

PENNSYLVANIA SCHOOL DISTRICTS ARE OVERPAYING CYBER CHARTER SCHOOLS BY HUNDREDS OF MILLIONS OF DOLLARS A YEAR; School Districts Need at least \$378M in Savings From Cyber Charter Reform

Cyber charter funding reforms must remain at the forefront of current budget negotiations. While cyber schools are an appropriate option for some families, our current laws have not been modernized to keep pace with changes in our education system, leaving taxpayers footing an unnecessarily large bill. The legislature acknowledged the problem by including a \$100 million cyber transition line item in the 2024-2025 budget to help districts cover costs. Building on last year's bipartisan direct appropriation that helped districts offset cyber charter tuition costs, the governor has proposed reforms that would remit \$378 million to school districts. This year's final budget must provide school districts with at least this level of relief.

A February 2025 audit from Pennsylvania Auditor General Tim DeFoor's office examining five Pennsylvania cyber charter schools confirmed what many legislators across party lines have long recognized - Pennsylvania's cyber charter school funding system is deeply flawed and in need of urgent reform.

KEY FINDINGS FROM PA AUDITOR GENERAL'S REPORT:

- **EXCESSIVE FUND BALANCES:** Fund balances grew by 144% to reach \$619 million.
- **QUESTIONABLE SPENDING:** Despite operating virtually, schools made substantial investments in physical infrastructure, including one school spending \$196 million on 21 buildings.
- **INCONSISTENT FUNDING:** Tuition rates vary widely between districts (\$6,975 to \$25,150 for regular education; \$18,329 to \$60,166 for special education) based on district spending rather than actual costs.

This inequitable structure has created a significant financial burden. Our public school districts currently pay over \$1 billion annually to cyber charter schools while remaining underfunded by \$4 billion. The House has already passed legislation that would save districts \$619 million, demonstrating strong support for meaningful reform that would benefit all 500 school districts across Pennsylvania.

PENNSYLVANIA'S CYBER CHARTER SCHOOLS REQUIRE FUNDING REFORM

Robert Gleason, former Chair of the Pennsylvania Republican Party, outlined in a recent op-ed the following about cyber charter schools, concluding that major reform is a must:

- **NOT "FREE" EDUCATION:** Despite advertising as "free," cyber charter schools receive tuition payments from school districts for every enrolled student, with rates varying dramatically across districts.
- **SPECIAL EDUCATION OVERPAYMENTS:** Cyber charters receive flat payments regardless of student needs, often resulting in significant overpayments (e.g., \$40,000 for services costing \$5,000).
- **MISLEADING FUNDING CLAIMS:** Cyber charters claim they receive only 75% of traditional school funding, but 2021-22 data shows they received \$19,455 per student compared to \$20,646 for district schools, only 6.1% less.
- **EXCESSIVE PROFITS AND RESERVES:** Some cyber charters report annual profits exceeding \$100 million and maintain reserve funds up to six times the recommended levels.

Pennsylvania's neighbors have implemented more fiscally responsible approaches. Delaware and Maryland prohibit cyber charter schools entirely, while Ohio uses a more cost-effective funding formula.

Cyber charter schools are public schools funded by tax revenue; however, state law allows them to operate with limited transparency and accountability regarding how they spend taxpayer dollars. It is past time for the Pennsylvania legislature to take action to ensure that tax dollars sent to cyber charter schools are being invested effectively in educating students. The legislature must find AT LEAST \$378 million in cyber charter reform savings in this year's budget – this isn't just about reform, it's about fiscal responsibility that will directly benefit every school district in the Commonwealth.

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