


PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

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News for Immediate Release

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Auditor General DeFoor Releases Cyber Charter School Performance Audit and Calls for Major Reform to How They are Funded

HARRISBURG – Auditor General Timothy L. DeFoor today released a performance audit of five cyber charter schools which shows from 2020 to 2023, they legally increased revenues by \$425 million and reserves by 144%, due in part to an outdated funding formula that does not use actual instruction costs to determine tuition, set guidelines for spending or set limits for cyber charter school reserve funds.

“I am now the third auditor general to look at this issue and the third to come to the same conclusion: the cyber charter funding formula needs to change to reflect what is actually being spent to educate students and set reasonable limits to the amount of money these schools can keep in reserve,” Auditor General DeFoor said. “Our recommendation is that in the next six months the Governor should appoint a task force to review the funding formula and direct it to issue a report within nine months determining a new formula that is equitable, reasonable and sustainable, and the General Assembly should act within six months of the taskforce’s report to facilitate the enactment of legislation. The most important thing we can do is to provide our children with a quality education and as leaders we need to set our personal agendas aside and fix how we fund education in this state.”

The five cyber charter schools selected for the audit were:

- Commonwealth Charter Academy;
- Pennsylvania Leadership Charter School;
- Insight PA Cyber Charter School;
- Pennsylvania Cyber Charter School; and
- Reach Cyber Charter School.

“In this audit, we found these cyber charter schools legally increased their revenue from \$473 million in the 2019-2020 fiscal year to \$898 million in the 2022-2023 fiscal year,” Auditor General DeFoor said. “We found instances of the cyber charter schools legally using taxpayer dollars on things like staff bonuses, gift cards, vehicle payments and fuel stipends. Additionally, Commonwealth Charter Academy spent \$196 million to purchase and/or renovate 21 buildings, which to us seems a bit out of the ordinary for a public school that is based in online instruction.”

The audit reviewed revenues and expenses, and reported on the financial position of the cyber charter schools, including an analysis of general fund balances from July 1, 2020, through June 30, 2023. The audit found each cyber charter school has significant and legal revenue increases during the audit period, due in part to an increase in enrollment during the COVID-19 pandemic and increases in tuition rates. The tuition rate is determined by a funding formula developed in 2002 that bases cyber charter

tuition on what a school district budgets for each students' education, not on the actual amount spent on education.

"Let me put this into perspective for you, in 2002, we were still using dial up to access the Internet, floppy discs were the best way to store and share data, and the iPhone and iPad weren't invented," Auditor General DeFoor said. "Think about how much technology, teaching strategy and resources have changed since the COVID-19 pandemic, let alone over the past two decades. It is clearly time for a change."

To view the full audit, including each school's specific audit, visit our website at <https://www.paauditor.gov/media-kit-auditor-general-defoor-calls-for-change-in-funding-formula-for-cyber-charter-schools/>

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