

# The Cost of School Choice: Time for a Change in Charter School Legislation

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*Joint Statement of the Superintendents of the Carbon, Lehigh, Monroe, Northampton and Pike Counties*

## **ABSTRACT**

The purpose of this report is to highlight the increasing costs to local taxpayers for public school students attending brick and mortar and cyber charter schools within the geographic regions of the Carbon, Lehigh, Monroe, Northampton and Pike counties. Issues related to funding, governance and performance continue to escalate with little to no input from local taxpayers on how their money is spent for public education, thereby placing even greater restraints on our local public schools. These issues have been under scrutiny by two consecutive Pennsylvania Auditor Generals, the current Auditor General Eugene DePasquale and the former Auditor General Jack Wagner. Former Auditor General Jack Wagner, in 2010 and 2012 published reports highlighting these growing concerns and provided both the Pennsylvania Department of Education and the legislature with recommendations and specific actions for correcting these issues. New Auditor Eugene DePasquale has called on the Pennsylvania Department of Education to exercise greater oversight to the improper receipt of state rental reimbursement by charter schools. He has held public meetings throughout the Commonwealth seeking testimony on the PA Charter School Law challenged our legislators to take action to revise the PA Charter School Law.

The superintendents of this five-county region seek to reiterate these concerns at the local level by providing the local taxpayers, legislature and the Pennsylvania Department of Education with relevant data on the regional impact that results from the lack of action to control these issues.

## **HIGHLIGHTS**

- Flawed funding formula:
  - Public, taxpayer dollars fund brick and mortar and cyber charters at the same rate, regardless of the actual costs for the child's education.
  - Special Education costs are significantly higher than regular education costs, regardless of the type of service provided.
  - There is no restriction on the size of the fund balance allowed for charter schools, and unspent funds are not returned to the school district.
  - Brick and mortar and cyber charter school funding is based on the budget of the resident school district, not the actual operating costs of the schools.
  - Each school district pays a different amount of tuition for its students to attend the same brick and mortar and cyber charters.
- Ineffective governance of brick and mortar and cyber charters:
  - Privately appointed board trustees govern brick and mortar and cyber charter schools, free from taxpayer accountability.
  - Brick and mortar and cyber charters can insulate themselves from public scrutiny by establishing a not-for-profit foundation or similar entity that owns the school building.
  - Brick and mortar charters can select board members who are not required to be residents of the chartering district.
- Performance disparities:
  - Regionally, public schools continue to outperform brick and mortar and cyber charter schools.
  - Brick and mortar and cyber charters are exempt from providing services to gifted students that are required to be provided by public schools.
- Different rules and standards:
  - Public schools are required to have 100 percent highly qualified teachers. Only 75 percent of brick and mortar and cyber charters' professional staff needs to be professionally certified.
  - Public schools must now consider student performance as a fact in teacher evaluations. Brick and mortar and cyber charters have been exempt from this requirement.

In May 2011, the superintendents of the Carbon, Lehigh, Monroe, Northampton and Pike Counties developed a regional position paper designed to enhance public awareness of the disparities between public schools and charter/cyber charter schools in Pennsylvania. Relative to performance data, tuition costs and accountability measures, the key findings outlined at that time were:

- Elimination of PDE reimbursement to public schools to offset the tuition costs to charter/cyber charter schools,
- Lesser standards of accountability and oversight of charter/cyber charter schools, and
- Lower levels of performance of charter/cyber charter schools as compared to their public school counterparts.

It is our belief that the lack of public knowledge regarding these issues, particularly as it relates to the spending of taxpayer dollars, should be brought to the forefront and that with greater public awareness, legislators and the taxpayers of the Commonwealth will be better equipped to make decisions for the good of all students, regardless of their school of choice.

School choice is not the subject of this paper. Charter and cyber charter schools are a viable option for our students. Likewise, the school choice debate has raised some awareness and prompted several questions about how charter/cyber charter schools operate, including spending, tuition costs, revenue and fund balance issues. In a 2010 special report published by Bureau of Special Audits, the PA Auditor General, Jack Wagner, highlighted the impact of the flawed charter school funding formula on public school districts across the Commonwealth. The aforementioned 2010 report also included recommendations for addressing the problems associated with the funding formula. Corrective measures that further addressed the disparities in the state reimbursement to public schools to help offset these costs to taxpayers were also proposed. Since that time, this reimbursement to public schools was eliminated from the state budget, causing an even greater impact on local taxpayers, thereby exacerbating the flaws in the current funding formula for charter/cyber charter tuition payments by our public schools.

### **Funding Formula Revisions**

If you believe in “choice” in public education, you should know that school districts and local taxpayers in Pennsylvania pay for charter schools. Last school year, charter schools consumed over one billion dollars in taxpayer dollars, with insufficient accountability and worse student performance results than our public schools.

Charters and cyber charters are not “free” as they are generally advertised. They are funded by a state-mandated formula draining local tax dollars from school districts, causing property tax increases and cuts in staffing and programs. School districts are mandated to send their local cost per pupil expenditure to the receiving charter school for any student who resides in the district, but attends a brick and mortar or cyber charter school. Governor Corbett’s 2011- 2012 budget cut for the state subsidy reimbursement (25-30% of the costs) school districts had been receiving for charter school students placed an even greater burden on districts and the local taxpayer.

The 2012 report of the PA Auditor General, demonstrates an annual savings of \$365,000,000 to local taxpayers with the implementation of a more equitable, overhauled funding formula for tuition payments to charter/cyber charter schools. The 2012 report further demonstrates inequities in the formula requiring local public schools to pay the same per pupil tuition rates for brick and mortar charters as for cyber charter schools, regardless of the actual costs for the education of those students. Furthermore, the formula is based on the **sending school district** tuition cost per student, which varies from district to district. These variations cause the tuition payments to charter/cyber charter schools to vary from student to student for the same educational experience.

As the state mandates a certain level of spending on Charters regardless of the economic climate, school districts are continually forced to do more with much less. No distinction is made between cyber charter schools and brick and mortar charter schools, meaning that cyber charter schools could receive over \$20,000 for special education students in a program that would cost approximately \$4000 for the public school district to run. Inadequate state funding levels and a slow economy are magnified by the increasing cost of charter school schools that must be borne by the local taxpayer. The issue here is accountability.

The Bethlehem Area School District provides a typical example of the cost of unregulated charters. In the 2013-2014 school year, tuition to charter schools is expected to consume \$15 million or over 7% of all district expenditures. If every single child attending those charters returned to the school district, the district would save, at minimum, \$10 million of that \$15 million. This money could be used for critical educational needs such as smaller class sizes, all day kindergarten, tutoring, after school programming, and even provide sizable property tax relief to local taxpayers. This story repeats itself across Pennsylvania's 500 school districts.

Regionally, across the 27 school districts within the IU20 and IU21 boundaries, the average tuition cost to taxpayers is approximately \$9700 per charter school student and \$10,000 per cyber charter student, regardless of the actual cost required to educate those students in their brick and mortar or cyber charter school settings.

### **Governance**

Although charter schools are funded with public dollars, local voters do not elect charter school board members as they do traditional public school district board members. Charter board trustees are privately appointed, chosen by other members of the charter's board, and thus free from electoral accountability. There is no requirement in the Pennsylvania Charter School Law that charter board of trustee members reside in the chartering school district. Unlike the limitations placed on public schools related to using public taxpayer dollars for advertising, charter schools and cyber charter schools are exempt. Advertising campaigns indicating the costs for these schools are "free" are misleading. Local communities hold public school districts very accountable for both student performance and costs. The operations of charter schools, governed by the Pennsylvania Department of Education, are much less understood by the general public and are complicated by the sometimes-aggressive marketing of charter schools.

Perhaps electoral accountability was not an issue when there were few charter schools. But, with charter schools consuming over \$1 billion of taxpayer funds every year, electoral accountability is now a very real issue.

### **Performance**

In the regional 2011 report, *Rationale to Course Correct the Funding for Charter and Cyber Charter Schools*, the school districts of the Carbon, Lehigh, Monroe, Northampton and Pike counties created a joint report in which they compared the PSSA scores of the charter schools to their own districts. In general the results of those comparisons showed significant differences in performance scores with the majority of public schools outperforming charter schools by a significant margin.

The Pennsylvania School Performance Profile includes data elements that are used to determine a performance score for schools across the Commonwealth, including charter schools and cyber charter schools. When calculated, the average score of the public schools in the Carbon, Lehigh, Monroe, Northampton and Pike Counties far exceeds that of the regional charter and statewide cyber charters schools. Using an average calculation the public schools achieved a performance score of 80.8 while the average score for the regional brick and mortar and statewide cyber charter school composite average score fell well below, at 58.6. Clearly, our regional public schools continue to outperform their charter school counterparts.

## **Conclusions**

This perfect storm of accelerating costs during difficult economic times, public dollars flowing to unelected boards and unfilled academic promise causes us to elicit the help of our legislators to address the major problems we face with Pennsylvania's failed charter school experiment before we continue to authorize more and more of these types of schools. We must ask, what is the end game for the charter experiment? At what point do we stop and say "enough is enough?"

Of the top five states with the highest number of students attending charter/cyber charters schools, Pennsylvania's spending is the highest with an average of \$12,657/per student. States that have more equitable statewide funding rates, differentiating between brick and mortar charter schools and cyber charter schools save considerable tax dollars, which can then be used as the local level where local school budgets are being drained by these inequities.

The finance and accountability issues surrounding charter schools compel us to question the authorization of new charter schools and on the expansion of existing charter schools until these problems are resolved. Charter schools are a viable option for the students of Pennsylvania. The school choice debate has brought charter schools into the limelight and raised some questions about how they operate. Since taxpayer money funds charter schools, the superintendents felt it was important that taxpayers understand the whole situation.

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