



## Performance Audit of Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School and Reach Cyber Charter School

### Background

Auditor General DeFoor released this collective audit of five Pennsylvania cyber charter schools to emphasize the need for a comprehensive re-evaluation of the formula used to fund these schools to ensure it is fair and equitable to all stakeholders. It's been a priority of the Auditor General to transform the way the department conducts audits by focusing on how schools are being funded and determine if they were operating within the law.

### What did the audit look for?

Our performance audit had three objectives:

- Identify and analyze the cyber charter school's revenue;
- Identify and analyze the cyber charter school's expenditures; and
- Report on the financial position of the cyber charter school, including the general fund balances.

### What did the audit find?

From our audit, we found that increased enrollment, partly because of the COVID-19 pandemic, as well as increased tuition rates, led to *significant increases in revenue* for the cyber charter schools. Our audit also found that each of the five cyber charter schools improved its financial position during the audit, *accruing fund balances that increased \$365 million, or 144 percent*.

For more information on the specific findings from each school, please view the audit on our website.

### How did this happen?

Based on the longstanding and complex funding formula in the Charter School Law, each of Pennsylvania's 500 school districts pays a different tuition rate for students, including special education students, attending the same cyber charter school. This formula was based on how much a school district budgeted to educate each student, not the actual cost to teach them. *This means, cyber charter schools are getting paid using 1,000 different tuition rates.*

### Is the funding formula the same for brick-and-mortar charters and cyber schools?

Yes. During the audit period, the funding formula was the same. However, Act 55 of 2024 revised the funding formula only for cyber charter schools and special education funding. That went into effect January 1, 2025 and was not included in our audit.

### What is the Auditor General's office recommending?

We are recommending the Governor form a task force within the next six months that includes the Department of Education, cyber charter schools, school districts, parents, stakeholders and the General Assembly. This task force would have a deadline of nine months to develop a new funding formula that is equitable, reasonable and sustainable.

Next, we're recommending the General Assembly should enact this plan into a bill within six months of receiving it and send it to the Governor for his signature.

### How were the five cyber charters selected for this audit?

We reviewed enrollment information, revenue and expenditure totals and general fund balances. We also considered if a cyber charter had been previously audited by our department.

Collectively, these schools represent more than half of the total enrollment in our state's cyber charter system.