

QUESTION #1:

PA's cyber charter schools:

- a.) Cost taxpayers \$463 million each year
- b.) Receive more funding than they spend educating students
- c.) Have never received a passing grade on the state's school evaluation system
- d.) All of the above



**COMMONSENSE CYBER CHARTER
SCHOOL FUNDING REFORM WILL
ELIMINATE WASTEFUL SPENDING
AND SAVE \$250 MILLION IN
TAXPAYER MONEY**

EDUCATION VOTERS OF PA

INTRODUCTION

The focus of this report is to examine the flawed cyber school funding system and to provide recommendations for a new system that will more closely match the funding sent to cyber charter schools with the actual cost of providing students with an online education. Our proposal eliminates wasteful spending and will save Pennsylvania taxpayers more than \$250 million annually.

CYBER CHARTER TUITION IS BASED ON THE COST OF EDUCATING STUDENTS IN A SCHOOL, NOT AT HOME ON A COMPUTER.

Cyber charter schools have materially lower costs than either traditional public schools or brick and mortar charter schools, where teachers are in the same classrooms as their students. Cyber charter schools deliver their education over the internet to students in their own homes, typically with a laptop computer that is provided by the cyber charter school. They frequently use recorded programs that can be re-used in many classes or for students individually. Infrastructure is greatly reduced. Despite this different cost structure, they are paid the same as brick and mortar charter schools.

State law mandates that school districts pay \$7,300 to more than \$40,000/student each year in tuition to state-authorized cyber schools. School districts can provide students with a quality, full-time cyber education for just \$5000/student or less.



CYBER CHARTER TUITION PAYMENTS HARM SCHOOL DISTRICTS.

In Pennsylvania, the state authorizes cyber charter schools, but school districts are required by law to make 100% of students' tuition payments to these schools. Students from nearly every school district in Pennsylvania attend a state-authorized cyber school at an annual cost of more than \$463 million.

Cyber charter tuition payments harm school districts for two key reasons:

1. Many students who attend cyber charter schools were previously homeschooled or enrolled in private schools. They constitute an entirely new expense for school districts.[i]
2. When a student leaves a school district to attend a cyber charter school, the school district cannot reduce its fixed costs enough to make up for the cost of the tuition payment.

In order to pay cyber charter tuition bills, school districts have to raise local property taxes or reduce district expenses by cutting teachers or eliminating educational programs and/or other services for students.

HOW CAN LAWMAKERS END OVERPAYMENTS TO CYBER CHARTERS?

State lawmakers can end overpayments to cyber charter schools by setting a single statewide non-special education rate and using the special education formula to match special education tuition with the actual cost to cyber educate a student.

A 2018 survey of school districts by the Pennsylvania Association of School Administrators (PASA), found that 93 percent of school districts that offered a “full-functioning cyber school option for their students at the local level” were able to do so for “\$5,000 or less per regular education student”.[ii]

Based on PASA's survey, we recommend Pennsylvania set a statewide non-special tuition rate for cyber charter schools at five thousand dollars (\$5,000). That figure could be adjusted annually as education costs rise over time. For a special education rate for cyber charter schools, we recommend using the special education formula to create a weighted average and applying that weighted average to the base rate. This yields a tuition rate of \$8,865.[iii]

If the state legislature adopted a \$5,000 statewide tuition rate for regular education and \$8,865 tuition rate for special education, school districts would save over \$163 million per year on non-special education tuition payments and \$89.5 million per year in tuition payments for special education.

COULD CYBER CHARTERS BE WORTH THE EXTRA MONEY?

If cyber charter schools provided students with a better education than school districts, an argument might be made to justify paying them a premium substantially above what it actually costs to provide a cyber education.

Regrettably, PA's cyber charter schools are among the lowest performing schools in the state. Not one of Pennsylvania's cyber charters achieved a passing SPP score of 70 in any of the five years that the SPP was in effect. For the 2017-2018 school year, nearly every cyber charter school was identified by the Pennsylvania Department of Education as among the lowest performing schools in the state based on school or student subgroup performance.[iv] **In addition, cyber charter school graduation rates are consistently and substantially below state averages. At half of Pennsylvania's cyber charter schools, fewer than 50% of students graduate.**

Finally, school districts could be spending substantial amounts of money on tuition payments for students who aren't even attending cyber school. State law requires school districts to make full tuition payments for cyber students even if they don't log onto their computers to attend class. **In some cyber schools, students were reported absent for nearly 100 days.[v]**

A 2015 CREDO report found that cyber charter students lost the equivalent of 72 days per year in reading and 180 days in math - the full school year - in comparison to their peers who attend district schools.[vi]

WASTE, FRAUD, AND ABUSE IN PENNSYLVANIA'S CYBER SCHOOLS.

Excess funding sent to cyber charter schools and the private, often for-profit, organizations that manage them creates significant opportunities for waste, fraud, and abuse of taxpayer dollars.

Cyber schools spend taxpayer money they receive from school districts on lobbying[vii], shareholder profits, generous CEO and administrative salaries[viii], expensive advertising campaigns, and giveaways to students[ix]. In the case of the high-profile fraud committed by Nick Trombetta, founder and former CEO of PA Cyber, more than \$8 million in taxpayer money was spent on an airplane, vacation homes, and other luxuries.

In the last three school years, 12 cyber charter schools spent more than \$21 million combined in taxpayer dollars on expensive advertising campaigns to promote their schools instead of using these dollars to provide students with a quality education.[x]

CONCLUSION

Pennsylvania's charter school law requires school districts to pay 100% of the cost of tuition payments to state-authorized cyber charter schools at tuition rates that significantly exceed what it costs cyber schools to educate students. This leads to higher property taxes for home and business owners and fewer educational opportunities for students who remain in district schools. Excess funding also creates opportunities for the private companies that operate the schools to waste millions of taxpayer dollars each year on things that are unrelated to educating students at the same time that these schools are failing to provide students with a quality education.

The financial harm to school districts could be substantially reduced without an adverse impact on cyber students by setting a single, statewide tuition rate for non-special education and using the special education funding formula to determine special education tuition. This would match district payments with the actual cost of providing students with an education at cyber charter schools, eliminate wasteful spending, and save taxpayers over \$250 million per year.

Education Voters of PA, a project of the Keystone Research Center, is a statewide, nonpartisan, nonprofit organization that was established in 2007 to promote a pro-public education agenda with elected leaders and the public.

To read our full report and learn how much each school district would save if the PA legislature implemented this plan, visit www.EducationVotersPA.org. Please contact edvoters@educationvoterspa.org with questions.

FOOTNOTES

- [i] "Setting the Record Straight: The Truth about Charter School Misconceptions." Pennsylvania School Boards Association, March 3, 2013. Web 3 March 2013. http://www.psba.org/issues-advocacy/issues-research/cyber-charter-schools/charters-setting_the_record_straight.asp
- [ii] www.pasa-net.org/Files/SurveysAndReports/2018/CyberCharterRPT06-19-18.pdf "Cost Analysis: Cyber Charter Schools and School District Cyber Learning Programs." Pennsylvania Association of School Administrators (PASA), 2018. The same survey found 92% of traditional school districts spent \$7,000 per student or less for online special education.
- [iii] This assumption is based on archive.pasbo.org/14Oct27%20Act%2016%20Web%20Forum.pptx (p.11) which reports that 90% of PA special education students are category 1 and the assumption that the ratio between category 1 and the other two categories (9:1) is approximately the same as the ratio between category 2 and category 3.
- [iv] www.education.pa.gov/k-12/ESSA/Pages/Accountability.aspx
- [v] "What is the definition of attendance at cyber charter schools in Pennsylvania? It depends on who you ask." Stephanie Hacke, Public Source, August 7, 2017. <https://projects.publicsource.org/chartereffect/stories/what-is-the-definition-of-attendance-at-cyber-charter-schools-in-pennsylvania-it-depends-on-who-you-ask.html>
- [vi] "Online Charter School Study 2015." Center for Research on Education Outcomes, 2015. Web 2 August 2018. credo.stanford.edu/pdfs/Online%20Charter%20Study%20Final.pdf
- [vii] "Outsized Influence: Online Charters Bring Lobbying 'A' Game to States." Arianna Prothero, Education Week. November 3, 2016. <https://www.edweek.org/ew/articles/2016/11/03/outsized-influence-online-charters-bring-lobbying-a.html>
- [viii] <https://www1.salary.com/K12-INC-Executive-Salaries.html>
- [ix] www.paauditor.gov/Media/Default/Print/RLS_DePasquale_PACyberCS_MidlandSD_LincolnCS_092216_FINAL.pdf
- [x] Public Source, "Pa. charter schools spend millions of public dollars in advertising to attract students," Stephanie Hacke and Mary Neiderberger, August 29, 2017. <https://projects.publicsource.org/chartereffect/stories/pennsylvania-charter-schools-spend-millions-of-public-dollars-in-advertising-to-attract-students.html>

