positive if public school financing policies provide for additional funding for the school district for resident students that enroll in charter schools.

The impact of charter schools on public school districts, however, may also be negative. Negative impacts may occur as a result of requirements to, in essence, operate two or more public school systems under separate governance arrangements. Charter schools can also generate additional public costs in several ways.

First, public charter schools can be expected to attract some number of students from private schools. The additional resources a public school district uses to educate such students in a public charter school shifts educational costs from private schools and their parents onto the public sector and taxpayers, thus creating negative fiscal impacts for the public school district.

Second, as a result of having more schools within a district, additional personnel resources may be required to educate a given number of students. When the number of students attending charter schools is not sufficient to allow for reduced numbers of district classroom teachers, the additional teachers hired by the charter school cannot be offset by reductions in the number of district teachers. Uncertainty about charter school enrollment, moreover, can make it difficult for school districts to project enrollment and to correctly target class sizes and teacher ratios, and also school district budgets.

Third, "brick and mortar" charter schools typically increase the number of school buildings used to serve students, thus increasing facility and related maintenance costs. Closing a district school is typically not feasible until enrollment losses are sufficiently large for particular grade ranges (e.g., an elementary school) and are expected to continue. In addition to the requirement for sufficient grade range student loss, school districts may be limited in their ability to close schools given the need to maintain excess facility capacity in case the charter schools close and enrollment suddenly increases. Closing schools in a district, moreover, can be contentious. So much so, it may even result in parents and teachers forming or proposing to form a charter school in direct response.

Finally, charter schools may create additional costs as public school districts may be required to provide additional services for charter school students. Such services may include, for example, transportation and full day kindergarten, which the district may not even provide to its own students. They may also be higher if the charter school students are spread across a large number of charter schools and locations, as this may require additional bus routes. In addition, administering

charter school payments and coordinating other issues with charter schools place additional demands on public school district administrative and financial systems.

The fiscal impact of charter schools on a district may be mitigated by public policies financing tuition for resident students attending public charter schools. When the Commonwealth provided for the establishment of charter schools in 1997, for example, the General Assembly enacted legislation that provided funding for temporary financial assistance to public school districts when students who had previously attended a nonpublic school enrolled in a charter school in order to offset the additional costs directly related to such students' enrollment in public charter schools. It also provided transitional funding grants for school districts to address budgetary impacts as a result of any district resident student attending a charter school.<sup>4</sup> In FY 2010-11, almost \$225 million in state funds were appropriated to reimburse school districts for their charter school payments. Since that time, state funds have not been available to school districts for such reimbursement.<sup>5</sup>

The impact of the loss of such reimbursement on an individual school district can be substantial. One large central Pennsylvania school district, for example, reported "loss" of a potential \$26 million in state charter school subsidies from 2011-12 through 2017-18. The district's local ability to make up for such possible revenue, moreover, is limited. In 2016-17, the district's:

- operating expenses increased 3 percent,
- pension costs increased 19 percent, and
- charter school tuition costs increased 25 percent.

According to the district's superintendent, for one large "brick and mortar" charter school alone,<sup>6</sup> the district pays over \$1 million monthly in tuition, and last year its 3 percent tax increase generated only \$4 million in additional revenues.

Charter school negative fiscal impacts have been found to be more likely to occur in school districts where charter schools attract greater than 6 percent of the

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<sup>4</sup> The Charter School Law, at Act 1997-22, §1725-A(5)(b) and (c).

<sup>5</sup> The General Assembly in Act 2016-35 adopted a basic education formula recommended by the Basic Education Funding Commission to be used to distribute new funding for basic education. The formula takes into account school district-based factors (e.g., median household income compared to the statewide median) and student-based factors. Student factors include student counts based on the most recent three-year average daily membership, percent of students in poverty, number of English language learners, and charter school enrollment. The amount of funding received through this approach to account for charter school enrollment is substantially less than reimbursement provided in FY 2010-11, according to school superintendents with whom we spoke.

<sup>6</sup> This district pays tuition to 16 charter schools, according to Pennsylvania Department of Education data.

district's resident students.<sup>7</sup> To identify the fiscal impact, if any, of charter schools on Pennsylvania school districts, LB&FC staff considered Pennsylvania school districts with significant (i.e., more than 5 percent) charter school resident student enrollment. As discussed below, many of the fiscal impacts identified by independent researchers have been experienced/are of concern for such Pennsylvania school districts.

## **Pennsylvania School Districts With Significant Charter School Resident Student Enrollment**

Virtually all of Pennsylvania's public school districts had at least one student attending a charter school as of October 1, 2015. As of that date, approximately 135,000 charter school students, or approximately 8 percent of Pennsylvania school districts' average daily membership, was reported enrolled in a charter school. Pennsylvania public school district students' charter school enrollment (see Appendix A), however, is not evenly distributed across districts, and most school districts have less than 6 percent of their average daily membership enrolled in public charter schools.

In 2015, 10 percent of Pennsylvania's public school districts had more than 5 percent of their average daily membership enrolled in a charter school. The 51 public school districts with more than 5 percent of their reported average daily membership enrolled in charter schools account for about 25 percent of all Pennsylvania public school students, but almost 80 percent of all students enrolled in charter schools.

The School District of Philadelphia has the largest charter school enrollment, with over 70,000 students enrolled in charter schools, or half of all charter school enrollment in the state. Chester Upland School District has the highest ratio of charter school enrollment of any school district in the state. Over 50 percent of Chester Upland's average daily membership has been enrolled in a charter school.

Pennsylvania school districts with such significant charter school enrollment are administratively based<sup>8</sup> in 26 of the 67 counties, and are found in all corners of the state in urban, suburban, and highly rural districts. Allegheny (with 11 school districts), Chester (with 6), Beaver (with 4), and Delaware (with 3) counties have

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<sup>7</sup> Arsen, D. and N. Yongmei, (2012) The Effects of Charter School Competition on School District Resource Allocation, *Educational Administration Quarterly*: 48(1), 3-38; Ni, Y., (2010) The Competitive Effect of Charter Schools on Public School Districts. In C. Lubienski & P. Weitzel (Eds.), *The Charter School Experiment: Expectations, Evidence, and Implications*, Cambridge, MA: Harvard Education Press; and Ni, Y. (2009), The Impact of Charter Schools on the Efficiency of Traditional Public Schools: Evidence from Michigan. *Economics of Education Review*: 28(5), 571-584.

<sup>8</sup> Pennsylvania public school districts are categorized by county based on the location of administrative offices. Many districts, however, serve more than one county.

the highest number of school districts with substantial charter school student membership.

Only seven of the 51 school districts with moderate or more charter enrollment had increasing enrollment from Pre-K through Grade 12 from 2011-12 through 2015-16, according to the Annie E. Casey Foundation, KIDS COUNT Data Center. For the most part, the seven school districts with increasing enrollment are located in suburban southeastern Pennsylvania counties.

## **Impact on Pennsylvania School Districts With Significant Charter Enrollment**

LB&FC staff reached out to 47 of the 51 school districts with high charter school enrollment, and reviewed information for several financially distressed districts (including Philadelphia and Chester Upland) where the impact of charter schools has been previously documented. As shown in Table 4, about 80 percent (36 of 47) of the school superintendents we contacted provided information based on their individual district's experience, and they included small (i.e., less than 1,500 Average Daily Membership or ADM), mid-size (between 1,500 and 5,000 ADM), and large districts (i.e., ADM greater than 5,000).

Almost all (33 of 36) of the school districts providing input for our study have at least half of their charter school students enrolled in "brick and mortar" charter schools rather than cyber charter schools. In part, this may be due to about one-half (15 of 33) of such districts currently offering their own online education programs or having contract arrangements for such programs.

At least 10 of the 36 school districts reported experiencing high enrollment in charter schools following their efforts to consolidate school buildings or their closure of neighborhood schools. Several districts, moreover, reported reluctance to consolidate schools and provide for greater efficiency in use of public resources because of the possibility of a charter school forming in response.

One rural district that in the past had considered closing a high school with fewer than 50 graduates provided data showing the closure of the school and the formation of a charter school would result in about a \$2 million annual deficit. With the district continuing to operate the school, its costs would be slightly more than \$7,000 per student, and over \$10,000 per student if the parents and teachers from the school elected to form a charter school. Other rural school districts reported similar issues. Two financially distressed districts also reported this concern. (Finding D provides additional information on reasons parents elect to enroll their children in charter schools.)

At least 12 of the districts with significant charter school enrollment requested and received approval from the Pennsylvania Department of Education

(PDE) to raise real estate taxes for the 2016-17 school year above the allowable inflation index provided for in the Taxpayer Relief Act.<sup>9</sup> Nine additional districts, not including the School District of Philadelphia, have been designated by the Commonwealth as financially distressed districts, including two Moderate Financial Recovery School Districts, two Severe Financial Recovery School Districts, and five districts in early watch status.<sup>10</sup>

Table 4

**Reported Impact on School Districts With Significant Charter School Enrollment**

	Less Than 1,500 ADM	Between 1,500 and 5,000 ADM	Greater Than 5,000 ADM	Total
School District Respondents .....	6	15	15	36
Positive Impact .....	2	0	2	4
Negative Financial Impact.....	5	14	10	29
Increased Transportation Costs .....	3	6	8	17
Costs for Additional Staff for Child Accounting, etc.....	1	6	5	12
Accountability Issues.....	2	7	7	16

Source: Developed by LB&FC staff based on interviews with school district superintendents.

**Positive Impacts:** The school district superintendents with whom we spoke recognized that public charter schools are also an important way for Pennsylvania to offer public school choice options. Several also offered positive comments about the education available at specific charter schools with which they are familiar.

As shown in Table 4, some superintendents reported district-specific positive impacts. One western Pennsylvania school district reported charter schools have been a “life line” for the small district, which has not been able to operate a high school since the mid-1980s. A second southeastern Pennsylvania district noted that if the charter schools were to close, the district would not know where to place the high volume of returning students. A third central Pennsylvania district reported

<sup>9</sup> Act 2006-1 (Spec. Sess. #1) provides for PDE to set an inflation index each year that serves as a cap on each school district’s allowable tax increase. School districts can only raise taxes above the index by obtaining approval of the voters through a referendum or applying and qualifying for a specific referendum exception allowed in the act. The base index is the average of the percent increase in the statewide average weekly wage, as determined by the Pennsylvania Department of Labor and Industry, for the preceding calendar year and the percentage increase in the Employment Cost Index for Elementary and Secondary Schools, as determined by the Bureau of Labor Statistics in the U.S. Department of Labor, for the previous 12-month period ending June 30. School districts with lower wealth receive an adjusted index.

<sup>10</sup> Under Act 2012-141, the Secretary of Education declares a school district in financial recovery status if it receives advances of its basic education subsidy and either (1) has an average daily membership greater than 7,500, (2) has been declared financially distressed under the Public School Code (i.e., 24 P.S. §6-691 *et seq.*), or (3) is in active litigation against the Commonwealth seeking financial assistance to allow the district to stay in operation. Districts declared in financial recovery status for the first reason are deemed a Moderate Financial Recovery School District, and those declared in recovery for the latter two reasons are deemed a Severe Recovery School District.

one relatively small “brick and mortar” charter school within the district had successfully demonstrated an innovative learning model, and the district would consider “hosting” the program as a district magnet school. Finally, a fourth central Pennsylvania district superintendent noted charter schools had caused the district to be “more customer friendly and innovative.” The superintendent added, however, that given the district’s limited resources, sufficient dollars are not available to support innovation.

***Factors/Policies That Result in Charter Schools Negatively Impacting Public School District Finances:*** This superintendent also captured the view of the majority of superintendents with whom we spoke concerning the negative financial impact of charter schools for their districts. This superintendent’s district (as well as others in the region, including those with relatively lower charter enrollments) had experienced a negative financial impact as the district’s total expenditures for charter school tuition in recent years had significantly outpaced inflation and the school district’s ability to raise taxes to cover the increase.<sup>11</sup> In part, this occurred as the district’s charter school enrollments increased. It also occurred as charter school tuition payments, which are mandatory and established in statute,<sup>12</sup> will increase:

- if a school district’s expenditures increase, or
- if the district expenditures remain the same (or decline) and its student membership decreases.

The latter occurred in this superintendent’s school district.

***Additional Public Schools Create Additional Costs.*** In theory, as students moved to charter schools and funding follows the student, the school district should be able to realize savings as it would no longer be responsible for their instruction. The ability of a school district to actually realize such savings, however, is limited as a school district has many fixed costs that do not vary based on modest changes in enrollment. Within the superintendent’s district:

Across all schools and all years, [the district] had between 0.5 students and five students per section as maximum charter enrollment per section. This enrollment level failed to provide the option of reducing faculty and staff through consolidation of sections. Although as many as eighty-six students attended charter schools as residents of [the district] ..., they were scattered among thirteen grades, two elementary schools, one intermediate school and one high school. There were too few students in one school or grade to allow the fixed costs, such as personnel, utilities, debt, etc., to be reduced. With no cost reduction

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<sup>11</sup> In 2008-09, the Act 1 Base Index was 4.4 percent and had declined to 1.4 percent in 2011-12. As of 2015-16, the Index had risen to 1.9 percent.

<sup>12</sup> 24 P.S. §17-1725-A.

possible in the district schools, the charter school tuition payments<sup>13</sup> were all additional costs for [the district].<sup>14</sup>

Similar findings concerning unavoidable excess/added costs have been reported by the Pennsylvania School Boards Association (PSBA) and for the City of Philadelphia School District. A national consultant engaged by the School District of Philadelphia and the School Reform Commission (SRC) in 2012 to help develop strategies to “return the District to structural balance” concluded:

For each additional student who enrolls in a charter school, [in Philadelphia] the public system’s costs increase by approximately \$7,000 per student. This is due to two factors:

- About a third of charter students come from outside the system (e.g., private and parochial schools), adding new costs without any additional revenues.
- When students transfer from District-operated to charter schools, the District has typically cut just 50 percent of the expenses associated with those students.<sup>15</sup> The fixed costs, such as for building utilities and maintenance and school leadership, have remained with the District.<sup>16</sup>

The consultant recommended the District provide for “enrollment agreements” as part of its budget planning and charter expansion and authorization decisions. The consultant indicated:

Predictability around charter enrollment will be key to maintaining a balanced budget and ensuring that the District is able to invest in improvements that benefit all students in the system.

The School District of Philadelphia and the School Reform Commission’s efforts to implement such recommended changes, however, were unsuccessful as current state law does not authorize a school district’s governing authority to impose any enrollment cap on a charter school absent the charter school’s consent.<sup>17</sup> Current state law, moreover, provides for a charter school to request payment for each

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<sup>13</sup> In 2015-16, this district paid over \$11,000 in annual tuition for each nonspecial education student and \$18,000 for each special education student enrolled in a charter school. Appendix B provides charter school tuition for all school districts.

<sup>14</sup> Griffith, B.K., *The Financial Impact of Charter Schools’ Enrollment on Traditional Public School Expenditures, Resource Allocation and Programming*, The Pennsylvania State University, Graduate School, College of Education Dissertation, August 2014.

<sup>15</sup> Based on the assumption of savings of \$240,000 if 50 students leave from a single school originally serving 500 students.

<sup>16</sup> The Boston Consulting Group, *Transforming Philadelphia’s Public Schools, Key Findings and Recommendations*, August 2012.

<sup>17</sup> 24 P.S. §17-1723-A(d)(1).

student that it enrolls from the district of residence. In the event the district fails to make such payment, the Secretary of the Department of Education must deduct the charter payment from Commonwealth payments that would otherwise be made to the district.<sup>18</sup>

When the School District of Philadelphia's financial condition continued to decline, in 2013, the SRC, which is statutorily responsible for overseeing the distressed district, adopted policies suspending a number of sections of the Charter School Law, including provisions concerning renewal or revocation of charters. The SRC adopted policies that permitted it to unilaterally place enrollment caps on any charter school, eliminated the ability of charter schools to receive funding for enrolled students directly from the Department of Education, and set forth new reasons to revoke or non-renew charters (including failing to comply with SRC-imposed enrollment caps). Certain charter schools, however, challenged the SRC's actions. In February 2016, the Pennsylvania Supreme Court in a 4 to 2 decision in *West Philadelphia Achievement Charter Elementary School v. The School District of Philadelphia and School Reform Commission*, (J-1-2016), opined that the section of the Public School Code concerning the suspension powers for distressed school districts, under which the SRC had acted,<sup>19</sup> was unconstitutional as it violates the non-delegation rule of Article II, Section 1 of the Pennsylvania Constitution.

The Pennsylvania School Boards Association (PSBA) has also highlighted the limited ability of school districts statewide to realize savings as a result of district resident students enrolling in charter schools. The Association has noted:

The numbers show that it is virtually impossible for a single dollar of saving to be realized in school district budgets when students attend charter schools....Charter schools can and do add expenses for a district.<sup>20</sup>

PSBA based its conclusion on the lack of relationship between the tuition paid by school districts to charter schools and charter schools' actual incurred operating costs, and the fact that only a handful of students from a particular class or school building may attend a charter school. To illustrate its point, PSBA noted that in 2007-08, 229 school districts sent less than 30 students each to charter schools. Reducing the staff in each school district by one teacher in theory would save these districts about \$15 million. Their liability for sending such students to charter schools, however, would be about \$35 million—a \$20 million net liability difference. Even such theoretic savings, however, were problematic as the average

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<sup>18</sup> 24 P.S. §17-1725-A(a)(5).

<sup>19</sup> 24 P.S. §6-696(i)(3)

<sup>20</sup> PSBA, Education Research and Policy Center, *Pennsylvania Charter Schools: Charter/Cyber Charter Costs for Pennsylvania School Districts*, October 2010.



charter school enrollment among the 229 districts was 16.4 students spread over 12 grades and an undetermined number of school buildings.

In 2007, the *Task Force on School Cost Reduction*, created by the General Assembly as part of its efforts to limit property tax increases, recommended that the Public School Code be amended to permit weighing of fiscal impact as a criteria when considering new and expanded charter schools. As noted in Finding B, neighboring Delaware includes financial impact among its criteria for approving and renewing charter school applications. When the *Task Force on School Cost Reduction* made its recommendation, statewide charter school expenditures totaled about \$365 million—well below Pennsylvania charter schools’ more recent \$1.7 billion in mostly local revenues.

**Mandatory Transportation Costs:** In addition to problems encountered in realizing tax dollar savings, as shown in Table 4, a substantial number of superintendents with whom we spoke noted they encountered additional student service and administrative costs as a result of charter schools. In particular, they noted the increased costs for transportation.

With the exception of charter school students, Pennsylvania law does not require a school district to provide transportation to its students. Districts are, however, mandated to provide transportation to resident students attending a charter school. As discussed in Finding B, with the exception of Pennsylvania, those states that require school districts to transport charter school students only require transportation consistent with that provided to students attending district-operated schools.

As a result of such state law requirements, school districts are required to provide transportation services to charter school students that they do not provide to private school students or students remaining in district-operated schools. One small western Pennsylvania school district school board member advised LB&FC staff that, in addition to the additional costs incurred (\$100,000 annually) for such transportation, parents of students who remain with the district are distressed about such inequity.

Several superintendents with whom we spoke indicated that, because of different schedules and the requirement to provide transportation outside of the district, they must operate two busing systems. One superintendent of a large school district in western Pennsylvania put it this way: the school district could “save \$2 million ...if charter schools were required to align their calendars and coordinate schedules with the school district.”<sup>21</sup> Without such a requirement, the district must operate two sets of busing schedules.

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<sup>21</sup> In 2015, this school district had resident students enrolled at 17 “brick and mortar” charter schools in Allegheny and Westmoreland counties, according to PDE data.

In 2007, the *Task Force on School Cost Reduction* addressed this issue. It recommended the Public School Code be amended to remove requirements to bus outside of district boundaries and only require districts to provide free transportation on days when public schools within the district are in session.

**Other Additional Costs:** Superintendents with whom we spoke also indicated they incurred additional staffing costs, in particular related to student accounting and attendance. School districts are responsible for paying tuition for resident students enrolled in charter schools. Charter schools are required to provide districts with a notice of enrollment when a parent enrolls a child in the charter school. There is no provision, however, in the Public School Code, or Pennsylvania Department of Education guidance to charter schools, that requires parents or guardians to directly notify the school district of such enrollment, or a change in address. Rather, in a 2011 PENN\*LINK, PDE staff advised school districts that they do not have the authority under the Public School Code to require a charter school student to first register with the school district of residence, or to withhold a tuition payment prior to verifying a charter school student's district residence.<sup>22</sup>

**Intercept Payments and Processes:** Issues related to confirming district residence for tuition payment purposes are further complicated by the statute providing for charter schools to have PDE intercept tuition payments from school districts from state payments due to the school district. The district is then effectively required within 30 days to appeal to PDE the Department's intercepted payments when the district is not responsible for the tuition payment, has previously reimbursed the charter school, or even when a school continues operation without a charter.<sup>23</sup>

In a 2016 performance audit, the Pennsylvania Department of the Auditor General noted that as of December 31, 2015, almost 75 percent of all appeals to PDE were in open status. Such appeals included 317 general appeals in which \$28.5 million had been withheld from the school districts and redirected to charter schools.<sup>24</sup>

To respond to the processes established in statute, school districts, especially in certain areas of the state where families are highly mobile and there are many relatively small contiguous districts, have had to expand on their child accounting staff and devote significant staff resources to resolve payment issues. In part, this

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<sup>22</sup> PENN\*LINK to All School Districts, Subject: Enrollment of Students in Charter Schools: Proof of Residency, from the Directors of the Bureau of Teaching and Learning and the Division of School Options and Safety.

<sup>23</sup> 24 P.S. §17-1725-A(5) and (6).

<sup>24</sup> The Pennsylvania Department of the Auditor General's August 2016 *Performance Audit, Pennsylvania Department of Education Charter School Payments Appeals* report further discusses issues associated with this process.

may occur as charter schools may prefer intercepting school district tuition payments through the Pennsylvania Department of Education, rather than securing timely tuition payments directly with the school district, and the district then having to appeal such payments with the Department if it has overpaid.

One mid-size Pennsylvania school district, for example, provided documentation of direct timely payments by the district<sup>25</sup> to a cyber charter school where the cyber charter also secured the payment through the PDE intercept process. When this matter was brought to the attention of PDE, its staff indicated the Department could not reverse the intercepted payment because the payment had already been made. One large Pennsylvania school district reported having to maintain one of three clerks working full-time and a supervisor simply to reconcile charter school bills and incurring administrative and legal costs to resolve tuition payment issues. Another mid-size school district reported having to hire a pupil attendance officer at a cost of over \$50,000 plus benefits and a half-time full-time secretary to manage student attendance issues.

Problems associated with the “intercept and appeal processes” provided for in statute are not unique to school districts with moderate or more charter enrollment. One southeastern Pennsylvania school district, for example, has been before Commonwealth Court in an effort to recover over \$500,000 in funds withheld from May 2013 through September 2015 for the benefit of a cyber charter that was not operating within the terms of its charter, according to PDE, and was in the charter revocation appeal process.

Problems with the statutory intercept process are also highlighted in a case decided in December 2016 by the Pennsylvania Supreme Court that reversed a Commonwealth Court decision. The Commonwealth Court decision permitted the Pennsylvania Department of Education to deduct payments (about \$100,000) from a school district’s basic education subsidy in August 2014 to cover the charter school’s failure to make mandatory PSERS payments during the 2013-14 school year, even though the charter school had its charter revoked at the time of the deduction. In part, the Commonwealth Court agreed with PDE’s action as the school district “failed in its supervisory duties” as it was the “chartering school district” at the time the charter school failed to make the required PSERS payment.<sup>26</sup>

As the Supreme Court noted in its decision, the school district six years earlier (in 2008) had initiated proceedings to revoke the charter for several reasons, including concerns of financial improprieties by the school’s chief executive officer and

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<sup>25</sup> Based on the process described in PDE’s Basic Education Circular on Charter Schools, 24 P.S. §17-1701-A, dated October 1, 2004.

<sup>26</sup> It should be noted that a school district remains a “chartering district” or authorizer even if it denied a charter school application and the State Charter School Appeal Board subsequently approves the application denied by the district. In 2001, Commonwealth Court affirmed an order of the State Charter School Appeal Board directing a public school board to grant and sign a charter originally denied by the district and approved by the Appeal Board (777 A.2d 131).

“religious entanglement” of the charter school and a church. The charter school, however, appealed the district’s efforts to revoke the charter, and the county court of common pleas appointed a custodian, assisted by a forensic auditor and educational professionals, to oversee the charter school. The Supreme Court noted that its research:

...Reveals no provision, in the Charter School Law or otherwise, that permits a charter school district to prospectively withhold payments to a charter school based upon its own investigation of a charter school’s financial improprieties. The School District’s relief from the consequences of a financially irresponsible Charter School is to seek revocation of the charter.... the remedy sought by the School District in 2008. [The Commonwealth Court opinion] seems to suggest that the School District could have avoided the lengthy legal proceedings involved with revoking the charter because the School District simply could have withheld payments from the Charter School. The Charter School Law does not allow a school district to starve a charter school out of existence.<sup>27</sup>

The Supreme Court, with one justice noting flaws in the Charter School Law’s existing funding and oversight scheme, ruled in favor of the school district as the PDE intercept payment to PSERS occurred after the charter school’s charter had been revoked.

*Compulsory Attendance:* When students enroll in charter schools, school districts continue to bear certain student responsibilities. In Pennsylvania, for example, they are responsible for assuring compliance with compulsory attendance requirements. Several superintendents advised us that this has required additional staff, in particular for attendance issues involving cyber charter students. They advised us that they understood such responsibilities were to be explicitly placed on the charter schools with the passage of Act 2016-138. Based on recent information provided by Pennsylvania Department of Education staff, however, school districts, rather than charter schools, continue to be responsible for compulsory attendance and truancy matters. They may, moreover, have additional responsibilities for newly required related programming, even though many report having difficulty obtaining student attendance data from charter schools.

*Oversight Costs:* Other additional costs reported by school superintendents with whom we spoke relate to the district’s oversight responsibilities. For example, one school district in the process of revoking a charter reported having to spend

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<sup>27</sup> *Pocono Mountain School District v. Pennsylvania Department of Education, Division of Subsidy Data and Administration*, J-67-2016.

almost \$500,000 for public hearings and the charter board appeal process, with significant additional costs anticipated as the charter school remained open and was appealing the revoking of its charter in court. The district was attempting to revoke the charter in view of the school's documented continued failure to meet state performance standards and problems in providing services to children with disabilities, which were confirmed by the Pennsylvania Department of Education monitoring and outside consultants, according to the hearing officer's formal report.

**Accountability for Public Funds:** The Constitution of the Commonwealth of Pennsylvania authorizes the Pennsylvania General Assembly to “provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.”<sup>28</sup> Many school district superintendents with whom we spoke expressed concern about accountability for use of public tax dollars, in particular local tax dollars, for charter school expenditures. Concern about accountability for efficient use of public education funds was expressed in several ways, including, for example:

- payments to non-district authorized charter schools;
- efficient use of tax dollars;
- “a level playing field” with respect to students with increased needs, and accountability and transparency of public funds; and
- improving transparency and fiscal accountability.

*Payments to Non-District Authorized Charter Schools:* In part, concern about the absence of public fund accountability occurs as the Public School Code, as amended, and Pennsylvania Department of Education guidance concerning charter schools provide for certain reporting by charter schools to the school's authorizing school district.<sup>29</sup> The code and the Department's guidance, however, are silent on charter school reporting to school districts that have not authorized the charter school but pay tuition for district resident students attending a charter school not authorized by the districts. They include no provision, moreover, requiring local school district board representation on the charter school board.

The Pennsylvania General Assembly in 1997 may not have envisioned public school districts being responsible for tuition payments to charter schools outside their districts<sup>30</sup> that they have not been requested to authorize. Since 2002, however, they have been required to make such payments. In that year, the Pennsylvania Supreme Court affirmed a Commonwealth Court opinion requiring the School District of Philadelphia to pay charter school tuition for district students attending a charter school outside of the district that had been approved by another school

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<sup>28</sup> Pa.Const. Art. III, §14.

<sup>29</sup> 24 P.S. §17-1728-A.

<sup>30</sup> The General Assembly provided the option for formation of regional charter schools, which operate under a charter from more than one school district.

district, even though it was not a regional charter school. The Court also determined that the Philadelphia School District was responsible for provision of transportation to the charter school outside of the district.<sup>31</sup>

As a result, School District of Philadelphia resident students may attend “brick and mortar” charter schools in surrounding southeastern counties, and students from school districts in the suburban counties attend charter schools in Philadelphia. When resident school district students attend “brick and mortar” charter schools outside of, and not authorized by, their district, their district pays its statutorily mandated charter tuition rate. Such rates, moreover, may differ from the tuition rate of the authorizing district, or the tuition rate for the district where the charter school is physically located.

In school year 2015-16, for example, the School District of Philadelphia would be required to pay a “brick and mortar” charter school, authorized by and located within the district, its charter school tuition rate of \$7,737.80 for a nonspecial education student and \$23,696.57 for a special education student. The tuition rate for a Bensalem School District resident student attending the same Philadelphia charter school, however, would be \$11,842.69 for a nonspecial education student and \$31,003.85 for a special education student. In the 2015-16 school year, Bensalem had almost 40 students enrolled in Philadelphia “brick and mortar” charter schools. Assuming that all such students were nonspecial education students, the suburban school district would have paid over \$160,000 more than the Philadelphia district to educate the exact same number of students at Philadelphia “brick and mortar” charter schools. If such students were all special education students, the suburban district would have paid almost \$285,000 more than the Philadelphia district to educate the same number of students.

In the above example, local revenue (primarily local tax dollars) accounts for over 75 percent of the suburban school district’s nonspecial education charter school tuition. Such local revenue (\$8,989 of the \$11,842) actually exceeds Philadelphia’s charter school tuition, of which less than half is accounted for by local revenue (\$3,264 of the \$7,737).<sup>32</sup>

Many school superintendents with whom we spoke were paying tuition for resident students attending charter schools outside of their districts at schools they

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<sup>31</sup> *Mosaica Academy Charter School v. Commonwealth Department of Education*, 572 Pa. 191, 813 A.2d 813, 819 (2002).

<sup>32</sup> In 2015-16, 47 of 50 school districts with significant charter school enrollment had a nonspecial education charter school tuition rate higher than Philadelphia’s. (Tuition rates were not available for the Chester Upland School District.) Such districts include large urban districts and rural school districts, school districts in western and central Pennsylvania, and 10 suburban southeastern Pennsylvania school districts. In 23 of such districts, local revenue accounted for a higher proportion of the district’s charter school tuition than in Philadelphia. This in part accounts for local revenues accounting for more than 50 percent of total charter school revenue, even though Philadelphia accounts for one-half of all charter school students statewide.

had not been requested to authorize. One large central Pennsylvania school district, for example, reported that its students initially accounted for about one-half of the students enrolled at a charter school authorized by an adjoining district and for which the district's locally elected school board had not had any input. As one western Pennsylvania superintendent, which is not a charter school authorizer noted, there is no accountability as the district simply receives a bill each month for student tuition without documentation the student is a resident of the district or has attended school.

The requirement that school districts pay tuition for students attending charter schools they have not been involved in authorizing also creates difficulties for such districts in planning their budgets. Several school districts reported incurring large annual budget deficits (\$500,000 - \$1 million and more) as a result of "brick and mortar" charter schools being authorized and opening without the district receiving advanced notice from the authorizer or the State Charter School Appeal Board.

*Efficient Use of Tax Dollars:* School district superintendents also voiced concern about tuition payments and their statutory formulas, which result in tuition payments for children enrolled in charter schools that are typically more than the district spends for instruction for students in district operated traditional public schools. Such results occur as the statutory formulas are not based on the charter school's actual educational costs.

The statutory formula for nonspecial education charter school students, for example, is based on a district's budgeted total expenditures per average daily membership, less outlays for nonpublic school programs, special education, adult education, facilities acquisition, construction and improvement, debt service, and community/junior colleges.<sup>33</sup> Such an approach assumes every program or activity not deducted in the calculation is a program actually offered by the charter and for which they should be receiving funding from the district. Typically, this is not the case as vocational and early childhood education expenses are not removed from a district's outlays even though the charter school may not be operating such programs. Charter schools, moreover, as local education agencies are eligible to receive direct funding for programs they provide, such as early childhood programs if provided.

Such issues occurred with the statutory formula with retirement payments. Charter schools received direct payments from the Commonwealth for at least one-half of the employers' share of such costs and through the nonspecial education tuition formula, which includes district retirement costs at districts. In 2014, the Pennsylvania General Assembly eliminated state direct payments to charter schools

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<sup>33</sup> Appendix C provides the PDE form detailing the specific items included in the calculation of a district's charter school tuition.

for such costs. As noted by school superintendents with whom we spoke, the legislative changes did not modify the nonspecial education charter school tuition formula calculation to adjust for actual differences in retirement payments for school districts and charter schools.

In particular, the superintendents noted concerns about tuition paid to cyber charter schools.<sup>34</sup> As noted above, almost one-half of the districts with whom we spoke provide online education.<sup>35</sup> As a result, they are aware of the costs associated with providing cyber education. Consistently, many superintendents reported that district online education costs are only about one-half of the statutory-mandated tuition for nonspecial education students enrolled in cyber charter schools. On several occasions over the past 15 years, recommendations have been offered to change Pennsylvania's cyber charter school tuition payment formula.

As early as 2001, KPMG, in a report commissioned by the Pennsylvania Department of Education, recommended Pennsylvania establish a flat cyber school tuition rate that would be the same across all approved cyber charter schools and school districts. The consultant based this recommendation on the ability of larger cyber charter schools to leverage their fixed costs across many students, thus reducing their overall per student cost.

Subsequently, in 2007, the *Task Force on School Cost Reduction* recommended a single statewide tuition be established for all cyber charter schools. In 2012, the Pennsylvania Department of the Auditor General recommended a statewide cyber charter (and "brick and mortar") rate be developed. Later, in 2014, the Auditor General went even further recommending the elimination of cyber charter school payments from school districts and replacing them with direct fixed payments from the state. Recent Governor's budget proposals have also called for a single cyber charter school tuition rate.

In view of the importance of efficient use of public education funds, various legislative proposals<sup>36</sup> have called for formation of a statewide funding advisory commission to examine charter school funding and other related issues. In 2016, the Pennsylvania School Boards Association report, *Charter School Revenues, Expenditures, and Transparency*, recommended the Commonwealth establish a commission to examine charter school funding and financial operations.<sup>37</sup>

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<sup>34</sup> In 2014-15, three of the state cyber charter schools each had an enrollment greater than 97 percent of Pennsylvania public school districts.

<sup>35</sup> Some also serve on the boards of cyber charter schools.

<sup>36</sup> See for example, House Bill 530 Regular Session 2015-2016.

<sup>37</sup> In addition to PSBA, issues related to financial operations and transparency have been identified by the Pennsylvania Department of the Auditor General in 2012 and 2014; several reports by the City of Philadelphia Controller; and a September 2016 report of the U.S. Department of Education, Office of the Inspector General. Appendix D provides additional information from these studies and additional recommendations offered in these reports.



One school district superintendent advised us the district has agreed (along with several other school districts, several “brick and mortar” and one cyber charter school) to provide budget and enrollment data for a study of charter school fiscal impact. The study, sponsored by the William Penn Foundation in consultation with the Pennsylvania Coalition of Public Charter Schools, Pennsylvania Association of School Administrators, and Pennsylvania Association of School Business Officers, is intended to create a shared understanding of school districts’ fixed and variable costs and the factors that influence them and inform the public dialogue about the fiscal impact of charter expansion and its implications for school funding.

*“A Level Playing Field”—At Risk and Special Needs Students:* School superintendents with whom we spoke are concerned about the “uneven playing field” when it comes to serving at risk and special needs students. They reported at risk students at times return to the district from a charter school with serious education deficits that require significant district efforts (and resources) to help the student overcome and achieve at a level of peers. In other cases, they do not return. Rather, they may remain at the same grade level for several years, often at a cyber charter school, until the student elects to “drop out,” or is beyond the age of compulsory attendance.

Repeatedly, superintendents with whom we spoke underscored that charter schools are reimbursed based on school district expenditures for special needs students with more complex disabilities and greater resource needs, and that students with more complex needs are less likely to be served in charter schools. Such concerns have also been documented by others.

The Education Law Center of Pennsylvania in a 2013 court brief<sup>38</sup> filed in support of a school district’s authority to negotiate enrollment caps in order to hold charter schools accountable, noted school districts are responsible for ensuring that public education is available for all students. Charter schools, however, have no such statutory responsibilities. If the school district expels one of its own students for misconduct, it nonetheless must provide for that student’s education. A district is also required to educate a resident student even if that student has been expelled for misconduct by another school district or charter school. Districts, moreover, do not have the option of developing selective admission policies, or limiting their enrollment numbers or grade levels. “The cumulative result of this un-level playing field,” according to the Law Center, is that “charter schools serve a noticeably different population of students than school districts.”

For example, relying on PDE 2011-13 data, the Law Center reported Philadelphia charter schools educated about the same proportion of special education

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<sup>38</sup> In the Supreme Court of Pennsylvania, No. 28 EAP 2013, *The School District of Philadelphia v. Department of Education and Walter D. Palmer Leadership Learning Partners Charter School*, Brief of *Amicus Curiae*, Education Law Center-PA, August 21, 2013.

students as would be expected based on the proportion of resident district students they served. Important differences in the students served, however, occur when types of disabilities are considered. Philadelphia charter schools served:

- higher than expected percentage of students with speech and language impairments and a specific learning disability and
- much lower percentages than would be expected for students with visual impairment, orthopedic disabilities, hearing impairments, mental retardation, autism, multiple disabilities, and emotional disturbances.

Such data indicate charter schools serve primarily students with mild disabilities; or in other words, those less costly to serve. Special education students with higher costs to educate, however, are being served by the District.

In addition, the Law Center noted charter schools serve an even smaller slice of the ‘severest of the severe.’ As evidence, the Center reported charter schools rarely apply to the state’s Special Education Contingency Fund, which makes available some additional funding to schools that serve those with the severest need. Only 1.27 percent of the applicants for special education contingency funds came from charter schools.

Similar findings were reported by the Law Center for Pittsburgh, Chester-Upland, York City, and Erie City School Districts.<sup>39</sup> Exhibit 3 provides the Law Center’s report findings for these five districts.

The Law Center noted some have concluded Pennsylvania’s charter school law creates a “perverse incentive for charter schools to over-identify students with relatively mild disabilities and to underserve students with more severe or costly-to-serve disabilities.” A 2014 report by the City of Philadelphia’s Office of the Controller<sup>40</sup> noted other negative consequences that arise for school districts when they serve disproportionate numbers of students with more severe or costly-to-serve disabilities.

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<sup>39</sup> Education Law Center, *Education Law Center Analysis: Students with Disabilities in Pennsylvania Charter Schools*, Fall 2013.

<sup>40</sup> City of Philadelphia Office of the Controller, *The Impact of Charter Schools on the Finances of the School District of Philadelphia*, October 2014.

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### Students With Disabilities in Pennsylvania Charter Schools in Selected School Districts

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- Pittsburgh: (where the school district served a higher portion of students with disabilities than would be expected based on the proportion of total resident district students in charter schools), charter schools served a higher proportion of students with specific learning disability than would be expected based on the proportion of resident students enrolled in charter schools; and the school district served higher than would be expected percentages of students with autism, hearing impairment, visual impairment, mental retardation, multiple disabilities, emotional disturbance, other health impairments, and speech/language impairment.
- Chester-Upland: (where the charter schools served a slightly higher portion of students with disabilities than would be expected based on the proportion of resident district students in charter schools), charter schools served a higher proportion of students with speech and language impairments and other health impairments; and the school districts served significantly higher proportions of students with autism, emotional disturbances, and mental retardation.
- York City: the charter schools served a lower proportion of students with disabilities than would be expected based on the proportion of resident district students in charter schools. In York City, charter schools served 25 percent of the students diagnosed with a specific learning disability, but only 20 percent of the special education population overall.
- Erie City: (where charter schools served a slightly higher proportion of students with disabilities than would be expected based on the proportion of resident district students in charter schools), charter schools serve a higher proportion of students with speech and language impairments, specific learning disabilities, and emotional disturbance than would be expected based on the proportion of resident students enrolled in the charter schools; and the district served higher than expected proportions of students with multiple disabilities, autism, and other health impairment, and mental retardation.

Source: Developed by LB&FC staff from the Education Law Center, *Education Law Center Analysis: Students with Disabilities in Pennsylvania Charter Schools*, Fall 2013.

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According to the City of Philadelphia Office of the Controller, “what is effectively a vicious cycle” is created, the results of which are reflected in the differences in the rate of increase in the District’s charter school tuition rates for nonspecial education and special education students. Over the six-year period from 2008 through 2013, the District had a 5 percent increase in its charter school tuition rate for non-special education students. At the same time, its special education tuition supplement increased nearly 28 percent. This can occur, in part, as the statutory formula bases the special education tuition supplement on the school district’s actual costs of educating more costly-to-serve special education students (or providing for such education in very expensive private schools), and the charter school tuition rate is the same no matter the student’s level of need or service cost.

As noted in Finding B, New Jersey accounts for students with speech impairment disabilities only in its basic funding formula, and excludes such students for

special education supplemental funding. New York’s tuition for those with disabilities is also adjusted to reflect level of student disability and resource needs, and school districts may negotiate other state and local amounts.

In late 2013, the *Pennsylvania Special Education Funding Commission*, created by the General Assembly, recommended the General Assembly adopt a new formula for distribution of state special education funding in excess of 2010-11 funding levels. The new formula takes into account differing resource requirements for students with mild rather than more severe and more resource intensive disabilities.

### Ways to Provide Improved Cooperation

We asked school superintendents with whom we spoke to offer suggestions as to how to enhance cooperation between districts and charter schools. As shown in Table 5, roughly half of all with whom we spoke recommend requiring greater charter school accountability and revising the tuition payment formulas.

Several school superintendents expressed concerns about results of prior federal and state audits. The results of such audits appear to warrant improved fiscal accountability and transparency. Appendix D provides additional information on selected prior studies and audit recommendations.

Table 5

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#### School District Recommendations to Improve Relationships

<u>Recommendation</u>	<u>Respondents</u>
Provide for Greater Charter School Accountability .....	19
Revise the Statutory Tuition Payment Formula .....	17
“Level the Playing Field” .....	12
Revise Tuition Payment Processes .....	9
Change Charter School Funding Sources .....	8
Revise Transportation Requirements .....	8
Address Promotional Activities.....	8
One or More Other Statutory Changes .....	9

Source: Developed by LB&FC staff.

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In addition to changes to the statutory funding formula, other specific recommended ways to improve accountability offered by school district superintendents included requiring:

- Local referendum of affected school districts before a charter school can be authorized.

- Statutory changes to provide local school boards with authority to protect resident tax expenditures.
- Withdrawal of charters for consistently poor performing charter schools.
- Accountability to school districts that are not charter authorizers but pay tuition for resident students (e.g., having such school districts represented on the charter school board, require provision of reports, etc.).
- Compliance with the same accounting, budgeting, and expenditure standards that are placed on school districts (e.g., fund balance restrictions, conflict of interest rules, leasing requirements).
- Provision of more data on student performance and immediate return of the student to the school district if the student is not adequately performing (e.g., timely completion of learning modules, compliance with attendance requirements) while enrolled with the charter school.
- Charter school provision of effective face-to-face instruction for students who are unsuccessful in their online programming.
- Provision of student attendance data if the school district remains responsible for compliance with state compulsory attendance laws.
- Timely provision of student information required to confirm district residence.
- Provision for reasonable time to allow the school district to confirm a student's residence before intercept payments are made, including end of year payments.
- Charter schools to serve students with the same level of disability and resource requirements as are served by the school district.
- A process for validation of Individual Education Plans (IEP) developed by the charter school (e.g., providing for school district participation in IEP and evaluation meetings).
- Prohibition on receipt of compensation from the charter school by charter school board members.
- The Pennsylvania Department of Education provide greater oversight of cyber charter schools as their authorizer.

As shown in Table 5, approximately the same number of respondents recommended changing the tuition payment processes as recommended that the source of charter school funding be modified. Suggested funding modifications included:

- the state assuming responsibility for funding all charter school tuition;

- reintroducing state appropriations to districts for charter school reimbursement, in particular, for school districts approaching financial distress;<sup>41</sup> and
- state assumption of financial responsibility for charter schools when the charter has not been authorized by a school district, and the school district has had no role in such authorization.

Other recommendations concerning mandatory statutory tuition payments included:

- Immediately reducing the tuition rate for cyber charter schools.
- Establishing a statewide flat tuition rate for charter schools.
- Basing special education tuition on the average for the district for district students with similar disabilities rather than an overall district average for all disabilities.
- Establishing a single tuition rate for each charter school, or a regional average rate if the charter school enrolls students from multiple school districts.
- Eliminating the requirement that full tuition be paid immediately in certain situations (e.g., the state is without a budget, a charter school no longer meets legal requirements for its charter, evidence of possible fraud and abuse).
- Excluding from the tuition calculation formula grants received by school districts for special programs.

School districts with added transportation costs also strongly recommended the requirement for charter school student transportation be substantially revised. Such suggested revisions included providing additional transportation funding as transport to charter schools requires operation of multiple busing systems. Alternatively, such suggested revisions included amending the statute to make charter school student transportation requirements consistent with those currently in place for the district.

Several school district superintendents advocated for a prohibition on advertising “free” tuition for charter schools. Some called for an across the board prohibition on expenditure of tax dollars for promotional advertising. Interestingly, some suggested that school districts be encouraged and permitted to use public funds for such purposes to better acquaint the public with the educational offerings they now make available.

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<sup>41</sup> The Commonwealth has provided additional state funding to certain financially distressed school districts, such as Chester-Upland.

Other specific recommendations offered by school superintendents included:

- permitting districts to establish charter school enrollment caps,
- permitting authorization of charter schools only when they offer unique programs that are not available within the school district,
- prohibiting duplication of educational services and denying charters to applicants offering substantially the same curriculum as a successfully performing school district,
- requiring charter school enrollment cycles be aligned with the district's budget cycle,
- eliminating the requirement that school districts with only half-day kindergarten programs pay charter schools for full-day kindergarten, and
- prohibiting state charter school appeal board members from having a role in the formation of a charter school.

Many of the issues identified by school district superintendents and recommendations to address such issues have been considered by others. As noted above, for example, ten years ago the *Task Force on School Cost Reduction*, created to hold down local property tax increases, recommended fiscal impact be taken into account when considering new and expanded charter school applications, revising transportation requirements, establishing a single statewide tuition rate for cyber charter school, and eliminating grants to school districts when calculating the district's non-special education tuition rate.

The Task Force recommended that school district grants (e.g., from foundations) be removed from the charter school tuition formula calculation. It noted school districts must now factor in such grants in their total expenditures for purposes of the charter school tuition formula. Charter schools, however, may independently qualify for and directly receive such grants. School districts, moreover, may receive grants for specific programs the charter schools are not required to provide.

The Task Force also recommended the Public School Code be amended to align school district budgets and charter school enrollment planning requirements. It noted school districts must submit final budgets to PDE for approval by June 30 each year. School districts, however, must begin working on their budgets several months before that date in order to prepare for a voter referendum if necessary. There is, however, no deadline for charter schools to declare their enrollment. Specifically, the Task Force recommended the statute be amended to require charter schools to submit anticipated enrollment for the coming year to school districts by February 1.

Appendix D provides additional information on selected prior studies and their recommendations.

## **D. Parents Place Children in Charter Schools for a Variety of Reasons**

In 1997, the Pennsylvania General Assembly enacted Act 1997-22 amending the Public School Code to provide additional options for public school choice through provision for public charter schools. The Act was intended to:

Provide opportunities for teachers, parents, pupils and community members to establish and maintain schools that operate independently from the existing school district structure as a method to accomplish all of the following:

- (1) Improve pupil learning.
- (2) Increase learning opportunities for all pupils.
- (3) Encourage the use of different and innovative teaching methods.
- (4) Create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site.
- (5) Provide parents and pupils with expanded choices in the types of educational opportunities that are available within the public school system.
- (6) Hold the schools established under this act accountable for meeting measurable academic standards and provide the school with a method to establish accountability systems.<sup>1</sup>

### **Parental Charter School Placement Criteria**

The statutory goals of providing school choice to improve student learning and academic quality are not always the basis for parents deciding to place their children in charter schools. Currently, school performance measures are widely available for parents to use when choosing an educational option for their children. Studies examining parent school choices, however, often report parents are more likely to rely on word-of-mouth and other social networks in their decision making rather than measurable academic standards.

A study of mostly low-income, minority families in Philadelphia, for example, found:

...While parents seemed aware of and involved in the choice of high schools, they gathered most of their information from word-of-mouth and personal contacts, and not all of the contacts had good information. Few parents visited the schools their children were considering, and

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<sup>1</sup> 24 P.S. §17-1702-A



most expressed preferences for schools that fit with their children's interest.<sup>2</sup>

A 2016 study of school choice decisions among suburban, high-income parents also found parents rely on their social networks in choosing schools. They typically report the importance of effective teachers, distance to school, and academic quality in their decision making. Such factors, however, mean different things to different parents. Highlighting an Indianapolis study that relied on parent surveys of school choice preferences and longitudinal student records (i.e., demographics, achievement, and enrollment), the study noted:

...63% of parents reported that academics was an important factor in their choice of charter schools. However, on the basis of test score data, they found that although some students switched from lower-performing schools to higher-performing ones, many more switched from higher-to-lower performing schools....nearly 40 percent of the parents who switched from a traditional public school to a charter school selected schools that failed to make adequate yearly progress under No Child Left-Behind (NCLB).<sup>3</sup>

A 2015 study of the Education Research Alliance for New Orleans similarly found that parents care about academics, but not as much as they say they do. In their choice of schools, distance matters a lot, with parents preferring schools across the street to a higher performing school a mile away. Parents of younger children preferred schools with extended school hours and after-school programs. Extracurricular opportunities also mattered, especially for high school students. Poorer families, moreover, were more likely to pick schools that were close by, that offered extended days, and that had sports programs, such as football, and other extracurricular activities; and had weaker preferences for schools based on test scores.<sup>4</sup>

The Pew Charitable Trusts Philadelphia Research Initiative commissioned a poll of 802 parents with children in Philadelphia local schools, including 50 percent in district-operated schools, 25 percent in charter schools, and 25 percent in Catholic schools. It also conducted focus groups with poll participants to learn what the city's parents think about the city's changing educational landscape and trends.<sup>5</sup> The researchers found:

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<sup>2</sup> Great Lakes Center for Education Research & Practice, *Who Chooses Schools, and Why?*, January 2008.

<sup>3</sup> Althenhofen, S *et al*, *School Choice Decision Making Among Suburban, High-Income Parents*, AERA Open, January-March 2016, Vol 2, No.1, pp.1-14.

<sup>4</sup> Education Research Alliance, *What Schools Do Families Want (and Why): New Orleans Families and Their School Choices Before and After Katrina*, January, 2015.

<sup>5</sup> Traditional public schools operated directly by the School District of Philadelphia lost 19 percent of their enrollment from 2000-01 to 2009-10, Catholic schools lost 37 percent, while charter school enrollment grew 170 percent.

- Parents, unlike educators and administrators, tend to think in terms of individual schools, not educational systems, and are not philosophically wedded to one system or another.
- Parental desire for discipline and for safety are central to the appeal of both charter and Catholic schools—and to parental unhappiness with the school district. Only 31 percent of parents with children in district-run schools said their school is doing an excellent job on safety, compared to 67 percent of charter school parents, and 73 percent of Catholic school parents.
- Charter-school parents are highly satisfied with the education their children are receiving, with 90 percent of them rating their children’s schools good or excellent.
- Despite the new array of options, parents want still more. Seventy-two percent say that parents in Philadelphia do not have enough good choices in picking a school, with the figures slightly higher among black parents and parents under age 30.

The Research Initiative further concluded Philadelphia parents and educators have differing perspectives about matters such as school safety.

...Numerous educators [interviewed by the researchers] said that if a school offered a quality education then students would be engaged—and discipline and safety would follow as a result. But parents told us that discipline and safety must be in place before a quality education can be delivered.<sup>6</sup>

A 2016 research study of parents from a small rural school district in central Pennsylvania<sup>7, 8</sup> to identify why parents choose charter and cyber charter schools for their children further confirmed that, despite the considerable amount of time and money devoted to publishing data on schools’ performance, parents residing in the district are not using such data. It found that when parents in the district become dissatisfied with the local public school option, they seek information from friends and other community members. In addition to such information, they based their decision on their interests in a school that provides interaction between the school and the home, higher order thinking experiences, individualized learning, and career/interest opportunities.

A large school district in central Pennsylvania also surveyed parents that had chosen to place their children in charter schools. Consistent with other studies,

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<sup>6</sup> The Pew Charitable Trusts, Philadelphia Research Initiative, *Philadelphia’s Changing Schools and What Parents Want from Them*, June 2010.

<sup>7</sup> Connell, S. *Why Parents, in the Penns Valley Area School District, Choose Cyber Charter or Charter Schools Over the Local Public School District*, The Pennsylvania State University, Graduate School College of Education Dissertation, August 2016.

<sup>8</sup> The study included 25 parents in three focus groups and subsequent phone interviews.

one-third of such parents responded “no” to the question: “Has your child attended a [district] school in the past?” Exhibit 4 highlights parents’ responses to the survey’s question: “What are the main variables you considered when opting to enroll your child/children in a charter school?” As shown in Exhibit 4, parents value:

- Small class size.
- Individualized learning.
- Less emphasis on formal testing.
- Specialized programs, such as foreign language in kindergarten.
- Free before- and after-school options.

### **School District Superintendent Reported Reasons for Parents Opting to Send Their Children to Charter Schools**

In our interviews with school superintendents with moderate and more charter school enrollment, we asked them, based on their districts’ experiences, the reasons parents in their districts opted for charter school placement. For the most part, the reasons they report are consistent with those reported in other national and in-state studies and surveys.

As shown in Table 6, over one-half of the superintendents reported parental concern about school district policies, often related to school attendance, influenced parental choice. In part, their awareness of this concern may relate to their responsibilities with respect to compulsory attendance compliance, to which school districts, but not the charter schools, are required to hold parents responsible.

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### **Selected Reasons Parents Reported Enrolling Their Children in a Charter School**

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- Smaller class size, more flexible curriculum, project-based instruction, access to technology.
- The large middle schools were out of the question as far as I'm concerned. I never considered sending any of my children to them. The middle and high schools in [the district] are far too large and impersonal. [The charter school] offers a much more personal setting where kids are treated as individuals and get individualized attention.
- The classes are generally smaller. There is more 1:1 assistance. More use of computers/ipads.
- [Our son] has mild/moderate hearing loss and an auditory processing delay diagnosed...during his kindergarten year. His kindergarten class had 18 children and was perpetually noisy. He had difficulty staying on task and hearing his teacher. I talked to the school multiple times that I thought he needed supplemental instruction to help him understand the material and I was told that with his hearing aides he is considered hearing and not disabled enough to need the further instruction. I did not believe they were letting [my son] reach his full potential given that he still had difficulty hearing and understanding auditory information with the aides. Further, [my son] struggles with an enormity of emotional concerns as a result of his early life experience and subsequent hearing loss. At this time I began to seek out an educational alternative ... and found it in [a charter school]. They offer a smaller class size and written instruction to accompany the auditory lessons. There is an overall 1:5 ratio so [my son] receives 1:1 instruction more frequently and smaller class sizes that are more relaxed. [He] also gets social skills instruction with other students on the spectrum as children with hearing loss have difficulty making friends. [He] also receives more recess/outside time, which I believe [he] requires. The teachers take their time to know [him] and he can work at his pace, taking more time if needed to "get it." There is no pressure. Each student is valued for their individual skills and it just feels like a home. He has thrived at [the charter school] and has become more confident and more of a serious student who is proud of his accomplishments. I feel this is only because he attends this particular charter school.
- Learning a second language starts in kindergarten. Field trips are more interesting and frequent. There is more emphasis on the math and sciences.
- Most of all there is more diversity. There is a wider range of ethnic groups that attend the school and all cultures are celebrated.
- The foreign languages (Spanish and Chinese) being taught daily starting in kindergarten.
- After school clubs.
- We came to USA in July 2012. Some friends recommended us to enroll our child [in the charter school].
- We have 3 boys, [a 16 year old who attends a private Christian school, and a 13 and 5 year old who attend charter schools]. We had repeated bullying issues at the [district elementary school] that never got resolved. Both our older boys were hit, kicked, punched, and bitten while attending there! Our oldest son...went back to [the district high school] last year for 9<sup>th</sup> grade and part of this year. We pulled him because he had his pants pulled down. We had no other option than to pull him out or [our son] would have had to get into a fight with these 2 boys over this or they would of never let him alone! He didn't want to hate the next 2 years of high school so he made the hard choice, although, he really didn't want to because he wanted to play football!!! So sad!!!

#### Exhibit 4 (Continued)

- 1. She can stay in the same school K-5 (our [home school] only offers K-2, after which she has to move to another school.). 2. Convenient and interesting after school programs offered by the school. 3. The emphasis on international culture. 4. I heard that the school district has a very counter-productive math program for elementary schools and hope to avoid it.
- Laptop computer provided that student can take home.
- "Walking distance."
- Languages, extended hours and closeness to our home.
- Less attention given to PSSA rote-style learning and assessments.
- Free interactive before and after school care (7:30-5:30).
- They offer free child-care before and after school starting at 7:00 am, which fits nicely into our schedule.
- School safety, teacher quality, diversity, language, proximity to home, transportation.
- There are two licensed teachers for each classroom.

Source: Developed by LB&FC staff from information provided by a large central Pennsylvania school district.

Table 6

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**Reported Parent Reasons for Charter School Placement**


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Unhappy with School District Policies (i.e., Attendance, Task Completion)	19
Preference for Neighborhood Schools	12
Specialized Programs at Charter School	10
Diversity	9
Friends and Social Network Endorsement	9
Charter School Advertising	9
Perceptions Regarding Safety	7
Preference for Small Class Size	7
Full Day Kindergarten and/or Free Before and After School Programs	7
Free Transportation and/or Other Benefits	5
Health Reasons	4
Preference for Highly Individualized Learning	2
At Least One or More Other Reasons (e.g., religious reasons, cyber charter schools viewed as a form of home schooling; parents travel; student involvement in elite competitive activities; lack of school resources; and other school district problems.)	8

Source: Developed by LB&FC staff from school district responses.

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Consistent with reports that several charter schools were formed in response to school district consolidation, one-third of the superintendents reported parental preferences for neighborhood schools influenced parent decisions. Specialized programs, including some that the district for financial reasons had been forced to eliminate (e.g., language offerings in elementary grades, full-day rather than half-day kindergarten), also influenced parental choice.

### **Differing Perspectives and Expectations for Charter Schools**

Parental reasons for charter school placement identified in national and in-state studies, and the expectations of such parents, highlight differences in their perspectives and those of educators and policymakers. Many superintendents with whom we spoke, for example, understand that charter schools are intended to improve pupil learning and offer innovative educational programs. They, however, report charter school counterparts often offer the same curriculum offered by the district; and, for the most part, their districts' performance on standard tests equaled or exceeded that of their charter school counterparts. Superintendents were especially concerned about returning students that lagged behind their peers.

Pennsylvania's Constitution calls for an "efficient" system of public education. Several district superintendents with whom we spoke expressed concern about having to consolidate and eliminate programs as part of strategies to address financial

recovery. Then, in response to such required changes, parents and teachers are effectively permitted to form charter schools offering specialized programs the District itself would like to offer all its resident students.

Situations such as these highlight some of the “disconnects” in public policies related to public education. In particular, the school district superintendents with whom we spoke appreciate the importance of charter schools as a continued form of school choice, and introduction of new and innovative programs in district-operated schools, but are challenged to reconcile state law requirements that result in added local tax payer costs they are not authorized to control.





### **III. Appendices**

## APPENDIX A

### School District Charter School Students

School District <sup>a</sup>	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Abington Heights SD	62	11	73	3,377	0.0216
Abington SD	52	13	65	7,759	0.0084
Albert Gallatin Area SD	66	17	83	3,531	0.0235
Aliquippa SD	127	21	148	1,299	0.1139
Allegheny Valley SD	18	6	24	967	0.0248
Allegheny-Clarion Valley SD	9	3	12	710	0.0169
Allentown City SD	3,277	426	3,703	19,725	0.1877
Altoona Area SD	156	48	204	7,965	0.0256
Ambridge Area SD	325	59	384	2,944	0.1304
Annville-Cleona SD	20	5	25	1,505	0.0166
Antietam SD	30	9	39	1,077	0.0362
Apollo-Ridge SD	30	12	42	1,354	0.0310
Armstrong SD	80	22	102	5,594	0.0182
Athens Area SD	45	13	58	2,157	0.0269
Austin Area SD	0	0	0	170	0.0000
Avella Area SD	13	2	15	574	0.0261
Avon Grove SD	668	148	816	5,883	0.1387
Avonworth SD	27	5	32	1,613	0.0198
Bald Eagle Area SD	23	10	33	1,724	0.0191
Baldwin-Whitehall SD	101	23	124	4,271	0.0290
Bangor Area SD	56	16	72	3,079	0.0234
Beaver Area SD	63	10	73	2,072	0.0352
Bedford Area SD	212	42	254	2,140	0.1187
Belle Vernon Area SD	47	19	66	2,596	0.0254
Bellefonte Area SD	94	30	124	2,796	0.0444
Bellwood-Antis SD	6	1	7	1,271	0.0055
Bensalem Township SD	802	105	907	7,564	0.1199
Benton Area SD	9	2	11	724	0.0152
Bentworth SD	20	6	26	1,163	0.0224
Berlin Brothersvalley SD	17	6	23	807	0.0285
Bermudian Springs SD	56	8	64	2,092	0.0306
Berwick Area SD	41	12	53	3,137	0.0169
Bethel Park SD	35	7	42	4,417	0.0095
Bethlehem Area SD	1,662	230	1,892	15,497	0.1221
Bethlehem-Center SD	36	7	43	1,292	0.0333
Big Beaver Falls Area SD	70	8	78	1,755	0.0444
Big Spring SD	85	23	108	2,708	0.0399
Blackhawk SD	55	5	60	2,518	0.0238
Blacklick Valley SD	6	6	12	678	0.0177
Blairsville-Saltsburg SD	48	7	55	1,663	0.0331
Bloomsburg Area SD	24	3	27	1,669	0.0162

<sup>a</sup> Data not reported for the Austin Area SD.

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Blue Mountain SD	49	21	70	2,777	0.0252
Blue Ridge SD	28	8	36	1,081	0.0333
Boyertown Area SD	109	21	130	7,214	0.0180
Bradford Area SD	20	13	33	2,614	0.0126
Brandywine Heights Area SD	24	4	28	1,541	0.0182
Brentwood Borough SD	31	8	39	1,259	0.0310
Bristol Borough SD	32	13	45	1,342	0.0335
Bristol Township SD	257	62	319	7,252	0.0440
Brockway Area SD	6	-	6	1,054	0.0057
Brookville Area SD	11	6	17	1,626	0.0105
Brownsville Area SD	87	16	103	1,783	0.0578
Bryn Athyn SD	1	-	1	10	0.1030
Burgettstown Area SD	46	16	62	1,265	0.0490
Burrell SD	24	15	39	1,828	0.0213
Butler Area SD	213	42	255	7,387	0.0345
California Area SD	31	9	40	965	0.0415
Cambria Heights SD	9	2	11	1,446	0.0076
Cameron County SD	19	8	27	628	0.0430
Camp Hill SD	14	2	16	1,287	0.0124
Canon-McMillan SD	96	16	112	5,227	0.0214
Canton Area SD	23	2	25	956	0.0262
Carbondale Area SD	145	41	186	1,758	0.1058
Carlisle Area SD	109	32	141	5,150	0.0274
Carlynton SD	55	8	63	1,440	0.0438
Carmichaels Area SD	30	7	37	1,101	0.0336
Catasauqua Area SD	69	15	84	1,590	0.0528
Centennial SD	39	11	50	5,644	0.0089
Central Bucks SD	84	22	106	19,208	0.0055
Central Cambria SD	11	5	16	1,709	0.0094
Central Columbia SD	18	8	26	1,885	0.0138
Central Dauphin SD	402	73	475	11,934	0.0398
Central Fulton SD	26	6	32	1,041	0.0307
Central Greene SD	27	12	39	1,872	0.0208
Central Valley SD	77	17	94	2,452	0.0383
Central York SD	86	16	102	6,019	0.0169
Chambersburg Area SD	222	41	263	9,432	0.0279
Charleroi SD	32	14	46	1,632	0.0282
Chartiers Valley SD	42	15	57	3,398	0.0168
Chartiers-Houston SD	14	4	18	1,191	0.0151
Cheltenham Township SD	42	14	56	4,515	0.0124
Chester-Upland SD	2,990	846	3,836	7,173	0.5348
Chestnut Ridge SD	31	7	38	1,574	0.0241
Chichester SD	104	25	129	3,520	0.0367
Clairton City SD	108	12	120	916	0.1310
Clarion Area SD	17	3	20	805	0.0249
Clarion-Limestone Area SD	23	5	28	902	0.0310

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Claysburg-Kimmel SD	11	2	13	855	0.0152
Clearfield Area SD	46	10	56	2,338	0.0240
Coatesville Area SD	1,671	320	1,991	8,933	0.2229
Cocalico SD	41	6	47	3,159	0.0149
Colonial SD	19	3	22	4,793	0.0046
Columbia Borough SD	31	10	41	1,483	0.0276
Commodore Perry SD	9	2	11	507	0.0217
Conemaugh Township Area SD	16	9	25	1,001	0.0250
Conemaugh Valley SD	22	4	26	858	0.0303
Conestoga Valley SD	63	9	72	4,495	0.0160
Conewago Valley SD	122	28	150	3,967	0.0378
Conneaut SD	97	21	118	2,226	0.0530
Connellsville Area SD	138	42	180	4,908	0.0367
Conrad Weiser Area SD	40	13	53	2,700	0.0196
Cornell SD	27	4	31	681	0.0455
Cornwall-Lebanon SD	65	13	78	4,801	0.0162
Corry Area SD	30	14	44	2,142	0.0205
Coudersport Area SD	22	4	26	811	0.0321
Council Rock SD	31	10	41	11,159	0.0037
Cranberry Area SD	24	9	33	1,212	0.0272
Crawford Central SD	88	35	123	3,923	0.0314
Crestwood SD	67	12	79	2,913	0.0271
Cumberland Valley SD	135	29	164	8,558	0.0192
Curwensville Area SD	12	2	14	1,089	0.0129
Dallas SD	25	7	32	2,738	0.0117
Dallastown Area SD	60	17	77	6,386	0.0121
Daniel Boone Area SD	70	12	82	3,642	0.0225
Danville Area SD	26	5	31	2,374	0.0131
Deer Lakes SD	34	6	40	1,994	0.0201
Delaware Valley SD	53	11	64	4,776	0.0134
Derry Area SD	52	25	77	2,179	0.0353
Derry Township SD	32	6	38	3,502	0.0109
Donegal SD	64	16	80	3,056	0.0262
Dover Area SD	103	22	125	3,807	0.0328
Downingtown Area SD	611	110	721	12,888	0.0559
Dubois Area SD	53	9	62	3,942	0.0157
Dunmore SD	18	10	28	1,573	0.0178
Duquesne City SD	162	24	186	807	0.2304
East Allegheny SD	171	31	202	1,860	0.1086
East Lycoming SD	24	3	27	1,621	0.0167
East Penn SD	300	50	350	8,399	0.0417
East Pennsboro Area SD	73	12	85	2,797	0.0304
East Stroudsburg Area SD	171	51	222	7,287	0.0305
Eastern Lancaster County SD	75	8	83	3,220	0.0258
Eastern Lebanon County SD	42	9	51	2,472	0.0206
Eastern York SD	41	11	52	2,635	0.0197

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Easton Area SD	315	48	363	9,310	0.0390
Elizabeth Forward SD	19	2	21	2,387	0.0088
Elizabethtown Area SD	56	27	83	3,956	0.0210
Elk Lake SD	33	6	39	1,179	0.0331
Ellwood City Area SD	37	7	44	1,897	0.0232
Ephrata Area SD	52	13	65	4,235	0.0153
Erie City SD	1,687	442	2,129	13,659	0.1559
Everett Area SD	23	3	26	1,351	0.0192
Exeter Township SD	67	21	88	4,172	0.0211
Fairfield Area SD	53	3	56	1,125	0.0498
Fairview SD	12	1	13	1,589	0.0082
Fannett-Metal SD	12	3	15	515	0.0291
Farrell Area SD	41	6	47	772	0.0608
Ferndale Area SD	22	3	25	718	0.0348
Fleetwood Area SD	29	7	36	2,649	0.0136
Forbes Road SD	7	1	8	368	0.0218
Forest Area SD	28	13	41	502	0.0817
Forest City Regional SD	16	2	18	778	0.0231
Forest Hills SD	21	3	24	1,932	0.0124
Fort Cherry SD	15	4	19	1,105	0.0172
Fort LeBoeuf SD	35	9	44	2,171	0.0203
Fox Chapel Area SD	19	12	31	4,264	0.0073
Franklin Area SD	26	16	42	1,982	0.0212
Franklin Regional SD	38	8	46	3,584	0.0128
Frazier SD	16	7	23	1,231	0.0187
Freedom Area SD	59	8	67	1,536	0.0436
Freeport Area SD	25	4	29	1,892	0.0153
Galeton Area SD	21	5	26	348	0.0746
Garnet Valley SD	21	6	27	4,791	0.0056
Gateway SD	171	27	198	3,654	0.0542
General McLane SD	33	9	42	2,182	0.0192
Gettysburg Area SD	183	16	199	3,086	0.0645
Girard SD	44	13	57	1,806	0.0316
Glendale SD	10	4	14	834	0.0168
Governor Mifflin SD	53	12	65	4,097	0.0159
Great Valley SD	51	14	65	4,074	0.0160
Greater Johnstown SD	124	40	164	3,193	0.0514
Greater Latrobe SD	55	30	85	4,080	0.0208
Greater Nanticoke Area SD	47	22	69	2,416	0.0286
Greencastle-Antrim SD	24	8	32	3,087	0.0104
Greensburg Salem SD	77	20	97	2,944	0.0329
Greenville Area SD	27	22	49	1,392	0.0352
Greenwood SD	16	7	23	784	0.0293
Grove City Area SD	48	14	62	2,133	0.0291
Halifax Area SD	27	5	32	1,111	0.0288
Hamburg Area SD	61	13	74	2,269	0.0326

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Hampton Township SD	18	11	29	3,006	0.0096
Hanover Area SD	47	15	62	2,089	0.0297
Hanover Public SD	86	11	97	1,884	0.0515
Harbor Creek SD	44	9	53	2,152	0.0246
Harmony Area SD	9	3	12	303	0.0396
Harrisburg City SD	673	156	829	7,454	0.1112
Hatboro-Horsham SD	14	11	25	4,797	0.0052
Haverford Township SD	32	6	38	5,936	0.0064
Hazleton Area SD	188	42	230	10,907	0.0211
Hempfield SD	84	17	101	6,874	0.0147
Hempfield Area SD	144	32	176	6,073	0.0290
Hermitage SD	46	7	53	2,119	0.0250
Highlands SD	59	14	73	2,597	0.0281
Hollidaysburg Area SD	43	15	58	3,439	0.0169
Homer-Center SD	17	2	19	856	0.0222
Hopewell Area SD	82	16	98	2,295	0.0427
Huntingdon Area SD	81	33	114	2,044	0.0558
Indiana Area SD	45	8	53	2,798	0.0189
Interboro SD	27	9	36	3,516	0.0102
Iroquois SD	27	3	30	1,225	0.0245
Jamestown Area SD	4	1	5	522	0.0096
Jeannette City SD	53	20	73	1,151	0.0634
Jefferson-Morgan SD	15	6	21	821	0.0256
Jenkintown SD	3	1	4	622	0.0064
Jersey Shore Area SD	81	31	112	2,640	0.0424
Jim Thorpe Area SD	80	18	98	2,166	0.0452
Johnsonburg Area SD	3	6	9	608	0.0148
Juniata County SD	96	27	123	3,010	0.0409
Juniata Valley SD	23	9	32	772	0.0415
Kane Area SD	13	3	16	1,205	0.0133
Karns City Area SD	41	8	49	1,579	0.0310
Kennett Consolidated SD	175	44	219	4,467	0.0490
Keystone SD	18	8	26	1,090	0.0239
Keystone Central SD	308	119	427	4,458	0.0958
Keystone Oaks SD	43	14	57	2,005	0.0284
Kiski Area SD	90	17	107	3,926	0.0273
Kutztown Area SD	42	12	54	1,403	0.0385
Lackawanna Trail SD	29	10	39	1,087	0.0359
Lakeland SD	52	13	65	1,576	0.0413
Lake-Lehman SD	30	9	39	1,987	0.0196
Lakeview SD	28	9	37	1,162	0.0319
Lampeter-Strasburg SD	35	5	40	3,104	0.0129
Lancaster SD	308	67	375	11,467	0.0327
Laurel Highlands SD	66	24	90	3,213	0.0280
Laurel SD	16	2	18	1,266	0.0142
Lebanon SD	72	21	93	5,003	0.0186

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Leechburg Area SD	18	2	20	841	0.0238
Lehighton Area SD	46	11	57	2,453	0.0232
Lewisburg Area SD	18	5	23	1,958	0.0117
Ligonier Valley SD	70	36	106	1,669	0.0635
Line Mountain SD	26	9	35	1,258	0.0278
Littlestown Area SD	78	13	91	2,060	0.0442
Lower Dauphin SD	77	23	100	3,871	0.0258
Lower Merion SD	19	9	28	8,089	0.0035
Lower Moreland Township SD	6	1	7	2,174	0.0032
Loyalsock Township SD	16	3	19	1,555	0.0122
Mahanoy Area SD	32	17	49	1,099	0.0446
Manheim Central SD	45	15	60	2,999	0.0200
Manheim Township SD	77	19	96	5,872	0.0163
Marion Center Area SD	28	3	31	1,378	0.0225
Marple Newtown SD	24	7	31	3,354	0.0092
Mars Area SD	54	9	63	3,351	0.0188
McGuffey SD	53	14	67	1,783	0.0376
McKeesport Area SD	385	84	469	4,041	0.1160
Mechanicsburg Area SD	105	29	134	3,922	0.0342
Mercer Area SD	27	12	39	1,198	0.0326
Methacton SD	59	19	78	5,031	0.0155
Meyersdale Area SD	21	9	30	894	0.0336
Mid Valley SD	41	12	53	1,796	0.0295
Middletown Area SD	65	8	73	2,444	0.0299
Midd-West SD	69	14	83	2,253	0.0368
Midland Borough SD	59	9	68	417	0.1631
Mifflin County SD	134	31	165	5,312	0.0311
Mifflinburg Area SD	58	13	71	2,123	0.0334
Millcreek Township SD	139	22	161	7,072	0.0228
Millersburg Area SD	15	5	20	840	0.0238
Millville Area SD	10	2	12	710	0.0169
Milton Area SD	23	3	26	2,102	0.0124
Minersville Area SD	48	21	69	1,306	0.0528
Mohawk Area SD	14	8	22	1,583	0.0139
Monessen City SD	25	6	31	822	0.0377
Moniteau SD	40	6	46	1,381	0.0333
Montgomery Area SD	20	4	24	873	0.0275
Montour SD	58	14	72	2,905	0.0248
Montoursville Area SD	17	3	20	2,002	0.0100
Montrose Area SD	43	7	50	1,506	0.0332
Moon Area SD	67	14	81	3,903	0.0208
Morrisville Borough SD	28	8	36	995	0.0362
Moshannon Valley SD	15	3	18	925	0.0195
Mount Carmel Area SD	43	9	52	1,525	0.0341
Mount Pleasant Area SD	65	10	75	2,165	0.0346
Mount Union Area SD	39	23	62	1,540	0.0403

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Mountain View SD	34	6	40	1,063	0.0376
Mt Lebanon SD	13	7	20	5,331	0.0038
Muhlenberg SD	56	17	73	3,636	0.0201
Muncy SD	13	5	18	1,073	0.0168
Nazareth Area SD	91	18	109	4,777	0.0228
Neshaminy SD	126	41	167	9,110	0.0183
Neshannock Township SD	22	3	25	1,277	0.0196
New Brighton Area SD	55	6	61	1,499	0.0407
New Castle Area SD	101	11	112	3,374	0.0332
New Hope-Solebury SD	3	1	4	1,397	0.0029
New Kensington-Arnold SD	76	21	97	2,198	0.0441
Newport SD	35	13	48	1,116	0.0430
Norristown Area SD	383	95	478	7,546	0.0633
North Allegheny SD	93	22	115	8,348	0.0138
North Clarion County SD	3	4	7	581	0.0120
North East SD	24	6	30	1,717	0.0175
North Hills SD	53	17	70	4,354	0.0161
North Penn SD	97	30	127	12,906	0.0098
North Pocono SD	67	10	77	3,050	0.0252
North Schuylkill SD	54	14	68	1,914	0.0355
North Star SD	27	13	40	1,174	0.0341
Northampton Area SD	178	40	218	5,785	0.0377
Northeast Bradford SD	19	5	24	864	0.0278
Northeastern York SD	83	19	102	3,963	0.0257
Northern Bedford County SD	13	4	17	990	0.0172
Northern Cambria SD	8	1	9	1,112	0.0081
Northern Lebanon SD	57	9	66	2,380	0.0277
Northern Lehigh SD	41	10	51	1,709	0.0298
Northern Potter SD	8	-	8	565	0.0142
Northern Tioga SD	35	10	45	2,072	0.0217
Northern York County SD	56	12	68	3,219	0.0211
Northgate SD	39	12	51	1,268	0.0402
Northwest Area SD	36	9	45	1,129	0.0399
Northwestern SD	31	7	38	1,461	0.0260
Northwestern Lehigh SD	58	10	68	2,303	0.0295
Norwin SD	66	14	80	5,339	0.0150
Octorara Area SD	146	32	178	2,675	0.0665
Oil City Area SD	39	15	54	2,147	0.0252
Old Forge SD	16	3	19	939	0.0202
Oley Valley SD	20	14	34	1,730	0.0197
Oswayo Valley SD	-	3	3	441	0.0068
Otto-Eldred SD	15	3	18	694	0.0260
Owen J Roberts SD	110	26	136	5,401	0.0252
Oxford Area SD	377	107	484	4,380	0.1105
Palisades SD	36	10	46	1,754	0.0262
Palmerton Area SD	48	5	53	2,023	0.0262



## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Palmyra Area SD	66	16	82	3,558	0.0230
Panther Valley SD	67	19	86	1,845	0.0466
Parkland SD	169	57	226	9,399	0.0240
Pen Argyl Area SD	34	5	39	1,720	0.0227
Penn Cambria SD	28	8	36	1,722	0.0209
Penn Hills SD	623	127	750	4,705	0.1594
Penn Manor SD	74	13	87	5,285	0.0165
Penncrest SD	87	28	115	3,145	0.0366
Penn-Delco SD	44	13	57	3,479	0.0164
Pennridge SD	133	17	150	7,602	0.0197
Penns Manor Area SD	18	7	25	896	0.0279
Penns Valley Area SD	65	22	87	1,496	0.0581
Pennsbury SD	249	51	300	10,819	0.0277
Penn-Trafford SD	58	11	69	4,090	0.0169
Pequea Valley SD	33	5	38	1,714	0.0222
Perkiomen Valley SD	52	16	68	5,821	0.0117
Peters Township SD	74	5	79	4,262	0.0185
Philadelphia City SD	58,564	11,525	70,089	203,402	0.3446
Philipsburg-Osceola Area SD	49	9	58	1,808	0.0321
Phoenixville Area SD	331	49	380	4,193	0.0906
Pine Grove Area SD	23	7	30	1,660	0.0181
Pine-Richland SD	34	11	45	4,658	0.0097
Pittsburgh SD	3,357	694	4,051	26,399	0.1535
Pittston Area SD	65	24	89	3,465	0.0257
Pleasant Valley SD	165	29	194	5,223	0.0371
Plum Borough SD	63	21	84	4,012	0.0209
Pocono Mountain SD	358	91	449	9,847	0.0456
Port Allegany SD	8	4	12	885	0.0136
Portage Area SD	15	5	20	942	0.0212
Pottsgrove SD	91	23	114	3,368	0.0339
Pottstown SD	110	35	145	3,330	0.0435
Pottsville Area SD	120	39	159	2,746	0.0579
Punxsutawney Area SD	72	12	84	2,308	0.0364
Purchase Line SD	21	7	28	966	0.0290
Quaker Valley SD	24	6	30	1,935	0.0155
Quakertown Community SD	118	22	140	5,504	0.0254
Radnor Township SD	9	1	10	3,702	0.0027
Reading SD	784	238	1,022	18,148	0.0563
Red Lion Area SD	137	23	160	5,647	0.0283
Redbank Valley SD	29	7	36	1,159	0.0311
Reynolds SD	22	14	36	1,118	0.0322
Richland SD	22	3	25	1,650	0.0151
Ridgway Area SD	14	3	17	878	0.0194
Ridley SD	61	7	68	5,546	0.0123
Ringgold SD	83	14	97	3,098	0.0313
Riverside Beaver County SD	33	6	39	1,547	0.0252

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Riverside SD	35	3	38	1,609	0.0236
Riverview SD	9	6	15	1,022	0.0147
Rochester Area SD	65	21	86	816	0.1055
Rockwood Area SD	23	5	28	757	0.0370
Rose Tree Media SD	32	4	36	3,827	0.0094
Saint Clair Area SD	23	5	28	813	0.0345
Saint Marys Area SD	18	3	21	2,132	0.0099
Salisbury Township SD	44	5	49	1,642	0.0298
Salisbury-Elk Lick SD	1	1	2	289	0.0069
Saucon Valley SD	76	17	93	2,321	0.0401
Sayre Area SD	15	8	23	1,138	0.0202
Schuylkill Haven Area SD	24	11	35	1,293	0.0271
Schuylkill Valley SD	33	4	37	2,041	0.0181
Scranton SD	340	59	399	10,207	0.0391
Selinsgrove Area SD	33	9	42	2,794	0.0150
Seneca Valley SD	100	23	123	7,378	0.0167
Shade-Central City SD	13	4	17	493	0.0345
Shaler Area SD	69	11	80	4,687	0.0171
Shamokin Area SD	111	21	132	2,492	0.0530
Shanksville-Stonycreek SD	4	1	5	338	0.0148
Sharon City SD	87	36	123	2,177	0.0565
Sharpsville Area SD	27	7	34	1,310	0.0259
Shenandoah Valley SD	52	15	67	1,123	0.0597
Shenango Area SD	15	4	19	1,193	0.0159
Shikellamy SD	75	21	96	3,007	0.0319
Shippensburg Area SD	67	26	93	3,480	0.0267
Slippery Rock Area SD	68	22	90	2,154	0.0418
Smethport Area SD	22	9	31	875	0.0354
Solanco SD	57	9	66	3,721	0.0177
Somerset Area SD	47	16	63	2,295	0.0274
Souderton Area SD	219	40	259	6,797	0.0381
South Allegheny SD	27	6	33	1,611	0.0205
South Butler County SD	28	13	41	2,581	0.0159
South Eastern SD	52	10	62	2,877	0.0215
South Fayette Township SD	26	4	30	2,925	0.0103
South Middleton SD	36	9	45	2,194	0.0205
South Park SD	39	9	48	1,939	0.0248
South Side Area SD	17	3	20	1,168	0.0171
South Western SD	57	12	69	4,248	0.0162
South Williamsport Area SD	27	3	30	1,349	0.0222
Southeast Delco SD	245	46	291	4,485	0.0649
Southeastern Greene SD	12	4	16	616	0.0260
Southern Columbia Area SD	21	3	24	1,500	0.0160
Southern Fulton SD	13	3	16	773	0.0207
Southern Huntingdon County SD	34	22	56	1,229	0.0456
Southern Lehigh SD	73	9	82	3,224	0.0254

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Southern Tioga SD	48	13	61	1,867	0.0327
Southern York County SD	33	4	37	3,144	0.0118
Southmoreland SD	35	20	55	1,923	0.0286
Spring Cove SD	40	7	47	1,852	0.0254
Spring Grove Area SD	76	9	85	4,020	0.0211
Springfield SD	21	7	28	3,995	0.0070
Springfield Township SD	11	2	13	2,339	0.0056
Spring-Ford Area SD	145	35	180	8,103	0.0222
State College Area SD	381	62	443	7,092	0.0625
Steel Valley SD	196	45	241	1,797	0.1341
Steelton-Highspire SD	113	15	128	1,470	0.0871
Sto-Rox SD	371	73	444	1,733	0.2563
Stroudsburg Area SD	148	39	187	5,176	0.0361
Sullivan County SD	17	6	23	657	0.0350
Susquehanna Community SD	15	2	17	866	0.0196
Susquehanna Township SD	92	14	106	2,871	0.0369
Susquenita SD	75	19	94	1,799	0.0522
Tamaqua Area SD	47	13	60	2,178	0.0276
Titusville Area SD	35	6	41	2,080	0.0197
Towanda Area SD	15	3	18	1,575	0.0114
Tredyffrin-Easttown SD	29	7	36	6,683	0.0054
Trinity Area SD	61	17	78	3,347	0.0233
Tri-Valley SD	8	4	12	886	0.0135
Troy Area SD	41	4	45	1,518	0.0296
Tulpehocken Area SD	41	7	48	1,419	0.0338
Tunkhannock Area SD	49	18	67	2,619	0.0256
Turkeyfoot Valley Area SD	2	1	3	387	0.0077
Tuscarora SD	66	11	77	2,562	0.0301
Tussey Mountain SD	30	9	39	1,086	0.0359
Twin Valley SD	60	18	78	3,474	0.0225
Tyrone Area SD	41	11	52	1,872	0.0278
Union Area SD	21	3	24	807	0.0297
Union City Area SD	18	12	30	1,178	0.0255
Union SD	24	3	27	617	0.0438
Uniontown Area SD	100	29	129	2,945	0.0438
Unionville-Chadds Ford SD	42	6	48	4,095	0.0117
United SD	40	12	52	1,123	0.0463
Upper Adams SD	84	2	86	1,753	0.0490
Upper Darby SD	507	74	581	12,714	0.0457
Upper Dauphin Area SD	25	12	37	1,245	0.0297
Upper Dublin SD	9	2	11	4,220	0.0026
Upper Merion Area SD	47	7	54	4,024	0.0134
Upper Moreland Township SD	18	9	27	3,137	0.0086
Upper Perkiomen SD	97	21	118	3,348	0.0352
Upper Saint Clair SD	12	1	13	4,142	0.0031
Valley Grove SD	11	6	17	943	0.0180

## Appendix A (Continued)

School District	Charter Schools		Total Charter Students	School District 2014-15 Average Daily Membership	Ratio of Charter Students to Avg. Daily Membership
	Nonspecial Students Oct. 1, 2015 Enrollment	Special Students Oct. 1, 2015 Enrollment			
Valley View SD	36	10	46	2,440	0.0189
Wallenpaupack Area SD	60	11	71	3,048	0.0233
Wallingford-Swarthmore SD	10	6	16	3,552	0.0045
Warren County SD	293	66	359	4,832	0.0743
Warrior Run SD	33	10	43	1,588	0.0271
Warwick SD	50	8	58	4,284	0.0135
Washington SD	42	8	50	1,564	0.0320
Wattsburg Area SD	33	9	42	1,419	0.0296
Wayne Highlands SD	70	21	91	2,762	0.0329
Waynesboro Area SD	108	12	120	4,663	0.0257
Weatherly Area SD	11	3	14	660	0.0212
Wellsboro Area SD	22	9	31	1,518	0.0204
West Allegheny SD	50	7	57	3,291	0.0173
West Branch Area SD	20	6	26	1,101	0.0236
West Chester Area SD	590	113	703	12,402	0.0567
West Greene SD	24	5	29	731	0.0396
West Jefferson Hills SD	33	8	41	2,868	0.0143
West Middlesex Area SD	22	7	29	972	0.0298
West Mifflin Area SD	63	20	83	2,720	0.0305
West Perry SD	61	23	84	2,608	0.0322
West Shore SD	204	66	270	8,065	0.0335
West York Area SD	141	20	161	3,292	0.0489
Western Beaver County SD	22	6	28	761	0.0368
Western Wayne SD	60	19	79	2,065	0.0383
Westmont Hilltop SD	11	2	13	1,537	0.0085
Whitehall-Coplay SD	140	22	162	4,436	0.0365
Wilkes-Barre Area SD	441	99	540	7,408	0.0729
Wilkesburg Borough SD	295	63	358	1,185	0.3020
William Penn SD	475	72	547	5,598	0.0977
Williams Valley SD	34	15	49	1,081	0.0453
Williamsburg Community SD	15	1	16	503	0.0318
Williamsport Area SD	106	27	133	5,124	0.0260
Wilmington Area SD	40	7	47	1,256	0.0374
Wilson SD	57	14	71	6,056	0.0117
Wilson Area SD	58	12	70	2,295	0.0305
Windber Area SD	27	12	39	1,206	0.0323
Wissahickon SD	18	9	27	4,494	0.0060
Woodland Hills SD	947	190	1,137	5,022	0.2264
Wyalusing Area SD	27	12	39	1,357	0.0287
Wyoming Area SD	40	14	54	2,432	0.0222
Wyoming Valley West SD	125	27	152	5,254	0.0289
Wyomissing Area SD	12	3	15	1,947	0.0077
York City SD	1,728	284	2,012	7,756	0.2594
York Suburban SD	82	7	89	3,025	0.0294
Yough SD	56	5	61	2,205	0.0277
Grand Total	111,675	23,250	134,925	1,727,182	0.0781

Source: Developed by LB&FC staff from PDE publically reported data.

# APPENDIX B

## Charter School Tuition for the 2015-2016 School Year

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
119350303	Abington Heights SD	Lackawanna	\$10,498.22	\$18,458.63
123460302	Abington SD	Montgomery	\$13,336.22	\$24,936.10
101260303	Albert Gallatin Area SD	Fayette	\$9,086.37	\$20,316.96
127040503	Aliquippa SD	Beaver	\$9,221.18	\$23,754.39
103020603	Allegheny Valley SD	Allegheny	\$14,171.57	\$29,205.64
106160303	Allegheny-Clarion Valley SD	Clarion	\$11,691.44	\$24,127.55
121390302	Allentown City SD	Lehigh	\$8,593.51	\$19,800.11
108070502	Altoona Area SD	Blair	\$7,748.47	\$16,145.99
127040703	Ambridge Area SD	Beaver	\$9,143.78	\$19,084.40
113380303	Annville-Cleona SD	Lebanon	\$9,964.05	\$19,765.66
114060503	Antietam SD	Berks	\$10,772.98	\$23,337.10
128030603	Apollo-Ridge SD	Armstrong	\$10,294.91	\$21,765.67
128030852	Armstrong SD	Armstrong	\$11,144.04	\$23,492.24
117080503	Athens Area SD	Bradford	\$10,362.14	\$21,210.74
109530304	Austin Area SD	Potter	\$17,313.85	\$36,107.20
101630504	Avella Area SD	Washington	\$12,051.42	\$23,694.62
124150503	Avon Grove SD	Chester	\$8,944.35	\$23,073.52
103020753	Avonworth SD	Allegheny	\$11,221.01	\$24,471.54
110141003	Bald Eagle Area SD	Centre	\$11,877.77	\$21,943.69
103021102	Baldwin-Whitehall SD	Allegheny	\$10,554.56	\$18,135.45
120480803	Bangor Area SD	Northampton	\$11,048.01	\$24,992.22
127041203	Beaver Area SD	Beaver	\$9,620.68	\$18,052.75
108051003	Bedford Area SD	Bedford	\$8,707.05	\$16,332.47
107650603	Belle Vernon Area SD	Westmoreland	\$9,743.63	\$19,570.51
110141103	Bellefonte Area SD	Centre	\$11,405.13	\$23,160.18
108071003	Bellwood-Antis SD	Blair	\$9,177.85	\$15,062.29
122091002	Bensalem Township SD	Bucks	\$11,842.69	\$31,003.85
116191004	Benton Area SD	Columbia	\$10,270.31	\$20,680.82
101630903	Bentworth SD	Washington	\$9,041.99	\$19,068.61
108561003	Berlin Brothersvalley SD	Somerset	\$10,083.47	\$16,648.04
112011103	Bermudian Springs SD	Adams	\$8,270.84	\$13,852.29
116191103	Berwick Area SD	Columbia	\$9,677.12	\$20,026.86
103021252	Bethel Park SD	Allegheny	\$12,453.25	\$25,653.29
120481002	Bethlehem Area SD	Northampton	\$10,160.70	\$21,374.81
101631003	Bethlehem-Center SD	Washington	\$9,200.02	\$21,283.51
127041503	Big Beaver Falls Area SD	Beaver	\$10,258.30	\$21,182.98
115210503	Big Spring SD	Cumberland	\$10,318.36	\$25,457.67
127041603	Blackhawk SD	Beaver	\$10,037.83	\$18,364.48
108110603	Blacklick Valley SD	Cambria	\$10,678.44	\$21,654.97
128321103	Blairsville-Saltsburg SD	Indiana	\$11,987.45	\$24,552.07
116191203	Bloomsburg Area SD	Columbia	\$9,688.40	\$15,368.17
129540803	Blue Mountain SD	Schuylkill	\$8,996.68	\$18,579.52
119581003	Blue Ridge SD	Susquehanna	\$10,427.39	\$18,990.89
114060753	Boyertown Area SD	Berks	\$9,633.38	\$21,494.59
109420803	Bradford Area SD	McKean	\$9,629.67	\$19,260.27
114060853	Brandywine Heights Area SD	Berks	\$12,125.07	\$27,893.69
103021453	Brentwood Borough SD	Allegheny	\$12,681.79	\$25,928.19

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
122091303	Bristol Borough SD	Bucks	\$10,863.22	\$27,560.63
122091352	Bristol Township SD	Bucks	\$10,424.82	\$32,927.01
106330703	Brockway Area SD	Jefferson	\$10,728.98	\$17,599.98
106330803	Brookville Area SD	Jefferson	\$9,044.26	\$16,236.69
101260803	Brownsville Area SD	Fayette	\$9,176.33	\$23,614.17
123460504	Bryn Athyn SD	Montgomery	\$16,487.03	\$23,134.39
101631203	Burgettstown Area SD	Washington	\$10,245.50	\$19,421.31
107650703	Burrell SD	Westmoreland	\$10,774.64	\$17,253.00
104101252	Butler Area SD	Butler	\$8,515.06	\$18,975.72
101631503	California Area SD	Washington	\$9,809.85	\$19,740.58
108111203	Cambria Heights SD	Cambria	\$9,131.68	\$18,853.83
109122703	Cameron County SD	Cameron	\$13,792.07	\$24,463.86
115211003	Camp Hill SD	Cumberland	\$10,753.45	\$23,314.36
101631703	Canon-McMillan SD	Washington	\$8,203.53	\$19,325.81
117081003	Canton Area SD	Bradford	\$10,569.90	\$20,857.86
119351303	Carbondale Area SD	Lackawanna	\$7,761.94	\$25,508.44
115211103	Carlisle Area SD	Cumberland	\$9,712.72	\$17,876.16
103021603	Carlynton SD	Allegheny	\$13,323.33	\$27,050.48
101301303	Carmichaels Area SD	Greene	\$8,885.81	\$18,588.03
121391303	Catasauqua Area SD	Lehigh	\$11,413.72	\$24,262.51
122092002	Centennial SD	Bucks	\$12,630.13	\$30,150.89
122092102	Central Bucks SD	Bucks	\$10,051.02	\$20,602.28
108111303	Central Cambria SD	Cambria	\$8,987.89	\$17,914.56
116191503	Central Columbia SD	Columbia	\$9,965.02	\$18,482.41
115221402	Central Dauphin SD	Dauphin	\$9,819.57	\$22,192.72
111291304	Central Fulton SD	Fulton	\$9,422.80	\$17,452.60
101301403	Central Greene SD	Greene	\$11,255.26	\$26,335.60
127042003	Central Valley SD	Beaver	\$10,081.69	\$18,115.39
112671303	Central York SD	York	\$9,113.18	\$17,735.49
112281302	Chambersburg Area SD	Franklin	\$8,862.28	\$17,741.66
101631803	Charleroi SD	Washington	\$8,793.48	\$17,474.31
103021752	Chartiers Valley SD	Allegheny	\$12,459.38	\$23,157.59
101631903	Chartiers-Houston SD	Washington	\$9,729.03	\$17,040.37
123461302	Cheltenham Township SD	Montgomery	\$15,184.14	\$35,380.81
125231232	Chester-Upland SD	Delaware		
108051503	Chestnut Ridge SD	Bedford	\$8,430.57	\$15,343.60
125231303	Chichester SD	Delaware	\$12,618.97	\$31,153.03
103021903	Clairton City SD	Allegheny	\$10,966.46	\$28,467.02
106161203	Clarion Area SD	Clarion	\$10,683.59	\$22,351.80
106161703	Clarion-Limestone Area SD	Clarion	\$10,365.99	\$21,745.27
108071504	Claysburg-Kimmel SD	Blair	\$8,763.97	\$14,805.59
110171003	Clearfield Area SD	Clearfield	\$9,407.95	\$21,275.83
124151902	Coatesville Area SD	Chester	\$10,167.77	\$29,562.12
113361303	Cocalico SD	Lancaster	\$10,610.34	\$21,897.10
123461602	Colonial SD	Montgomery	\$15,013.26	\$33,006.18
113361503	Columbia Borough SD	Lancaster	\$9,094.33	\$29,009.96
104431304	Commodore Perry SD	Mercer	\$11,570.85	\$19,570.25
108561803	Conemaugh Township Area SD	Somerset	\$9,535.58	\$18,618.47
108111403	Conemaugh Valley SD	Cambria	\$9,434.77	\$17,456.84
113361703	Conestoga Valley SD	Lancaster	\$9,377.82	\$18,703.82
112011603	Conewago Valley SD	Adams	\$8,613.14	\$18,940.37

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
105201033	Conneaut SD	Crawford	\$9,966.95	\$19,779.47
101261302	Connellsville Area SD	Fayette	\$8,954.85	\$19,245.44
114061103	Conrad Weiser Area SD	Berks	\$10,607.77	\$23,692.67
103022103	Cornell SD	Allegheny	\$12,899.48	\$25,193.15
113381303	Cornwall-Lebanon SD	Lebanon	\$10,050.87	\$21,358.93
105251453	Corry Area SD	Erie	\$8,962.20	\$17,703.12
109531304	Coudersport Area SD	Potter	\$10,207.07	\$19,117.33
122092353	Council Rock SD	Bucks	\$12,262.35	\$35,543.43
106611303	Cranberry Area SD	Venango	\$10,773.42	\$24,501.53
105201352	Crawford Central SD	Crawford	\$8,613.90	\$20,121.20
118401403	Crestwood SD	Luzerne	\$8,487.47	\$17,209.59
115211603	Cumberland Valley SD	Cumberland	\$8,509.64	\$18,611.16
110171803	Curwensville Area SD	Clearfield	\$9,608.06	\$18,342.90
118401603	Dallas SD	Luzerne	\$8,876.16	\$18,882.96
112671603	Dallastown Area SD	York	\$10,951.76	\$20,334.45
114061503	Daniel Boone Area SD	Berks	\$9,747.89	\$20,447.59
116471803	Danville Area SD	Montour	\$9,880.72	\$18,149.65
103022253	Deer Lakes SD	Allegheny	\$10,411.71	\$20,948.84
120522003	Delaware Valley SD	Pike	\$11,425.26	\$21,480.72
107651603	Derry Area SD	Westmoreland	\$9,866.62	\$16,993.33
115221753	Derry Township SD	Dauphin	\$10,846.80	\$23,018.89
113362203	Donegal SD	Lancaster	\$9,130.02	\$20,659.33
112671803	Dover Area SD	York	\$10,219.32	\$20,823.72
124152003	Downingtown Area SD	Chester	\$10,580.51	\$21,373.14
106172003	Dubois Area SD	Clearfield	\$9,198.13	\$20,994.78
119352203	Dunmore SD	Lackawanna	\$9,305.25	\$18,721.04
103022503	Duquesne City SD	Allegheny	\$11,879.20	\$37,335.01
103022803	East Allegheny SD	Allegheny	\$10,757.02	\$25,194.09
117412003	East Lycoming SD	Lycoming	\$10,220.43	\$16,262.75
121392303	East Penn SD	Lehigh	\$10,233.25	\$22,333.73
115212503	East Pennsboro Area SD	Cumberland	\$8,635.21	\$19,176.80
120452003	East Stroudsburg Area SD	Monroe	\$12,260.09	\$29,057.15
113362303	Eastern Lancaster County SD	Lancaster	\$10,391.04	\$20,379.43
113382303	Eastern Lebanon County SD	Lebanon	\$9,689.35	\$18,982.72
112672203	Eastern York SD	York	\$10,777.04	\$23,394.79
120483302	Easton Area SD	Northampton	\$10,288.64	\$19,486.04
103023153	Elizabeth Forward SD	Allegheny	\$11,344.42	\$23,916.45
113362403	Elizabethtown Area SD	Lancaster	\$9,950.26	\$18,263.03
119582503	Elk Lake SD	Susquehanna	\$11,156.67	\$22,018.80
104372003	Ellwood City Area SD	Lawrence	\$9,595.49	\$20,557.42
113362603	Ephrata Area SD	Lancaster	\$9,700.52	\$18,873.68
105252602	Erie City SD	Erie	\$9,114.50	\$16,614.18
108053003	Everett Area SD	Bedford	\$8,660.86	\$17,204.05
114062003	Exeter Township SD	Berks	\$10,235.50	\$24,883.12
112013054	Fairfield Area SD	Adams	\$9,704.48	\$21,169.83
105253303	Fairview SD	Erie	\$10,052.90	\$16,685.55
112282004	Fannett-Metal SD	Franklin	\$9,876.54	\$18,836.36
104432503	Farrell Area SD	Mercer	\$13,056.13	\$30,718.52
108112003	Ferndale Area SD	Cambria	\$10,862.35	\$22,310.04
114062503	Fleetwood Area SD	Berks	\$10,509.57	\$21,556.55
111292304	Forbes Road SD	Fulton	\$12,689.52	\$18,068.44

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
106272003	Forest Area SD	Forest	\$16,407.82	\$27,224.29
119583003	Forest City Regional SD	Susquehanna	\$11,164.25	\$23,092.71
108112203	Forest Hills SD	Cambria	\$9,504.03	\$16,300.79
101632403	Fort Cherry SD	Washington	\$11,552.50	\$21,603.41
105253553	Fort LeBoeuf SD	Erie	\$9,154.63	\$18,313.93
103023912	Fox Chapel Area SD	Allegheny	\$15,118.92	\$29,655.55
106612203	Franklin Area SD	Venango	\$9,984.34	\$23,525.00
107652603	Franklin Regional SD	Westmoreland	\$10,674.94	\$18,289.09
101262903	Frazier SD	Fayette	\$8,935.46	\$19,483.15
127042853	Freedom Area SD	Beaver	\$10,187.17	\$20,184.65
128033053	Freeport Area SD	Armstrong	\$10,465.36	\$16,829.52
109532804	Galeton Area SD	Potter	\$15,429.40	\$25,928.23
125234103	Garnet Valley SD	Delaware	\$12,392.54	\$30,961.11
103024102	Gateway SD	Allegheny	\$13,084.17	\$31,567.58
105253903	General McLane SD	Erie	\$9,289.24	\$16,508.38
112013753	Gettysburg Area SD	Adams	\$11,802.10	\$23,275.73
105254053	Girard SD	Erie	\$9,333.99	\$19,266.05
110173003	Glendale SD	Clearfield	\$9,120.17	\$24,100.39
114063003	Governor Mifflin SD	Berks	\$10,156.59	\$22,937.45
124153503	Great Valley SD	Chester	\$13,288.83	\$33,483.13
108112502	Greater Johnstown SD	Cambria	\$8,936.61	\$20,839.21
107653102	Greater Latrobe SD	Westmoreland	\$8,846.38	\$15,713.56
118402603	Greater Nanticoke Area SD	Luzerne	\$7,534.36	\$15,584.32
112283003	Greencastle-Antrim SD	Franklin	\$8,640.08	\$16,771.97
107653203	Greensburg Salem SD	Westmoreland	\$9,515.36	\$22,349.96
104432803	Greenville Area SD	Mercer	\$9,131.51	\$18,786.98
115503004	Greenwood SD	Perry	\$10,488.39	\$20,690.15
104432903	Grove City Area SD	Mercer	\$9,036.79	\$25,463.52
115222504	Halifax Area SD	Dauphin	\$11,893.17	\$24,630.75
114063503	Hamburg Area SD	Berks	\$11,041.66	\$22,828.00
103024603	Hampton Township SD	Allegheny	\$11,333.90	\$17,604.63
118403003	Hanover Area SD	Luzerne	\$8,873.70	\$21,028.20
112672803	Hanover Public SD	York	\$11,014.82	\$24,443.61
105254353	Harbor Creek SD	Erie	\$9,213.94	\$17,600.33
110173504	Harmony Area SD	Clearfield	\$13,264.86	\$25,440.10
115222752	Harrisburg City SD	Dauphin	\$9,402.81	\$24,442.43
123463603	Hatboro-Horsham SD	Montgomery	\$13,090.88	\$28,503.91
125234502	Haverford Township SD	Delaware	\$11,353.41	\$31,197.27
118403302	Hazleton Area SD	Luzerne	\$8,005.62	\$16,166.93
107653802	Hempfield Area SD	Westmoreland	\$9,889.54	\$21,041.63
113363103	Hempfield SD	Lancaster	\$11,026.76	\$23,456.91
104433303	Hermitage SD	Mercer	\$9,822.14	\$18,557.49
103024753	Highlands SD	Allegheny	\$10,273.76	\$26,259.78
108073503	Hollidaysburg Area SD	Blair	\$8,943.42	\$17,872.48
128323303	Homer-Center SD	Indiana	\$12,588.96	\$24,822.64
127044103	Hopewell Area SD	Beaver	\$10,622.61	\$22,387.25
111312503	Huntingdon Area SD	Huntingdon	\$7,881.41	\$20,165.01
128323703	Indiana Area SD	Indiana	\$13,698.70	\$25,058.31
125235103	Interboro SD	Delaware	\$12,950.13	\$28,293.16
105256553	Iroquois SD	Erie	\$9,820.59	\$19,893.43
104433604	Jamestown Area SD	Mercer	\$11,113.13	\$21,597.42



## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
107654103	Jeannette City SD	Westmoreland	\$10,295.00	\$22,859.56
101303503	Jefferson-Morgan SD	Greene	\$10,950.31	\$24,173.70
123463803	Jenkintown SD	Montgomery	\$17,287.17	\$37,238.47
117414003	Jersey Shore Area SD	Lycoming	\$10,300.19	\$19,034.83
121135003	Jim Thorpe Area SD	Carbon	\$10,913.04	\$23,938.19
109243503	Johnsonburg Area SD	Elk	\$13,076.40	\$27,068.97
111343603	Juniata County SD	Juniata	\$7,518.29	\$15,501.20
111312804	Juniata Valley SD	Huntingdon	\$9,173.86	\$19,719.98
109422303	Kane Area SD	McKean	\$10,463.76	\$18,182.61
104103603	Karns City Area SD	Butler	\$10,014.39	\$18,374.01
124154003	Kennett Consolidated SD	Chester	\$10,831.82	\$27,123.45
110183602	Keystone Central SD	Clinton	\$9,766.10	\$26,035.58
103025002	Keystone Oaks SD	Allegheny	\$12,710.66	\$25,507.63
106166503	Keystone SD	Clarion	\$9,771.25	\$19,725.65
107654403	Kiski Area SD	Westmoreland	\$9,407.41	\$17,353.92
114064003	Kutztown Area SD	Berks	\$14,891.56	\$32,382.81
119665003	Lackawanna Trail SD	Wyoming	\$12,673.75	\$31,332.31
119354603	Lakeland SD	Lackawanna	\$9,366.71	\$20,049.09
118403903	Lake-Lehman SD	Luzerne	\$9,323.10	\$20,956.82
104433903	Lakeview SD	Mercer	\$9,550.64	\$20,995.17
113363603	Lampeter-Strasburg SD	Lancaster	\$10,219.68	\$20,786.63
113364002	Lancaster SD	Lancaster	\$10,875.08	\$23,457.65
101264003	Laurel Highlands SD	Fayette	\$9,667.34	\$21,004.66
104374003	Laurel SD	Lawrence	\$10,271.02	\$16,371.52
113384603	Lebanon SD	Lebanon	\$8,122.49	\$17,120.71
128034503	Leechburg Area SD	Armstrong	\$11,491.45	\$21,899.06
121135503	Lehigh Area SD	Carbon	\$10,480.95	\$23,453.65
116604003	Lewisburg Area SD	Union	\$11,144.13	\$20,410.60
107654903	Ligonier Valley SD	Westmoreland	\$10,156.02	\$19,891.46
116493503	Line Mountain SD	Northumberland	\$9,018.80	\$18,209.96
112015203	Littlestown Area SD	Adams	\$9,608.69	\$22,544.84
115224003	Lower Dauphin SD	Dauphin	\$11,100.70	\$22,602.34
123464502	Lower Merion SD	Montgomery	\$18,023.00	\$47,025.12
123464603	Lower Moreland Township SD	Montgomery	\$13,433.49	\$28,621.17
117414203	Loyalsock Township SD	Lycoming	\$9,711.80	\$19,516.48
129544503	Mahanoy Area SD	Schuylkill	\$10,953.67	\$25,153.51
113364403	Manheim Central SD	Lancaster	\$10,406.90	\$21,829.59
113364503	Manheim Township SD	Lancaster	\$9,350.75	\$16,868.33
128325203	Marion Center Area SD	Indiana	\$11,221.91	\$21,115.93
125235502	Marple Newtown SD	Delaware	\$13,116.70	\$37,175.10
104105003	Mars Area SD	Butler	\$8,792.53	\$15,774.34
101633903	McGuffey SD	Washington	\$11,620.66	\$22,372.98
103026002	McKeesport Area SD	Allegheny	\$9,731.00	\$19,144.21
115216503	Mechanicsburg Area SD	Cumberland	\$10,055.66	\$20,826.38
104435003	Mercer Area SD	Mercer	\$9,828.18	\$19,134.10
123465303	Methacton SD	Montgomery	\$13,090.06	\$28,910.43
108565203	Meyersdale Area SD	Somerset	\$11,089.17	\$17,937.29
119355503	Mid Valley SD	Lackawanna	\$8,438.03	\$18,569.63
115226003	Middletown Area SD	Dauphin	\$10,738.78	\$22,432.96
116555003	Mid-West SD	Snyder	\$9,148.71	\$19,271.23
127045303	Midland Borough SD	Beaver	\$9,389.18	\$20,895.75

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
111444602	Mifflin County SD	Mifflin	\$8,002.97	\$18,160.78
116605003	Mifflinburg Area SD	Union	\$9,174.87	\$16,533.20
105257602	Millcreek Township SD	Erie	\$8,774.78	\$17,896.08
115226103	Millersburg Area SD	Dauphin	\$12,822.06	\$24,214.47
116195004	Millville Area SD	Columbia	\$10,516.29	\$22,779.97
116495003	Milton Area SD	Northumberland	\$9,842.83	\$19,214.92
129544703	Minersville Area SD	Schuylkill	\$8,214.56	\$21,508.10
104375003	Mohawk Area SD	Lawrence	\$10,685.38	\$19,538.01
107655803	Monessen City SD	Westmoreland	\$11,231.22	\$22,196.68
104105353	Moniteau SD	Butler	\$9,660.46	\$18,436.35
117415004	Montgomery Area SD	Lycoming	\$11,360.04	\$20,686.62
103026303	Montour SD	Allegheny	\$13,975.74	\$27,468.67
117415103	Montoursville Area SD	Lycoming	\$10,149.57	\$18,780.19
119584503	Montrose Area SD	Susquehanna	\$11,969.58	\$22,766.55
103026343	Moon Area SD	Allegheny	\$11,549.43	\$24,289.84
122097203	Morrisville Borough SD	Bucks	\$9,922.08	\$34,934.41
110175003	Moshannon Valley SD	Clearfield	\$9,786.82	\$18,581.80
116495103	Mount Carmel Area SD	Northumberland	\$8,165.37	\$18,548.58
107655903	Mount Pleasant Area SD	Westmoreland	\$9,401.25	\$20,099.79
111316003	Mount Union Area SD	Huntingdon	\$7,778.24	\$18,024.36
119584603	Mountain View SD	Susquehanna	\$11,080.73	\$32,187.60
103026402	Mt Lebanon SD	Allegheny	\$12,546.52	\$21,671.61
114065503	Muhlenberg SD	Berks	\$9,579.86	\$19,134.48
117415303	Muncy SD	Lycoming	\$11,358.00	\$21,399.01
120484803	Nazareth Area SD	Northampton	\$10,680.91	\$21,716.18
122097502	Neshaminy SD	Bucks	\$11,556.42	\$31,320.01
104375203	Neshannock Township SD	Lawrence	\$10,787.43	\$18,107.39
127045653	New Brighton Area SD	Beaver	\$10,100.66	\$18,589.64
104375302	New Castle Area SD	Lawrence	\$9,401.43	\$20,207.21
122097604	New Hope-Solebury SD	Bucks	\$18,750.63	\$39,802.13
107656303	New Kensington-Arnold SD	Westmoreland	\$9,640.56	\$22,384.65
115504003	Newport SD	Perry	\$10,421.87	\$24,598.78
123465602	Norristown Area SD	Montgomery	\$12,411.82	\$30,542.40
103026852	North Allegheny SD	Allegheny	\$11,617.37	\$22,535.93
106167504	North Clarion County SD	Clarion	\$9,830.88	\$17,377.07
105258303	North East SD	Erie	\$8,970.44	\$16,484.78
103026902	North Hills SD	Allegheny	\$11,534.81	\$22,351.84
123465702	North Penn SD	Montgomery	\$11,834.82	\$29,085.59
119356503	North Pocono SD	Lackawanna	\$10,329.88	\$20,593.53
129545003	North Schuylkill SD	Schuylkill	\$9,216.24	\$22,117.51
108565503	North Star SD	Somerset	\$9,732.94	\$18,322.63
120484903	Northampton Area SD	Northampton	\$10,452.28	\$22,739.96
117083004	Northeast Bradford SD	Bradford	\$10,050.52	\$20,396.90
112674403	Northeastern York SD	York	\$10,207.90	\$22,003.03
108056004	Northern Bedford County SD	Bedford	\$9,147.70	\$16,944.06
108114503	Northern Cambria SD	Cambria	\$10,275.26	\$19,400.39
113385003	Northern Lebanon SD	Lebanon	\$9,589.90	\$19,517.77
121394503	Northern Lehigh SD	Lehigh	\$10,783.33	\$24,616.08
109535504	Northern Potter SD	Potter	\$12,088.78	\$21,243.87
117596003	Northern Tioga SD	Tioga	\$9,911.72	\$22,888.79
115674603	Northern York County SD	York	\$9,312.02	\$19,411.68

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
103026873	Northgate SD	Allegheny	\$11,032.13	\$22,015.58
118406003	Northwest Area SD	Luzerne	\$10,314.03	\$27,388.95
121394603	Northwestern Lehigh SD	Lehigh	\$11,116.78	\$23,854.98
105258503	Northwestern SD	Erie	\$8,609.59	\$18,016.80
107656502	Norwin SD	Westmoreland	\$8,571.62	\$14,892.28
124156503	Octorara Area SD	Chester	\$11,214.74	\$27,933.93
106616203	Oil City Area SD	Venango	\$9,047.30	\$16,918.74
119356603	Old Forge SD	Lackawanna	\$8,636.50	\$23,592.17
114066503	Oley Valley SD	Berks	\$11,037.08	\$25,934.70
109537504	Oswayo Valley SD	Potter	\$12,355.55	\$23,818.66
109426003	Otto-Eldred SD	McKean	\$10,335.90	\$20,356.17
124156603	Owen J Roberts SD	Chester	\$11,368.03	\$26,256.92
124156703	Oxford Area SD	Chester	\$8,250.70	\$22,681.68
122098003	Palisades SD	Bucks	\$15,266.14	\$34,014.58
121136503	Palmerton Area SD	Carbon	\$9,353.04	\$19,770.86
113385303	Palmyra Area SD	Lebanon	\$8,465.17	\$15,776.87
121136603	Panther Valley SD	Carbon	\$7,812.52	\$23,985.42
121395103	Parkland SD	Lehigh	\$10,874.01	\$21,877.01
120485603	Pen Argyl Area SD	Northampton	\$11,364.33	\$22,486.08
108116003	Penn Cambria SD	Cambria	\$8,685.00	\$20,542.19
103027352	Penn Hills SD	Allegheny	\$12,069.77	\$28,070.72
113365203	Penn Manor SD	Lancaster	\$9,179.52	\$19,065.83
105204703	Penncrest SD	Crawford	\$11,235.82	\$22,477.74
125236903	Penn-Delco SD	Delaware	\$10,367.69	\$22,847.74
122098103	Pennridge SD	Bucks	\$10,571.45	\$25,214.10
128326303	Penns Manor Area SD	Indiana	\$11,804.00	\$27,035.86
110147003	Penns Valley Area SD	Centre	\$11,318.96	\$18,499.22
122098202	Pennsbury SD	Bucks	\$11,643.44	\$28,831.94
107657103	Penn-Trafford SD	Westmoreland	\$9,416.37	\$15,914.68
113365303	Pequea Valley SD	Lancaster	\$11,916.46	\$23,448.16
123466103	Perkiomen Valley SD	Montgomery	\$10,836.51	\$23,476.52
101636503	Peters Township SD	Washington	\$9,990.44	\$18,610.98
126515001	Philadelphia City SD	Philadelphia	\$7,737.80	\$23,696.57
110177003	Philipsburg-Osceola Area SD	Clearfield	\$11,545.74	\$22,594.72
124157203	Phoenixville Area SD	Chester	\$12,770.14	\$28,376.36
129546003	Pine Grove Area SD	Schuylkill	\$8,951.77	\$17,173.74
103021003	Pine-Richland SD	Allegheny	\$10,761.78	\$22,826.57
102027451	Pittsburgh SD	Allegheny	\$14,430.20	\$30,561.50
118406602	Pittston Area SD	Luzerne	\$9,265.22	\$17,110.87
120455203	Pleasant Valley SD	Monroe	\$11,866.62	\$27,172.40
103027503	Plum Borough SD	Allegheny	\$10,345.20	\$19,488.99
120455403	Pocono Mountain SD	Monroe	\$12,442.71	\$28,178.51
109426303	Port Allegany SD	McKean	\$10,704.94	\$18,369.88
108116303	Portage Area SD	Cambria	\$9,989.33	\$15,487.97
123466303	Pottsgrove SD	Montgomery	\$12,405.89	\$27,741.83
123466403	Pottstown SD	Montgomery	\$9,732.97	\$27,895.34
129546103	Pottsville Area SD	Schuylkill	\$10,350.07	\$23,177.18
106338003	Punxsutawney Area SD	Jefferson	\$10,655.37	\$24,304.07
128327303	Purchase Line SD	Indiana	\$11,465.47	\$24,066.29
103027753	Quaker Valley SD	Allegheny	\$14,943.62	\$28,016.30
122098403	Quakertown Community SD	Bucks	\$12,274.22	\$24,309.45

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
125237603	Radnor Township SD	Delaware	\$16,040.13	\$38,022.91
114067002	Reading SD	Berks	\$7,146.99	\$18,198.21
112675503	Red Lion Area SD	York	\$9,525.80	\$22,047.12
106168003	Redbank Valley SD	Clarion	\$9,770.15	\$21,435.20
104435303	Reynolds SD	Mercer	\$11,182.59	\$27,631.15
108116503	Richland SD	Cambria	\$9,034.84	\$15,425.77
109246003	Ridgway Area SD	Elk	\$10,676.10	\$22,019.00
125237702	Ridley SD	Delaware	\$12,356.93	\$26,625.27
101637002	Ringgold SD	Washington	\$8,742.00	\$18,147.03
127045853	Riverside Beaver County SD	Beaver	\$10,074.66	\$19,222.77
119357003	Riverside SD	Lackawanna	\$9,590.06	\$19,637.86
103028203	Riverview SD	Allegheny	\$14,354.73	\$25,449.31
127046903	Rochester Area SD	Beaver	\$12,301.15	\$28,789.85
108566303	Rockwood Area SD	Somerset	\$10,217.86	\$16,644.80
125237903	Rose Tree Media SD	Delaware	\$14,836.28	\$31,937.77
129546803	Saint Clair Area SD	Schuylkill	\$6,865.27	\$20,192.92
109248003	Saint Marys Area SD	Elk	\$8,219.30	\$15,301.59
121395603	Salisbury Township SD	Lehigh	\$13,109.40	\$28,457.03
108567004	Salisbury-Elk Lick SD	Somerset	\$11,025.63	\$16,009.70
120486003	Saucon Valley SD	Northampton	\$13,372.98	\$24,773.06
117086003	Sayre Area SD	Bradford	\$11,430.59	\$29,064.27
129547303	Schuylkill Haven Area SD	Schuylkill	\$9,586.00	\$20,085.34
114067503	Schuylkill Valley SD	Berks	\$12,207.01	\$22,616.35
119357402	Scranton SD	Lackawanna	\$10,301.25	\$19,921.25
116557103	Selinsgrove Area SD	Snyder	\$9,936.84	\$18,526.55
104107903	Seneca Valley SD	Butler	\$9,538.23	\$21,119.55
108567204	Shade-Central City SD	Somerset	\$11,236.05	\$21,953.41
103028302	Shaler Area SD	Allegheny	\$11,266.44	\$25,753.47
116496503	Shamokin Area SD	Northumberland	\$7,579.83	\$15,993.97
108567404	Shanksville-Stonycreek SD	Somerset	\$13,475.99	\$21,572.34
104435603	Sharon City SD	Mercer	\$8,361.78	\$21,237.48
104435703	Sharpsville Area SD	Mercer	\$8,750.86	\$14,807.04
129547203	Shenandoah Valley SD	Schuylkill	\$9,428.00	\$25,454.22
104376203	Shenango Area SD	Lawrence	\$10,738.08	\$18,945.55
116496603	Shikellamy SD	Northumberland	\$8,908.36	\$20,815.59
115218003	Shippensburg Area SD	Cumberland	\$8,510.38	\$19,038.25
104107503	Slippery Rock Area SD	Butler	\$9,901.83	\$20,596.26
109427503	Smethport Area SD	McKean	\$10,926.79	\$21,041.80
113367003	Solanco SD	Lancaster	\$8,533.76	\$19,343.13
108567703	Somerset Area SD	Somerset	\$10,123.67	\$19,766.14
123467103	Souderton Area SD	Montgomery	\$10,792.59	\$27,028.76
103028653	South Allegheny SD	Allegheny	\$9,333.24	\$22,213.07
104107803	South Butler County SD	Butler	\$9,164.25	\$16,347.39
112676203	South Eastern SD	York	\$11,233.90	\$22,952.41
103028703	South Fayette Township SD	Allegheny	\$9,735.40	\$17,844.62
115218303	South Middleton SD	Cumberland	\$10,304.17	\$22,366.22
103028753	South Park SD	Allegheny	\$10,482.76	\$19,961.47
127047404	South Side Area SD	Beaver	\$13,941.94	\$25,588.04
112676403	South Western SD	York	\$9,993.65	\$19,539.06
117416103	South Williamsport Area SD	Lycoming	\$9,549.91	\$18,229.66
125238402	Southeast Delco SD	Delaware	\$8,945.26	\$26,361.41

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
101306503	Southeastern Greene SD	Greene	\$11,096.53	\$26,181.55
116197503	Southern Columbia Area SD	Columbia	\$8,576.13	\$15,931.40
111297504	Southern Fulton SD	Fulton	\$9,530.06	\$18,533.30
111317503	Southern Huntingdon County SD	Huntingdon	\$8,145.64	\$17,093.25
121395703	Southern Lehigh SD	Lehigh	\$12,453.16	\$23,067.65
117597003	Southern Tioga SD	Tioga	\$9,408.41	\$21,710.64
112676503	Southern York County SD	York	\$11,087.60	\$22,634.86
107657503	Southmoreland SD	Westmoreland	\$9,413.86	\$19,743.56
108077503	Spring Cove SD	Blair	\$8,303.58	\$17,042.89
112676703	Spring Grove Area SD	York	\$10,212.42	\$21,290.08
125238502	Springfield SD	Delaware	\$11,049.98	\$25,225.16
123467203	Springfield Township SD	Montgomery	\$13,621.02	\$32,374.79
123467303	Spring-Ford Area SD	Montgomery	\$10,353.62	\$27,993.50
110148002	State College Area SD	Centre	\$12,416.39	\$25,125.53
103028833	Steel Valley SD	Allegheny	\$12,326.30	\$25,634.69
115228003	Steelton-Highspire SD	Dauphin	\$7,276.08	\$20,951.29
103028853	Sto-Rox SD	Allegheny	\$8,766.09	\$21,162.05
120456003	Stroudsburg Area SD	Monroe	\$13,016.71	\$27,902.07
117576303	Sullivan County SD	Sullivan	\$14,518.10	\$30,929.86
119586503	Susquehanna Community SD	Susquehanna	\$11,543.68	\$26,451.23
115228303	Susquehanna Township SD	Dauphin	\$10,954.29	\$26,259.60
115506003	Susquenita SD	Perry	\$10,887.68	\$24,430.69
129547603	Tamaqua Area SD	Schuylkill	\$8,138.42	\$21,347.75
106617203	Titusville Area SD	Venango	\$9,729.28	\$18,043.95
117086503	Towanda Area SD	Bradford	\$9,146.96	\$19,054.26
124157802	Tredyffrin-Easttown SD	Chester	\$12,859.78	\$29,673.97
101638003	Trinity Area SD	Washington	\$10,708.68	\$24,878.92
129547803	Tri-Valley SD	Schuylkill	\$11,041.91	\$21,493.11
117086653	Troy Area SD	Bradford	\$9,822.47	\$20,578.40
114068003	Tulpehocken Area SD	Berks	\$13,692.51	\$27,496.26
118667503	Tunkhannock Area SD	Wyoming	\$10,939.47	\$24,635.57
108568404	Turkeyfoot Valley Area SD	Somerset	\$9,706.77	\$17,845.87
112286003	Tuscarora SD	Franklin	\$9,132.62	\$17,519.66
108058003	Tussey Mountain SD	Bedford	\$9,898.85	\$18,804.71
114068103	Twin Valley SD	Berks	\$9,642.58	\$24,077.10
108078003	Tyrone Area SD	Blair	\$7,794.62	\$15,471.57
104377003	Union Area SD	Lawrence	\$10,140.71	\$19,872.99
105259103	Union City Area SD	Erie	\$9,959.90	\$19,672.99
106169003	Union SD	Clarion	\$12,354.07	\$20,860.18
101268003	Uniontown Area SD	Fayette	\$9,328.50	\$19,446.31
124158503	Unionville-Chadds Ford SD	Chester	\$12,724.51	\$28,294.51
128328003	United SD	Indiana	\$11,956.15	\$24,814.96
112018523	Upper Adams SD	Adams	\$9,895.06	\$21,174.22
125239452	Upper Darby SD	Delaware	\$8,818.00	\$24,654.87
115229003	Upper Dauphin Area SD	Dauphin	\$9,735.38	\$23,259.46
123468303	Upper Dublin SD	Montgomery	\$13,530.08	\$29,158.29
123468402	Upper Merion Area SD	Montgomery	\$14,541.39	\$29,720.34
123468503	Upper Moreland Township SD	Montgomery	\$11,845.34	\$27,216.29
123468603	Upper Perkiomen SD	Montgomery	\$10,654.89	\$23,321.12
103029203	Upper Saint Clair SD	Allegheny	\$11,698.90	\$22,549.22
106618603	Valley Grove SD	Venango	\$9,887.70	\$19,416.37

## Appendix B (Continued)

AUN	School District	County	2015-16 Nonspecial Education Expenditure Per ADM	2015-16 Special Education Expenditure Per ADM
119358403	Valley View SD	Lackawanna	\$8,150.37	\$17,286.81
119648303	Wallenpaupack Area SD	Pike	\$14,242.17	\$31,604.24
125239603	Wallingford-Swarthmore SD	Delaware	\$13,274.81	\$32,171.39
105628302	Warren County SD	Warren	\$8,820.63	\$21,435.59
116498003	Warrior Run SD	Northumberland	\$9,031.97	\$17,406.64
113369003	Warwick SD	Lancaster	\$9,906.31	\$20,652.77
101638803	Washington SD	Washington	\$10,456.81	\$24,393.45
105259703	Wattsburg Area SD	Erie	\$10,079.10	\$17,996.30
119648703	Wayne Highlands SD	Wayne	\$12,147.97	\$24,248.93
112289003	Waynesboro Area SD	Franklin	\$8,054.22	\$14,947.18
121139004	Weatherly Area SD	Carbon	\$13,078.52	\$31,180.37
117598503	Wellsboro Area SD	Tioga	\$10,664.26	\$21,360.66
103029403	West Allegheny SD	Allegheny	\$11,571.07	\$22,486.17
110179003	West Branch Area SD	Clearfield	\$9,883.19	\$18,615.25
124159002	West Chester Area SD	Chester	\$11,303.25	\$25,923.22
101308503	West Greene SD	Greene	\$14,346.83	\$29,577.99
103029553	West Jefferson Hills SD	Allegheny	\$10,414.84	\$18,491.71
104437503	West Middlesex Area SD	Mercer	\$9,922.15	\$19,894.37
103029603	West Mifflin Area SD	Allegheny	\$10,957.13	\$23,479.27
115508003	West Perry SD	Perry	\$9,167.16	\$18,349.63
115219002	West Shore SD	York	\$8,508.82	\$16,745.88
112678503	West York Area SD	York	\$10,048.97	\$24,912.02
127049303	Western Beaver County SD	Beaver	\$11,286.32	\$24,158.78
119648903	Western Wayne SD	Wayne	\$11,377.55	\$22,373.59
108118503	Westmont Hilltop SD	Cambria	\$9,692.19	\$16,872.37
121397803	Whitehall-Coplay SD	Lehigh	\$9,000.73	\$19,888.68
118408852	Wilkes-Barre Area SD	Luzerne	\$11,164.54	\$23,753.03
103029803	Wilkesburg Borough SD	Allegheny	\$14,899.60	\$38,997.81
125239652	William Penn SD	Delaware	\$10,322.71	\$28,835.76
129548803	Williams Valley SD	Schuylkill	\$9,119.30	\$21,785.06
108079004	Williamsburg Community SD	Blair	\$9,801.65	\$18,969.50
117417202	Williamsport Area SD	Lycoming	\$10,168.16	\$22,613.01
104378003	Wilmington Area SD	Lawrence	\$9,980.61	\$21,952.02
120488603	Wilson Area SD	Northampton	\$10,720.32	\$22,248.18
114069103	Wilson SD	Berks	\$10,182.12	\$22,087.85
108569103	Windber Area SD	Somerset	\$9,503.47	\$19,674.45
123469303	Wissahickon SD	Montgomery	\$14,467.10	\$34,004.10
103029902	Woodland Hills SD	Allegheny	\$10,270.67	\$31,112.55
117089003	Wyalusing Area SD	Bradford	\$10,011.86	\$19,214.26
118409203	Wyoming Area SD	Luzerne	\$9,341.54	\$19,228.26
118409302	Wyoming Valley West SD	Luzerne	\$9,335.67	\$22,965.02
114069353	Wyomissing Area SD	Berks	\$11,674.56	\$23,184.64
112679002	York City SD	York	\$8,603.99	\$25,589.11
112679403	York Suburban SD	York	\$11,831.24	\$23,289.51
107658903	Yough SD	Westmoreland	\$9,738.82	\$19,648.86

Source: Pennsylvania Department of Education. Charter School Selected Expenditures Per ADM for Use in School Year 2015-2016 Final Calculation

# APPENDIX C

## Funding for Charter Schools Calculation of Selected Expenditures Per Average Daily Membership

PDE-363 (6/2010)

School District Name	County Name	AUN
Contact Person	E-mail Address	Telephone Number    Extension
Signature of Superintendent		Date

Calculation based on budgeted expenditures and estimated average daily membership

NOTE: When completing this form, use the most updated version of the budget for the school year immediately preceding the school year for which payments will be made to a charter school.

<b>FOR NONSPECIAL EDUCATION STUDENTS</b>	
TOTAL EXPENDITURES	_____ (a)
<i>Minus</i> TOTAL DEDUCTIONS (see page 2)	_____ <b>\$0.00</b> (b)
SELECTED EXPENDITURES (a - b)	_____ (c)
ESTIMATED AVERAGE DAILY MEMBERSHIP	_____ (d)
<b>FUNDING FOR NONSPECIAL EDUCATION STUDENTS</b> (c / d)	
(SELECTED EXPENDITURES PER ESTIMATED AVERAGE DAILY MEMBERSHIP)	_____ (e)

<b>FOR SPECIAL EDUCATION STUDENTS</b>	
1200 SPECIAL EDUCATION EXPENDITURES	_____ (f)
<i>Minus</i> SPECIAL EDUCATION DEDUCTIONS (see page 2)	_____ <b>\$0.00</b> (g)
SELECTED EXPENDITURES (f - g)	_____ (h)
ESTIMATED AVERAGE DAILY MEMBERSHIP <i>multiplied by</i> 0.16 (d x 0.16)	_____ (i)
SPECIAL EDUCATION EXPENDITURES <i>divided by</i> 0.16 AVERAGE DAILY MEMBERSHIP (h / i)	_____ (j)
<b>FUNDING FOR SPECIAL EDUCATION STUDENTS</b> (e + j)	_____ (k)

Provide a copy of this form to each charter school in which residents of the school district are enrolled.

Due Date:                    **August 31**

Return to:                    Pennsylvania Department of Education  
Bureau of Budget and Fiscal Management  
Division of Subsidy Data and Administration  
333 Market Street, 4th Floor  
Harrisburg, PA 17126-0333

## Appendix C (Continued)

PDE-363 (6/2010)

School District Name	County Name	AUN
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The following expenditure amounts are to be subtracted from the TOTAL EXPENDITURES reported on line (a). Deduct only the federal portion of expenditures except for the following account codes: 1200, 1500, 1600, 1700, 1800, 2700, 4000 and 5000.

NOTE: Only deduct the federal portion of expenditures if included in the Total Expenditures reported on line (a) on page 1.

### DEDUCTIONS FROM TOTAL EXPENDITURES

1100 Regular Education (federal only)	_____
1200 Special Education	_____
1300 Vocational Education (federal only)	_____
1400 Other Instructional Programs (federal only)	_____
1500 Nonpublic School Programs	_____
1600 Adult Education Programs	_____
1700 Community / Junior College Programs	_____
1800 Prekindergarten (federal only)	_____
1800 Prekindergarten (state PreK counts only)	_____
2100 Pupil Personnel (federal only)	_____
2200 Instructional Staff (federal only)	_____
2300 Administration (federal only)	_____
2400 Pupil Health (federal only)	_____
2500 Business (federal only)	_____
2600 Operation and Maint. of Plant (federal only)	_____
2700 Student Transportation	_____
2800 Central (federal only)	_____
2900 Other Support (federal only)	_____
3000 Operation of Noninstructional (federal only)	_____
4000 Facilities Acquisition, Constr. and Improvement	_____
5000 Other Financing Uses	_____
<b>TOTAL DEDUCTIONS</b>	_____ <b>\$0.00</b> (b)

### DEDUCTIONS FROM SPECIAL EDUCATION EXPENDITURES

1200 Special Education (federal only)	_____
1280 Early Intervention (state only)	_____
<b>TOTAL SPECIAL EDUCATION DEDUCTIONS</b>	_____ <b>\$0.00</b> (g)



## APPENDIX D

### Other Studies and Recommendations Concerning PA Charter Schools

**June 1997**—Act 1997-22 amends the Public School Code, and calls for an evaluation of the overall charter school program in five years.

**October 2000**—Western Michigan University, *Autonomy in Exchange for Accountability: An Initial Study of Pennsylvania Charter Schools*, reports charter schools as a group produced Pennsylvania System of School Assessment (PSSA) scores considerably lower than all non-charter schools in the Commonwealth.

**2001**—*KPMG Report* recommends expansion of the information required for a cyber charter school application and the state consider setting a cyber school funding amount for all approved cyber charter schools. The report notes larger cyber charter schools are better able to leverage their fixed costs across many students, reducing the overall per student cost.

**October 2002**—Western Michigan University—*Strengthening Pennsylvania's Charter School Reform: Findings from the Statewide Evaluation and Discussion of Policy Relevant Issues* notes that unlike several charter school laws, Pennsylvania's law places no restrictions on the total number of charter schools, and student achievement findings are not uniformly positive in the Commonwealth's charter schools.

**2004**—*The School District of Philadelphia Audit of New Foundations Charter School* identifies ethical questions and issues of conflict of interest.

**2006/2007**—*Task Force on School Cost Reduction* recommends changing the charter school law to:

- Permit school districts to weight fiscal impact as a criteria when considering new and expanded charter schools.
- Establish a single statewide tuition rate to be applied to all cyber charter schools.
- Include grants in the list of items exempt in calculations of the charter school tuition rate.
- Align the budgeting process of school districts with enrollment planning for charter schools.
- Provide best practices and guidance to school districts that will support them in creating effective truancy monitoring partnerships with charter schools.
- Increase guidance to school districts throughout the charter drafting process to ensure a high quality charter agreement.

**2007**—George Mason University, Clarke, S et al, *Balancing 'Brick and Mortar & Bits and Bytes' An Analysis of Cyber Charter School Funding in Pennsylvania* notes, at the time, Pennsylvania hosted 11 cyber charter schools—more than any state in the nation. Two-thirds of the students enrolled in cyber charter schools were previously home-schooled, and such students represent unanticipated additional costs to local school districts. Spending per cyber charter school pupil, moreover, varies by school districts. The report recommends Pennsylvania consider adoption of a sliding-scale funding approach (i.e., funding on a per pupil basis with the per pupil amount decreasing as the size of the school increases) based on actual operating costs for cyber charter schools. It also recommends the state alone be responsible for oversight and funding of cyber charter schools.

**March 2008**—Rand Education and Mathematica Policy Research, *Evaluating the Performance of Philadelphia's Charter Schools*. The researchers rely on school district data from 2000-01 through 2006-07, utilizing longitudinally linked student-level data from the Philadelphia School District, and conclude the

## Appendix D (Continued)

Philadelphia charter schools attract students whose prior achievement levels are slightly below the district-wide average, but higher than the average achievement levels of the traditional public schools they left. Charter school enrollees, moreover, are transferring to a charter with a slightly larger population of their own race/ethnicity. The study also found the average gains of students attending charter schools are statistically indistinguishable from the gains they experience while at traditional public school; and there is no evidence the district schools located in neighborhoods with greatest charter competition perform any better or worse as a result of charter competition. The study suggests other ways to assess the value of charters beyond test scores, including attendance, graduation, college attendance, disciplinary rates, course offerings, and cost effectiveness.

**July 2008**—Ballard Spahr Andrews & Ingersoll, LLP reports allegations of misappropriation and conflict of interest involving a Philadelphia charter school.

**April 2010**—City of Philadelphia Office of the Controller, *Review of Charter Schools: A Fraud Vulnerability Assessment*<sup>a</sup> finds the district has not been actively monitoring charter schools. As a result,:

- One individual who received in excess of \$500,000 per year in salary alone, was running three separate charter schools, a state-chartered cyber school, a private non-profit school, and three separate for-profit entities with the boards, employees, and funds intermingled.
- Some charter schools were setting up associated non-profits to own school properties, which allowed them to receive additional funds from the state, transfer taxpayer funded property as well as lease payments to the associated non-profits, and remove the property and funds from any School District of Philadelphia oversight.
- Corporate separateness often did not exist between the associated non-profits and the charter schools with board members and personnel of the charter school often intermingled.
- Some charter schools leased buildings that were owned by the charter school CEO and founder, some leases were signed by the same person as landlord and tenant, and some were passed through a third party for no apparent legitimate reason.
- Two charter schools had management agreements for a percentage of profits instead of set fees.
- One charter school had guaranteed loans not associated with the school for an associate non-profit, thereby obligating taxpayer funds should the associated non-profit not make the required payments.
- Charter school board members and others were not filing state mandated financial disclosure forms; such forms were not completed correctly; and some forms had misleading information.
- Some charter school officials were receiving salaries in excess of the District's Assistant Superintendents.
- Many charter schools had related party transactions that were not reported on their IRS reports or annual audit reports.
- Some schools appeared to be "family businesses" with legacy accession, and questionable hiring practices and bonuses.
- All charter schools were not in compliance with the Pennsylvania Right-to- Know Act.

The report recommends:

- Closing existing loopholes that allow shell corporations for property ownership, leasing, and additional state payments.

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<sup>a</sup> Information in the report for at least four charter schools was redacted at the request of the U.S. Attorney's Office.

## Appendix D (Continued)

- Establishing clear conflict of interest policies and allowing complete audit of any funds transferred or other dealings with associated entities or non-profits.
- Prohibiting transfers of any public funds or property or any entity without payment of fair market value.
- Establishing an independent system for determining fair market value for properties.
- Prohibiting schools from guaranteeing loans for property or items where there is no direct school involvement.
- Prohibiting agreements for any services based on percentage of revenues. Establishing an independent mechanism for determining compensation for CEOs.
- Improving charter school oversight, accountability and management, and conducting annual assessments.
- Requiring charter schools to timely submit complete records (e.g., financial disclosure reports, board minutes, RFPs, etc.) for the district to review such records for possible conflict of interest.

**September 2010**—Pennsylvania Department of the Auditor General, *Special Report: The Commonwealth Should Revise its Charter and Cyber Charter School Funding Mechanisms* notes inequality exists as the statutory charter school tuition funding formula is based on individual district expenditures and not the actual cost of education at a charter school. As a result, school districts pay different charter school per pupil tuition rates, and some school districts may be subsidizing the education of other districts' students attending the same charter school. Such tuition rate differences are more apparent with cyber charter schools. Cyber charter schools educate students at a lower cost than a brick-and-mortar charter, and many charter schools are carrying large unreserved-undesignated fund balances. The report notes problems with the statutory charter school tuition funding formula are further exasperated with the supplemental tuition reimbursement for special education students. This in part occurs as the special education formula is based on the total special education expenditures at the sending school districts and does not account for differences in the special education populations of charter schools and sending districts.

The report notes that, in PA when a school district sends a pupil to another district (or vocational-technical center), the sending district pays the receiving district's actual cost to educate a pupil and there is a year-end reconciliation process with the district of residence to resolve any payment differences. It also recognizes the need for a mandatory year-end reconciliation process and a limit on charter school fund balances in order for the financial inequities in the funding formula to be corrected.

The report recommends:

- The Governor, the Pennsylvania Department of Education (PDE), the State Charter School Appeal Board and local school districts place a moratorium on authorizing new charter and cyber charter schools until flawed charter school funding mechanisms are equitable and reasonable for charter and cyber charter schools for sending school districts and for local taxpayers.
- The PDE provide active leadership and direction in the process of modifying the Commonwealth's existing charter school funding mechanisms.

**October 2010**—Pennsylvania School Boards Association (PSBA), *Pennsylvania Charter Schools: Charter/Cyber Charter Costs for Pennsylvania School Districts* considers the impact of cyber charter schools on school district budgets highlighting reasons enrollment of residents students in cyber charter schools do not result in school district savings (i.e., district fixed costs and the statutory funding formula). The report notes the absence of accountability of charter schools to publicly elected school boards that raise tax dollars to pay for charter schools, and that the statutory formula for charter school student tuition payments substantially differs from the tuition calculation formula in place when a district charges another

## Appendix D (Continued)

district for a student (including a special education student) from another district. The report also notes school district employer contributions to the state teacher retirement system dramatically increase the tuition paid by districts to charter schools.

The report recommends:

- District tuition payments to schools be calculated based on actual charter school costs, not district spending.
- Responsibility for funding charter schools match the authorizing entity (i.e., the state in the case of cyber charter schools).
- Charter school financial reports be provided to all sending districts annually when filed with the state.
- Reasonable limits be established on the amount of unexpended funds received from school districts in the form of tuition payments with excess unused balances returned to the district(s).
- Charter school payments be included in the list of exceptions to the limits on property tax inflationary increases imposed by Act 2006-1, or the tuition payment calculation be revised.

**June 2012**—The Pennsylvania Department of the Auditor General, *Special Report: Charter and Cyber charter Education Funding Reform Should Save Taxpayers \$365 Million Annually* recommends the Governor and General Assembly save taxpayer money, while maintaining high-quality school choice options, by:

- Developing a statewide “brick-and-mortar rate.
- Developing a statewide cyber charter rate.
- Developing a funding model that avoids “double-dipping.”
- Developing limitations on private management company contracts.

In addition, PDE should:

- Lead the charge to correct the formula.
- Improve oversight of charter and cyber charter schools that are not operating in line with the approved charter or have other documented problems.

**August 2012**—The Boston Consulting Group, *Transforming Philadelphia’s Public Schools* recommends the School District of Philadelphia “reserve further expansions for [charter] schools that meet two priorities: helping to move students from low to high performing seats and limiting the financial impact on the public school system (by for instance, drawing from a specified catchment area or being willing to use a vacated District facility). The report also notes the district needs to continue taking stronger stances with persistently low-performing charters by closing them permanently.

**November 2013**—The Education Law Center recommends a moratorium on approval of cyber charter schools based on its recent report on students receiving special education services in Philadelphia, Pittsburgh, Chester-Upland, York City, and Erie City.

**January 2014**—Education Research and Policy Center, PSBA, *The Costs of Charter and Cyber Charter Schools, Research and Policy Implications for Pennsylvania School Districts* updates the earlier 2010 report and reiterates previous recommendations.

## Appendix D (Continued)

**May 2014**—The Department of the Pennsylvania Auditor General, *Special Report Pennsylvania Charter School Accountability and Transparency: Time for a Tune-Up*, based on several informational meetings and audits of school districts and charter schools, recommends:

- Funding and creation of a staffed independent statewide charter school oversight board.
- Empowerment of charter authorizers to intervene when academic, financial, management and legal problems develop, and to reward high performing charter schools.
- Requiring charter schools to present annual reports at public meetings.
- Allowing PDE to serve as intermediary between charter schools and school districts when a student classification is in dispute.
- Creating a tiered funding mechanism for special education students.
- Eliminating cyber charter school payments from school districts and replacing them with direct fixed payment amounts from the state.
- Modifying rules on admissions and enrollment; transparency; professional staff; and management and operations; including imposing limits on charter school fund balances similar to those imposed on school districts, and overhauling school building lease reimbursement provisions to provide clarity and penalties for non-compliance (e.g., related party transactions).

**June 2014**—Pennsylvania State University, Department of Education Policy Studies, Center for Rural Pennsylvania sponsored study, *Assessing the Enrollment Trends and Financial Impacts of Charter Schools on Rural and Non-Rural School Districts in Pennsylvania* notes rural districts (i.e., those with less than 284 persons per square mile) may be affected by charter school fiscal impacts given such districts' smaller economies of scale; diminished local tax revenues; shrinking state aid; additional revenue shortfalls with the end of the federal stimulus dollars in 2011; and increasing district expenditures for pension and health care costs, special education programs, and utilities. Such trends have resulted in widespread staff reductions and program cuts to balance the districts' budgets.

The study relied on various PDE public data and covered academic years 2006-07 through 2010-11 and through 2011-12 for financial data. With respect to districts' expenditure growth, the study reported the increase in tuition payments to charter schools represented 30 percent of the total increase in school district current expenditures. In other words, about \$1 of every \$3 in district spending growth was due to increased mandatory charter school tuition payments. The impact was less in rural schools (where 19 percent of district spending growth was due to charter school tuition payments), and greater in urban schools (where 33 percent was due to charter school tuition payments).

With respect to local school district real estate taxes, the study found the percent of real estate taxes required to fund charter schools for all districts increased from 4 percent in 2006-07 to almost 7 percent by 2010-11. In 2011-12, with elimination of state reimbursement to school districts for charter school tuition, the share rose to 10 percent. Rural districts had a lower share of their real estate taxes needed for charter school tuition, ranging from 2.4 percent in 2006-07 to just over 6 percent in 2011-12. Urban districts faced consistently higher tax burdens for charter school tuition, with the share of their real estate taxes ranging from 4.4 percent to 10.9 percent by 2011-12. By 2011-2012, the increase in charter school tuition payments exceeded the annual increase in real estate tax collections. The study, moreover, concluded the charter school tuition payment growth rate was exceeding the maximum permitted rate of increase of local school district property tax levies under Act 1, thus implying many districts must divert funds from existing instructional programs and services to pay for statutorily mandated charter school student tuition.

The study also drew other conclusions based on analysis of school performance and demographic data. In particular, it noted "more scrutiny needs to be put on charter schools to ensure they are providing for similar types and proportions of special needs students in a cost effective manner. A single payment amount for all types of special education students does not reflect the wide variation in costs of different

## Appendix D (Continued)

types and intensities of services that various students need. Under the current funding formula for special education tuition payments, the charter schools received substantially more in tuition payments for special education students than they reported spending for special education.”

**July 2014**—City of Philadelphia Pennsylvania Office of the Controller, *Charter School Oversight School District of Philadelphia Follow-up Review* recommends changes to the current statute to include requiring:

- A charter school audit include audit of the school’s associated non-profit organization.
- A charter school request an opinion from the PA Ethics Commission whenever the leadership of charter schools and their associated non-profit organizations experience the appearance of a possible conflict of interest concerning shared governing boards, related party transactions, management and lease contracts.
- Board meeting minutes for charter schools and minutes of their associated non-profit organizations clearly record the vote of each member on any resolution as required by Pennsylvania law.
- The margin between a lease payment and mortgage payment be considered along with the fair market value of the lease payment prior to approving a charter school’s building lease arrangement.

**October 2014**—City of Philadelphia Pennsylvania Office of the Controller, *The Impact of Charter Schools on the Finances of the School District of Philadelphia* notes that, among large urban cities, only Detroit and Philadelphia enroll more than 20 percent of their public school students in charter schools; and the rapid growth of charter schools since 2000<sup>b</sup> has placed tremendous strain on the District’s financial resources. District expenditure savings are not commensurate with the transfer of resident district students to charter schools. Just under \$97 million of the District’s \$242 million saving due to the closure of 29 schools was due to the shift of students out of district to charters, while the cost of the charter schools to the district was \$600 million. In other words, the net cost of charter schools to the District was about \$503 million. In 2013, the District had a deficit in the \$70 million range, and Philadelphia charter schools had an aggregate positive balance of \$117 million.<sup>c</sup> According to the report, Pennsylvania’s charter school tuition-based model fails to account for the totality of District costs and bears little or no relationship to the expenditures of the charter schools. Philadelphia charter schools on a per student basis spend on average 38 percent less on Instruction and Support than the traditional public schools; twice as much on Administrative Services than the traditional public schools; and on average 50 percent less on special education than the traditional public schools. In addition, the report notes lack of budgetary coordination with the charter school sector leaves the District in a constant state of fiscal uncertainty. The ending of state reimbursement to the District for a portion of charter school tuition costs, moreover, resulted in a loss to the District of at least \$100 million annually. The report recommends:

- Overhauling the state mandated charter school non-special education tuition funding formula to reflect student need and actual costs, with adjustments for the demographic differences between charters and traditional schools.
- Overhauling the special education tuition funding formula supplement to take into account varying levels of student need.

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<sup>b</sup> From about 2 percent (3,225 students) in 1999 to more than 30 percent (61,740 students) with an additional 10 percent of Philadelphia charter students attending a cyber charter or charter school outside of the district.

<sup>c</sup> The report acknowledges there is great variation in the fiscal health of the charter schools, with roughly 30 percent of such schools accounting for more than 80 percent of the \$117 million positive fund balance in 2013.

## Appendix D (Continued)

- Creating a robust structure of accountability for charter schools to include a joint budget process.
- Requiring the District collaborate with its charter office to produce a Five-Year Financial Plan with annual updates; along with creation of an independent fiscal review board (analogous to the Pennsylvania Intergovernmental Cooperation Authority) to annually review the plan, reject budgets that are unsound, determine appropriate levels of fund balance reserves to ensure the fiscal stability of the charter and public school sector, and ensure financial predictability for the entirety of Philadelphia publicly funded educational system.
- Reinstating state funding for a portion of the District's charter school tuition payments.
- Maintaining a single local authorizer for charter schools as multiple local organizers result in District financial instability.

**January 2015**—The PEW Charitable Trusts, *A School Funding Formula for Philadelphia* discusses Pennsylvania's approach to providing state funds for local school districts and its approach to charter school funding. The study concludes Pennsylvania's current charter school funding system places a greater financial burden on local districts than do the systems in five (Massachusetts, Michigan, Ohio, Texas, and Wisconsin) of the 10 states studied, and roughly the same burden as the systems in the remaining five states (Florida, Illinois, Maryland, New York, and Tennessee), which mandate local funding for charter schools. The study further concludes that depending on how the charter school funding formula and charter financing issues are resolved "...will go a long way toward determining how the School District of Philadelphia, which has been in near-constant crisis in recent years, fares in the years ahead."

**December 2015**—The PEW Charitable Trusts: *How Charter School Governance in Pennsylvania and Philadelphia Measure Up* compares oversight of charter schools in Pennsylvania and 15 other states (California, Colorado, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Texas, and Wisconsin) with at least one major urban school district and substantial number of charter students. Relative to other states, Pennsylvania had a high percentage of charter students enrolled in state-based cyber charter schools, and permits a higher percent of noncertified teachers in charter schools.

**May 2016**—City of Philadelphia Office of Controller, *Review of Charter School Oversight* found in its review of 12 charter schools that five leased their facilities from their education service providers<sup>d</sup> and/or related entities. In addition, occupancy and leasing arrangements, bank loan guarantees and subordination of leases raised concerns regarding the arms-length nature of some transactions. Absence of arms-length elements in such transactions increased risk of waste, fraud and mismanagement. Among others, the report recommends the Pennsylvania General Assembly reform the Charter School Law "to empower school districts with greater oversight and compliance authority over education service providers and their associated entities, and propose procedures that include penalties on charter schools and education services providers for non-compliance of rules and regulations."

**August 2016**—The Pennsylvania Department of the Auditor General, *Pennsylvania Department of Education, Charter School Payment Appeals* recommends legislative changes to the portion of the Public School Code, as amended, providing for PDE intercept of tuition payments at the request of charter schools. The performance audit also noted that 74 percent of all payment appeals were in open status, including general appeals that were in such status for almost 3 and 1/2 years without follow-up by PDE.

**August 2016**—Pennsylvania School Boards Association (PSBA), *Charter School Revenues, Expenditures and Transparency*, using PDE and IRS 990 Form data, highlights differences in expenditures for instructional services, financing, administration, charter school management, occupancy, and advertising

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<sup>d</sup> According to the report, education service providers appear to be the parent corporation of their associated charter schools that are not operating as independent organizations.

## Appendix D (Continued)

expenditures. It also documents special education funding formula and cyber charter school funding issues that result in overpayment by school districts. Of the 134 charters that responded to the Right-to-Know request, 79 reported at least some advertising expenses that totaled \$4.35 million in FY 2014-15, and 55 charters reported no expenditures on advertising or provided no records related to advertising. Five charters (including 2 brick and mortar and 3 cyber charters) reported advertising expenditures that exceeded 1 percent of their total expenditures. This equates to \$42 to advertise for every child enrolled in the 134 charter schools. Ten charters, however, spent more than \$75 per student on advertising. None reported spending more than \$500 per student on advertising in their response to the Right-to-Know request, though three charter schools reported spending more than \$500 per student on their IRS 990 Forms. The top five advertising expenses on the IRS 990 Form and the four top advertising expenses from the Right-to-Know submissions all belong to the cyber charter schools.

The report also concludes the current charter school funding formula consistently results in overpayment to charter schools for special education students. To illustrate the point, it notes that in 2014-15, 27,411 resident school district and charter school students needed special education programs that cost more than \$25,000. Of those students, 96 percent were educated by funds paid by school districts. Students needing special education programs and services costing more than \$25,000 also made up a greater portion of special education students in school districts (10.6 percent) than charter schools (4.8 percent).

The report recommends:

- Charter schools be held to standards of accountability and transparency that equal those of traditional public schools, including clear and consistent standards on lease agreements.
- Spending on advertising be better regulated.
- PDE be give the authority and take responsibility for a greater level of oversight of the charter schools and their compliance with all applicable laws as school districts alone cannot be responsible for ensuring that charter schools are in compliance with state and federal laws and regulation (including the Ethics Act, Right-to-Know Act, Sunshine Law, parts of the school code that are not clearly stated in the Charter School Law).
- School districts be authorized to implement options other than moving to revoke a charter (e.g., suspend the school's charter until the charter school comes into compliance, withhold payments, or amend the charter) to ensure charter schools comply with the law, regulations, and the approved charter.
- The General Assembly strengthen and clarify the Charter School Law to expand, explain and update standards for the charter application and criteria for approval, and establish default closure criteria for mandating the non-renewal or revocation of a charter.
- The General Assembly should establish an administrative fee for authorizers (i.e., school districts and PDE) to assist with the cost of authorizing, monitoring and related responsibilities.
- The charter school funding formula for special education students be based on the same three-category formula enacted by the Pennsylvania General Assembly in 2014 at the recommendation of the Special Education Funding Commission.
- Charter schools be required to annually report to the referring school district the actual cost of special education services provided to its students, and where the school district has paid more than the actual cost, there be a method for the charter to return the overpayment to the sending school district.
- The state establish a fair, balanced commission to study and make recommendations on charter school funding and financial operations. The commission should be modeled after the two previous commissions for Special Education and Basic Education, and focus only on finances. The study should include charter school foundations and charter school management companies. The proposed commission should also consider differences in instructional



## Appendix D (Continued)

costs in cyber charter schools from that of the online academic programs provided by traditional public schools. Where school districts offer a comprehensive online academic curriculum, cyber charter tuition should be capped at the school district's cost to provide online education. Where the school district does not offer online education, the commission must recommend a funding formula that reflects the actual instructional costs to provide online education.

**September 2016**—United States Department of Education, Office of the Inspector General, *Nationwide Assessment of Charter and Education Management Organizations, Final Audit Report* notes Pennsylvania provided funding data for its audit, but could not identify which Pennsylvania charter schools use charter management organizations (CMO). Based on its audit of selected charter schools in southeastern Pennsylvania, the audit notes at one charter, four board members had potential conflicting interests with the CMO as they were appointed by the CMO chairman, and the president and chief financial officer signed the management contract on behalf of both the charter school and the CMO. The audit also identifies the potential for misuse of public funds at one of the charter schools as the chief executive officer of one CMO had authority to write and issue checks without charter board approval and wrote checks to himself from the charter school accounts totaling about \$11 million during the 2008-09 school year. A vendor that supplied services to a Pennsylvania charter school was owned by the charter's CMO, and the charter school paid the CMO \$485,000 without the charter school board approval over a six year period. The charter board did not independently approve vendor services because the CMO had significant authority over charter school operations. The report also notes that, when Pennsylvania auditors requested information for their audits from a CMO that operates in eight states, the CMO refused to provide financial information related to the Pennsylvania charter school's management because the CMO claimed the information was private and proprietary.

In summary, of the five Pennsylvania charter schools with CMOs, 3 had internal control weaknesses, 4 potential conflicts of interest, 1 had related-party transactions, and 2 insufficient segregation of duties. The federal audit also notes that the Commonwealth's monitoring tools for federal Title I, IDEA, and SIG (School Improvement Grants) did not have steps to review conflicts of interest, related-party transactions, or insufficient segregation of duties. In addition, the SIG monitoring tool did not fully incorporate indicators suggested to monitor Student Achievement and School Accountability Programs monitoring plans for the SIG program. In response to the federal audit, Commonwealth officials indicated the state is only responsible for oversight of virtual charter schools, and authorizers are responsible for oversight of brick and mortar charter schools. According to officials, each charter school's independent auditor files a budget for the charter school with the PA Department of Education and an annual financial report with the Governor's Office. The Governor's Office reviews the annual financial report for compliance with generally accepted accounting principles to confirm the charter schools received funds.

Source: Developed by LB&FC staff.