

# CITY OF PHILADELPHIA PENNSYLVANIA

## OFFICE OF THE CONTROLLER

*Promoting honest, efficient, and fully accountable government*

THE IMPACT OF CHARTER SCHOOLS

ON THE FINANCES OF THE

SCHOOL DISTRICT OF PHILADELPHIA

October 2014



City Controller  
**ALAN BUTKOVITZ**

## EXECUTIVE SUMMARY

### Why is the Controller's Office Reviewing the Finances of Philadelphia's Charter Schools?

More than one-third of the School District of Philadelphia's annual revenues are derived from property and other taxes and fees levied on the citizens of Philadelphia. The District has faced a near-perpetual funding crisis for the last two decades, running deficits averaging \$38 million over the last 17 years, with only three years in the black. The consequences of this crisis are well-known: unprecedented school closures, staff reductions, and program cuts that have left the District a much smaller entity, weakened all but the very top tier of the City's schools, and created a reputational crisis with severe implications.

Today most observers agree that the District cannot downsize any further without causing irreparable harm to the educational mission and the City's future. Just at the moment the City seems to be on an upswing, with population growth for the first time in decades, the increasing inability of the School District to get its proverbial house in order is among the greatest threats to the City's continued progress. Declining school quality – both perceived and real – creates a vicious downward spiral, leading to further middle-class flight and an eroding tax base – and further decline. Recent reports as well as statistics indicate that parents of school-aged children are among the most likely to flee the City. In recent years, the City has raised taxes and fees substantially on its own citizens and businesses to make up for shortfalls in the District's budget; in the past year it has agreed to devote the proceeds from a local 1% sales tax increment to the schools as well as a \$2 per pack tax on cigarettes in Philadelphia. The City's tax base has contributed nearly \$160 million in new funding since 2007; the dedicated sales and cigarette taxes will increase this substantially, and due to "maintenance of effort" provisions in the legislation that placed Philadelphia's schools into state receivership in 2001, the City's taxpayers are on the hook for the long term. The new demands have come at the expense of other key City priorities, such as increasing the number of police and fire officers, reforming the troubled Department of Licenses & Inspections, or devoting additional resources to the Philadelphia Municipal Retirement System.

It has become increasingly clear to many observers that the rapid growth of Charter Schools since 2000 has placed tremendous strain on the District's financial resources. While the actual population of the City's publicly-funded education system – independent Charters and Traditional Public Schools run by the School District – has remained relatively stable since 1999 at roughly 205,000 students, the proportion in charters has increased dramatically, from about 2% (3,225 students) in 1999 to more than 30% (61,740 students) in 2013. If Philadelphia's Charter Schools were their own district, they would be Pennsylvania's second largest by quite a margin.<sup>1</sup> The proportion of public funds that have gone to Charter Schools has increased more than commensurately. As charter school enrollments have grown, and as the financial fortunes of the SDP have fallen, Philadelphia's Charter Schools have, in the aggregate, consistently run a surplus. In 2013, while the SDP faced a deficit in the \$70 million range, the Charter Schools posted an aggregate positive fund balance of \$117 million.

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<sup>1</sup> The second largest district in the Commonwealth, the Pittsburgh School District, had 26,292 students in 2012-13

We believe that the time is right to begin thinking about Philadelphia's Charter Schools as a system unto themselves. We will examine herein how the Charter sector obtains and expends public education monies, how it is able to amass substantial fund balances even in times of fiscal scarcity, and how these practices affect the fiscal health of publicly funded education in Philadelphia.

The Controller's Office has focused considerable attention on the public education sector in the past several years, and has exposed much waste, fraud, and abuse in both the Charter and Traditional Public Schools. But as the City's fiscal watchdog, the Controller is also obligated to dig deeper into the root causes of the increasingly untenable fiscal situation of our City's publicly funded education system and to make recommendations aimed at solving the problems identified herein.

### **What the Controller Found**

- In the aggregate, Philadelphia's Charter Schools have run substantial fund balances in each year covered by this report, 2008-2013. In the same period, the School District of Philadelphia has run substantial fund deficits. At the end of 2013 the Charter sector's books indicated a positive fund balance of \$117 million, while the District's were \$70 million in arrears.
- The City's tax base has contributed \$5.2 billion to the operations of the School District of Philadelphia since 2007. From 2011 to 2013, the City increased its share by \$125 million (16.7%), in the form of increases to Real Estate and Use & Occupancy Taxes, as well as contributions from the City's General Fund and the Philadelphia Parking Authority. These numbers do not include the newly dedicated 1% sales and \$2 per-pack cigarette taxes, which will increase the City's share substantially. These demands come at the expense of other key City priorities.
- From 1999-2013, enrollment in Philadelphia's Charter Schools increased by 1,920% while the amount remitted by the School District of Philadelphia to Charter Schools increased by 3,523%.
- Of the nation's large school districts - those with over 100,000 students - Philadelphia is second only to Detroit in the proportion of students enrolled in charter schools.
- The decision in 2011 to stop reimbursing the School District for a portion of Charter School tuition has cost the SDP at least \$100 million a year.
- Philadelphia is among a small number of peer cities that fund Charter Schools via a tuition-based model that passes through a traditional school district acting as the fiscal agent. Each charter school receives funds from the SDP based on a formula that both fails to account for the totality of District costs and bears little or no relationship the expenditures of the Charter Schools.
- Charter School funding is based on the cost structure of Traditional Public Schools, but Charters spend less, and spend differently, than Traditional Public Schools.
  - Charters spend, on average, 38% less on Instruction and Support than the Traditional Public Schools, on a per student basis.
  - Charters spend more than twice as much on Administrative Services than the Traditional Public Schools, on a per student basis.
  - Charters spend, on average, 50% less on Special Education than the Traditional Public Schools, on a per student basis.

- Minimal resources have been devoted to charter school accountability. A sector that educates one-third of Philadelphia's students is overseen by fewer than 6 staff in the SDP's Charter School Office with an annual budget of less than \$1 million. In the entire 14-year history of Charter Schools in Philadelphia, just 3 charters have been revoked, despite numerous reports of waste, fraud, abuse, and poor performance. During the same period, dozens of low-performing Traditional Public Schools have been shuttered. Best-in-class cities feature robust oversight, annual review, and "default close" standards for the lowest performing charter schools.
- Lack of budgetary coordination with the Charter sector leaves the School District in a constant state of fiscal uncertainty.

### **What the Controller Recommends**

- Overhaul the Charter School funding formula. It must reflect student need and actual costs, and must adjust for demographic differences between Charter and Traditional Public Schools. Particular attention must be paid to the way Special Education is funded. Allocations for Special Education must take into account varying levels of student need and must not disadvantage parents of Special Education students who wish to choose Charter Schools.
- Create a robust structure of accountability for Charter Schools. This includes strengthening the existing Charter School Office, developing a Collaborative Council under the auspices of the School District of Philadelphia, and most important, creating a joint budget process that includes the Charter Schools.
- Immediately implement a weighted funding formula for public education in Pennsylvania. Such a formula was in place from 2008 through 2011, and a new Commission is again studying the issue. Philadelphia's schoolchildren cannot afford for Pennsylvania to be one of the few remaining states in the nation without a needs-based system for funding public education.
- Commission a careful study of the Renaissance program, which begins its fifth year in 2015. As a neighborhood-based approach, Renaissance represents a possible test of the charter model's efficacy to turn around low-performing schools.
- Require the School District to collaborate with the Charter Office to produce a Five-Year Financial Plan, similar to the City's, with annual updates. The Plan must include the Charter sector. Such a process will be most effective if accompanied by the creation of an independent fiscal review board, analogous to the Pennsylvania Intergovernmental Cooperation Authority, which would review the plan annually. This board should be empowered to reject budgets that are unsound, determine appropriate levels of fund balance reserves to ensure the fiscal stability of the Charter and Traditional Public School sectors, and ensure financial predictability for the entirety of Philadelphia's publicly-funded educational system.
- Reinstate charter tuition reimbursement. Until there is equilibrium between enrollment in Charter and Traditional Public Schools, the Commonwealth must reinstate its practice of reimbursing School Districts for a portion of Charter School tuition.
- Maintain the Commonwealth's practice of a single, local authorizer for Charter Schools. Multiple authorizers will exacerbate the unsustainable fiscal situation outlined in this report and do little to improve accountability.

## **SECTION I: THE PHILADELPHIA CHARTER STORY**

### **BACKGROUND**

The charter school movement took off with the arrival of Chicago transplant Paul Vallas in 2002, the first superintendent of the School District of Philadelphia under the state-imposed School Reform Commission. Vallas had presided over a rapid expansion of charters in Chicago during his 6-year tenure there, and he immediately implemented sweeping changes, including the “diverse provider model.” Vallas would go on to New Orleans in 2007, where he led the near-total charterization of that district in the wake of the devastation wrought by Hurricane Katrina. In the next few years, charters experienced explosive growth. In 2012 the SRC hired William Hite, who became the first superintendent since 2002 to attempt to carefully examine the pace of charter expansion.

In the eyes of their proponents, Charter Schools are spaces in which creative new approaches to education can flourish, without the constraints imposed by collective bargaining agreements and district bureaucracy; initially, they were supposed to be marginal entities that would, through competition, force Traditional Public schools to improve. Today 42 states and the District of Columbia have enacted charter school enabling legislation, and charter enrollment has expanded nationally from a few thousand in the early 1990s to over 2 million students as of 2013. Cities with comparable charter sectors include Washington, DC, Chicago, Baltimore, Columbus, OH, Detroit, and New York City. Section II of this report offers a comparative policy analysis based on cases from these cities.

While it is well known in education finance circles that Pennsylvania stands virtually alone in lacking a weighted funding formula for determining levels of state aid to individual districts, the Commonwealth’s methods for funding Charter Schools are also unusual. First, in Pennsylvania, funding for Charter Schools passes through local school districts, with each district essentially receiving a lump sum from the PA Department of Education (PDE) each year, out of which it is required to pay tuition to charter operators for each student within its geographical boundaries who attends a charter school. Under state law, districts are required to pay Charter Schools before satisfying virtually any other obligation; if a district refuses to do so, the charter operator has direct recourse to the PDE, which can pay the charter operator and deduct the sum from the amount allocated for the district. Further, funding levels are determined by a formula derived from the previous year’s expenditures, which generates a base per capita tuition rate as well as a supplement for Special Education students. Finally, it should be noted that the Special Education supplement is a flat sum, unadjusted for level of need. PA stands alone in lacking a tiered Special Education formula for its charter schools.

Until the release of the Boston Consulting Group’s report on school reform in 2012, little to no attention had been paid to the impact of Philadelphia’s Charter Schools on the finances of the larger School District. These issues were not immediately apparent and took years to manifest; in 1998-99 the school district spent less than \$17 million dollars on Charter Schools to educate 3,225 students. Since that time however, the number of students enrolled in Charter Schools has increased by 1,920% while the amount spent by the SDP has increased by 3,523%. The BCG report estimated that each student that enrolled in a charter school represents a net cost to the SDP of several thousand dollars, factoring in the much

larger fixed (or “stranded”) costs carried by the SDP for facilities, pension obligations, transportation, and so forth. In general, without taking a position as to whether the rapid growth of Philadelphia’s Charter Schools is a net positive or not for the quality of Philadelphia’s educational system, it seems reasonably clear that the geometric increase in the SDP’s budget line for Charter Schools has intensified its financial crisis.

The exacerbation of the structural funding crisis by the growth of Charter Schools has a direct and indirect effect on the City of Philadelphia. This direct effect is on the allocation of school district revenue to Charter Schools: generally speaking about 35% of the SDP’s revenue comes from local sources, of which 89% is local taxes. In the face of fiscal calamity – and shrinking federal and state support – the City has raised various taxes and fees several times in the past few years, including devoting the proceeds of a “temporary” 1% sales tax increment to the SDP rather than to the City’s proximate problems, such as the underfunded municipal retirement system. The indirect effect is the link between neighborhood schools and property values; as schools are mothballed and crumble, so too does their financial base.<sup>2</sup>

The evidence suggests that from a fiscal point of view, the Charter sector as a whole is relatively healthy, while at the same time the fiscal woes of the SDP deepen. While Traditional Public schools are closing, teachers and staff are laid off, and assets are liquidated, the Charter sector is growing and generating annual surpluses. It is a central contention of this report that due to structural constraints imposed by state law, the fiscal position of these systems is a zero-sum game, and that this has become an untenable system in even the short term. It should also be noted that there is great variation in fiscal health within the sector, with roughly 30% of Charter Schools accounting for more than 80% of the \$117 million positive fund balance in 2013.

This report analyzes the sources of the Charter sector’s positive fiscal position. In particular, it examines the role of Special Education funding and the apparent burden the Charter sector creates for the District to educate the most expensive Special Education students. Under the Commonwealth’s one-size-fits-all Special Education funding policy for Charter Schools, the per capita supplement paid by the SDP to the charters for each Special Education student is a flat sum – in 2013 about 143% of the sum paid for regular education tuition – regardless of the nature of the special needs of any particular student. This has led to predictable results, with Charters tending to attract lower-cost special needs children and Traditional Public schools incurring the costs for the most expensive special needs students. Because the Special Education supplement is calculated in proportion to the SDP’s expenditure on Special Education, as its costs rise due to a greater concentration of more expensive special needs students in Traditional Public schools, in a truly vicious cycle, the tuition rate the SDP pays to the charters rises much more quickly than the base rate. Finally, the growth of Renaissance Charter Schools – neighborhood schools run by independent operators – serves as a microcosm of the charter school dilemma, highlighting the disproportionate nature of the Special Education funding model and the

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<sup>2</sup> Our office estimated the impact of school closures on neighborhood property values in a report released in February 2013 entitled “In Search of Real Dollars and Common Sense: A Preliminary Report on the School District of Philadelphia’s School Closure Plan” ([http://www.philadelphiacontroller.org/publications/fpau/Controller'sReport\\_SchoolClosurePlan2013.pdf](http://www.philadelphiacontroller.org/publications/fpau/Controller'sReport_SchoolClosurePlan2013.pdf)).

incentives it creates for Charter Schools to increase their lower-cost special needs population to capture increased revenues.

## **Methodology and Data**

Our statistical analysis of the revenues and expenditures of the Charter School sector is derived primarily from data compiled from the Pennsylvania Department of Education (PDE), school district budgets, annual financial reports filed by each charter school, and the School District's Comprehensive Annual Financial Reports (CAFR). The PDE website contains a detailed breakdown of per pupil rates, sources of revenue, expenditure categories, and fund balances for each of the Charter Schools.<sup>3</sup> Special Education figures have been gathered from the Special Education Statistical Summary report released yearly by the PDE's Bureau of Special Education, a data snapshot taken on December 1 of each year. It details the number of students enrolled on that date, the number of Special Education students, and the nature of their classification as special needs. The CAFR prepared by the School District each year supplies general data and statistics, such as the number of students, schools, SDP revenues and expenditures. Finally, IRS Form 990 income tax returns were examined to ascertain how money was allocated and distributed inside organizations which operate multiple Charter Schools.

We analyzed the financial growth of the Charter sector from the 2007-08 school year through 2012-13. We chose to begin our analysis in 2007-08 because it represents an inflection point at which the costs of Charter Schools to the SDP no longer constituted linear growth, but began to grow exponentially. While the School District's total expenditures either remained constant or fell during this period, payments to Charter Schools increased dramatically. It should be noted that, unlike several other of the comparison cities analyzed in this report, in Pennsylvania each school district serves as the fiscal agent for Charter Schools attended by students within its jurisdiction. Funds for charters in Philadelphia are passed through the SDP, which serves as both authorizer and regulator. The Commonwealth and the City each give the SDP what is essentially a lump sum annually, out of which the SDP must pay for the operation of roughly 215 Traditional Public schools and devote a relatively unpredictable and ever-increasing share to the Charter Schools.

We have chosen to limit the scope of our analysis to the Charter Schools located inside the boundaries of the School District of Philadelphia. While it would be relatively simple to track the revenue of cyber charters and Charter Schools located in other districts that educate Philadelphia's children, it would be nearly impossible to disaggregate what these schools spend solely on Philadelphia students; under PA's charter funding policies, the "sending" District pays the "receiving" district per capita tuition rates established by the sending district. Since each charter school is in essence its own district, a charter school that receives students from different sending districts will receive often widely disparate tuition payments per capita. Though about 10% of Philadelphia's charter school students attend either a cyber charter or a charter outside the City, including their numbers would skew the results of this analysis.

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<sup>3</sup>[http://www.portal.state.pa.us/portal/server.pt/community/summaries\\_of\\_annual\\_financial\\_report\\_data/7673/afr\\_excel\\_data\\_files/509047](http://www.portal.state.pa.us/portal/server.pt/community/summaries_of_annual_financial_report_data/7673/afr_excel_data_files/509047)

### *Accounting for the Net Costs/Savings of Charter Schools*

A prominent charter school advocate interviewed for this report challenged our approach, and insisted that “analytical honesty” required an attempt to calculate the net costs of charter schools by accounting for the savings that accrue to the expenditure side of the SDP’s ledger for each Traditional Public School that is shuttered due to the shift in enrollment to Charter Schools. It stands to reason that it costs the District less to educate fewer students and to operate fewer buildings. Using the data that are available on school closures during the period in question, we engaged in this exercise and found that, in fact, the Boston Consulting Group was more or less right in its 2012 report: the savings on the expenditure side of the SDP’s ledger are not nearly commensurate with the loss of students, for a number of reasons.

In 2007 there were 269 District-run schools, staffed by 21,248 instructional and support personnel, educating 169,697 students. In 2013 there were 240 District-run schools staffed by 18,938 teachers and support staff, educating 136,929 students.<sup>4</sup> In short, the SDP shuttered 29 District-run schools, cut 2,301 staff and lost 32,768 students during this period. We estimate that the SDP accrued \$225 million in savings from the loss of personnel – instructional and support staff as well as maintenance staff.<sup>5</sup> Using figures from the District’s Facilities Master Plan, we estimate that closing 29 District-run buildings produced about \$17 million in savings.<sup>6</sup> Thus from 2007 to 2013, the SDP lowered its staffing and operations costs by about \$242 million. Between 2007 and 2013, Charter School enrollment grew by 31,390 students – about 1,500 fewer than left District-run schools. If we assume that all of the students who enrolled in Charter Schools were refugees from District-run schools, that 100% of the reduction in the teaching staff between 2007 and 2013 was due to this shift in enrollment, and that 100% of the operating costs from each building that was shuttered was captured by the SDP, then we could attribute the entirety of the \$242 million in savings on the expenditure side of the SDP’s ledger to Charter Schools. Of course, also on the expenditure side of the ledger, the SDP had to pay tuition to the Charter Schools for each of the additional 31,390 students at an average of about \$9,700 per student, for a total of just under \$305 million.<sup>7</sup> Assuming we attribute 100% of the reduced expenditures to the Charter Schools, the Charter sector during this period would represent a net cost to the SDP of about \$63 million.

However, it is invalid to attribute 100% of the expenditure savings to Charter Schools. The \$242 million in savings is based entirely on the loss of staff and buildings. It does not take into account the economies of scale the district sacrificed as a result of losing only a few students from each building. The Boston Consulting Group and others have noted that the SDP’s cost structure includes items such as pupil transportation and debt service, among others, which do not decrease on a proportionate basis; for example, if 10 students left a District-run school in 2013 for one or more Charter Schools, the overall and per capita operating costs for that school changed very little, but the District was required to send

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<sup>4</sup> 2013 SDP CAFR

<sup>5</sup> Calculated by determining the average salary, benefits and operational cost of each employee category based on FY 2013 budget estimate then multiplied by the difference in staff from 2007 to 2013

<sup>6</sup> SDP Facilities Master Plan; based an average of the facilities expenses of the buildings considered for closure in 2013 and the district no longer maintaining the building

<sup>7</sup> Calculated by subtracting 2013 Charter enrollment from 2007 and multiplying it by the average cost per student paid by the SDP to charter schools in 2013, \$9,700, which blends the base tuition and the special education supplement.

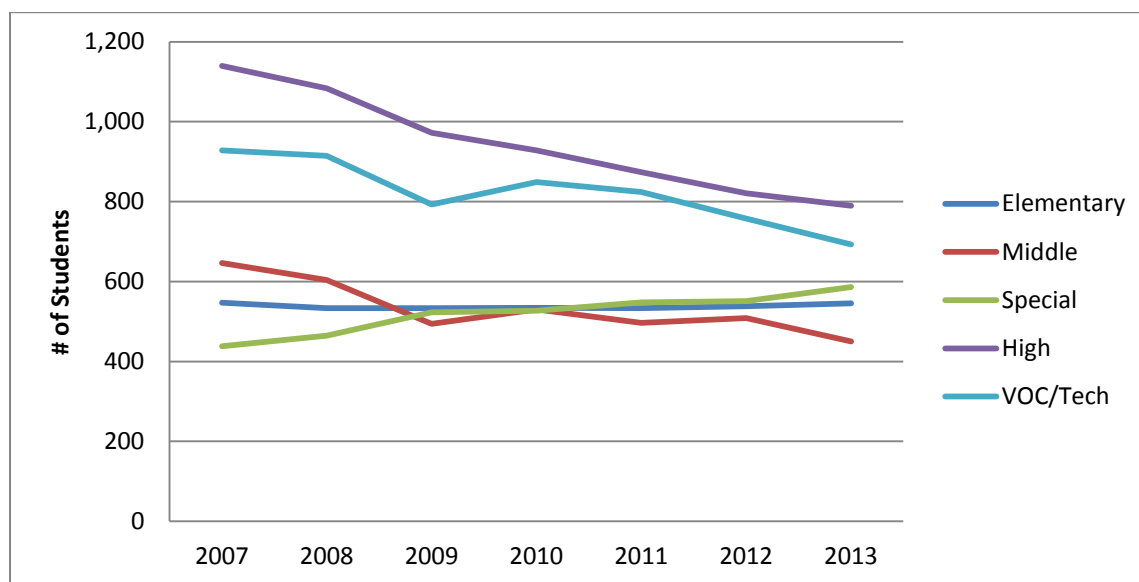


the receiving Charter School(s) \$8,096 for each regular education student and \$19,960 per Special Education student. Second, shuttering a building does not necessarily remove all or even most of the operating costs from the SDP's books, as several studies have shown.<sup>8</sup> Third, closing a District-run school does not mean that every member of the instructional or support staff working at that school ceases to work for the District or that every student who was enrolled in that school chose to attend a charter school; in fact, some proportion of the students from each shuttered District-run school chose to transfer to another District-run school, and some proportion of the teachers remained on the District's payroll.

Looking at the data, we find that the total capacity of the 29 buildings shuttered between 2007 and 2013 was about 24,650 students; so even at full capacity, the school closures would account for, at most, about 79% of the 31,390 students who exited District-run schools for Charters. However, the data also indicate that the 29 shuttered schools were at 51% capacity on average – which is one of the central reasons that they were closed. Thus the data indicate that the building closures account for just 40% of the 31,390 students who left District-run schools for Charter Schools. This substantiates the point made by the Boston Consulting Group's 2012 report that the savings to the District-run schools are distributed across the system and do not lower marginal costs nearly proportionately.

Figure 1 below illustrates the point of the discontinuity between enrollment decline and building closures. The number of students per District-run school building decreases significantly over this period in all but the elementary and special-admit schools.

*Figure 1: Students per District-run School Building*



<sup>8</sup> Office of the Philadelphia Controller, "In Search of Real Dollars and Common Sense: A Preliminary Report on the School District of Philadelphia's School Closure Plan," March 2013; Pew Philadelphia Research Initiative, "Closing Public Schools in Philadelphia: Lessons from Six Urban Districts," October 19, 2011.

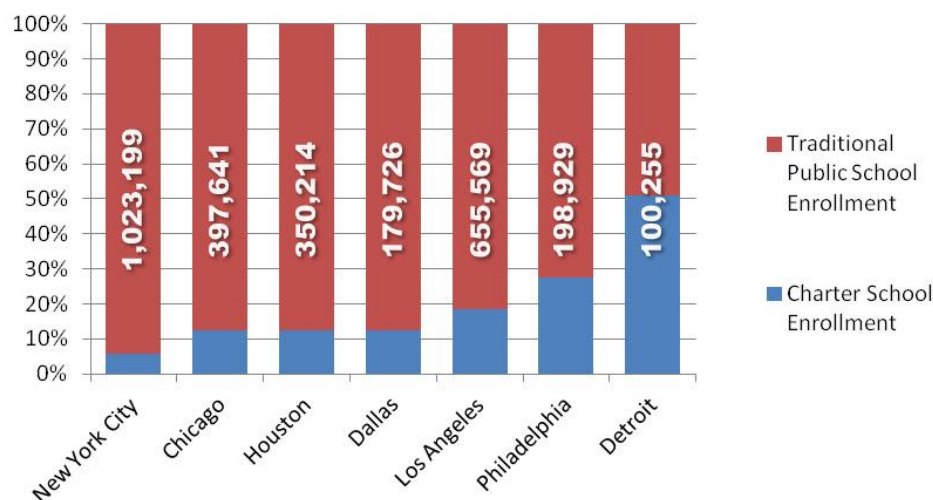
Applying the data to the accounting problem herein, then, we find that the reduction on the expenditure side of the District's ledger due to the shift of 31,390 students out of District-run schools and into Charter Schools between 2007 and 2013 is, at most, 40% of \$242 million, or just under \$97 million. In 2013 the transfer payment from the SDP to Charter Schools was \$600 million, meaning the net cost of Charter Schools to the SDP was about \$503 million.

## Charter Schools and the School District of Philadelphia

Philadelphia's Charter Schools and the School District of Philadelphia have been on opposite though inextricably intertwined trajectories since the passage of Act 22 by the Pennsylvania General Assembly in 1997. The number of Charter Schools increased every year through 2010, when a cap was imposed that limited the number of Charter Schools to 67. To further help limit the uncertainty surrounding charter school enrollment, the District has attempted to enforce charter-specified limits on the number of students each individual charter school can enroll. In 2009 the SDP created the Renaissance program, a "turnaround" plan to place neighborhood schools that draw students primarily from within the catchment in which they reside, under management by independent operators. In the first phase of the Renaissance program, seven neighborhood schools were turned over to independent operators; the following year, six more were added, and by the end of the 2012-2013 School Year there were a total of 17 Renaissance charters, increasing the total number of independently operated schools to 84.

Of the 19 school districts in the nation with 100,000 or more students, Philadelphia is second only to Detroit in terms of charter participation, with 30% of students enrolled in Charter Schools. No other large school district enrolls more than 20% of its students in Charter Schools.<sup>9</sup> Figure 2 below illustrates the magnitude of Philadelphia's charter sector compared with the 6 largest urban districts.

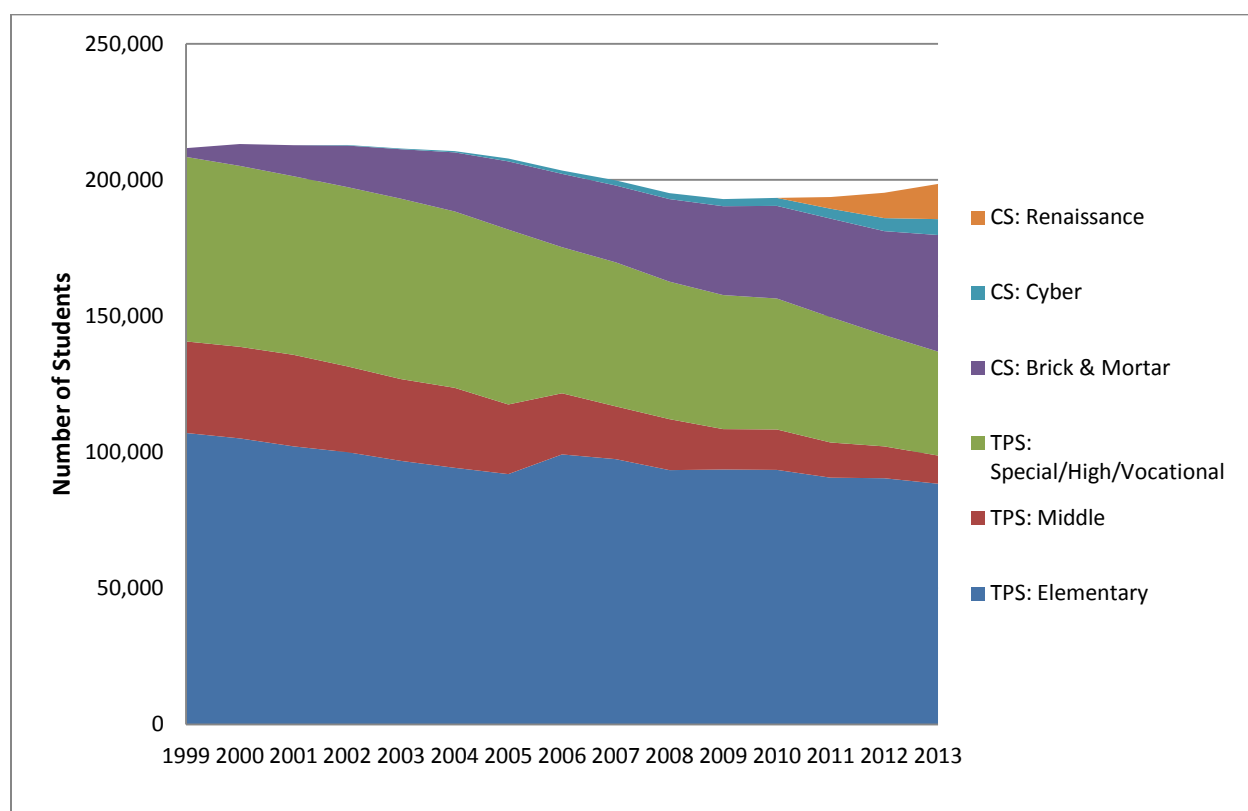
*Figure 2: Large School Districts and Charter School Enrollment, 2013*



<sup>9</sup> National Alliance for Public Charter Schools, "A Growing Movement: America's Largest Charter School Communities," December 2013 ([http://www.publiccharters.org/wp-content/uploads/2014/01/2013-Market-Share-Report-Report\\_20131210T133315.pdf](http://www.publiccharters.org/wp-content/uploads/2014/01/2013-Market-Share-Report-Report_20131210T133315.pdf))

In the 1998-99 school year, there were just 3,225 students enrolled in Charter Schools, out of a total enrollment of 211,645. Since 1999, the number of overall students has ebbed and flowed, remaining above 210,000 until 2006 and then falling below 198,000 in 2009 and 2010 and then rising above 202,000 in 2013. As Figure 3 below demonstrates, the overall population of publicly funded educational institutions has remained relatively stable for the past 15 years.

*Figure 3: Philadelphia's Publicly-Funded School Population, 1999-2013*

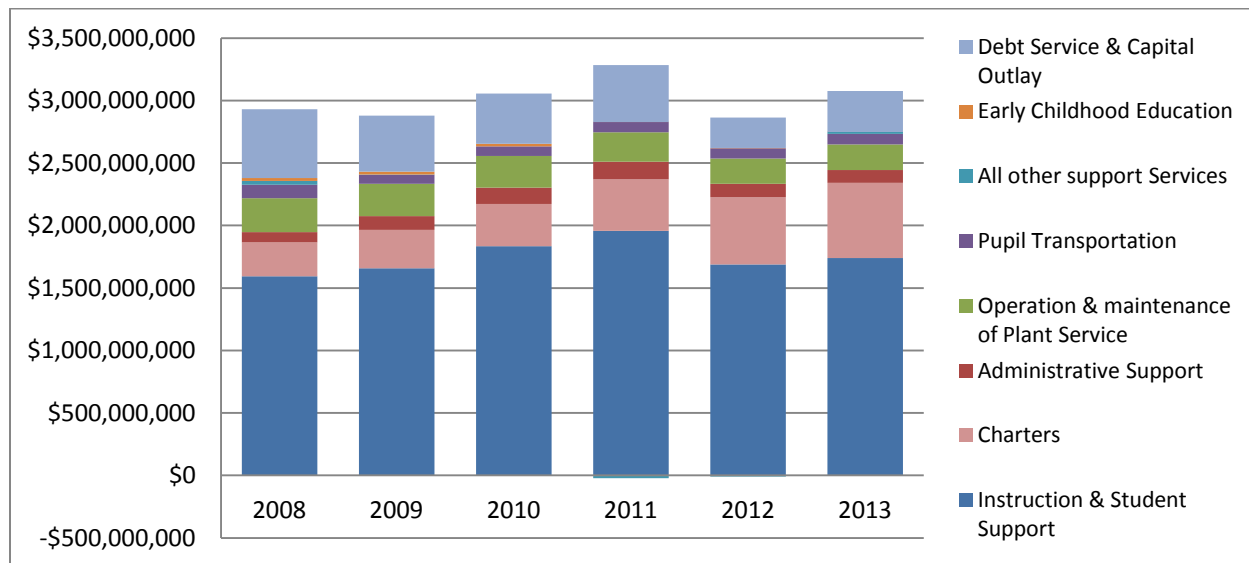


Yet as the figure above also demonstrates, charter enrollment has grown dramatically as a proportion of total enrollment. The majority of charter school growth has come from middle and high schools. Elementary schools have also lost students but not at the same rate as middle and high schools. Since the introduction of Renaissance schools in 2010-11 this trend has been amplified.

The main variables determining Charter School funding are the number and type of students the Charter Schools educate in relation to the Traditional Public schools. At the end of each year the SDP calculates the amount it spends to educate students using guidelines established by the Commonwealth. Charter school funding is always based on the SDP's expenditures for the prior year. The base per capita tuition is determined by the following process: From the total sum of SDP expenditures are deducted federal grants, services the SDP supplies to the Charter Schools (such as transportation), and expenses related to Special Education. This figure is the Selected Expenditure total, which is then divided by the estimated Average Daily Membership (ADM) to derive the base tuition. The SDP is obligated by state law to pay that sum to charter operators for each student enrolled. In 2013, the base tuition rate was

\$8,096 per student. As Figure 5 below demonstrates, the funding for all types of Charter Schools grew rapidly from 2008 through 2013.

*Figure 4: SDP Expenditures by Category, 2008-2013*



*Figure 5: SDP Charter School Expenditures, 2008-13*

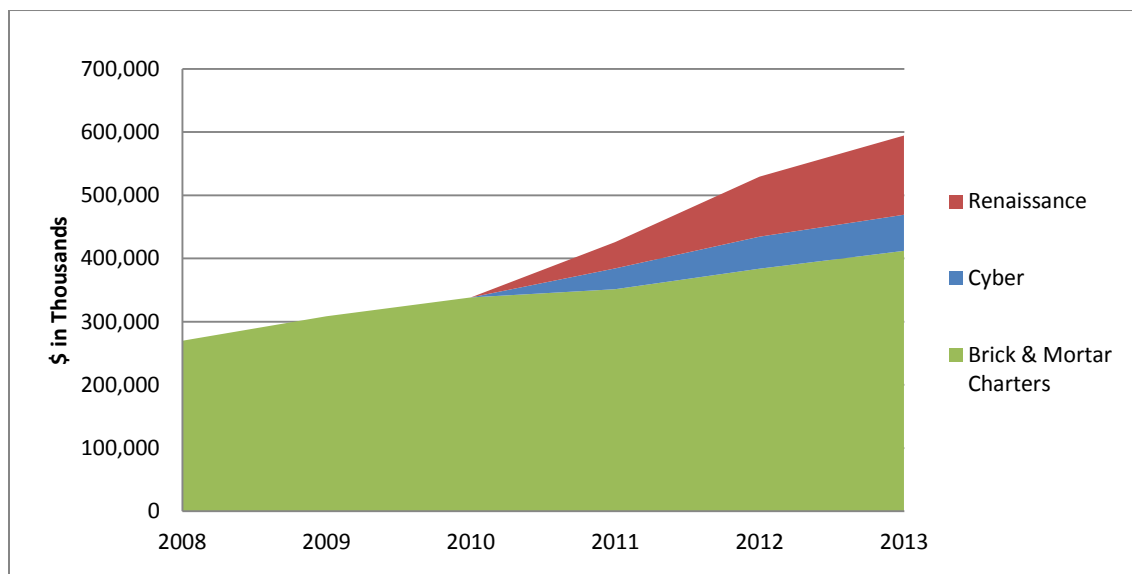
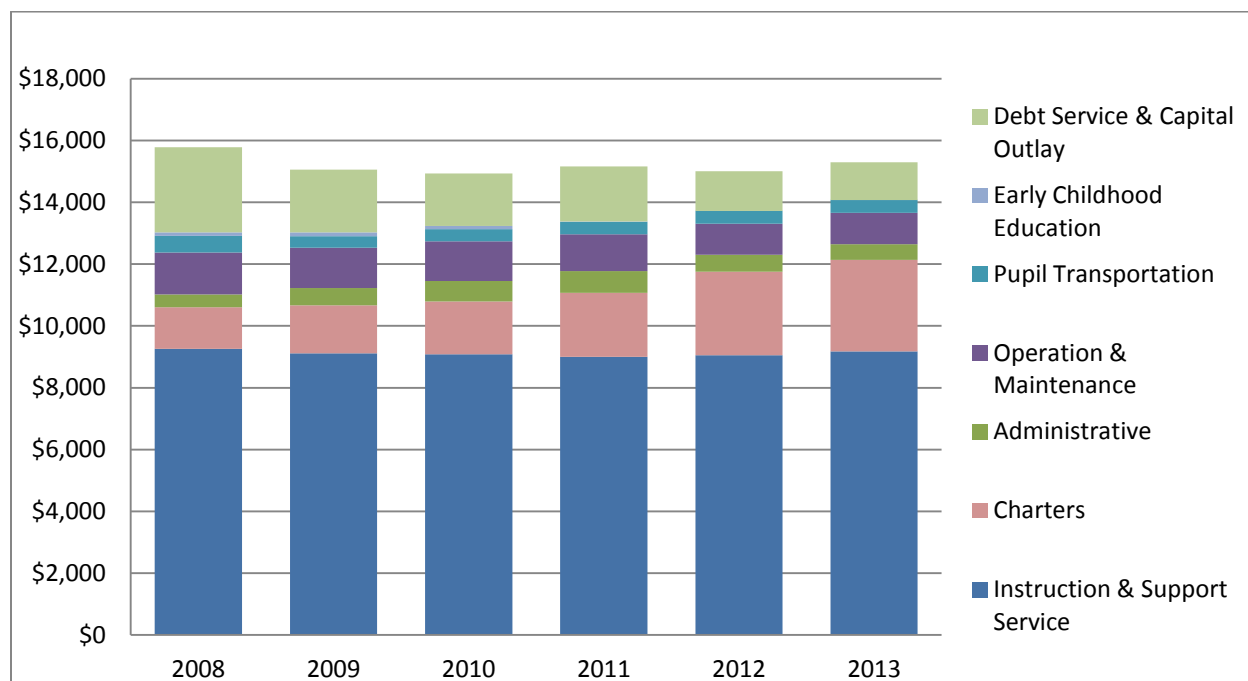


Figure 6 below shows the impact of the growth of the Charter sector on the District's expenditures, shown on a per student basis. As the proportion of students in the Charter sector grows, the District is unable to cut already low per capita expenditures on instruction and support service; some savings accrue from cutbacks in operations and maintenance, and still more from reductions in capital outlays.

In 2008 the District spent about \$16,000 per student, of which about \$1,300 went to charter school tuition; in 2013, the District spent just over \$15,000 per student, but about \$3,000 went to Charter Schools. In absolute terms this is an increase of 120% over 6 years; in relative terms, per capita spending on Charter Schools went from about 12.5% to 20%.

*Figure 6: School District Per Capita Expenditure by Category*



### Charter Schools and the Economics of Special Education

Charter Schools also receive a per capita supplement for each Special Education student enrolled. The Special Education supplement per capita is determined by multiplying the District's ADM by 16% and then dividing the District's Special Education expenditure figure by this quotient. The Pennsylvania Department of Education has long assumed that 16% of children enrolled in Pennsylvania's schools are Special Education and in need of an Individualized Education Program (IEP).<sup>10</sup> Following generally accepted practices, the School District's Office of Specialized Services recognizes two general categories of students with disabilities, "High-Incidence" and "Low Incidence." The former, which comprise about 94% of students with IEPs, are diagnosed with more common disabilities such as communication disorders (eg. speech and language impairments), specific learning disabilities (including attention deficit hyperactivity disorder), mild/moderate mental retardation, or emotional or behavioral disorders. The latter are diagnosed with less common conditions such as blindness, deafness, significant developmental

<sup>10</sup> While may seem arbitrary, the 16% figure was established to dissuade districts from over-assigning students to the Special Education category; the best estimates of the actual number of Special Education students among the universe of children served by the Traditional Public and Charter Schools is about 13%.

delay, complex health issues, serious physical impairment, multiple disabilities, or autism.<sup>11</sup> Generally speaking, it costs far more to adequately address the needs of a Low-Incidence Special Education student than a High-Incidence student, and in virtually every state other than Pennsylvania, Charter School funding for Special Education students accounts for these differences.

However, under Pennsylvania law, Charter Schools receive the same level of funding per student regardless of whether that student has a mild communication disorder requiring a few hours of speech therapy a week or if the student is on the severe end of the autism spectrum. In 2013, the base regular education tuition was \$8,096 per student, while the Special Education supplement was \$11,564. Under this 'flat fee' approach, the Charter Schools are at a disadvantage when it comes to serving Low-Incidence students: adequately serving the educational needs for the typical Low-Incidence student requires far more than \$11,564. Unsurprisingly, Low-Incidence students tend to be concentrated in the Traditional Public Schools.

Digging a little deeper into the calculation of the select Special Education expenditure – the numerator in the fraction that determines the Special Education supplement – we find that has a number of components. First is the portion of the SDP's expenditure for educating Special Education students in Traditional Public Schools; second is payments made by the SDP to specialized private institutions, which a relatively small but not insignificant number of Philadelphia's Special Education students attend. Third, however, is the sum of the tuition sent to the charters the previous year for Special Education students – including, somewhat counter-intuitively, not only the Special Education supplement, but also the base tuition.

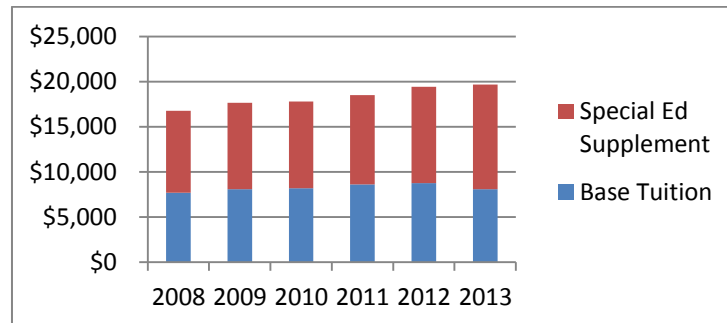
Thus there is upward pressure on the SDP's budget line for Special Education spending from two directions: on the one hand, as the number of Special Education students enrolled in Charter Schools has grown, this has led to an increasing number of payments for the Special Education supplement; on the other hand, as demonstrated in Table 1 below, as the proportion of costlier Low-Incidence students becomes more concentrated in Traditional Public schools, the SDP's annual Special Education expenditure rises, and with it, the Special Education supplement. This creates what is effectively a vicious cycle, reflected in the disparate rates of growth for the base tuition rate and the Special Education supplement, as shown in Table 1/Figure 7 below: while base tuition rate has increased by barely 5% over the 6-year period from 2008-13, the Special Education supplement has increased by nearly 28%. It should be noted that the first two components that determine the select Special Education expenditure are based on the SDP's actual costs of educating Special Education students (or outsourcing the education to an invariably very expensive private school), while the third is based simply on the amount that was sent by the SDP to the charters for each classified Special Education student the previous year.

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<sup>11</sup> Jackson, R. (2005). *Curriculum Access for Students with Low-Incidence Disabilities: The Promise of Universal Design for Learning*. Wakefield, MA: National Center on Accessing the General Curriculum. Retrieved on 9/20/14 from [http://aim.cast.org/learn/historyarchive/backgroundpapers/promise\\_of\\_udl](http://aim.cast.org/learn/historyarchive/backgroundpapers/promise_of_udl).

*Table 1/Figure 7: Funding per Pupil for Charter Schools<sup>12</sup>*

Funding Type	2008	2009	2010	2011	2012	2013	Change
Base Tuition	\$7,708	\$8,088	\$8,184	\$8,608	\$8,773	\$8,096	+5.0%
Special Ed Supplement	\$9,052	\$9,570	\$9,605	\$9,904	\$10,650	\$11,564	+27.7%



The accelerated growth in the Special Education supplement derives from the increasing size and changing composition of the Special Education population in both the Traditional Public and the Charter sectors, in addition to the fact that the revenue the Charter sector receives in one year becomes part of the funding formula for the subsequent year.

Thus we have identified a key disparity in the way in which Special Education funding is distributed to Traditional Public versus Charter Schools. The District's schools are allocated Special Education funds based on the needs of the students served; this is not the case for the Charters, which get the same fixed amount regardless of any particular student's need. This helps to explain the difference in per capita expenditure: In 2013 Traditional Public schools spent an average of \$11,954 to educate each Special Education student; the Charter sector spent \$7,891.<sup>13</sup> Yet the Charter sector received a Special Education supplement of \$11,564 per student. In other words, the Charter sector received about \$3,600 more per Special Education student than it spent on Special Education instruction. Some of that additional increment was undoubtedly spent on non-instructional expenditures, but as we have found, the Charter sector spends a far lower proportion of its revenues on instruction and a far higher proportion on non-instruction than the Traditional Public Schools.

### **The Trajectory of Special Education Enrollment in the Charter Sector**

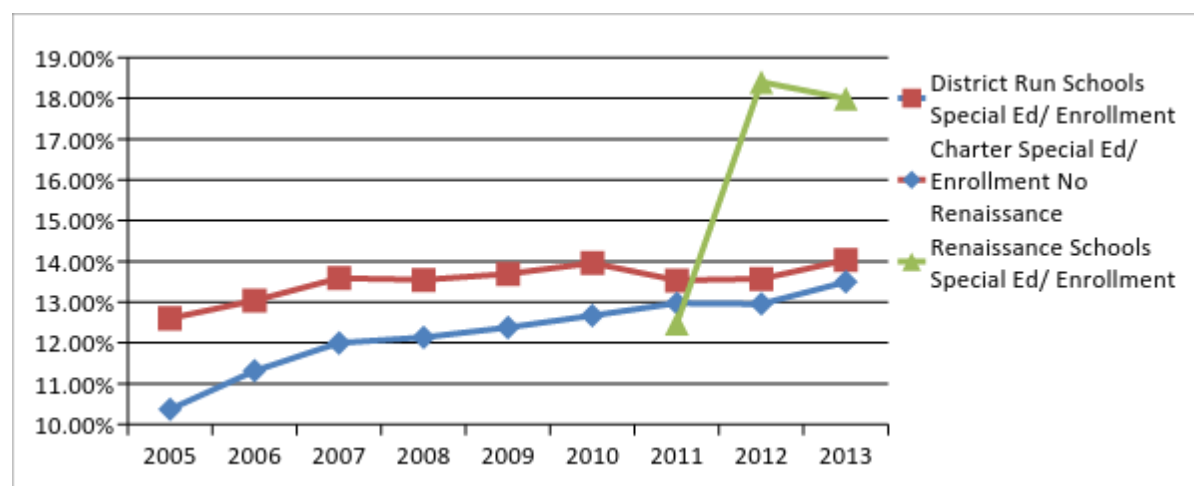
Assuming there are available seats, Charter Schools must allow enrollment on a first-come, first-served basis to any student who applies and lives in the bounds of the District. If a particular school has hit its charter-determined enrollment cap, the school conducts a lottery, and students who are not chosen join a waitlist. This policy is intended to ensure equal opportunity and diversity reflective of the population

<sup>12</sup> School District of Philadelphia PDE 363 2007-08 through 2012-13

<sup>13</sup> 2013 School District and Charter School AFR. See Table 4 below for data.

of the broader district. Nevertheless, as many scholars of the charter movement have noted, even under the best of circumstances, the population of Charter Schools will be at least somewhat self-selected due to the application process.<sup>14</sup> In general demographic terms, racially and economically, the Philadelphia Charter sector looks similar to the District, but with a smaller proportion of Special Education, English Language Learners, and free lunch students.<sup>15</sup> As the Charter sector grows, over time it looks more like the larger District from the perspective of Special Education enrollment, as Figure 7 below illustrates. The schools in the Renaissance program, neighborhood schools that have been turned over to charter operators, serve far a greater proportion of Special Education students than the general District population; with a relatively small sample size of only 17 schools, we are cautious to draw any robust conclusions from this finding, yet if the trend holds we can expect the Special Education gap between the Charter sector and the larger District to continue to narrow.

*Figure 8: Proportion of Special Education Students in Charter vs Traditional Public schools*



However, the composition of the Special Education population is quite different in the two systems, in terms of the proportions of less-expensive High Incidence (HI) and higher-cost Low Incidence (LI) students. As Table 2 and Figure 9 below demonstrate, in 2007, the proportion of LI Special Education students in Traditional Public schools was 23.6%, while in the Charter sector it was 9%; in 2013, the figures were 33.7% and 19.1%, respectively.<sup>16</sup> Relative to the overall student population there is also a stark gap. Prior to the implementation of the Renaissance program in the 2010-11 school year, just 1.2% of the overall population of the Charter sector was classified as Low-Incidence, compared to 3.7% in Traditional Public schools. The conversion of 17 neighborhood schools into Renaissance Schools increased Low Incidence enrollment significantly by 2013 – to 2.5%, versus 5.0% in Traditional Public schools.<sup>17</sup>

<sup>14</sup> <http://axisphilly.org/article/mayors-office-charter-school-applications-should-be-uniform/>

<sup>15</sup> Education Law Center, "Philadelphia Charter School Demographics," January 2014 ([http://www.elc-pa.org/wp-content/uploads/2014/03/ELC\\_Testimony\\_AuditorGeneral\\_CharterSchools\\_3\\_7\\_14-.pdf](http://www.elc-pa.org/wp-content/uploads/2014/03/ELC_Testimony_AuditorGeneral_CharterSchools_3_7_14-.pdf))

<sup>16</sup> Special Education Statistical Summary, 2008-13

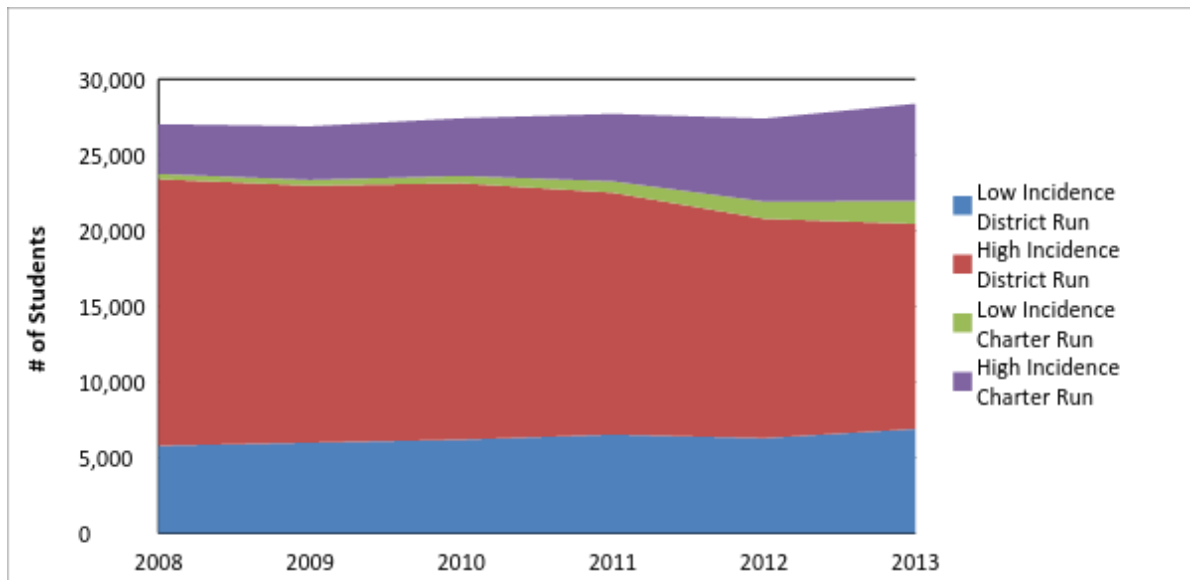
<sup>17</sup> See appendix for Table A-2



*Table 2: Special Education Enrollment by Incidence Type*

	District Run schools			Charter Schools		
	Low Incidence	High Incidence	Total SpEduc	Low Incidence	High Incidence	Total SpEduc
<b>2007</b>	5,720	18,497	24,217	289	2,932	3,221
<b>2008</b>	5,782	17,614	23,396	347	3,293	3,640
<b>2009</b>	5,986	16,983	22,969	380	3,542	3,922
<b>2010</b>	6,184	16,944	23,128	485	3,812	4,297
<b>2011</b>	6,516	15,989	22,505	756	4,454	5,210
<b>2012</b>	6,282	14,502	20,784	1,139	5,484	6,623
<b>2013</b>	6,892	13,550	20,442	1,518	6,425	7,943

*Figure 9: Composition of Philadelphia's Special Education Population*



In general, with the inception of the Renaissance program the Charter sector began to close the gap with Traditional Public Schools with respect to Special Education enrollment. However, the rate of enrollment of lower-cost, High-Incidence Special Education students comprises the majority of growth. This has the consequence of driving up Special Education costs for Traditional Public Schools, since the Traditional Public Schools enroll an increasing proportion of LI Special Education students.

*Table 3: Low Incidence Special Education Students as a Proportion of Total<sup>18</sup>*

	2008	2009	2010	2011	2012	2013
Low Incidence students - Traditional Public Schools	3.6%	3.8%	4.0%	4.4%	4.4%	5.0%
Low Incidence students - Charter Schools	1.1%	1.1%	1.3%	1.7%	2.2%	2.5%

By definition, the cost of educating a Low Incidence special needs student is significantly higher than the cost of educating a High Incidence student. As the ratio of LI students to HI students increases in Traditional Public Schools, the total per capita expenditure increases; this in turn drives up the District's total Special Education expenditure. Since the formula that determines a given year's Special Education supplement is based on the District's total Special Education expenditure in the previous year, the per capita amount which the Charter sector receives for Special Education students does not accurately reflect the composition of its Special Education population. It is disproportionately higher than it would be if it did reflect the actual composition. This is reflected in Table 4 below: In 2013, for example, the Traditional Public Schools spent \$244.4 million on 20,442 Special Education students, for a per capita expenditure of \$11,954, while the Charter sector spent \$62.5 million on 7,926 students, a per capita expenditure of \$7,891.<sup>19</sup> However, the Charter sector received a Special Education supplement of \$11,564 for each of its 7,926 Special Education students, a total of \$91.7 million.

*Table 4: Special Education Expenditure per student*

Year	Traditional Public Schools			Charter Schools		
	SpEd Expenditure	# of Students	Expenditure per Student	SpEduc Expenditure	# of Students	Expenditure per Student
2008	\$198,673,371	23,396	\$8,492	\$16,125,988	3,640	\$4,430
2009	\$201,726,392	22,969	\$8,783	\$23,603,843	3,922	\$6,018
2010	\$211,416,933	23,128	\$9,141	\$30,779,003	4,297	\$7,163
2011	\$224,014,054	22,505	\$9,954	\$39,984,509	5,210	\$7,675
2012	\$210,306,417	20,800	\$10,111	\$54,367,769	6,607	\$8,229
2013	\$244,363,235	20,442	\$11,954	\$62,544,325	7,926	\$7,891

## Charter School Revenues and Expenditures

Charter School funding in Pennsylvania is based on the cost structure of Traditional Public Schools, but Charters spend less, and spend differently, than Traditional Public Schools. Charter School funding is essentially in the form of a block grant to each Charter School, paid by the SDP in response to monthly invoices based on ADM figures; it is also essentially unrestricted funding, which can be spent by each Charter School as it sees fit. Though Charter Schools can and do apply for philanthropic, state, and

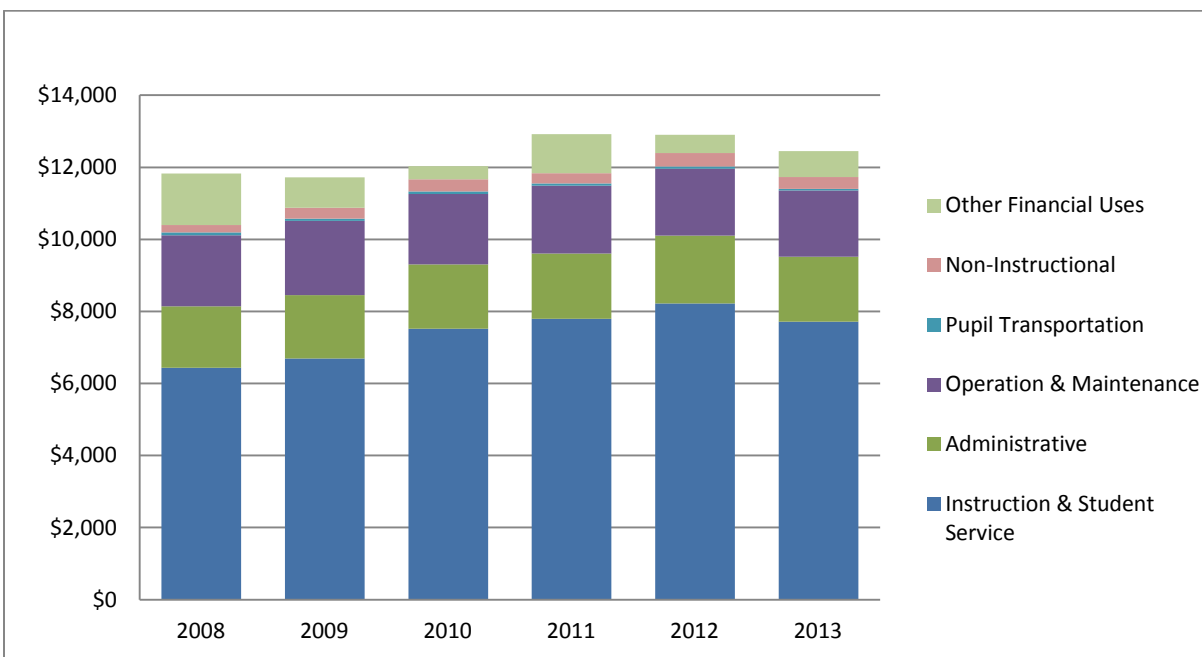
<sup>18</sup> See appendix for Table A-2

<sup>19</sup> School district of Philadelphia AFR form 2057

federal funds that may be tied to particular programs or classification of students, the vast bulk of their funds, more than 83% on average, derive from the District.<sup>20</sup>

Figures 10 and 11 below use data from the annual financial reports of both District-run and Charter Schools to compare spending on a per student basis. Charters spend, on average, less per student on instruction and support than Traditional Public Schools: of the roughly \$12,300 the Charter Schools spent per student annually between 2008 and 2013, about \$7,400 (60%) was spent on instruction and student support; of the \$14,159 per student spent on average by the Traditional Public Schools annually during the same period, about \$11,275 (70%) goes toward instruction and student support. The Charter sector spent more than twice as much per student on administration than Traditional Public schools – an average of \$1,792 per student, versus an average of \$752 per student for the District.

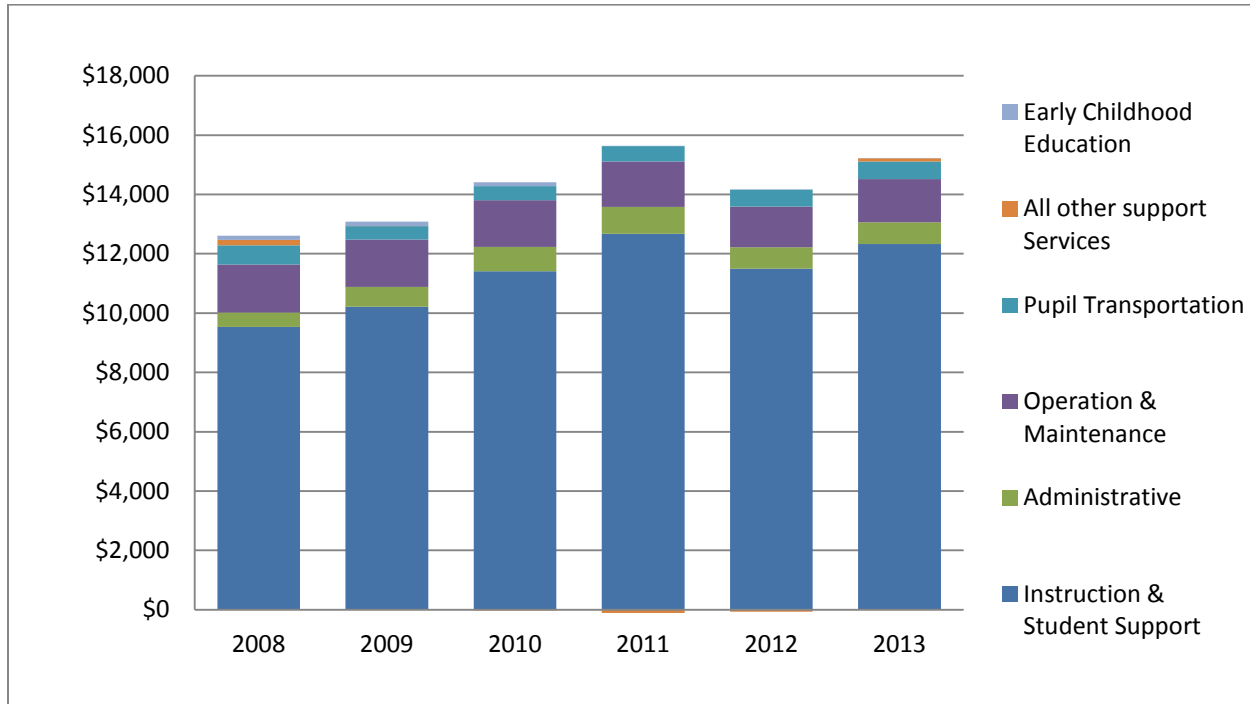
*Figure 10: Charter Expenditure per Student<sup>21</sup>*



<sup>20</sup> Charter School AFR 2008-2013. We provide the 2013 data by charter school in Table A-6 in the Appendix below.

<sup>21</sup> Based on Charter schools in Philadelphia

Figure 11: Traditional Public Schools - Expenditure per Student<sup>22</sup>



Narrowing our focus to Special Education revenues versus expenditures, Table 5 below shows that in each school year since 2007-08, the schools in the Charter sector spent on average about \$3,156 per pupil less on Special Education instruction than they received in Special Education supplements. In total, over the course of the 6 year period covered in this study, the data show that the Charter sector received about \$98 million more in Special Education revenue than it spent.

Table 5: Charter Revenues vs Instruction Expenditures: Special Education

Year	Special Ed Enrollment	Special Ed Instruction Expenditure	Special Ed Exp Per Pupil	Special Ed Supplement	Difference Per Pupil	Total Difference
2008	3,640	\$16,125,988	\$4,430	\$9,051	\$4,621	\$16,819,652
2009	3,922	\$23,603,843	\$6,018	\$9,570	\$3,552	\$13,929,697
2010	4,297	\$30,779,003	\$7,163	\$9,605	\$2,442	\$10,493,682
2011	5,210	\$39,984,509	\$7,675	\$9,904	\$2,229	\$11,615,331
2012	6,607	\$54,367,769	\$8,229	\$10,650	\$2,421	\$15,996,781
2013	7,926	\$62,544,325	\$7,891	\$11,564	\$3,673	\$29,111,939
<b>TOT/AVG</b>	<b>5,267</b>	<b>\$227,405,437</b>	<b>\$6,901</b>	<b>\$10,057</b>	<b>\$3,156</b>	<b>\$97,967,082</b>

By keeping the costs of instruction low relative to revenues, Charter operators are able to spend money in other areas. Our analysis demonstrates that the Charter sector spent about \$431 million on Administrative Services from 2007-2013; in 2012-13, the charters spent about \$1,600 per capita on

<sup>22</sup> School District CAFR 2018-13

administrative services – about 2.4 times the per capita amount spent by the District.<sup>23</sup> This finding is consistent with other studies of expenditures by Charter Schools.<sup>24</sup> Obviously, some of it can be explained by the diseconomies of scale attendant to operating one or a small portfolio of schools. But we wonder if economies of scale will be achieved as the Charter sector consolidates, or if they can be achieved through group purchasing or other cost-saving measures.

## Renaissance Schools

In 2010-11 the School Reform Commission launched the Renaissance program, under which the management of underperforming neighborhood schools is outsourced. Since inception, the number of Renaissance schools has grown from 7 in 2011 to 17 in 2013, with an additional 3 opened in 2014. Renaissance schools are almost exclusively run by larger, regional or national organizations and their growth has facilitated the expansion of these organizations in the Philadelphia market.

The Renaissance program represented the largest expansion of the charter sector in some time, and unsurprisingly, the flow of payments from the District to the Charter sector increased substantially. However, unlike ordinary charters, Renaissance schools are not populated by a self-selected group drawn from across the City. The data show that Renaissance schools have a disproportionate number of Special Education students relative to both Traditional Public and other Charter Schools; the data also show that once a neighborhood school becomes a Renaissance charter school, there is significant growth in the proportion of Special Education students.

In the first two phases of the Renaissance program, the participating schools increased enrollment by 907 students; of these, 260 (28.7%) were classified as Special Education, more than double the proportion in the Traditional or the Charter sector. The vast majority of these were newly classified, and classified as High-Incidence. By the third year, the schools in the first phase of the Renaissance program had increased enrollment by 456 students – and had 229 additional Special Education students.<sup>25</sup>

Like other Charter Schools, our analysis shows that Renaissance schools spend less on instruction than they receive from the SDP. Additionally, as the number of students enrolled in these schools increases, the expenditure per student decreases for regular education and fluctuates around a mean for Special Education.

*Table 6: Per Pupil-Expenditures - Renaissance Schools<sup>26</sup>*

Expenditure Type	2011	2012	2013
Special Education	\$8,348	\$8,131	\$8,661
Regular Education	\$6,132	\$6,035	\$5,467

<sup>23</sup> 2018-2013 Charter School AFR. See Figure A-2, Appendix for side-by-side comparison of District and Charter Sectors expenditures per capita.

<sup>24</sup> Miron, G. & Urschel, J.L. (2010). Equal or fair? A study of revenues and expenditure in American Charter Schools. Boulder and Tempe: Education and the Public Interest Center & Education Policy Research Unit. Retrieved 9/23/2014 from <http://epicpolicy.org/publication/charter-school-finance>.

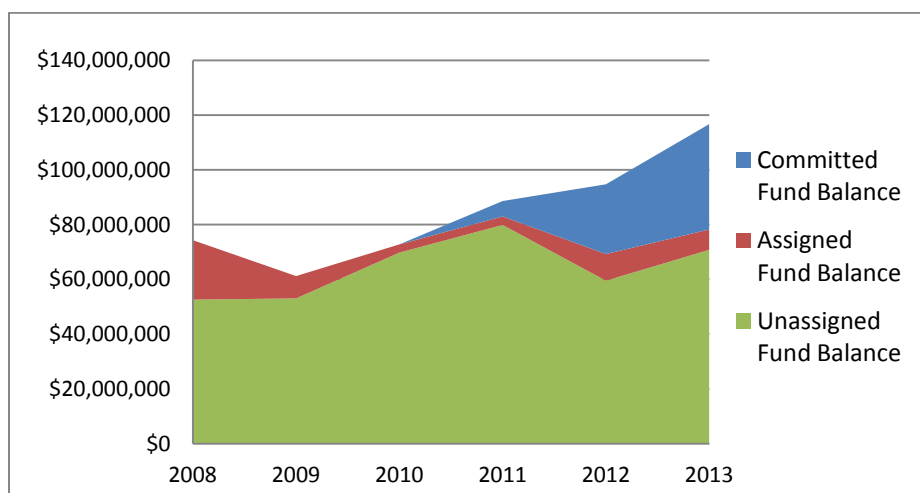
<sup>25</sup> Special Education Statistical Summary, 2008-13

<sup>26</sup> 2011-13 Charter School AFR

## Fund Balances

As shown in Figure 12 below, the aggregate fund balances of the Charter sector have consistently increased. In 2012-13 the District transferred about \$560 million to the Charter sector, about 77% of the sector's total revenues of \$717 million. The additional \$155 million included \$49 million from the Commonwealth (about two-thirds of which went toward teacher retirement plans), \$74 million from the federal government (of which \$65 million was dedicated to No Child Left Behind, Individuals with Disabilities Education Act and Nutrition programs), and \$31 million from other sources, mostly private donations, bond issues, proceeds from extended term financing, and non-specified revenues. In short, of these external revenues, \$133 million (85%) was earmarked for specific purposes. In 2012-13, the Charter sector reported \$697 million in expenditures, for an annual positive fund balance of \$18 million.<sup>27</sup> In 2012-13 the aggregate positive fund balance for the Charter sector grew by \$22 million from the previous year.

*Figure 12: Charter Sector Fund Balances<sup>28</sup>*



In 2013 the average charter school had a fund balance of almost \$1.4 million, or 15% of expenditures. However, this average obscures enormous variety. In 2013 nearly one-third of Charter Schools ran fund balances in excess of 20% of expenditures, and these schools represent 83% of the \$117 million surplus. About one-sixth of Charter Schools ran positive balances of 10-20%, while about one-third were in the 0-10% range. The final one-sixth were in debt, mostly in the range of 1-10%, with two in significant debt.<sup>29</sup> Our analysis also shows a strong correlation between positive fund balance and increased enrollment of Special Education students. The average charter school enrolled 93 Special Education students; of those

<sup>27</sup> Annual Financial Reports 2013

<sup>28</sup> [http://www.portal.state.pa.us/portal/server.pt/community/summaries\\_of\\_annual\\_financial\\_report\\_data/7673/afr\\_other\\_financial\\_information/509049](http://www.portal.state.pa.us/portal/server.pt/community/summaries_of_annual_financial_report_data/7673/afr_other_financial_information/509049)

<sup>29</sup> See Appendix, Table A-5, "Summary Financial Data, 2013" for details.

76 are classified as High Incidence. For each Special Education student enrolled, a charter school increased its fund balance on average by close to \$9,900.<sup>30</sup>

In sum, at the end of 2013 the Charter sector's books indicated a positive fund balance of nearly \$117 million, of which \$70.8 million was classified as unassigned. Despite expenditures on administration that are, on average, at least twice as high per capita as Traditional Public schools, by keeping costs of instruction relatively low, the Charter sector has consistently run considerably in the black. While it is true that a fair number of Charter Schools receive revenue from other sources besides the SDP, the bulk of that money is earmarked and must be spent. Thus we are confident in our conclusion that the bulk of the fund balances can be traced directly back to SDP coffers.

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<sup>30</sup> See Appendix, Figure A-1.

## SECTION II: How Philadelphia Compares with Other Urban Districts

### A brief overview of charter funding approaches

Typically, Charter Schools represent a net cost to local school systems. However, how a state or city chooses to fund this sector can either lessen or increase these local costs. According to a 2012 study of Charter Schools' financial impact on two school districts in New York State, charter school programs can have negative fiscal impacts on local school districts both because operating two systems of public schools under separate governance arrangements creates diseconomies of scale and because charter school financing policies can distribute resources away from districts.<sup>31</sup>

Charter Schools add costs through new school facilities, services, teachers, and administrators. Charters also tend to attract students from private schools, shifting the burden from parents to the public system. Local school districts can reduce some costs by making adjustments in response to enrollment losses; however, district administrators cannot trim costs proportionally to student departures. Students do not leave traditional public schools for charters uniformly, one school at a time.<sup>32</sup> In Philadelphia, students transfer from different places and across a number of years resulting in inefficiencies in the form of excess seats and misallocated staff.

School finance policies also impact costs at the local level. These policies are considered below.

### Charter School Funding Mechanisms

There are two basic approaches to charter funding:

- **States** provide funding directly to Charter Schools without district involvement; or
- **Districts** are responsible for allocating funds to Charter Schools.

For local districts, one type of funding policy is not necessarily superior to the other. Each approach can either amplify or minimize the impact of charter costs on local school districts depending on contextual factors. When payments are made directly from the state to the charter school, the entity that bears the brunt of the excess costs is determined, in part, on the degree to which a district depends on state funding. A 2012 study noted that the fiscal impacts of charter schools will be more negative in districts that rely heavily on state aid payments.<sup>33</sup> This occurs because states pay local districts based on enrollment counts. It is essentially a zero-sum game in which districts lose every per-pupil dollar for each student who enrolls in a charter school.

The second approach makes local districts responsible for the distribution of resources. When a student within its boundaries enrolls in a charter school, the local district must pay the charter a rate set by the state. Under this model, the higher the mandated payments to the Charter Schools, the more negative

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<sup>31</sup> Bifulco, R. and Reback, R. (2012). Fiscal impacts of Charter Schools: Lessons from New York. Retrieved from: <http://www.columbia.edu/~rr2165/pdfs/nycharterfiscal.pdf>

<sup>32</sup> Schafft, K.A., Frankenberg, E., Fuller, E., Hartman, W., Kotok, S. & Mann, B. (2014). Assessing the Enrollment Trends and Financial Impacts of Charter Schools on Rural and Non-Rural School Districts in Pennsylvania. Retrieved from: [http://www.rural.palegislature.us/documents/reports/Charter\\_School\\_2014.pdf](http://www.rural.palegislature.us/documents/reports/Charter_School_2014.pdf).

<sup>33</sup> Bifulco and Reback, Fiscal impacts of Charter Schools.



the fiscal impact. As we have seen in Philadelphia, charter school reimbursement rates that do not account for the losses to the District exacerbate negative fiscal impacts and force much of the excess cost created by Charter Schools onto the District.

Pennsylvania uses the second model, the district-based structure, to pay charters. Charter funding rates – whether too high or too low – are a common source of disagreement among policymakers. Until 2011, the Pennsylvania Department of Education mitigated the impact of growth through the categorical “Charter School Reimbursement” fund, a payment of “transitional aid” to districts that aimed reduce some of the impacts created by charter growth. Acknowledgement of the need for transitional aid is evidence that the state’s funding system can fail to provide adequate resources to districts that experience large charter growth. This fund was eliminated after school year 2010-11, and is explained in more detail below.

### **Pennsylvania’s Charter School Funding Policy and Its Impact on Philadelphia**

Noted education finance expert Dr. Bruce Baker has described the Commonwealth’s school funding policy as “one of the nation’s most persistently inequitable” in the U.S., and disparities have widened in recent years.<sup>34</sup> In a recent report Baker notes that in 2010, Pennsylvania’s poorest districts spent \$2,000 fewer dollars per student than the state’s richest districts, and by 2013, this disparity had grown by almost 50%, to about \$3,000 per child.<sup>35</sup> Philadelphia is among the state’s poorest school districts. While funding challenges in the city have been a source of debate for decades, the state’s charter funding design, and its impact on Philadelphia, has received less attention.

Under Pennsylvania law, the local school district is the primary authorizer of Charter Schools. Local districts are responsible for approving and overseeing charters established within district boundaries. While state law is prescriptive regarding payment rates, it does not provide similar clarity regarding oversight policies. State law also allows an avenue for approval outside of the local control. Further, state law prohibits local districts from imposing a cap on charter expansion or enrollment growth. A recent state Supreme Court decision found that school districts may establish agreements with charters to limit enrollment; however, prior decisions found these caps cannot be imposed unilaterally by the local district.<sup>36</sup>

As mentioned above, another important factor in charter funding policy is reimbursement, or transition aid. Prior to the 2011-12 school year, Pennsylvania reimbursed school districts approximately 30 percent of charter costs. This state “transition aid” was substantial for districts with high charter enrollment rates. Philadelphia’s reimbursement totaled nearly \$110 million for the Philadelphia school district in 2010-11. That funding was eliminated in 2010-11, effectively placing the burden of charter expansion on

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<sup>34</sup> Baker, B.D. and Corcoran, S.P. (2012). The stealth inequities of school funding. Center for American Progress. (<http://cdn.americanprogress.org/wp-content/uploads/2012/09/StealthInequities.pdf>).

<sup>35</sup> Baker, B.D. and Levin, J. (2014). Research to inform the development of a Pennsylvania basic education funding formula (<http://www.air.org/sites/default/files/downloads/report/AIR-EEAEO%20in%20the%20Commonwealth%20-%20Full%20Report%2010-09-14.pdf>).

<sup>36</sup> <http://www.newsworks.org/index.php/local/education/68482-walter-palmer-calls-supreme-court-decision-against-his-charter-political>

local districts.<sup>37</sup> In fact, transition aid ceased at the moment of the most significant acceleration in shifting enrollment from Traditional Public to Charter Schools, at least in Philadelphia. If the intention of transition aid was to mitigate the financial impact of large numbers of students moving out of Traditional Public Schools and into Charter Schools, it would make sense that this aid continue until such time as relative equilibrium is established.

Pennsylvania law requires that local districts pay charters for each student who enrolls, with different rates for non-special and Special Education students. For non-Special Education students, the district pays a rate established based on its cost per student after subtracting spending on specified categorical programs like transportation services and adult education programs. The state requires additional funding for Special Education students, based in part on what the district spent on Special Education in the prior school year. Unlike many other states, however, Pennsylvania has a flat Special Education supplement that fails to account for costs associated with varying levels of student need. As we showed earlier, payments for charter school Special Education students have increased at a rate five times faster than for non-Special Education students.

Pennsylvania's charter school funding design intensifies the financial pressures on Philadelphia by making the district responsible for charter school payments while eliminating the transition aid that minimized the impact from the sector's growth and by creating a financial incentive for charters to enroll low-need Special Education students that bring higher payments.

The following section explores the factors effecting charter funding in the context of six other larger urban school districts.

### **Charter School Enrollment and Policy in Other Large Urban School Districts**

In this section, we compare charter school enrollment and policy in several large urban districts. This is not a comprehensive analysis of charter school policies in these districts. Such an analysis would require detailed examination of each of these policies, their relationship with one another, and the additional key drivers of both charter school and Special Education funding systems such as facilities spending, transportation. Still, the information below provides a starting point for understanding variation in key policies state to state, and the options available to Pennsylvania should it chose to pursue changes to charter, Special Education, and basic education funding policies.

Comparison cities were selected based on either high rates of charter enrollment or because they experienced high growth in recent years. Table 7 presents these cities along with socio-economic information.

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<sup>37</sup> Schaftt et al, "Assessing the Enrollment Trends and Financial Impacts of Charter Schools on Rural and Non-Rural School Districts in Pennsylvania," Center for Rural Pennsylvanians, 2014.

*Table 7. Charter School Enrollments in Philadelphia and Major Cities<sup>38</sup>*

City	Popn of 5 to 17-year-olds	Traditional Public School Enroll	Charter % of Total Enroll	Poverty Rate, 5 to 17-year-olds
<b>Philadelphia</b>	240,899	137,674	30.5%	37.9%
<b>Baltimore</b>	91,468	74,105	12.6%	34.3%
<b>Chicago</b>	430,713	343,376	14.3%	33.2%
<b>Columbus</b>	69,180	50,009	23.0%	39.7%
<b>Detroit</b>	135,355	49,172	51.0%	51.0%
<b>New York</b>	1,240,981	1,026,823	6.4%	29.8%
<b>Washington</b>	70,463	45,557	43.0%	NA

We also calculated change in sector enrollment shares from school year 2007-08 to 2013-14 for the four cities where charters are funded at the local level. As shown in the following table, charter school enrollment has increased dramatically in each city over this time period.

*Table 8. Rate of Growth of Charter School Enrollments in Philadelphia and Major Cities<sup>39</sup>*

city	charter enroll 2007-08	charter enroll 2013-14 (est)	% change cs enroll	charter % of total enroll 2013-14
<b>Baltimore</b>	5,520	10,642	92.8%	12.6%
<b>Chicago</b>	23,733	57,169	140.9%	14.3%
<b>NYC</b>	18,267	70,000	283.2%	6.4%
<b>Philadelphia</b>	30,220	60,734	100.1%	30.5%

It's important to note that Philadelphia's overall share of charter students is far higher than the three comparison cities. So, while the rate of increase in Chicago and New York City has outpaced Philadelphia's since 2007, the financial impact is greater in Philadelphia.

## Charter School Funding Policies and Formulas

Comparing policies across cities allows us to consider different charter school policy options, their implementation and impact.

Table 9 below provides a summary of charter school policies in these cities using the following indicators:

<sup>38</sup> Data in this table was drawn from: National Center for Education Statistics (NCES). Enrollment, poverty, and federal funds for the 100 largest school districts, by enrollment size in 2011: Selected years, 2010-11 through 2013; Pennsylvania Department of Education. 2013-14; Baltimore City Public Schools. 2013-14; Chicago Public Schools. 2013-14; National Alliance for Public Charter Schools. (2013). A growing movement: America's largest charter school communities. Eighth Annual Edition; New York City Independent Budget Office. (2014). New York City Public School Indicators: Demographics, Resources, Outcomes; United States Census Bureau. State & County Quick Facts. District of Columbia.

<sup>39</sup> Data in this table was drawn from: Baltimore City Public Schools. Charter school report: 2005-06 to 2007-08 school years; Baltimore City Public Schools. 2013 School profiles; Chicago Public Schools. School Data. 20<sup>th</sup> day membership report: School Year 2007-08; Chicago Public Schools. School Data. 20<sup>th</sup> day membership report: School Year 2013-14; New York City Charter School Center. Personal communication; New York City Charter School Center; Charter school facts: 2014-15; PA Department of Education. Public School Enrollment Report 2007-08. Note: Total excludes cyber charters located in Philadelphia County; PA Department of Education. Public School Enrollment Report 2013-14.

- The source of charter school funding allocations (either the state or local district);
- The allotment of base per pupil payments;<sup>40</sup>
- Transition aid or reimbursements for enrollment shifts to Charter Schools;
- Caps on charter school growth; and,
- The percentage of Special Education students in traditional public and Charter Schools.

Following this table, each element is discussed in greater detail.

*Table 9. Overview of select charter policies & populations in Philadelphia and major cities<sup>41</sup>*

City	CS Funding Policy (State payment or District payment)	CS Funding Formula	State Transition Aid (Y/N)	Charter Cap (Y/N)	% TPS with IEPs	% CS with IEPs
Philadelphia	District payment	Per-pupil allocation based on local district's spending per student minus specified categorical costs	No	No	13.7%	14.2%
Baltimore	District payment	Base funding the same for TPS and CS	No	No	15.4%	13.7% <sup>42</sup>
Chicago	District payment	Base funding the same for TPS and CS	No	Yes	12.4% <sup>43</sup>	10.0% <sup>44</sup>
Columbus	State payment	Base funding the same for TPS and CS	No	No	16.1%	15.2%
Detroit	State payment	Base funding the same for TPS and CS	No	No <sup>45</sup>	18.6%	8.9%
New York City	District payment	Per-pupil allocation based on local district's spending per student in 2010-11 school year plus per-student supplemental aid	No	Yes	16.1%	13.1%
Washington D.C.	State payment	Base funding the same for TPS and CS. Tiered funding for Special Education.	No	Yes	14.5%	12.1%

In Philadelphia, Baltimore, Chicago, and New York City, the local districts are the primary entities responsible for payments to Charter Schools. However, although these cities employ the same general approach to charter funding, there are considerable differences between policies.

<sup>40</sup> This information focuses on the primary funding stream for Charter Schools; it does not include information regarding supplemental funding sources.

<sup>41</sup> Data in this table is drawn from: PA School Performance Profiles, 2012-13 data; Baltimore City Schools District-wide [profile](#). Includes ALL students in the city school system: District and charter; Ohio Fall Enrollment Headcount, October 2013. All of Franklin County; Center for Educational Performance and Information. Data for Wayne County and Detroit City, 2013-14; 2013-14 Demographic snapshot, District Tab. New York City Department of Education; New York City Charter School Center. Students with Special Learning needs and NYC Charter Schools. 2012-13 data; Office of the State Superintendent of Education - SY2013-14 General Education Enrollment, Final Enrollment Audit (February 26, 2014);

<sup>42</sup> Obtained by calculating total counts of students with disabilities in 31 operating Baltimore City Charters, as provided in the City's school [profiles](#).

<sup>43</sup> This includes all traditional public schools from the 13 networks in Chicago Public Schools: 37,037 SPED students/298,931 total students.

<sup>44</sup> This includes charter and contract schools in Chicago Public Schools: 7,167 SPED students/71,631 total students, not including AUSL schools.

<sup>45</sup> After 2014, a cap applies only to cyber charters.

The following table provides data about the costs to districts of Charter Schools for the four cities where districts are responsible for charter school payments, relative to the overall public education spend. AS the charts in this section make clear, the proportion of Philadelphia’s students enrolled in charter schools and the proportion of education spending devoted to them is far higher than other cities.<sup>46</sup>

*Table 10: Charter Spending as a Proportion of Total Education Spending<sup>47</sup>*

City	total school budget 2014-15 (millions)	budgeted charter expend 2014-15 (millions)	charter % of total budget 2014-15	charter % of total enrollment 2013-14
<b>Baltimore</b>	\$1,340,942	\$117,060	8.7%	12.6%
<b>Chicago</b>	\$5,756,300	\$1,130,000	19.6%	14.3%
<b>NYC</b>	\$25,900,000	\$1,290,000	5.0%	6.4%
<b>Philadelphia</b>	\$2,523,400	\$766,700	30.4%	30.5%

In Columbus, Detroit, and Washington D.C., charters are funded directly by the state (or state equivalent). Funding is approximately equal for students in Charters and Traditional Public Schools in these cities.

## Sources of Funding

Each state has implemented complex funding structures that impact local schools differently. And some of these systems create particularly strong incentives for competition over students. For example, in 1994 Michigan established a funding policy where nearly all of the revenue provided to public and Charter Schools comes in the form of per-pupil “foundation grants.” These grants have declined in real value since 2002, which means that the only way for schools to increase revenue is to attract more students.<sup>48</sup>

Until 2013, the Chicago Public Schools funded Charter Schools utilizing a method called PCTC (“per capita tuition charge”). The base PCTC was determined by totaling all expenses of the school district in its core functions, deducting select expenditures and offsetting revenues from state and federal sources and dividing this amount by total enrollment. The Chicago School District shifted from the PCTC method to Student Based Budgeting (SBB) method in 2013. According to a report done for the Illinois Charter

<sup>46</sup> It is important to note that this table does not control for differences in student needs in terms of socioeconomic status, language, Special Education, transportation, and so on. A more nuanced comparison would control for these and other differences.

<sup>47</sup> Data in this table was drawn from: Baltimore City Public Schools. (2014). Operating budget: Fiscal year 2015. Link [here](#); Baltimore City Public Schools. 2013 School profiles; Chicago Public Schools. Fiscal Year 2015 Budget. Link [here](#); Chicago Public Schools. School Data. 20<sup>th</sup> day membership report: School Year 2013-14. Link [here](#); New York City Department of Education. DOE Overview. Link [here](#); New York City Charter School Center, Charter school facts: 2014-15. Link [here](#); School District of Philadelphia. (2014). FY 2014-15 consolidated budget. Link [here](#); Pennsylvania Department of Education. Public School Enrollment Report 2013-14. Note: Total excludes cyber charters located in Philadelphia County.

<sup>48</sup> Ni, Y., & Arsen, D. (2011). School choice participation rates: Which districts are pressured? Education Policy Analysis Archives, 19 (October). Retrieved from: <http://epaa.asu.edu/ojs/article/view/777>

School Task Force in 2014, PCTC turned out not to be “a practical methodology for allocating resources in a district as large and complex” as Chicago’s. They cited issues similar to those that have been raised in Philadelphia, such as deriving current year’s tuition rates from prior year spending, a “lack of flexibility to allocate resources based on student needs and district priorities,” and “reduced ability to target funds to students in poverty.” In 2013, the CSD moved toward a new school funding program that allocates money to charters and districts at the same rate. This “Student Based Budgeting” program distributes local revenue on a per-pupil rate that includes weights for grade level and needs.<sup>49</sup> Similarly, Maryland state law requires districts “disburse to a public charter school an amount of county, state, and federal money for elementary, middle, and secondary students that is commensurate with the amount disbursed to other public schools in the local jurisdiction.”<sup>50</sup>

New York’s formula for charter funding appears similar to Pennsylvania’s, in that it derives a per-pupil rate by dividing the district’s operating expenses by the number of pupils. According to a 2010 report by the New York City Independent Budget Office, the largest funding stream for charters comes by payment from local districts “often thought of as equal to per pupil spending by the local district for direct operation of the traditional public schools.” However, the formula includes expenditures for pensions “that will almost certainly be lower for charters than in traditional public schools,” and excludes “facility costs such as debt service and leasing” requiring charters to seek these dollars from other sources. Special Education funding is an allocation that Charter Schools may qualify for and receive for serving students that receive Special Education services for more than 20% of the week as mandated by an Individual Education Plan. In addition to per-pupil funding, New York City Charter Schools receive funding for initial start-up expenses such as preparing classrooms, installation of equipment, and recruiting students. New Charter Schools receive this funding for the first year of operation.<sup>51</sup>

Funding designs in Columbus, Detroit, and Washington D.C. are provided directly from the state (in DC’s case, the municipality) to the charters based on per-pupil rates. The DC Public Charter School Board is a separate fiscal entity that receives funding directly from the City government, and it is authorized to grant charters. The DCPCSB pays each individual charter school quarterly on the basis of enrollment. In DC, Charter Schools receive the same level of funding for their students as the Traditional Public Schools, according to the District’s Uniform Per Student Funding Formula (UPSFF). Charter Schools also receive a facilities allowance to maintain and operate their buildings. In FY 2014, the base UPSFF was \$9,306; a weighted formula allocates additional resources for students in pre-K, middle, and high schools, as well as Special Education students. The facilities allowance was around \$3,000 per student.<sup>52</sup>

## State Transition Aid

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<sup>49</sup> Illinois Charter School Funding Task Force Report (<http://www.isbe.state.il.us/scsc/pdf/csftf-final-report.pdf>)

<sup>50</sup> Maryland Charter School Law.

<sup>51</sup> New York City Independent Budget Office (2010). Comparing the Level of Public Support: Charter Schools versus Traditional Public Schools (<http://www.ibo.nyc.ny.us/iboreports/charterschoolsfeb2010.pdf>); New York City Department of Education, Charter Schools Office, “Frequently Asked Questions” (<http://schools.nyc.gov/NR/rdonlyres/0452A0FF-2FAF-425F-B893-6F903CAA99CD/0/CharterWebsiteFAQsFinal.pdf>).

<sup>52</sup> Government of the District of Columbia, FY 2015 Proposed Budget and Financial Plan, Vol 3, Agency Budget Chapters - Part II: Public Education System.

New York is the only state in our sample that currently provides transition aid to local districts to help offset funding losses resulting from charter enrollment shifts. However, state law specifically excludes New York City from receiving aid.<sup>53</sup> Like Pennsylvania, Illinois at one time provided transition aid to local districts affected by charter enrollment losses. Illinois ended this funding stream in Fiscal Year 2009.

### **Caps on Charters**

Limits on the granting of new charters are in place in Illinois (maximum of 120 charters statewide, and 70 in Chicago), New York (460 statewide, with additional limits by authorizer type), and Washington D.C. (20 per year).<sup>54</sup> Michigan established a generous cap on charters approved by universities, preventing institutions of higher education from approving more than 500 charters statewide; this cap was lifted in 2014. The Education Commission of States database notes cyber Charter Schools are capped at 15.<sup>55</sup>

### **Special Education Rates**

In 2012-13, Philadelphia's charter school Special Education enrollment rate was higher than the rate in the city's traditional public schools, though as we have seen above, Traditional Public schools still educate a higher proportion of Special Education students and a far higher proportion of higher-cost Low-Incidence students. Philadelphia is not the only city where rates of Charter School Special Education enrollment outpaced the share in the Traditional Public Schools. Determining rates of Special Education enrollment across sites is challenging. To obtain the most recent information, we sought data from each public school district's website. However, this data was not uniformly provided for each city and, in some cases, the information was not disaggregated at the local level or by sector. In Ohio and Michigan, for example, public reports provided charter enrollment data by county, not Local Education Agency. Therefore, the calculation for charter school Special Education percentages in these instances reflect county rates. In New York City, we could not find Special Education rates disaggregated at the charter sector. As a result, New York City's data includes the percent of Special Education students for traditional public schools for the 2013-14 school year, and the charter school rates for 2012-13 school year as provided by the New York City Charter School Center. Baltimore's traditional public school Special Education rate includes ALL students in the city's public school system, both district and charters. But since the charter rate is lower than the overall average, we are confident that Special Education rates in the school system are higher in traditional Baltimore public schools.

In the District of Columbia, Special Education students are classified by need into 4 levels, with supplements ranging from 97% to 349% of the base rate. Two-thirds of DC's Special Education students are classified as Level 1 or 2, roughly equivalent to Pennsylvania's High-Incidence category. The formula applies to both charter and traditional public schools. The following is excerpted from Chapter § 38-2905 of the Code of District Columbia.<sup>56</sup>

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<sup>53</sup> New York State Aid Handbook. 2013-14. [https://stateaid.nysed.gov/publications/handbooks/handbook\\_2013.pdf](https://stateaid.nysed.gov/publications/handbooks/handbook_2013.pdf)

<sup>54</sup> Education Commission of the States. [http://www.ecs.org/html/educationIssues/CharterSchools/CHDB\\_intro.asp](http://www.ecs.org/html/educationIssues/CharterSchools/CHDB_intro.asp)

<sup>55</sup> Charter School Basics. <http://ecs.force.com/mbdata/mbstprofexcl?Rep=CSP14&st=Michigan>

<sup>56</sup> Source: <http://dccode.org/simple/sections/38-2905.html>

*Table 11: District of Columbia Special Education Funding FY 2013*

Level/Program	Definition	Weighting	Per pupil Supplement FY 2013
Level 1: Special Education	Eight hours or less per week of specialized services	0.58	\$5,292
Level 2: Special Education	More than 8 hours and less than or equal to 16 hours per school week of specialized services.	0.81	\$7,390
Level 3: Special Education	More than 16 hours and less than or equal to 24 hours per school week of specialized services	1.58	\$14,416
Level 4: Special Education	More than 24 hours per week which may include instruction in a self-contained (dedicated) Special Education school other than residential placement	3.10	\$28,284
Special Education Capacity Fund	Weighting provided in addition to Special Education level add-on weightings on a per student basis for each student identified as eligible for Special Education.	0.40	\$3,650
Special Education Compliance Fund	Weighting provided in addition to Special Education level add-on weightings on a per student basis for each student identified as eligible for Special Education.	0.16	\$1,460
Residential	D.C. Public School or public charter school that provides students with room and board in a residential setting, in addition to their instructional program		

It appears from our survey, however, that Pennsylvania is among a small group of states in which no provision is made for distinguishing levels of need and attaching differential funding weights accordingly. The combination of the Commonwealth's lack of a weighted formula for general education funding and its lack of a tiered system of Special Education funding produces exceptional financial challenges for large, poor districts like Philadelphia.<sup>57</sup>

<sup>57</sup> See Education Law Center, "Funding, Formulas, and Fairness: What Pennsylvania Can Learn From Other States' Education Funding Formulas," February 2013.



## **Conclusion: What Is To Be Done?**

While the School District of Philadelphia continuously struggles to fund its basic needs, it has little control over the amount it is legally obligated to transfer to the Charter Schools. Many charters routinely enroll more students than expected, and the District is generally compelled to pay the unanticipated tuition increases. Attempts to hold the line have been met with litigation, including a case that the Pennsylvania Supreme Court has recently agreed to hear, in which the plaintiffs are urging for the elimination of caps altogether. Under the current funding arrangement, this could be a fatal blow to the District's finances. The current formula already compels the District to pay the Charter Schools without regard to actual costs. If, as Charter proponents claim, Charter Schools can educate students more cheaply than Traditional Public schools, it would seem to make little sense to derive Charter funding from the District's expenditures. Under the current funding scheme, Charters garner an enormous premium for each Special Education student, and as the Iron Law of organizations would predict, have developed expensive administrative structures that absorb much of the surplus. In an era characterized by serious retrenchment on the part of the SDP's administrative costs, to the severe detriment of the District's ability to function, some would argue, it seems grossly unfair that some Charter Schools have created expensive bureaucracies writ small.

As we have seen, there are a variety of models for governing and funding Charter Schools. With 15 years of experience and data behind us, it seems time to evaluate whether the current system in Pennsylvania makes sense.

We believe that advocates for both traditional public education as well as independent public Charter Schools will agree that the current structure, a zero-sum game in which the School District of Philadelphia has lost fundamental control over its budget, does a disservice to the children and the taxpayers. Unless the public is ready to embrace a model solely composed of independent charter schools, it is time to do something differently. The bottom line: Since the Charters and the Traditional Public Schools are fiscally interdependent, there must be robust mechanisms for coordination.

## **Creating a Culture of Accountability**

One thing upon which both advocates for Charter Schools and advocates for Traditional Public Schools agree is that the accountability mechanisms for charter schools in Philadelphia do not work. For supporters, a charter school is supposed to be mission-driven and independent, held accountable only to the standards stipulated in the contract between the individual school's board and the authorizing agency. Charters should not be judged by the same standards as TPS, since these reflect prevailing pedagogical norms and stifle the creativity that is the essence of the charter movement. To charter advocates, the current governance structure represents the worst of both worlds: inflexible (and unrealistic) TPS performance standards are grafted onto charter documents, at the same time as the Charter School Office lacks the resources to enforce either the intent of the charter or the TPS standards. In the end, the charters fall victim to the same culture of non-accountability as the Traditional Public Schools.

To illustrate his point, one prominent charter school advocate interviewed for this report posited a hypothetical charter high school with the stated mission of educating formerly incarcerated youth and advancing them 2 grade levels per academic year in a core subject such as reading. Let's suppose that the students come to this Charter High School at 14 years old, therefore technically in ninth grade, but with third-grade reading levels. By its own stated standards, the Charter School would consider itself successful if it had improved reading levels to fifth-grade standards in one academic year, but by generic school district standards, rooted mainly in meeting predetermined and rigid benchmarks, such as test scores, this charter school would be considered an under-performer.

For charter school advocates, then, accountability means simply enforcing the terms of the contract between the authorizer and the charter school. An appropriate accountability structure would hold Charters to the standards upon which they were founded. This is clearly not happening in Philadelphia. So at least some of the charter advocates interviewed for this report would support rigorous accountability driven by the following question: Are the charter schools living up to their own expectations, as set forth in their governing documents? And in fact, other systems utilize measurements that are rooted in the charters' own documents. The systems in place in Washington DC, Chicago, and New York, for example, utilize evaluative measures that are based on the charters' stated missions and benchmarks for success. The DC Public Charter School Board exercises rigorous oversight, having revoked the charters of 27 underperforming charter schools, one-third of the total, since its inception in 1996.<sup>58</sup>

In Philadelphia, by contrast, minimal resources have been devoted to Charter School accountability. A sector that educates one-third of Philadelphia's students is overseen by fewer than 6 staff in the SDP's Charter School Office. The CSO's annual budget is less than \$1 million. In the entire history of charter schools in Philadelphia, just 3 charters have been revoked, despite numerous reports of waste, fraud, abuse, and poor performance;<sup>59</sup> this is well below the national average, which is, according to the Center for Education Reform, a closure rate of 15%.<sup>60</sup>

In order for taxpayers and other stakeholders in Philadelphia to be assured of quality in both the Charter and Traditional Public Schools, it will be essential to create robust structures of accountability for Charter Schools. This should include strengthening the existing Charter School Office, as proposed in the SRC's recent Authorizer Quality Initiative; developing a Collaborative Council under the auspices of the School Reform Commission, similar to the system adopted in Denver; and, critically, bringing Charter Schools into the School District's yearly budget process.

It is critical to adopt best-in-class standards, create a culture of accountability, and allocate sufficient resources to achieve it. Charter Schools must undergo regular review and those that fail to meet

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<sup>58</sup> CREDO, National Charter School Study 2013 (<http://credo.stanford.edu/documents/NCSS%202013%20Final%20Draft.pdf>); DC Public Charter School Board, "Facts About DC Public Charter School Board and Charter Schools," October 2013 ([http://www.dcpsb.org/data/files/fast%20facts%20-%20october%202013\[1\].pdf](http://www.dcpsb.org/data/files/fast%20facts%20-%20october%202013[1].pdf))

<sup>59</sup> See Office of the Philadelphia Controller, Review of Charter School Oversight: A Fraud Vulnerability Assessment, April 2010. ([http://www.philadelphiacontroller.org/publications/other%20reports/CharterSchoolInvestigation\\_FullReport.pdf](http://www.philadelphiacontroller.org/publications/other%20reports/CharterSchoolInvestigation_FullReport.pdf))

<sup>60</sup> Center for Education Reform, "The State of Charter Schools: What We Know—and What We Do Not—About Performance and Accountability," December 2011 (<https://www.edreform.com/2011/12/charter-school-closure-report/>)

standards must be closed and tax dollars reallocated to support quality options for Philadelphia's students. Accountability operations must be adequately funded; the budget for the Charter School Office must be doubled, at least. Other cities impose a small surcharge on charter school tuition to fund charter accountability.<sup>61</sup>

### **Fiscal Interdependence Necessitates Budgetary Coordination**

This report has demonstrated that the current fiscal relationship between the School District's Traditional Public Schools and Charter Schools is neither mutually beneficial nor sustainable. Because of the manner in which Charter Schools are funded, the two systems are financially symbiotic. The School District of Philadelphia serves as the fiscal manager for the Traditional Public Schools but as simply the fiscal agent for the Charter Schools. The SDP has discretion over its own funds, which in times of scarcity equates to discretion over what to cut, but almost none over the flow of funds to the Charter Schools.

The current Charter funding formula takes into account only previous year expenditures on the part of the District and it is unresponsive to the current year's financial situation. If the District is forced to make budget cuts in a given year, the transfer payments to Charter Schools do not change: they are guaranteed by law, and the Traditional Public Schools bear the brunt. However, under current policy both systems are aggrieved: Charter School advocates argue that the Commonwealth's funding formula provides inadequate funding, and as we have suggested, the one-size-fits-all method of funding Special Education disadvantages parents of Low-Incidence Special Education students from choosing Charters. At the same time, advocates for Traditional Public Schools understand the vicious cycle caused by an increasing concentration of higher needs students in District-run schools and that the District gets stuck with an increasing burden of stranded costs. In sum, the Charter Schools get paid regardless of the fiscal health of the larger District, which has to make do with a shrinking pool of funds. This pits the systems against each other in a financial death match, which the Traditional Public Schools are steadily losing.

The most initially appealing solution to the problem of these interlocking, rigid, and competing funding systems is to separate the conjoined twins – create two separate systems with dedicated funding streams, each operating independently. While the District of Columbia seems to have made great strides with an independent Charter School Board, we believe that the creation of another layer of bureaucracy with its own institutional imperatives would likely create an even more pitched contest for resources in both City Hall and Harrisburg, perhaps even exacerbating the current zero-sum game.

What we propose, then, is to acknowledge the interdependence by creating a joint budgeting process for the District and the Charter Schools. Under the auspices of the School Reform Commission (or a future School Board), the Charter School Office and key charter leaders would work with the District's financial team to produce a Five-Year Financial Plan, from which would flow annual budgets based on student needs across both systems. Because they would share responsibility for allocating the funds that flow from Harrisburg and City Hall, they would have incentive to collaborate on ensuring that Philadelphia gets its fair share of revenues. Charter Schools would remain independent laboratories of innovative educational ideas and practices, subject to the oversight of a robust and adequately staffed

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<sup>61</sup> If Philadelphia adopted DC's surcharge of 0.5%, \$3 million would have been generated in 2013.

Charter School Office. Traditional Public Schools would remain accountable to the School District of Philadelphia.

Such a process will be most effective if accompanied by the creation of an independent fiscal review board, analogous to the Pennsylvania Intergovernmental Cooperation Authority, which would review the plan annually. This board should be empowered to reject budgets that are unsound, determine appropriate levels of fund balance reserves to ensure the fiscal stability of the Charter and Traditional Public School sectors, and ensure financial predictability for the entirety of Philadelphia's publicly-funded educational system. Such an entity would force both the District and the Charter Schools to confront wasteful spending and remain focused on core priorities like student instruction and support.

Even with these changes in place, the fiscal health of publicly funded education in Philadelphia cannot be ensured absent a new approach to funding Charter Schools in general, and Special Education in particular. As the large positive fund balances on the books of many Charter Schools demonstrate, there is little relationship between funding and student need. We should explore adopting zero-based budgeting models that start from student need and take into account demographic differences. It is crucial that Special Education funding account for varying levels of student need.

In addition to a student-needs-based approach to funding Charter Schools, we strongly recommend the resumption of transition aid to districts undergoing substantial charter growth. If the intention of such aid was to mitigate the financial impact of the rapid and unevenly distributed shift of students from Traditional Public Schools to Charters, it makes little sense to discontinue that aid until relative equilibrium is achieved. As the Boston Consulting Group pointed out several years ago, and as our analysis has shown, there is not a one-to-one correspondence between the loss of a student from the Traditional Public Schools, with their high fixed costs, and gain to a Charter School. It will take years before the Traditional Public Schools are "right-sized," even once the shift has stopped.

And finally, of course, the larger question of adequately funding all forms of public education in Pennsylvania must be addressed. PA is among the only states in the nation that currently do not employ some form of weighted formula for determining state aid to school districts. Urban districts like Philadelphia present particular challenges in terms of economic disadvantage; at the same time, the City of Philadelphia is on a positive trajectory and is one of the Commonwealth's most important economic engines. The health and reputation of the School District of Philadelphia are inextricable from the health and reputation of the City and region as a whole.

At least some of the changes we have recommended will require legislative action in Harrisburg. We hope that this report has provided ample evidence to demonstrate the urgent need for concerted action sooner rather than later.

# APPENDIX

*Table A-1: Funding per Pupil for Charter Schools*

Funding Type	2008	2009	2010	2011	2012	2013	Change
Base Tuition	\$7,708	\$8,088	\$8,184	\$8,608	\$8,773	\$8,096	+5.0%
Special Ed Supplement	\$9,052	\$9,570	\$9,605	\$9,904	\$10,650	\$11,564	+27.7%

*Table A-2: Low Incidence Comparison between District Run and Charter Schools*

	2008	2009	2010	2011	2012	2013
District run school enrollment	162,608	157,680	156,420	149,576	143,007	136,929
Charter enrollment	32,729	35,458	37,142	44,301	52,413	61,740
District Run Low Incidence	5,782	5,986	6,184	6,516	6,282	6,892
Charter Low Incidence	347	380	485	756	1,139	1,518
Low Incidence percent District Run	3.6%	3.8%	4.0%	4.4%	4.4%	5.0%
Low Incidence percent Charters	1.1%	1.1%	1.3%	1.7%	2.2%	2.5%

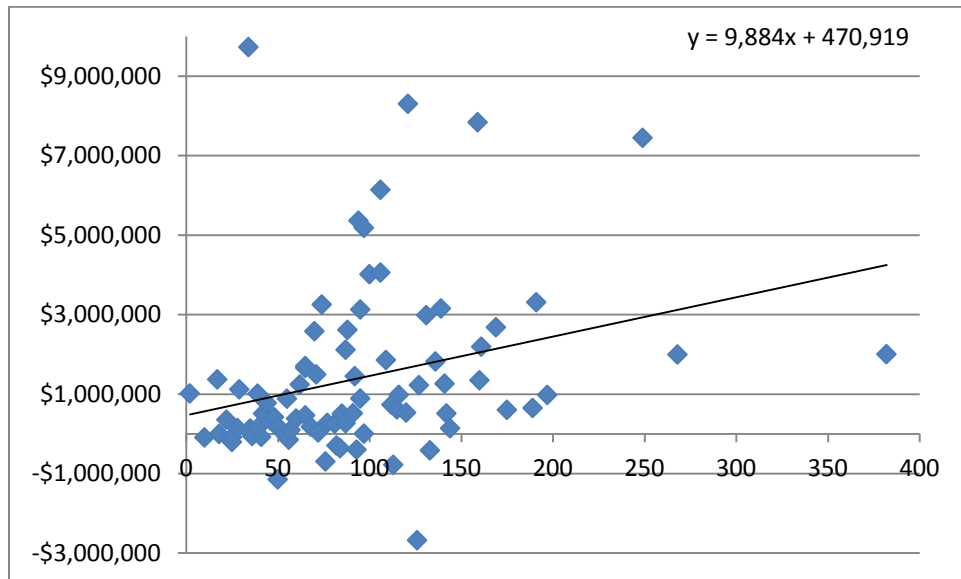
*Table A-3: Charter Special Education Instruction Expenditure vs. SE Supplement*

Year	SE Enrollment	SE Instr Exp	SE Exp Per Pupil	SE Supplement	Surplus per SE student	SE Instr Surplus
2008	3,640	\$16,125,988	\$4,430	\$9,051	\$4,621	\$16,819,652
2009	3,922	\$23,603,843	\$6,018	\$9,570	\$3,552	\$13,929,697
2010	4,297	\$30,779,003	\$7,163	\$9,605	\$2,442	\$10,493,682
2011	5,210	\$39,984,509	\$7,675	\$9,904	\$2,229	\$11,615,331
2012	6,607	\$54,367,769	\$8,229	\$10,650	\$2,421	\$15,996,781
2013	7,926	\$62,544,325	\$7,891	\$11,564	\$3,673	\$29,111,939
<b>TOTAL</b>						<b>\$97,967,082</b>

*Table A-4: Charter Regular Education Instruction Expenditure vs. Base Tuition*

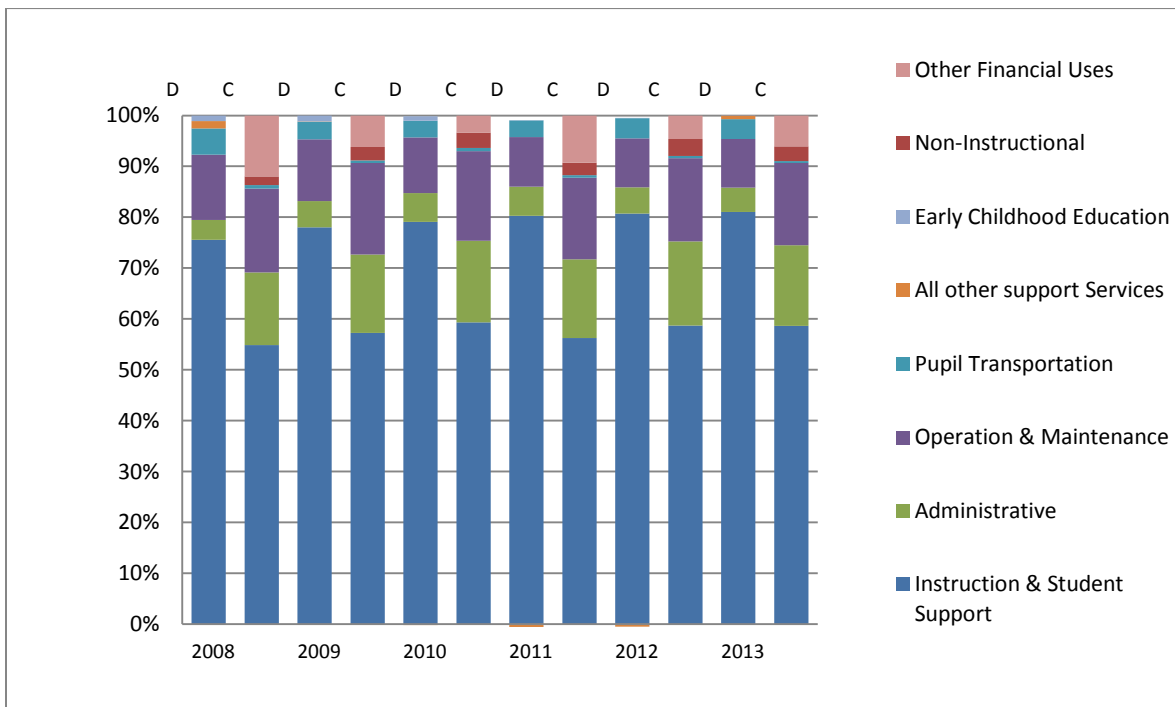
	RE Enrollment	RE Instr Exp	RE Exp per Pupil	Base Tuition	Surplus per RE student	RE Instr Surplus
2008	32,729	\$144,000,000	\$4,400	\$7,708	\$3,308	\$108,275,132
2009	35,458	\$155,000,000	\$4,371	\$8,087	\$3,716	\$131,748,846
2010	37,142	\$178,000,000	\$4,792	\$8,183	\$3,391	\$125,932,986
2011	44,301	\$218,000,000	\$4,921	\$8,608	\$3,687	\$163,343,008
2012	52,413	\$260,000,000	\$4,961	\$8,773	\$3,812	\$199,819,249
2013	61,740	\$283,000,000	\$4,584	\$8,095	\$3,511	\$216,785,300
<b>TOTAL</b>						<b>\$945,904,521</b>

*Figure A-1: Fund Balance and Special Education Scatter plot (2013)*



NOTE: There is a positive correlation between fund balance and the number of Special Education students. The average charter school ran a positive fund balance of \$1.4 million in 2013. A charter school with no Special Education students would, on average, have a fund balance of \$471,000. Each Special Education student the Charter Schools enroll increases the fund balance on average by close to \$9,900. As this plot shows, the distribution of balances was somewhat uneven.

*Figure A-2: Per Capita Spending, District versus Charter Sector*



*Figure A-3: Per-Student Spending, 2013*

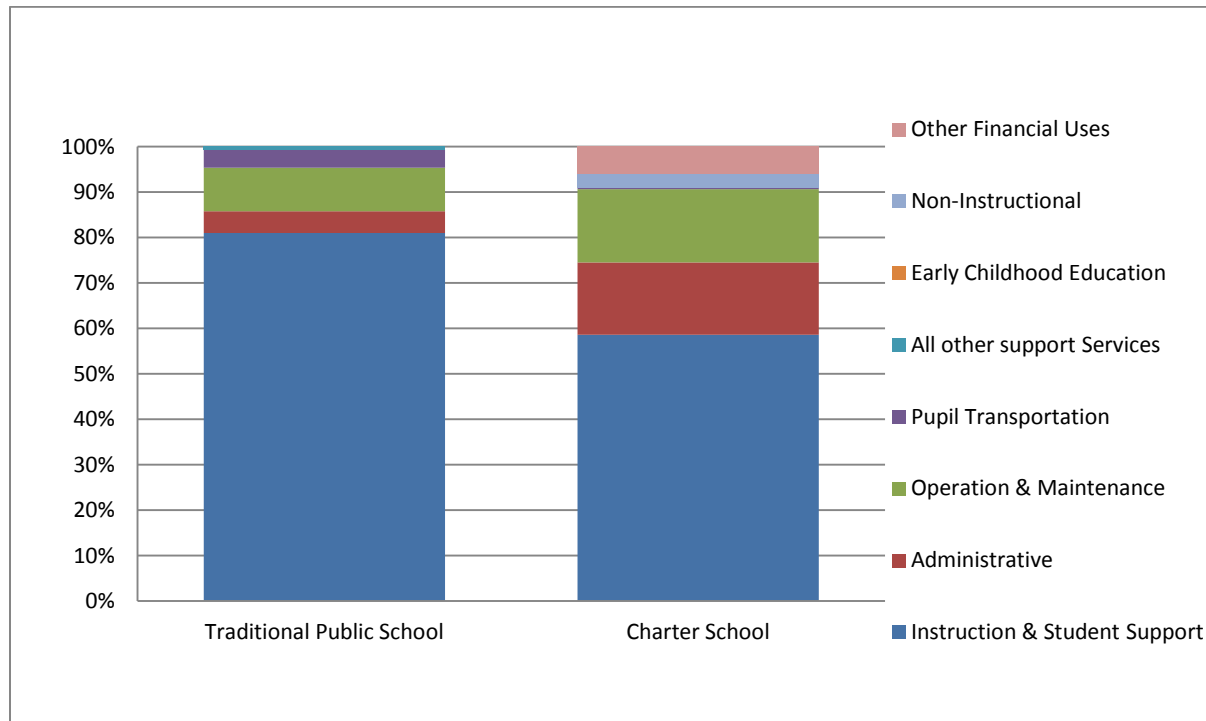


Table A-5: Summary Financial Data, 2013

School	2013 Fund Balance	2013 Revenue	2013 Local (SDP) Revenue	2013 Expenditure	2013 AdminExp	SpEd Enroll	Total Enroll	% SpEd	2013 % Admin Exp	2013 % SDP Rev	2013 % Fund Bal
Ad Prima CS	NA	NA	NA			18	407	4.4%			
Alliance for Progress CS	\$345,787	\$4,418,205	\$3,857,650	\$4,216,986	\$463,164	46	395	11.6%	11.0%	87.3%	8.2%
Antonia Pantoja Community CS	\$516,561	\$10,273,662	\$5,730,948	\$10,195,632	\$2,155,419	142	730	19.5%	21.1%	55.8%	5.1%
ARISE Academy CHS	-\$144,212	\$3,030,059	\$2,728,044	\$2,758,031	\$679,971	56	158	35.4%	24.7%	90.0%	-5.2%
Belmont Academy CS	-\$87,712	\$1,350,597	\$1,148,755	\$1,397,113	\$351,181	10	116	8.6%	25.1%	85.1%	-6.3%
Belmont CS	\$387,584	\$5,383,348	\$4,633,159	\$5,747,624	\$1,162,010	60	487	12.3%	20.2%	86.1%	6.7%
Birney Preparatory Academy	\$100,804	\$7,372,785	\$5,970,120	\$7,379,747	\$629,097	57	658	8.7%	8.5%	81.0%	1.4%
Boys Latin of Philadelphia CS	\$166,194	\$6,477,538	\$5,677,506	\$5,905,535	\$1,338,461	50	482	10.4%	22.7%	87.6%	2.8%
Christopher Columbus CS	\$5,365,540	\$9,106,951	\$7,870,241	\$11,624,225	\$1,388,052	94	779	12.1%	11.9%	86.4%	46.2%
CHS for Architecture and Design	\$892,506	\$7,233,191	\$6,290,959	\$7,301,668	\$1,200,351	95	612	15.5%	16.4%	87.0%	12.2%
Community Academy of Philadelphia CS	\$982,348	\$14,614,374	\$12,818,082	\$13,768,204	\$2,348,179	197	1267	15.5%	17.1%	87.7%	7.1%
Delaware Valley CHS	-\$774,729	\$7,986,418	\$6,871,301	\$8,144,828	\$1,342,900	113	666	17.0%	16.5%	86.0%	-9.5%
Discovery CS	\$3,255,882	\$7,912,228	\$6,922,316	\$15,503,440	\$555,925	74	721	10.3%	3.6%	87.5%	21.0%
Eastern University Academy CS	\$155,826	\$3,846,793	\$3,345,163	\$3,711,160	\$507,492	39	353	11.0%	13.7%	87.0%	4.2%
Esperanza Academy CHS	\$618,590	\$11,183,553	\$8,908,518	\$11,092,174	\$953,675	115	798	14.4%	8.6%	79.7%	5.6%
Eugenio Maria De Hostos CS	\$270,803	\$5,871,400	\$2,924,181	\$6,580,424	\$804,495	87	454	19.2%	12.2%	49.8%	4.1%
First Philadelphia Preparatory CS	\$2,684,375	\$11,510,531	\$10,069,288	\$11,332,215	\$1,725,196	169	964	17.5%	15.2%	87.5%	23.7%
Folk Arts-Cultural Treasures CS	\$1,243,307	\$5,676,044	\$4,962,299	\$5,632,147	\$1,001,909	62	477	13.0%	17.8%	87.4%	22.1%
Franklin Towne CES	\$3,130,932	\$14,052,230	\$8,778,349	\$11,942,375	\$1,104,117	95	902	10.5%	9.2%	62.5%	26.2%
Franklin Towne CHS	\$4,060,392	\$12,561,196	\$10,838,073	\$11,781,821	\$1,401,841	106	1013	10.5%	11.9%	86.3%	34.5%
Freire CS	\$736,862	\$14,805,377	\$9,148,868	\$14,375,799	\$1,703,515	112	948	11.8%	11.8%	61.8%	5.1%
Global Leadership Academy CS	\$2,584,989	\$7,432,272	\$6,651,230	\$7,425,368	\$1,097,944	70	707	9.9%	14.8%	89.5%	34.8%
Green Woods CS	\$9,732,120	\$21,350,965	\$3,801,809	\$11,866,906	\$1,435,704	34	413	8.2%	12.1%	17.8%	82.0%
Hardy Williams Academy CS	\$8,305,539	\$12,431,635	\$9,534,693	\$9,914,108	\$1,426,397	121	947	12.8%	14.4%	76.7%	83.8%
Hope CS	NA	NA				54	264	20.5%			
Imani Education Circle CS	-\$72,582	\$5,377,483	\$4,764,665	\$4,955,288	\$312,150	41	436	9.4%	6.3%	88.6%	-1.5%
Imhotep Institute CHS	\$983,548	\$8,129,416	\$7,138,747	\$7,308,032	\$1,193,360	116	668	17.4%	16.3%	87.8%	13.5%
Independence CS	\$5,184,869	\$9,087,749	\$7,992,342	\$8,711,767	\$1,310,139	97	814	11.9%	15.0%	87.9%	59.5%
John B Stetson CS	\$1,265,615	\$9,826,849	\$4,556,213	\$9,382,972	\$1,357,641	141	735	19.2%	14.5%	46.4%	13.5%
Khepera CS	\$490,279	\$4,984,446	\$4,315,195	\$4,828,326	\$856,536	43	455	9.5%	17.7%	86.6%	10.2%
KIPP Philadelphia CS	\$653,662	\$14,005,854	\$11,906,632	\$14,855,639	\$927,014	189	895	21.1%	6.2%	85.0%	4.4%
KIPP West Philadelphia Preparatory CS	\$424,840	\$3,867,801	\$3,401,187	\$3,859,598	\$245,585	48	335	14.3%	6.4%	87.9%	11.0%
Laboratory CS	\$1,018,876	\$4,207,172	\$3,607,883	\$4,926,658	\$1,491,734	2	446	0.4%	30.3%	85.8%	20.7%
Mariana Bracetti Academy CS	\$3,313,935	\$14,088,110	\$12,091,917	\$14,986,685	\$1,621,629	191	1246	15.3%	10.8%	85.8%	22.1%
Maritime Academy CS	\$1,497,866	\$8,688,537	\$7,147,320	\$8,662,764	\$1,767,916	71	773	9.2%	20.4%	82.3%	17.3%
MaST Community CS	\$7,842,201	\$14,810,250	\$13,247,949	\$14,165,146	\$1,513,184	159	1306	12.2%	10.7%	89.5%	55.4%
Mastery CHS	\$2,118,370	\$22,150,002	\$17,055,937	\$22,645,091	\$5,759,984	87	543	16.0%	25.4%	77.0%	9.4%
Mastery CS-Cleveland Elementary	-\$691,099	\$8,536,207	\$6,713,782	\$9,227,117	\$974,527	76	693	11.0%	10.6%	78.7%	-7.5%
Mastery CS-Clymer Elementary	\$539,003	\$7,119,975	\$5,920,372	\$6,571,239	\$803,576	120	517	23.2%	12.2%	83.2%	8.2%
Mastery CS-Gratz Campus	\$1,998,634	\$15,947,904	\$13,005,444	\$15,255,037	\$1,859,971	268	1120	23.9%	12.2%	81.5%	13.1%
Mastery CS-Harrity Campus	\$4,019,329	\$9,940,039	\$8,224,845	\$8,088,941	\$1,113,022	100	860	11.6%	13.8%	82.7%	49.7%
Mastery CS-Mann Campus	\$1,661,117	\$6,407,429	\$5,210,035	\$5,689,003	\$861,286	65	530	12.3%	15.1%	81.3%	29.2%
Mastery CS-Pickett Campus	\$2,195,741	\$9,895,080	\$7,870,302	\$9,482,173	\$1,163,566	161	729	22.1%	12.3%	79.5%	23.2%
Mastery CS-Smedley Campus	\$1,351,223	\$9,469,068	\$8,134,336	\$8,876,964	\$1,079,657	160	732	21.9%	12.2%	85.9%	15.2%



Table A-5: Summary Financial Data, 2013

School (CONT'D)	2013 Fund Balance	2013 Revenue	2013 Local (SDP) Revenue	2013 Expenditure	2013 AdminExp	SpEd Enroll	Total Enroll	% SpEd	2013 % Admin Exp	2013 % SDP Rev	2013 % Fund Bal
Mastery CS-Thomas Campus	\$1,861,138	\$7,993,138	\$6,829,899	\$7,775,472	\$948,685	109	640	17.0%	12.2%	85.4%	23.9%
Math Civics and Sciences CS	-\$200,238	\$9,927,995	\$8,183,352	\$10,597,843	\$1,728,893	25	930	2.7%	16.3%	82.4%	-1.9%
Memphis Street Academy CS at JP Jones	\$607,022	\$9,438,255	\$8,690,061	\$8,831,235	\$1,930,497	175	779	22.5%	21.9%	92.1%	6.9%
Multi-Cultural Academy CS	\$358,442	\$2,555,667	\$2,216,968	\$3,170,414	\$916,695	22	247	8.9%	28.9%	86.7%	11.3%
New Foundations CS	\$2,619,360	\$11,368,811	\$9,994,109	\$11,547,883	\$1,196,137	88	1067	8.2%	10.4%	87.9%	22.7%
New Media Technology CS	\$467,892	\$4,899,788	\$4,149,898	\$5,253,227	\$1,161,367	65	405	16.0%	22.1%	84.7%	8.9%
Northwood Academy CS	\$2,988,606	\$9,290,858	\$8,066,272	\$9,591,036	\$918,496	131	783	16.7%	9.6%	86.8%	31.2%
Olney CHS	\$2,007,549	\$25,817,951	\$10,658,862	\$23,946,310	\$3,059,315	382	1728	22.1%	12.8%	41.3%	8.4%
Pan American Academy CS	\$8,298	\$8,226,720	\$7,032,466	\$8,195,068	\$1,332,741	97	725	13.4%	16.3%	85.5%	0.1%
People for People CS	-\$393,838	\$7,778,695	\$5,497,722	\$7,695,506	\$466,162	93	545	17.1%	6.1%	70.7%	-5.1%
Philadelphia Academy CS	\$7,449,868	\$16,153,647	\$14,124,265	\$15,598,815	\$1,497,672	249	1182	21.1%	9.6%	87.4%	47.8%
Philadelphia CS for Arts and Sciences	\$143,251	\$11,052,504	\$10,427,776	\$10,909,253	\$1,971,698	144	877	16.4%	18.1%	94.3%	1.3%
Philadelphia Electrical & Tech CHS	\$520,507	\$7,445,898	\$6,035,918	\$7,362,405	\$1,455,801	91	642	14.2%	19.8%	81.1%	7.1%
Philadelphia Harambee Inst CS	-\$1,143,575	\$5,377,575	\$4,709,649	\$6,251,362	\$1,122,210	50	504	9.9%	18.0%	87.6%	-18.3%
Philadelphia Montessori CS	-\$50,070	\$2,391,816	\$1,821,308	\$2,296,323	\$417,116	36	169	21.3%	18.2%	76.1%	-2.2%
Philadelphia Performing Arts CS	\$6,142,062	\$11,269,280	\$10,050,745	\$10,159,113	\$1,893,954	106	1060	10.0%	18.6%	89.2%	60.5%
Planet Abacus CS	\$1,373,039	\$4,487,667	\$3,850,422	\$4,370,002	\$1,094,952	17	471	3.6%	25.1%	85.8%	31.4%
Preparatory CS of Mathematics	-\$77,798	\$6,013,191	\$5,250,297	\$6,179,922	\$1,042,047	25	607	4.1%	16.9%	87.3%	-1.3%
Richard Allen Preparatory CS	\$778,679	\$5,164,837	\$4,432,453	\$5,291,020	\$1,003,329	44	480	9.2%	19.0%	85.8%	14.7%
Russell Byers CS	\$888,296	\$5,750,169	\$5,116,696	\$5,484,431	\$821,233	55	481	11.4%	15.0%	89.0%	16.2%
Sankofa Freedom Academy CS	\$1,709,145	\$6,579,354	\$5,628,013	\$5,732,186	\$438,062	65	591	11.0%	7.6%	85.5%	29.8%
Southwest Leadership Academy CS	\$188,122	\$4,850,891	\$4,374,453	\$4,619,767	\$1,097,851	50	470	10.6%	23.8%	90.2%	4.1%
Tacony Academy CS	\$3,156,924	\$16,617,515	\$9,097,095	\$14,297,002	\$1,460,167	139	873	15.9%	10.2%	54.7%	22.1%
Truebright Science Academy CS	\$136,893	\$3,317,954	\$2,846,877	\$3,441,618	\$744,462	35	307	11.4%	21.6%	85.8%	4.0%
Universal Audenried CS	-\$412,020	\$7,994,920	\$6,368,707	\$8,084,229	\$833,497	133	611	21.8%	10.3%	79.7%	-5.1%
Universal Bluford CS	\$1,454,893	\$6,839,729	\$5,543,245	\$6,637,220	\$1,208,818	92	506	18.2%	18.2%	81.0%	21.9%
Universal Creighton CS	-\$290,882	\$7,440,918	\$6,639,910	\$7,731,800	\$453,307	82	685	12.0%	5.9%	89.2%	-3.8%
Universal Daroff CS	\$511,164	\$8,217,932	\$6,033,742	\$7,510,635	\$526,350	85	624	13.6%	7.0%	73.4%	6.8%
Universal Institute CS	\$182,465	\$7,907,830	\$6,850,037	\$7,743,086	\$875,591	68	621	11.0%	11.3%	86.6%	2.4%
Universal Vare CS	-\$356,903	\$5,077,250	\$4,065,839	\$4,957,957	\$585,798	84	395	21.3%	11.8%	80.1%	-7.2%
Wakisha CS	\$37,828	\$4,524,220	\$3,870,810	\$4,509,996	\$1,016,184	72	393	18.3%	22.5%	85.6%	0.8%
Walter D Palmer CS	-\$2,673,544	\$11,756,116	\$10,320,486	\$11,557,811	\$1,346,866	126			11.7%	87.8%	-23.1%
West Oak Lane CS	\$278,146	\$9,623,106	\$8,395,383	\$9,598,118	\$2,000,088	77	902	8.5%	20.8%	87.2%	2.9%
West Phila. Achievement CES	\$1,014,040	\$6,425,848	\$3,728,440	\$5,950,532	\$917,217	39	613	6.4%	15.4%	58.0%	17.0%
Wissahickon CS	\$259,407	\$6,285,735	\$5,605,397	\$6,164,895	\$1,019,528	81	450	18.0%	16.5%	89.2%	4.2%
World Communications CS	\$513,509	\$5,686,008	\$5,017,559	\$5,753,555	\$2,342,477	42	561	7.5%	40.7%	88.2%	8.9%
Young Scholars CS	\$148,416	\$3,319,123	\$2,854,441	\$3,091,325	\$537,243	28	250	11.2%	17.4%	86.0%	4.8%
Young Scholars Frederick Douglas CS	\$1,227,680	\$9,760,695	\$8,123,135	\$9,600,436	\$995,265	127	766	16.6%	10.4%	83.2%	12.8%
Youth Build Phila CS	\$1,122,683	\$4,786,681	\$4,739,679	\$4,761,650	\$1,237,632	29	252	11.5%	26.0%	99.0%	23.6%
AVERAGE	\$1,406,091	\$8,672,365	\$6,788,262	\$8,452,689	\$1,216,300	94	659	14.0%	15.4%	81.4%	14.6%

# Acknowledgments

## **City Controller's Office Contact**

Bill Rubin, First Deputy City Controller  
Tel: (215) 686-6696  
Email: [bill.rubin@phila.gov](mailto:bill.rubin@phila.gov)

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