



Testimony to the Basic Education Funding Commission
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Good morning Chair Phillips-Hill, Chair Sturla, and other distinguished members of the Basic Education Funding Commission.

My name is Debi Durso and I am the CEO and Principal of Green Woods Charter School. I am here today representing the 80 member schools of Philadelphia Charters for Excellence (or PCE). I would like to thank you for including the Philadelphia brick and mortar charter community in this hearing on the future of public school funding.

I have spent 25 years as an educator and school leader in Philadelphia, with almost all of my time spent working in schools serving predominantly low-income and minority students, including many with special needs. I've taught in Philadelphia district and public charter schools, founded and led the successful turnaround of a failing district K-8 school into a thriving public charter school, and served as a regional superintendent for the Mastery Charter Schools network where we focused on K-12 schools in both Philadelphia and Camden, NJ serving some of the highest need student populations in both states. I now operate a single-site K-8 STEM-focused charter school, where our students have performed above the state average in reading and math in each of the last 8 years. I firmly believe that every child, regardless of the zip code where they live, has a right to a high quality public education, and I have dedicated my professional life to this effort.

I am also a mother of four school aged children who have attended traditional public, private, catholic, and public charter schools - so I bring the perspective of both a committed educator and a parent who makes choices about the school that's right for each of my children. It is from this depth of professional and personal experience that I am humbly speaking on behalf of PCE's 62,000 children to share ways that this Commission can create better learning opportunities for our students by creating more equitable funding for public schools in Pennsylvania.

Founded in 2011, Philadelphia Charters for Excellence (PCE), is a non-profit membership organization that works to connect, convene, and collectively advocate for the needs of 62,000 students and families attending 80 of Philadelphia's brick-and-mortar public charter schools. Our members represent:

- 96% of Philadelphia’s public brick-and-mortar charter sector;
- 60% of all students enrolled in a brick and mortar charter school statewide (there are 104,00 students in brick-and-mortar statewide); and 38% of all public charter school students statewide (there are 161,669 students statewide across cyber and brick and mortar schools).

We are dedicated to ensuring that every Philadelphia student has the access and opportunity to attend a high quality public school of their choice - be it a district managed or public charter school.

When looking at the 62,000 students our members serve, if Philadelphia Charters for Excellence member public schools were considered an LEA or single school district, we would be the second-largest school district in the Commonwealth of Pennsylvania. We believe our students and the voices of their families need to be clearly considered when discussing education funding equity.

I am very grateful to have the opportunity to speak to you today about the views and priorities our members, their educators, and students and families have shared on this important topic, and will focus on three (3) key priorities:

1. **Acknowledging and Addressing Funding Inequity for Charters: Philadelphia’s brick and mortar public charter school students are bearing a greater burden in the current inequitable distribution of funding cited in the Commonwealth Court case.** While inadequately funded school districts have been the focus of this commission thus far, charter students in low income districts are arguably the least equitably funded students in the state, because they are doubly penalized both by being a part of underfunded district, and by the loss of the money held back by districts that does not follow students into their public school of choice. We believe it would make a significant impact for the public school children we serve in charter schools if Philadelphia schools were funded in an equitable manner with other schools across the state AND we received an equal share of that funding to educate students within our home district. We ask that this commission recognize the double inequity that is happening in the way public charter school funding is allocated to our schools.
2. **Accelerating the Implementation of the Fair Funding Formula: We can create more funding fairness for high-need students by putting more money through an equitable funding formula.** We know this needs to be done thoughtfully and over time, and we believe using the currently approved fair funding formula that takes student poverty and learning needs into account is the fairest way to distribute dollars to serve students statewide. This remedy would significantly benefit learning outcomes for our student population in Philadelphia’s public charter schools.
3. **Actively Involving the Charter Sector in Negotiations and Decisions on Funding that Impact Public Charter Schools: Philadelphia public charter schools need a more active and sustained seat at the table to determine what remedies, policies, and timelines will best meet the needs of schools, students, and staff in this diverse ecosystem beyond moving more money through the formula.** There have been many remedies proposed over the course of these hearings that would impact public charter school students, but until today, there have been

essentially no direct charter school voices represented in the discussion. Thank you for including us today. We believe we can find common ground on what fixes are needed beyond a fair, basic funding formula, but we need to start there and include our schools in a comprehensive discussion.

Acknowledge and Address Funding Inequity for Public Charter Schools

In light of the Commonwealth Court decision on school funding, we can now agree that the way basic education funding is currently distributed in Pennsylvania disadvantages lower-wealth districts like Philadelphia and must be addressed to create fair allocation of resources to every child.

This ruling was a welcomed development for our members, who hope this will spur movement to create more equitable funding for schools and students statewide. We share many of the sentiments previously touched upon by leaders from the School District of Philadelphia, and other Pennsylvania districts serving a high number of students who qualify for free or reduced price lunch or students with special needs. However, it is not lost on our members that if low-wealth public school districts are underfunded through the current formula, the way dollars currently flow to public charter schools from their host districts across the state creates *additional funding inequities for charter school students*. We would argue that brick and mortar charter school students in low-income school districts are receiving the least equitable funding share of any schools in the state of Pennsylvania.

Charter funding is currently allocated in an expense-based system, where actual non-federal spending on students in a district in one year dictates the per pupil allocations to charters in the following year. When a low-wealth district like Philadelphia receives what the Commonwealth Court determined is already an inequitable amount of funding to educate their students, the host district then passes on a fractional share of these funds to public charter schools as their relative per pupil for the year.

There are many myths and misconceptions about how public charter schools are funded in Pennsylvania. But there are a few facts most people can agree on:

1. Charter School funding flows from the host District where their students reside using an expense-based formula.
2. The funding calculation is based on - and is a percentage of - the District's per-pupil funding from the prior year *with some exceptions*:
 - a. Specifically - The calculation of the tuition reimbursements are done through the PDE-363 form, which are required to be submitted to the PA Department of Education each year by school districts. The per-pupil calculation for regular education and special education students is done by taking each district's budgeted total expenditures from the previous fiscal year, minus the allowed deductions, divided by the Average Daily Membership of the school district. Allowable deductions have been growing over time as a way for host districts to reduce payments to public charter schools.

3. Charter schools receive a certain percentage less per-pupil than what district schools have to educate the same children.
 - a. While there is disagreement over the average reduction in funding from districts to charters, this gap statewide has been identified as high as 30% less than district schools or as low as 12% in any given district and year.

The primary point to understand from this background on public charter school funding is that funding for charter school students and those of their district peers are inextricably linked; with charter students generally receiving between 70 - 88% of the funds that flow to their district peers.

There has been and will be much debate about the proper percentage of per pupil funding that should follow a student from the district where they reside. We believe that all dollars intended to serve students should follow those students into the public district or public charter school they attend to ensure they get the best education possible. If the Commonwealth Court decision found that low-wealth districts like ours are already receiving inadequate funding to meet the needs of the students they serve, this inequity is magnified by even fewer resources following students into public charter schools through the reduced per pupil allocations currently allowed under the law through manipulation of the PDE form 363 (see Appendix I).

The Court has ruled it is unfair for students from high-wealth districts to receive more funding than students in low-wealth districts. In Philadelphia, we have several examples of geographically adjacent public districts where the per pupil funding is \$10,000 or more per student per year beyond what Philadelphia receives for students who attend schools just a few blocks away inside the city limits. The fair funding case confirms this is unjust and must be remedied. We would take this further to argue that it is equally - if not more unfair - that two students living next door to each other inside Philadelphia can walk out their doors to schools within blocks of each other in the same city - one traditional district and one public charter school - and experience a 12 - 30% disparity in the funding for their public education.

Charter schools are public schools and families choosing these public options for their children should not have fewer tax dollars allocated to their child's education than other public schools within the same district boundaries. All public school students - in both district and charter schools - should receive a fair share of funding that takes into account their needs and the amount of money that is required to adequately educate them. The governance model of the school should not be a factor in the funding for each student.

Accelerate the Implementation of the Fair Funding Formula

Putting more money through the fair funding formula first implemented in Pennsylvania in FY 2016 would benefit Philadelphia Charter School students almost universally. Despite some misconceptions about charter schools nationally or statewide - the schools represented by Philadelphia Charters for Excellence serve one of the highest need, most diverse, and lowest-income student populations in the state (see Figure 1):

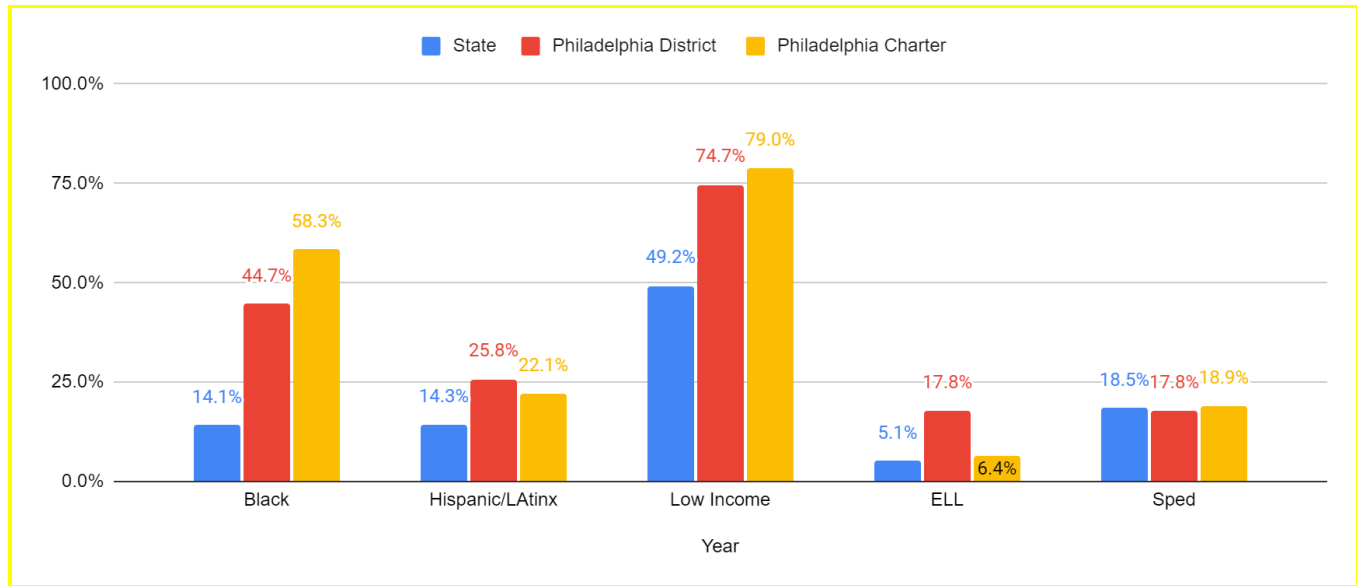
- 79% of our member schools' students qualify for Free and Reduced Price Lunch (FRPL)

- 80% of our students are Black or Hispanic

With both of these demographics, public charter schools in Philadelphia are serving a larger share of low-income, historically disadvantaged minority students than our host district. In addition:

- 19% of our students qualify for special education services - which is on-par with the State and local District, and
- 6.5% qualify for ELL services

Figure 1 - Enrollment Demographics: Pennsylvania Public Schools, Philadelphia School District Public Schools, Philadelphia Public Charter Schools



	Black	Hispanic	Low Income	ELL	Sped
State	14.1%	14.3%	49.2%	5.1%	18.5%
Philadelphia District	44.7%	25.8%	74.7%	17.8%	17.8%
Philadelphia Charter	58.3%	22.1%	79.0%	6.4%	18.9%

While our member schools have shown innovative ways to do more with less over time, the students our schools serve are exactly who would benefit significantly from increased application of the fair funding formula and increases in basic education funding overall.

To inform this more comprehensive conversation about school funding, we are sharing further anecdotes from our members about some of the most acute cost-pressures they are currently feeling. Specifically, we see a number of areas where more funding is needed to support our student populations:

- **Recruiting and Retaining Talent** - From teachers to food service workers, staff is costing more money to recruit, employ and retain statewide, and particularly in areas of the state with a higher cost of living like Philadelphia and fierce talent competition from neighboring states.
 - In hard to staff subjects like math and science, in some cases there is no pipeline of active personnel to recruit and schools are increasingly hiring staff on emergency teaching certificates or leaving staff roles vacant.
 - Schools report raising salaries 15-20% for educators and still having problems fully staffing buildings based on shortages of education personnel statewide.
 - In Philadelphia, public charter schools have joined with district talent leaders, university teacher training programs, and non-profits supporting teachers to work together to seek grant funding and grow programs to attract and train talent. We ask that as the state considers funding opportunities for educator pipelines, that public charter schools be included in these opportunities.

- **Transportation and Safety** - While Districts are mandated to provide transportation, these funds are held by the local district and they are required to provide these services to our students. Our local LEA's challenges in providing this service for our students can negatively impact public charter school families.
 - Many members share that transportation services being provided by the local District are not adequate (e.g., bus routes not assigned to drivers, dropping students before schools are open for students or up to an hour after the instructional day has begun; limiting yellow bus service for middle grades students where public transportation routes impose a safety risk to and from school, etc.) impacting students' ability to actively attend school each day or on time.
 - Schools are being forced to supplement transportation costs or provide their own student transportation to provide safe passage for students to get them to school on time each day with no reimbursement for these services.

- **Modernizing and Maintaining Buildings** - Charter schools do not receive funding for facilities as the local District is allowed to exclude facilities funding from the dollars that flow to public charter schools.
 - Therefore, while charter schools have used our flexibility to get creative in how we invest in and maintain our facilities, many of our schools are struggling with deferred maintenance and increasing costs associated with maintaining our buildings with no facility funding following children into the public schools they attend.

- **Re-engaging and Supporting Students** - With attendance down across school sectors post-COVID, charter schools are putting even more resources into supporting students.
 - Schools are seeing increased numbers of students with Social/Emotional/Special Education needs applying to and enrolling in public charter schools.
 - While one-time ESSER dollars have provided a temporary stop-gap to fund these resources for students, these dollars disappear in the coming year and public charter

schools will have issues similar to public districts with maintaining needed support services without additional permanent funding. .

With more money flowing through the funding formula Philadelphia charter schools could invest not only in the areas cited above, but in other very concrete and tangible ways to benefit students who need support, and accelerate student learning.

Actively Involve the Charter Sector in Negotiations and Decisions on Funding Impacting Public Charter Schools

Philadelphia brick and mortar charters need an active seat at the table in both basic education funding discussions and discussions of how the actual charter funding formula should work in the charter school law. The 104,000 public brick and mortar charter school students statewide, including the 62,000 PCE schools serve, have families choosing this type of public school option for their children and deserve a voice in designing solutions that work.

While we have many policy recommendations related to school funding, one of the first and most consistent things we hear from our members is simply that with such a large and diverse membership and increasing demand from local families for public school options, our Philadelphia coalition of charter schools needs to have a more active and sustained role throughout state funding discussions now and into the future.

In reviewing testimony from previous hearings, there are a number of remedies that have been recommended by school district or public school board officials regarding complex charter funding issues such as special education, facilities, charter school reimbursement funding to districts, allowable exemptions from district funding, and moving from an expense to a revenue based funding model. While members in our coalition will have different points of view about which funding modifications may or may not benefit their schools and students, what we all agree on is the fiscal pressures on inequitably funded public schools have been laid bare in this case.

As a result, we believe we need this Commission to both move toward fairly funding public schools as quickly and efficiently as possible AND we need a separate comprehensive discussion on the matter of equitable public charter school funding under the charter school law. We are willing and able to be actively engaged in both conversations, and believe that a comprehensive approach to school funding, rather than piecemeal suggestions that do not take the full picture of funding into account for each student, are necessary.

In closing, we stand ready to work with the Commission to find funding solutions that are fair for all Pennsylvania students. At Philadelphia Charters for Excellence, we believe we can get there by taking the following actions:

1. **Create more equitable funding for all public school students by putting a greater percentage of education funding through the current fair funding formula.** We believe a

timeline needs to be in place, especially for districts relying on hold harmless; however, we believe using an agreed upon formula that takes student poverty and needs into account is the fairest way to distribute dollars and would significantly benefit high-need student populations like ours.

2. **Provide Philadelphia Charter Schools - through our umbrella organization PCE - with a more active and sustained seat at the funding table** to determine what remedies, policies, and timelines will best meet the needs of schools, students, and staff in this diverse ecosystem beyond moving more money through the formula.
3. **Further engage Philadelphia Charters for Excellence and others on this panel to study and make recommendations on any effort at comprehensive charter school funding reform.** We have faith in this Commission's ability to determine the best way to more fairly fund all schools across Pennsylvania. However, we would caution against considering cutting specific types of funding to charter schools in isolation from others as potential solutions to increasing funding to school districts . Robbing Peter to pay Paul would only create further inequity in funding to an entire class of public school students enrolled in charter schools. We believe a comprehensive approach to charter school funding is needed and public charter school leaders must be an equal voice in the conversation to ensure equity for the public school children we serve.

Thank you for allowing me to speak on behalf of Philadelphia Charters for Excellence today. We are willing and able to support the work of this Commission now and in the future in the service of Pennsylvania's children, and I look forward to your questions.

Appendix I: How Pennsylvania’s Public Charter Schools are Funded Using the PDE Form 363

In considering equitable public school funding, it is important to understand how the funding formula for public charter schools work and how a Pennsylvania Department of Education form has been used as a strategy over time to decrease the amount of funding local school districts pass through to public charter schools in the form of per pupil dollars.

The Basics

1. Unlike school districts, public charter schools lack the power to levy taxes to supplement the federal and state revenue they are allocated.
2. Funding for public charter schools is addressed in Section 1725-A of the Pennsylvania Public School Code. Public charter schools receive the bulk of their funding through tuition reimbursements:
 - a. The calculation of the tuition reimbursements is done through the PDE-363 form which is required to be submitted to the PA Department of Education each year by school districts.
 - i. The per-pupil calculation for regular education and special education students is done by taking each district’s budgeted total expenditures from the previous fiscal year, minus the allowed deductions, divided by the Average Daily Membership of the school district.
 - b. Based on the current funding mechanism, public charter schools have no control over their annual revenue.

The Issues Impacting Charter School Funding

1. Currently, school district revenues are approximately 20% higher than public charter schools because the law allows for 7 deductions to be made on the PDE-363 form but over time PDE has increased the number of deductions to 24.
 - a. Deductions were meant to ensure that charter schools were not receiving funding from school districts to pay for services they don’t provide (like transportation, which districts are mandated to provide to charter students) and to prevent “double-dipping” (a scenario where a charter would get funding from a district for revenue they receive directly).
 - b. The 7 deductions allowed for in the law are: (1) budgeted expenditures of the district of residence for nonpublic school programs; (2) adult education programs; (3) community/junior college programs; (4) student transportation services; (5) special education programs; (6) facilities acquisition, construction and improvement services; and (7) other financing uses, including debt service and fund transfers as provided in the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems.
 - c. One of the additional deductions that PDE has allowed beyond those in the law

are federal funds.

2. The accounting and budgeting practices of each school district has a direct impact on the amount of funding a charter student receives through their tuition reimbursement rate.
 - a. For example, with the significant infusion of federal funds to school districts as part of the COVID relief effort, public charter schools are seeing a significant drop in their per pupil tuition reimbursement rates. This is a result of school districts supplanting their state and local funding with the additional federal funding they have received over the past 3 years so they would not have to calculate those dollars in their charter reimbursement rate.
3. Some school districts exploit the current funding system for public charter schools with accounting loopholes that decrease the rightful amount of funding that should be going to students in charters.
 - a. The “other financing uses” deduction allowed for in the law was intended to exclude debt service payments from the charter tuition reimbursement rate calculation.
 - a. However, PDE has expanded the “other financing uses” deduction to include other expenditures such as “suspense account (5800)” and “budgetary reserve (5900)”. These accounts are loopholes used by districts to remove eligible expenses from the reimbursement rate calculation and withhold a charter’s rightful funding. In the 2022 fiscal year, approximately \$270 million was designated as “budgetary reserves (5900)” by school districts.
 - b. As previously outlined, public charter school funding is based on a per-pupil calculation and that calculation (cited in Section 2501(20) of the Public School Code) is based on “General Fund” expenditures.
 - i. Due to the current wording of the law, districts have the ability to move eligible expenses out of the General Fund and into other funds to avoid calculating those expenditures into the charter tuition reimbursement rate.
 - ii. One of the seven deductions in the Public School Code is “facilities acquisition, construction and improvement” and the issue with this deduction is that public charter schools do not receive any direct funding to assist with the cost of owning a facility.
 1. While the PlanCon reimbursement program has been dormant for several years now; it is important to note that this state program – which reimburses districts for construction costs – is not open to public brick-and-mortar charter schools.
 - iii. The PDE-363 form has 2 deductions for “prekindergarten” expenses. While the school district’s expenses are removed from the tuition reimbursement rate calculation, the students that are in the district’s prekindergarten program are not removed from the denominator (aka the Average Daily Membership) in the formula - - leading to yet another decrease in the district’s per-pupil charter tuition reimbursement rate.