

Issue: PA Education

Pennsylvania Charter Schools: Funding, Outcomes, and Accountability

Charter Schools Premise

Charter Schools in Pennsylvania are taxpayer-funded public schools that are privately operated. However, charters may be operated by for-profit entities. As first conceived in the 1990s, charter schools would be free to experiment with different methods of teaching and those that failed would close. Traditional public schools would be spurred by the competition with charters to improve their performance. In keeping with their mission to innovate, charter schools would be free from many of the constraints that govern traditional public schools.

About eight percent of children in Pennsylvania attend charter schools and a quarter of those students attend cyber charters.^{1,2} The state does not limit the number of charters nor the number of students enrolled in a particular school.³

The information in this report pertaining to funding also appears in the Local Majority paper, [K-12 Education Funding in Pennsylvania](#).⁴

Charter School Funding

School districts receive funds from local property taxes and from the state and federal governments. In turn, school districts supply charters with the vast majority of their funding in the form of "tuition" payments.⁵

Whenever a student enrolls in a charter school, the charter school receives "tuition" from the student's home district. Hence, the tuition the charter receives is based on how much it costs to educate that student in the student's home district. (Charter school students do not necessarily attend charter schools in the same district as their traditional public school.)

When students transfer from a traditional public school to a charter school, the costs of the traditional school do not decrease.⁶ Salaries remain the same, as do other infrastructure costs, but the school district has less money because of the "tuition" paid to the charters. (For a time, the state did reimburse school districts for the loss of funding when students transferred to charters, but that practice ended in 2011.⁷)

Pennsylvania has over 37,000 students who attend cyber charter schools, where all instruction is conducted online.⁸ The cost to educate a student at a cyber charter—about \$5000—is much less than at a brick-and-mortar school. However, the tuition received by those schools does not reflect the lower costs they incur; it has been estimated that \$290 million in unneeded funding is received by charters every year.⁹ Many school districts offer a cyber option (distinct from the cyber charters) at much lower rates than those of the cyber charters' tuition.¹⁰

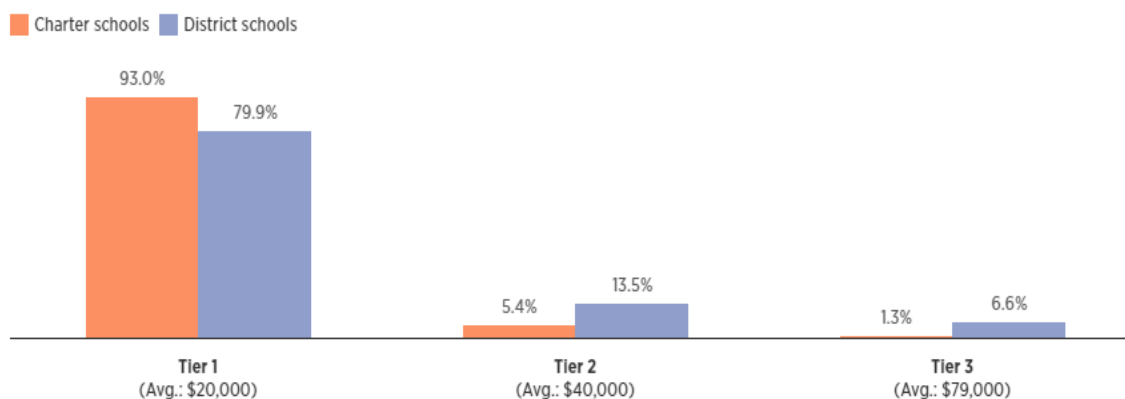
Since the 2007-2008 school year, charter school tuition payments have increased by 139.3% in a period during which enrollment has increased 97.4%.¹¹

Special Education Funding in Charters

The costs of educating special education students vary, depending on individual students' needs. However, sponsoring school districts pay the charter schools the same amount for each special education student, regardless of the child's disability. The bar chart below, with data for Philadelphia, shows that charter schools have a lower percentage of students with severe disabilities than those in traditional public schools. This means that charter schools are receiving higher tuition for special education students than the amount spent on special education students in traditional schools in Philadelphia. In other words, charter schools are receiving more than they need for their special education students. In 2012-2013, charter schools received over \$350 million but only spent about \$156 million—a difference of almost \$200 million.¹²

Spending on Special-Education Students

Pennsylvania classifies special education students into three tiers, based on the severity of their disability. The current funding formula requires districts to pay charters one rate for special-education students, based on an average of what the district spends on its own special-education students. The school district's concentration of needier students increases the rate charters receive for special education students – even though the vast majority of charter students fall into the lowest-needs category.



Average District spending per tier is in parenthesis

<https://www.inquirer.com/education/charter-schools-philadelphia-special-education-costs-20200221.html>

Lack of Accountability of Charters

Pennsylvania is notorious for lack of charter school accountability and financial oversight. Auditor General, Eugene DePasquale, said in 2016, “Our charter school law is simply the worst charter school law in the United States.”¹³

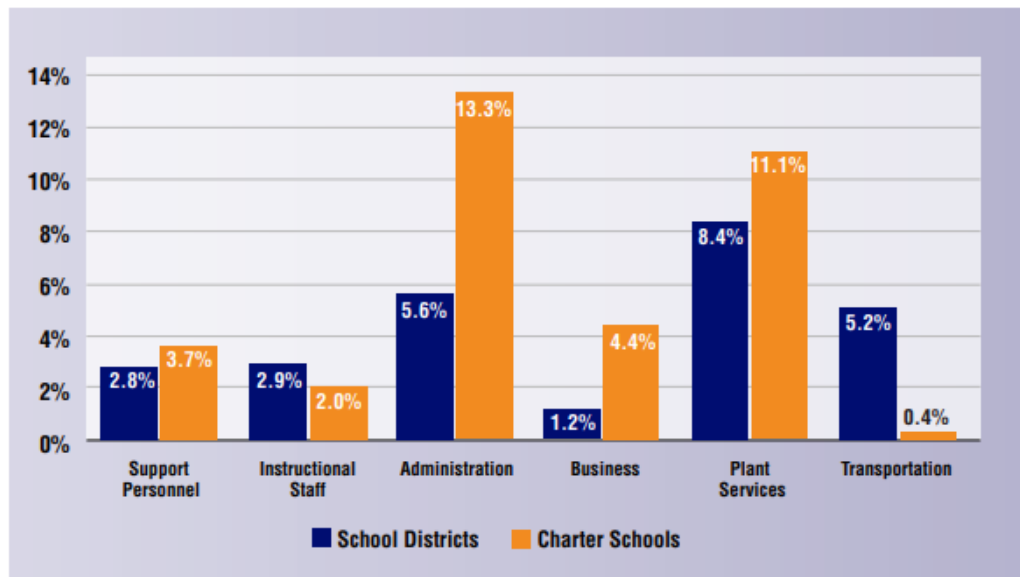
Basic oversight of traditional public schools comes from an elected school board. Charters have boards of trustees, but these are appointed, not elected.¹⁴ The Pennsylvania Auditor General's office has found some charter boards that fail to monitor budgets and fail to solicit bids on construction projects.¹⁵ There is no requirement that charter schools be independently audited.¹⁶ Trustees have sometimes failed to hold open meetings when required.¹⁷ Charter schools in Pennsylvania are required to provide various reports to the public, but they sometimes ignore these requests.¹⁸

Charter schools can be run by management organizations, and these management organizations can be for-profit entities. The management organizations do not have to abide by the Pennsylvania charter school law.

Inflated Overhead Costs

Charter schools spend a lot more than traditional public schools on overhead costs.¹⁹ Costs for principals and other top administrators are about double those of traditional public schools. Some charters have spent more than 1% of all expenditures on advertising.²⁰ In addition, charter schools are not responsible for transportation of their students; that falls on the school district.

Figure 7 Percentage of Overall Expenditures by Support Sub-Function



<https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

Dubious Practices and Outright Fraud

Most charter schools are not engaging in unethical practices. But some are.

One instance uncovered by the Auditor General's office pertained to the bidding for construction of a charter school. Because the bidding was done by a management company, bidders were able to evade the bidding process that public schools must follow.²¹

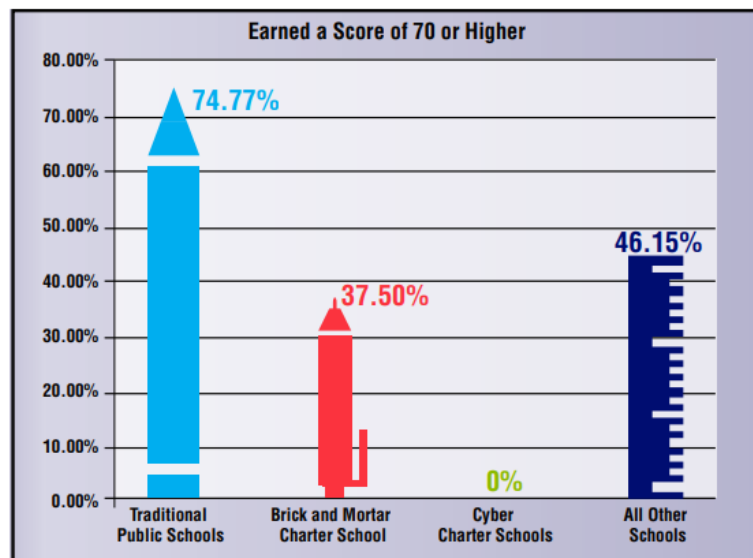
In another instance, the Chester Community Charter School, the largest charter in the state with more than 4000 students, has been rife with various types of corruption.²² It was found to have cheated on the state assessment exams. It is run by a for-profit management company that spends 27% of its available funds on management fees. In an instance of financial fraud at another charter, school funds were used to pay personal credit card bills and for other businesses owned by the school officials. An exposé about these schools and others can be found here: <https://www.washingtonpost.com/education/2019/09/03/how-big-mess-is-pennsylvanias-charter-school-sector-this-big/?noredirect=on>

Educational Outcomes of Charters

Just as there is a wide range of academic achievement in traditional schools, the same is true with charter schools: all schools have both high and low performers. Charter schools as a rule do not outperform traditional public schools, according to the most recent study of Pennsylvania charters by the Center for Research on Education Outcomes at Stanford University. This 2019 study says that "the typical charter school student in Pennsylvania makes similar progress in reading and weaker growth in math compared to the educational gains that the students would have had in a traditional public school (TPS). Thinking of a 180-day school year as 'one year of learning,' an average Pennsylvania charter student experiences weaker annual growth in math equivalent to 30 fewer days of learning." Cyber charter schools have especially poor outcomes; the Stanford study reports that "attending an online charter school leads to substantially negative learning gains in both reading and math."²³

Another indicator of school performance is the School Performance Profile, also known as the Act 83 Building Level Score. This score evaluates teachers, principals and academic performance by school and is shown below for the 2013-2014 school year.

2013-2014 Schools Earning a School Performance Profile Score (SPP) of 70 or Higher



Source: Pennsylvania Department of Education

<https://www.psba.org/wp-content/uploads/2015/07/PSBA-Special-Report-Charter-School-Reform.pdf>

Conclusion

Governor Wolf has had numerous recommendations for reforming charter schools. For example, he wants to ensure charters and management companies are held to the same level of accountability and transparency as public schools. He would limit enrollment at poorly performing charters. He wants admission and enrollment policies that are transparent and that do not discriminate. He believes that the funding of charter schools should be more predictable and fairer for school districts. He would develop funding formulas for charter schools that are more in line with actual costs. He would also like to see improved financial oversight such as subjecting all contracts to public bids, regular

financial audits, and ensuring that there are no conflicts of interest or financial benefits among administrators of charter schools. A more complete list of Governor Wolf's reforms can be found here: <https://whyy.org/articles/after-years-of-gridlock-wolf-plans-executive-action-on-charter-school-reform/>

To enact many of these reforms, Governor Wolf will likely need the support of a Democratic legislature.²⁴

Republicans do not seem to be interested in accountability, as they sponsored two bills in 2019 which would lead to *less* transparency. One bill, HB 356, would allow charter schools to expand their facilities without approval from the school district. HB 357 would permit charter schools from expanding without knowledge of the school board and would prevent the districts from acquiring information pertaining to fiscal management and student performance. Both bills passed in the House but are stalled in the Senate.

Further Reading

How Charter School Governance in Pennsylvania and Philadelphia Measures Up
https://www.pewtrusts.org/-/media/assets/2015/12/overseeingcharterschools_v5.pdf

How big a mess is Pennsylvania's charter school sector?
<https://www.washingtonpost.com/education/2019/09/03/how-big-mess-is-pennsylvanias-charter-school-sector-this-big/>

Charter School Revenues Expenditures and Transparency
<https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

The Critical Need for Charter School Reform
<https://www.psba.org/wp-content/uploads/2015/07/PSBA-Special-Report-Charter-School-Reform.pdf>

¹ https://ballotpedia.org/Charter_schools_in_Pennsylvania

² https://www.pewtrusts.org/-/media/assets/2015/12/overseeingcharterschools_v5.pdf

³ https://www.pewtrusts.org/-/media/assets/2015/12/overseeingcharterschools_v5.pdf

⁴ https://www.localmajority.org/research-reports/#PA_educ_funding

⁵ <https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

⁶ https://www.pottsmmerc.com/news/haves-and-have-nots-60-of-pa-school-districts-headed-for-fiscal-stress/article_7cal9576-8bcd-11e9-b92f-778e1a1fa7d2.html

⁷ <https://whyy.org/articles/new-report-on-pa-charter-school-growth-finds-stranded-costs-linger-five-years-later/>

⁸ <https://whyy.org/articles/cyber-charters-in-pa-keep-teaching-amid-confusion-in-coronavirus-shutdown-order/>

⁹ <http://educationvoterspa.org/blog/new-report-cyber-charter-waste-grows-to-290-million-in-taxpayer-money-annually/>

¹⁰ <http://publications.psba.org/publications-and-reports-2020-state-of-education/0201117001588172444>

¹¹ <https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

¹² <https://www.psba.org/wp-content/uploads/2015/07/PSBA-Special-Report-Charter-School-Reform.pdf>

¹³ <https://whyy.org/articles/pa-charter-school-law-worst-in-us-state-auditor-general-says/>

¹⁴ <https://www.penncapital-star.com/education/pennsylvanias-charter-schools-explained-how-they-work-and-why-gov-wolf-wants-to-reform-them/>

¹⁵ <https://apnews.com/1alecd17528242d98f3314fc6c509f0d>

¹⁶ https://www.psba.org/wp-content/uploads/2014/09/A_Closer_Look-Uneven_Playing_Field-053014.pdf

¹⁷

https://www.lehighvalleylive.com/bethlehem/2018/09/review_over_charter_schools_25m_land_deal_finds_loophole_auditor_says.html

¹⁸ <https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

¹⁹ <https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

²⁰ <https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

²¹

https://www.lehighvalleylive.com/bethlehem/2018/09/review_over_charter_schools_25m_land_deal_finds_loophole_auditor_says.html

²² <https://www.washingtonpost.com/education/2019/09/03/how-big-mess-is-pennsylvanias-charter-school-sector-this-big/?noredirect=on>

²³ https://credo.stanford.edu/sites/g/files/sbiybj6481/f/2019_pa_state_report_final_06052019.pdf

²⁴ <https://www.pennlive.com/news/2020/02/pa-gov-tom-wolfs-charter-school-reforms-re-ignites-firestorm-with-advocates-parents.html>