

# Cyber Charter School Impact

*(Presented to Finance Committee March 6<sup>th</sup>, 2006)*

## INTRODUCTION

Cyber Charter schools are having a dramatic fiscal impact on the Warren County School District (WCSD). They were created by the same law (Charter School Act, 24 P.S. § 17-1717-A et. Seq.) that also created Traditional (brick & mortar) charter schools. The significant difference between Cyber & Traditional is that Cyber expenses are considerably lower due to providing service over the computer via the internet. However, the funding formula that the school district must pay is the same for both Cyber & Traditional Charter Schools. This creates a significant inequity in funding. In addition cyber school participation is growing dramatically while WCSD's is decreasing steadily. By drawing students throughout all four attendance areas and across all grades K-12, our district overhead and staffing does not drop but our expense of mandated cyber tuition payments increases.

## FUNDING

Charter Schools are funded by a formula set forth by PDE Form 363. Simplistically, this formula utilizes the district's projected instructional spending divided by the average daily membership to come up with a tuition rate for regular education students (\$6,564) and special education students (\$15,084). It is this rate that WCSD is mandated to pay the Cyber Charter School. This rate has no correlation to how much funding WCSD receives from the State. PDE-363 is attached at the end of this document.

## REIMBURSEMENT

The State of Pennsylvania promises to fund district Charter School expenses at 30% of the previous years actual expenses. However, in reality the State has yet to reach that level of reimbursement. Additionally, the reimbursement is received a year after the expense has been incurred. This creates a cash flow problem for WCSD given that our Charter School participation is increasing dramatically. See Table 1.

**Table 1**

<b>Year</b>	<b>Expense</b>	<b>Revenue</b>	<b>% Funded</b>
2003 - 2004	\$349,146	\$96,468	27.6%
2004 - 2005	\$592,900	\$130,347	22.0%
2005 - 2006	\$967,860	\$267,129	27.6%

**Estimated  
05/06 Expense**

**Estimated 06/07  
Revenue**

## EXPENSES

With the State mandating that we pay a Cyber School based on our “brick & mortar” expenses, a Cyber School has a tremendous opportunity to profit. The overhead for a Cyber School is dramatically lower considering that they do not have to provide educational and extra curricular facilities for that student. The State of Pennsylvania also recently passed legislation to mandate districts to allow cyber students to participate in district provided extra curricular activities at no cost to the Cyber School. The dramatic fiscal impact that hits WCSD is the significant tuition rate that we pay the Cyber School without any significant corresponding decrease of expense for the district.

*E.g. From 2004-2005 to present there has been a 24 student or 26% increase in Cyber School participation. These 24 students are spread across 4 attendance areas and 13 grades. This averages out to only 1/2 of a student per grade per attendance area. The resulting decrease in class size has virtually no impact on the districts overhead costs. We still have to heat the same building, maintain the same facility, and employ the same number of teachers & aides. Yet, WCSD will be paying approximately \$200,000 in tuition and will only receive back an estimated \$50,000 in revenue from the State a year later. That impact is over 1/3 of a mill.*

In addition to overhead expenses that the district still incurs, there is a disturbing trend in the number of IEPs that are being assigned to children attending Cyber Schools. Approximately 22% of cyber students from WCSD now have IEPs while only 16% of students that remain in Warren County schools have an IEP. Also, the Cyber School will receive the full special education tuition rate of \$15,084 regardless of what level of special education services the student receives. Lastly, there is minimal accountability to determine if special education services can and are being performed over a computer.

## PARTICIPATION

Participation in Cyber Schools has grown over 140% since 2003-2004 school year with the trend expected to continue into the foreseeable future. Table 2 is a three year history of Cyber School Participation.

## ALTERNATIVES

Through IU #5, the district will begin utilizing cyber school services at a significantly lower cost than that being paid to non-government Cyber Schools. The IU charge will be an estimated \$2,500 per elementary/middle school student and \$4,000 for high school students. Those students with an IEP will receive the appropriate services and the district will be charged only the actual expense for the service provided. The IU #5 tuition is 62% lower for elementary/middle students and 39% lower for secondary. See Table 3.

**Table 2**

Cyber Charter Schools	2003-2004 Enrollment			2004-2005 Enrollment			2005-2006 Current Enrollment		
	Reg	Sp	Total	Reg	Sp	Total	Reg	Sp	Total
	Ed	Ed		Ed	Ed		Ed		
21st Century Cyber Charter School	7	1	8	1	1	2	4	0	4
Achievement House Charter School	0	0	0	3	1	4	1	2	3
Central PA Distance Learning Foundation	4	0	4	0	1	1	4	1	5
PA Distance Learning Charter School	0	0	0	4	0	4	4	0	4
PA Leadership Charter School	0	0	0	24	12	36	36	14	50
PA Virtual Charter School	14	0	14	15	0	15	10	0	10
PA Cyber Charter School	19	3	22	24	5	29	31	8	39
Cyber School Total	44	4	48	71	20	91	90	25	115
Total Expenditures			\$349,146	\$592,900			\$967,860		
Annual Revenue			\$24,798	\$96,468			\$130,347		

**Table 3**

<b>Student</b>	<b>Cyber School Tuition</b>	<b>IU #5 Tuition</b>
Regular Elem/Middle	\$6,564	\$2,500
Special Elem/Middle	\$15,084	\$2,500 + IEP Service
Regular Secondary	\$6,564	\$4,000
Special Secondary	\$15,084	\$4,000 + IEP Service

**SUMMARY**

Cyber School participation is growing at an alarming rate and unless the State changes the mechanism for funding and reimbursement, Warren County taxpayers will be forced to shoulder an ever increasing burden for alternative forms of education. Currently the only recourse the district has is to market the IU #5 cyber program to those already enrolled in non-government cyber school programs.

# FUNDING FOR CHARTER SCHOOLS

## Calculation of Selected Expenditures Per Average Daily Membership

PDE-363 (5/2003)



NAME OF SCHOOL DISTRICT	COUNTY NAME	ADMINISTRATIVE UNIT NUMBER
SIGNATURE OF SUPERINTENDENT		DATE
CONTACT PERSON	TELEPHONE NUMBER EXT. _____	

FUNDING FOR CHARTER SCHOOLS FOR \_\_\_\_\_ SCHOOL YEAR  
CALCULATION BASED ON BUDGETED EXPENDITURES AND ESTIMATED AVERAGE DAILY MEMBERSHIP  
FOR \_\_\_\_\_ SCHOOL YEAR (immediately preceding year)

NOTE: When completing this form, use the most updated version of the General Fund Budget for the school year immediately preceding the school year for which payments will be made to a charter school.

### FOR NON-SPECIAL EDUCATION STUDENTS

TOTAL BUDGETED EXPENDITURES	\$ _____ (a)
Minus TOTAL DEDUCTIONS (see reverse side)	-\$ _____ (b)
SELECTED BUDGETED EXPENDITURES (a – b)	\$ _____ (c)
ESTIMATED AVERAGE DAILY MEMBERSHIP _____ (d)	
<b>FUNDING FOR NON-SPECIAL EDUCATION STUDENTS</b> (c / d)	\$ _____ (e)
(SELECTED BUDGETED EXPENDITURES PER ESTIMATED AVERAGE DAILY MEMBERSHIP)	

### FOR SPECIAL EDUCATION STUDENTS

1200 BUDGETED SPECIAL EDUCATION EXPENDITURES	\$ _____ (f)	
ESTIMATED AVERAGE DAILY MEMBERSHIP TIMES 0.16 (d x 0.16)	_____ (g)	
BUDGETED SPECIAL EDUCATION EXPENDITURES DIVIDED BY 0.16 AVERAGE DAILY MEMBERSHIP (f / g)	\$ _____ (h)	
Plus FUNDING FOR NON-SPECIAL EDUCATION STUDENTS (from e above)	+\$ _____ (i)	
<b>FUNDING FOR SPECIAL EDUCATION STUDENTS</b> (h + i)	\$ _____ (j)	

Provide a copy of this form to each charter school in which residents of the school district are enrolled.  
Return a copy of the form to the Division of Subsidy Data and Administration, Bureau of Budget and Fiscal Management, Pennsylvania Department of Education, 333 Market Street, Harrisburg, PA 17126-0333.

NAME OF SCHOOL DISTRICT	COUNTY NAME	ADMINISTRATIVE UNIT NUMBER
-------------------------	-------------	----------------------------

The following expenditure amounts are to be subtracted from the TOTAL BUDGETED EXPENDITURES reported on line (a). Deduct only the federal portion of expenditures except for the following account codes: 1200, 1600, 1700, 2700, 4000, 5000.

NOTE: Only deduct the federal portion of expenditures if included in the Total Budgeted Expenditures reported on line (a) on front side of form.

### DEDUCTIONS FROM TOTAL EXPENDITURES

1100 Regular Education (federal only)	\$ _____
1200 Special Education Programs	_____
1300 Vocational Education (federal only)	_____
1400 Other Instructional Programs (federal only)	_____
1600 Adult Education Programs	_____
1700 Community/Junior College Programs	_____
2100 Pupil Personnel (federal only)	_____
2200 Instructional Staff (federal only)	_____
2300 Administration (federal only)	_____
2400 Pupil Health (federal only)	_____
2500 Business (federal only)	_____
2600 Oper and Maint of Plant Serv (federal only)	_____
2700 Student Transportation Services	_____
2800 Central (federal only)	_____
2900 Other Support Services (federal only)	_____
3000 Oper of Noninstructional Serv (federal only)	_____
4000 Facilities Acquisition, Construction and Improvement Services	_____
5000 Other Financing Uses	_____

TOTAL DEDUCTIONS (transfer to line (b) on front side)

\$ \_\_\_\_\_ (b)