

PA Cyber School Hearing, August 14, 2019

Testimony of Dr. Gerald Zahorchak

Good afternoon, Chairman Langerholc, Chairman Dinniman, and esteemed members of the Senate Education Committee. Thank you for the opportunity to testify before you today on charter and cyber charter schools.

In April of 2009, I was in the position of Secretary of Education for Pennsylvania, and I testified before this Committee and I noted: "For too long, every discussion of charter schools in Pennsylvania has been framed as a debate between those who are "for" charters and those who are "against" them. The time has long passed for such unhelpful distinctions." During the previous testimony, I stated that "...more than a decade after the passage of Pennsylvania's charter school law – charters have become an established component of the public education landscape." In 2009, across the Commonwealth, 127 charter schools were serving 67,000 students. I noted that our Administration supported "every school – district-operated, charter or cyber charter – that provides a quality education to its students." Today, in 2019, a decade later, support for all public schools, regardless of structure, has begun to change, primarily due to legislation that is too permissive with regard to costs, special education, and privatization.

The state has compiled updated data on the number of charters and students served by charter types; performance data; cost data; and information regarding issues like special education and private companies desire for monetary gains from public charters. I wish to testify primarily on these data and issues as related to Cyber Charters.

Charters and their students

In the 2018-2109 school year, which ended June 30, 2019, the commonwealth's K-12 education system serves more than 1.7 million students. Pennsylvania's 500 school districts range in size from approximately 200 students to more than 140,000 students. In addition to school districts, there are more than 160 brick-and-mortar charter schools and 14 cyber charter schools are responsible for educating 135,000 students, an increase of approximately 65,000 more students in charter when compared with the 2008-2009 enrollment numbers cited. More than 33,000 Pennsylvania students attend cyber charter schools, which is nearly 25% of all charter students.

In 2010 approximately \$300 million represented the costs of charter schools in Pennsylvania; and today, those cost have soared to 1.65B, almost 6 times as much, a 600 percent increase.

Performance of cyber charter schools in Pennsylvania

In July of 2019 on Smart Talk, Associate Producer, Benjamin Pontz, wrote the following about Cyber School Performance, "cyber charter schools tend to have poorer educational outcomes than their public-school counterparts, research from both the Pennsylvania Department of Education and the Center for Research on Education Outcomes (CREDO) at Stanford University shows ("Performance of cyber charter schools in Pennsylvania", 2019). A comprehensive assessment on charter school performance in Pennsylvania released earlier this year found that students in cyber charter schools lag "dramatically" behind their peers in both traditional public schools and in brick-and-mortar charter schools when it comes to performance in reading and math."

In a June 2019 piece published by Brookings, authors David Baker and Bryan Mann noted that “Pennsylvania school districts...are at the epicenter of the cyber charter school phenomenon...[with] enrollments in Pennsylvania among the largest nationally (Barker and Mann, 2019).” The authors note that only Pittsburgh and Philadelphia have enrollments larger than the 33,000-plus students enrolled in the state’s cyber schools.

Legislation Compared Nationally

From a national perspective in a 50-State Comparison (January 2018), the Education Commission of States, found six states do not permit charters of any type; of the 44 that do permit charters, 22 do not allow virtual charters. Thus, 26 of 50 states do not permit cyber charter schools at all. Of the 24 that do permit them, Pennsylvania’s current legislation seems to have the least amount of accountability and the only illogical funding system. Ohio, Pennsylvania, and California are the “big three” when it comes to enrollment in full-time virtual charter schools. According to National Alliance for Public Charter Schools’ June 2016 “A Call for Action” research, “enrollment in full-time virtual charter schools is highly concentrated in three states – Ohio, Pennsylvania, and California – which collectively enroll over half of full-time virtual charter school students nationwide.” (Education Commission of States, 2018)

Costs of PA Charter Schools

According to Temple University’s Center on Regional Politics, Policy Brief, in a January 2019 report titled “A Tale of Haves and Have-Nots: The Financial Future of Pennsylvania School Districts,” authors Drs. William Hartman & Timothy J. Shrom noted that Charter School costs “will place an increasing burden on school district taxpayers as the state does not support these mandated district costs. Charter School Tuition is the second largest increase of any of the major expenditure categories, second only to Salaries, and more than PSERS, Health Care and Other, or Net Other Expenditures. The annual increase in district costs is estimated to rise from \$116 million in 2017-18 (15% of total annual increases) to \$152 million (21% of total annual increases) by 2021-22, yielding a five-year increase of \$666 million (19% of total five-year increases). This is in addition to existing tuition payments from districts of \$1.65 billion in 2016-17, which would raise the burden on taxpayers and school districts’ budgets to \$2.3 billion by 2021-22. One out of every five district taxpayer dollar increases will be used to pay Charter School Tuition.” Charter schools’ costs will total, according to the report, \$2,321,213,034: a \$666,220,221 or 40.3% five-year increase (Hartman, Shrom, 2019).

The online education programs, cyber charter, are public schools and receive millions in state funding each year, money that comes from the budgets of the public-school districts in which the cyber charter students reside. In 2006-07, cyber schools received about \$150 million in total funding from school district; that number has grown dramatically, consider the following Annual Financial Reports submitted to PDE by the Cyber Charter Schools for the year 2017-18 (Pennsylvania Department of Education) .

Cyber Charter Name:	AFR Revenues 2017-18
21st Century Cyber CS	\$14,931,988
Achievement House CS	\$8,638,840
ACT Academy Cyber CS	\$1,775,845
Agora Cyber CS	\$96,499,879
ASPIRA Bilingual Cyber Charter School	\$5,991,925

Central PA Digital Learning Foundation CS	\$2,582,920
Commonwealth Charter Academy CS	\$129,688,433
Esperanza Cyber CS	\$23,605,904
Insight PA Cyber CS	\$10,865,359
Pennsylvania Cyber CS	\$150,886,775
Pennsylvania Distance Learning CS	\$12,394,100
Pennsylvania Leadership Charter School	\$43,211,490
Pennsylvania Virtual CS	\$31,080,924
Reach Cyber CS	\$26,663,094
Susq-Cyber CS	\$1,076,511
TOTAL REVENUE	\$559,893,987

Cyber costs are different and far less

There is abundant evidence when comparing “district-run cyber programs” to existing cyber charters to establish the fact that districts are paying far too much in basic and special education costs to cyber charters. As stated in the Hartman and Shrom report, supra, districts are having a tough time financially, which will grow worse in time, in terms of keeping up with salaries, retirement and health care costs, to be burdened by a mandated cyber expenditure. A mandate that is allowed to persist in spite of the known difference between costs of the regular (brick and mortar) charters and cybers.

Cyber schools and “brick and mortar” charters are vastly different financially, however, the payment systems of the mandates for cybers and brick and mortar are exactly the same. The school district of residence for each charter student is required to pay the charter a per-s’student rate based on the school district of residence’s own costs for regular or special education determined/certified by the Pennsylvania Department of Education.

As an illustration, consider two school districts sending one child each, whose background and needs are very similar, requiring the same “educational programing,” to the same charter school. These two students would attend the school at two very different tuition costs. This hard-to-understand dilemma—different costs for the same product-- is the same for a “brick and mortar” charter. For example, consider the incredible variation in school district tuition rates. In 2017-18, state-certified tuition rates for school districts ranged from a low of \$7,598 for students from Steelton Highspire School District to a high of \$18,553 for students from New Hope-Solebury School District. A cyber charter school that enrolled a student from each district would bill their taxpayers a different tuition amount for the same education. The tuition-cost structure is not logical and certainly not innovative.

The same illogical funding structure is applied to each district’s special education state-certified tuition rates. Some students enter the cyber school as at a basic education rate and then are determined to be disabled, which then the special education tuition applies. The range for special education tuition begins with Bellwood Antis SD at \$15, 119 (Richland SD is \$15,334) to Lower Marion at \$48,198. Those numbers are higher for the 2018-19 school year (yet incomplete for all districts); Lower Marion is listed at \$53,756. These costs are much less expensive when the districts operate their own cyber schools.

In a TribLive, Feb. 2019 article by Deb Erdley: “Norwin School District Superintendent William Kerr concedes there are valid reasons why families might prefer cyber schools, including serious medical issues and a preference for a cyber learning environment...Nonetheless, Norwin tries to steer families to its district cyber academy where the cost for a fulltime student is \$2,680 a year, compared to \$9,741 (PDE certified tuition rate for Norwin) a year for those who attend cyber charter school.” (Erdley, 2019)

In the same article, former executive director of the Pennsylvania Association of School Business Officials said, “Much of the concern expressed by school districts stems from the way cyber charter schools are funded.” (Erdley, 2019)

“A 2011 study of online learning cost by the Thomas B. Fordham Institute...estimated the average per-pupil cost for a full-time virtual school is \$6,400 [including special education services,” as referenced in the National Alliance for Public Charter Schools “A Call to Action” report (A CALL TO ACTION TO IMPROVE THE QUALITY OF FULL-TIME CYBER CHARTER SCHOOLS). Pennsylvania’s uneven tuition structure is, again, not logical and not innovative.

Innovation was the expectation for related to the creation of charter schools, and in the case of cybers, the innovation provides a potential solution for options within public education. The intent of the original legislation was for school districts to learn from and replicate good practices from the charters. In the case of cyber charters, this seems to be the case, considering many school districts have developed their own cyber charter school or cyber school program. Many existing cyber schools were created by school districts and are run by the school districts’ Intermediate Units. In the cases where districts have their own cyber school, the districts are spending far less than the PDE certified, illogical tuition payments. Often the difference represents a 50% or higher savings to the district.

The House Bill offered by Representative Rep. Curt Sonney (Palochko, J. 2019), the Chair the House Education Committee, seems to represent a consensus among educational leaders throughout Pennsylvania. The Bill would mandate that if a district had its own cyber school, then parents would have that school as their only option. One might assume the Bill potentially could return approximately \$225 Million dollars back to the school districts.

Special Education in Cybers present additional issues

There are examples of good cyber charter practices for some students with certain abilities or disabilities where cyber education can be “a godsend.” (Barker and Mann, 2019). I personally recommended the K12 Inc. well-resourced online curriculum for a student with Down’s syndrome whose parents wanted their child to be educated in the home. One of the child’s parents was determined to be constantly in the home-learning environment with the child. In that case, the parents and the child rated their experience with high marks. However, I have witnessed too many students who fail to meet the expectations for participating online and then fail to keep pace with their same-age cohort of students. Often, these students returned to their school district without completing requirements for promotion; this was especially true for high school students who failed to acquire the credits necessary to advance to the next grade level.

For most students, cyber charter schools do not appear to be performing well. According to the Brookings' article referenced previously, "researchers, state departments of education, and investigative journalists...conclude that these [cyber] programs are not performing well academically...particularly disadvantaged ones." In the "Call to Action," supra, "Full-time virtual charter schools serve a higher percentage of students in poverty [nationally] (48 percent vs. 39 percent), a significantly lower percentage of English-language learners (1 percent vs. 8 percent), and a slightly larger percentage of special education students (11 percent vs. 8 percent) than traditional public schools."

Beyond the cyber schools' overall performance and who they serve, there are issues related specifically to special education starting with the current cyber charter school funding formula for special education; then there is the issue regarding the high percentage of provision of special education services to certain disabilities and low percentage for others.

The formula used does not rely on actual costs for educating the students with disabilities in cyber charter schools, which ends up costing local districts more. Further, the formula seems to have the potential to perversely reward increasing the number of students with school entity determined exceptionalities. For example, in the three largest Pennsylvania cyber schools, the percentages of students with special needs far exceeds the state's averages. When taken together, those three systems enrolled 24,432 students during the 2017-18 school year (representing about three quarters of all cyber student enrollment); 5,423 were enrolled as special education students. The state's Percent Special Education is 16.9% and collectively the three cybers with the largest enrollments is at 22.25% (approximately 76% higher special education enrollment when compared to the state's special education enrollment numbers) (Special Education Data, n.d.).

Further, it appears that the three high enrollment cyber charters enroll, at a much higher percentage level, students who have Emotional Disturbance and Specific Language Disabilities (two categories that seemingly are often given to students in systems with poorer whole school academic or behavioral programs; students who, again seemingly, may not actually have a disability that is organic). In 2002, the President's Commission on Special Education reported "Of those with 'specific learning disabilities,' 80 percent are their [in special education] because they haven't learned how to read...it is the area that resulted in their special education placement." (President's Commission on Special Education, 2002. (2002) The three systems have a range of two to four percentage points higher enrollment in Emotional Disturbance; and four to seven percentage points higher in Specific Learning Disability category. The higher percentage of special education enrollment results in significantly higher dollar amounts in tuition paid by school districts per student. As previously cited, for example, Lower Marion pays a special education rate of \$53,756 per student, which is well above the costs for the non-special education rate.

Enrollment Criteria Needed

Beyond the issues of special education, the National Alliance for Public Charter Schools Report, supra, recommends "Enrollment Criteria." While maintaining the principle that all students must be served, the authors note that "full-time virtual charter schools are not a good fit for many children and that solely relying on self-selection in enrollment process isn't working...operators...appear to have developed programs that are only designed to be effective with self-motivated students and/or students with highly involved parents [like my friends' story included in this testimony]." I believe as one recommendation, the state should examine the data related to students who succeed in a cyber

environment and those who do not. The examination would analyze student tendencies, characteristics of successful students, and the findings would be used to develop the creation of enrollment criteria legislation. Perhaps, alternatively, an approach to develop enrollment criteria could be as simple as a trial period, and for students who are not attending/participating or who participate and demonstrate no real effort, the program would be disallowed.

Summary and Additional Recommendations

To summarize, my testimony was provided to present ideas for legislation, along with updated data on the number of charters and students served by charter types; information of performance data; cost data; information regarding other issues, e.g. special education; and a recommendation for enrollment criteria.

Thank you, Senators, for your earnest interest in examining this issue.

Cyber charters will remain an option for public school students in our state, which is a state with an abundance of choice within public schools, e.g., four-year old programs, Dual Enrollment, AP Courses; Career and Technical programs, and more.

It seems to be the general consensus among elected lawmakers that the cyber school funding formula for regular and special education services must become more realistic, especially in light of the context provided by Hartman and Shrom, *supra*. There are opportunities to join Intermediate Units and Traditional schools to provide enhancements to the quality of programming and solutions to the funding and other issues. The step to fix the formula will financially aid all school districts and will be a small step in the right direction, and the easiest fix, as the state responds to the school funding problems that exist and are predicted to become worse.

I thank you Chairman Langerholc for your consistent and good care for public education; I also thank Chariman Dinniman for the same leadership. Members of the Committee, thank you for permitting me to provide testimony and for your concern for public education.

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