

Charter and Cyber Charter School Funding and Accountability

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Earlier this year in February, State Auditor General Jack Wagner was the keynote speaker for the Norwin School District's Business Education Roundtable in which he addressed several regional and statewide topics. One of those topics included charter and cyber charter schools and the fact that these schools are receiving school district funds in excess of their costs to educate their students. Auditor General Wagner emphasized the need to consider changes to the Public Charter School Act, mainly accountability and funding reforms to cyber charter schools in the Commonwealth of Pennsylvania.

State Rep James Roebuck (D-Philadelphia), Democratic chairman of the House Education Committee, recently introduced HB 1657, a bill that addresses accountability and funding reforms to charter and cyber charter schools in the state. This proposed legislation creates an Office of Charter and Cyber Charter Schools within the Department of Education for oversight of those schools' functions and makes funding a state responsibility.

The legislation, which is currently being considered by the House Education Committee through a series of public hearings, is long overdue in terms of accountability and funding. It places unreserved fund balance limits on charter and cyber charter schools based on their budgets, similar to those required under law for school districts – 8 to 12 percent of their budgets. Under House Bill 1657, school districts would save an estimated \$187 million as the state assumes full cost for funding cyber charter schools.

The Pennsylvania Association of School Business Officials, which supports House Bill 1657, states, "Currently, school districts make vastly different payments to cyber charter schools, depending on the sending district, with some school districts paying more than the usual cost of instruction, and some paying less. This leads to some school districts subsidizing other school districts' charter school students. Under current law, charter schools also receive more funding than they need to educate students, and they have an unlimited ability to hold local tax dollars."

\$225 million in state reimbursements to local school districts for charter and cyber charter school tuition was eliminated under the 2011-2012 state budget, resulting in a loss of 24 % to 30 % in reimbursements based on respective per-pupil costs for every student living within the sending school borders who enrolled in a charter or cyber charter school. The tuition payments vary from \$5,000 to \$10,000 for regular education students, while the cost of educating a special needs student may be double the tuition cost.

In 2010-2011, the Norwin School District had just under 100 students enrolled in cyber and cyber charter schools, paying in excess of \$850,000 in tuition. These tuition payments, coupled with a loss of \$175,000 in state reimbursement, have a significant impact on the local school budget. This loss of revenue means that funds are directed away from sustaining the quality of Norwin's educational programs and services now and in the future. Under the proposed legislation of House Bill 1657, the Norwin School District would benefit from a more fair system and relief of mandates with an estimated savings of \$545,087.

The Roebuck legislation provides a comprehensive approach to improve oversight and accountability for charter public schools – both traditional and cyber – and relieves school districts of \$187 million in mandated costs for cyber schools by having the state fund those costs. Rep. Roebuck believes this is a more fair way to fund charter and cyber charter schools than increased reliance on local property taxes. The bill includes several provisions also found in reform bills introduced by Republican members of the House and Senate, hoping that there will be a bipartisan pathway and effort to achieve significant reforms for students and taxpayers. Education entities are advocating support for any legislation which addresses the accountability and funding aspects of public charter schools.

The Pennsylvania Association of School Administrators testified before the House Education Committee in August, 2011, and stated the following, “Several of the reforms proposed in various bills introduced in the General Assembly, particularly those concerning accountability and oversight, are long overdue, and we urge prompt action to strengthen accountability for charter schools. Placing charter school officials under the Sunshine Act, Right-to-Know Act and State Ethics Act and improving oversight generally are much needed. Taxpayers must be assured that limited public resources are being utilized in a transparent and cost effective manner and that the primary beneficiaries are the students they intended to serve.”

House Bill 1657 makes several reforms to the charter and cyber charter school law. It establishes state responsibility for funding cyber charter schools that is more fair, relieves school districts of a major funding mandate, and improves administrative oversight and accountability for these schools. House Bill 1657 makes these major revisions, as follows:

- 1. Creates an Office of Charter and Cyber Charter Schools within the Department of Education, which would have oversight of those schools' functions, including the ability to investigate complaints of fraud, waste and mismanagement. This office would also serve as a local school board for the purpose of funding cyber charter schools through state basic education funding.*
- 2. Makes funding of cyber charter schools a state responsibility, relieving school district budgets from this burdensome mandate. Since the state approves, renews and provides administrative oversight for cyber charter schools, it should be the state's responsibility to adequately fund these schools. School districts would save an estimated \$187 million*

as the state assumes full cost for funding cyber charter schools. School districts would not receive any state funding for resident students who attend a cyber school.

- 3. Places unreserved fund balance limits on charter and cyber charter schools based on their budgets, similar to those required under law for school districts – 8 to 12 percent of their budgets.*
- 4. Improves accountability of all charter school administrators and board members by tying their performance to the state Ethics Act and other standards of conduct recommended by a national charter school law model.*
- 5. Improves academic accountability of charter and cyber charter schools by basing renewal of these schools' charters on their students meeting academic performance requirements that our public schools must meet.*
- 6. Revises the application procedure for the creation of a charter school or cyber charter school by requiring the newly formed office of charter and cyber charter schools to create a standardized application to be used by all applicants throughout the state. The application form will also be expanded to capture more information about the charter school's proposed organization structure, standards for performance and curriculum.*
- 7. Requires the office to set a minimum age for beginners for students attending cyber charter schools. The office would only be required to provide funding for students attending a cyber charter school who meet that minimum age.*
- 8. School districts that do not transport resident students on a daily basis also would not be required to transport students who attend a charter school or regional charter school.*
- 9. Prohibits the consumption, purchase or sale of alcohol in any charter school facility and prescribes penalties for violations of this prohibition.*
- 10. Requires cyber charter schools to ensure their students are in compliance with the compulsory attendance laws and makes them responsible for instituting truancy proceedings as stated in the Public School Code.*

It is in the best interest of all Pennsylvania school districts and taxpayers to support legislation such as House Bill 1657 which has the necessary provisions to address the shortcomings of the current Public Charter School Act. Provisions to improve accountability, oversight, funding, ethical practices, and the transparency of school governance for charter and cyber charter schools will level the playing field for public education and school choice and ensure that students remain the primary beneficiaries through an efficient and cost-effective K-12 educational system in the Commonwealth of Pennsylvania.

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