



To: Philadelphia School Board
From: David Lapp, Senior Policy Fellow at Research for Action
Date: January 30, 2025
Re: Considering the Fiscal Impact of Charter School Expansion

My name is David Lapp and I serve as a Senior Policy Fellow at Research for Action, a nonprofit that has been conducting education research in Philadelphia for over 35 years.¹

I'm joining you today to encourage you—as you undertake the important task of reviewing the merits of new charter school applications—to *also* consider fiscal and other impacts on the entire system of public education in Philadelphia that you are responsible for.

Almost exactly 10 years ago, in my capacity at the time as a staff attorney at the Education Law Center, I testified that, contrary to a pervasive narrative, there are no judicial rulings that prevent the district from considering fiscal impact when reviewing charter school applications.² Today, several factors make the obligation to consider impact even stronger.

- In 2017, RFA estimated³ that negative fiscal impacts of charter expansion in Philadelphia—meaning “stranded costs,” or additional expense to the system—ranged from 80% of total charter tuition in year one to 37% by year five.⁴ Using today’s charter tuition rates, we can conservatively estimate that increasing charter enrollment by just 100 students *each year* would **increase stranded costs by approximately \$18 million over the next five years.**
- That same year in 2017, Temple Law Professor Susan DeJarnatt conducted a scholarly review and concluded that “authorizers not only may consider financial impact, they must do so.”⁵
- Two major rulings since then bolster that argument.
 - First, the Supreme Court of Pennsylvania ruled for the first time that the Education Clause in the Pennsylvania state constitution—which mandates the financial support of a “thorough and efficient system of public education”—is a justiciable clause, or one that is subject to judicial review.⁶ As DeJarnatt previously argued, “Pennsylvania cannot have a thorough and efficient system of public education without empowering districts to fully consider the effect of the decisions they make.”
 - Second, in 2023, Commonwealth Court ruled that current state education spending violates the “thorough and efficient” clause and the constitutional entitlement to equal protection under the law.⁷

- In response, the state enacted new school funding “adequacy gap” calculations in July 2024⁸ and found that Philadelphia alone is provided \$1.25 billion less in school funding than it needs each year.⁹

Meanwhile, the state has still not resolved several additional factors that warrant cautious authorization of new charter schools, including (1) the failure to stem the well-documented inefficient spending on underperforming cyber charter schools¹⁰ and (2) the failure to fix perverse incentives in brick & mortar charter schools baked into charter school special education funding.¹¹ These factors have contributed to current circumstances where the district is predicting new school closures, a process that can be highly damaging to students and communities.¹² Moreover, the district’s charter school office has recently embarked on an inclusive process to revisit how to evaluate the performance of Philadelphia’s charter schools. RFA’s research into the importance of equity-focused charter school authorizing¹³ suggests it would be wise to allow the charter office to complete that process before expanding the city’s charter sector.

The bottom line is that (1) the pie is already too small, district and existing charter schools are already underfunded, (2) further charter expansion will slice that pie even thinner and (3) you can consider that, along with the merits, when weighing new applications.¹⁴ It would be irresponsible not to.

Thank you for this opportunity to address you as you deliberate on these important issues.

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¹ I am also a former Philadelphia charter school teacher and coparent of two recent SDP graduates and a current high school junior.

² Lapp, D. (2015, February 18). *Testimony on charter school applications and fiscal stability*. Education Law Center. Retrieved from <https://www.elc-pa.org/resource/elc-testimony-on-charter-school-applications-and-fiscal-stability/>

³ Lapp, D., Lin, J., Dolson, E., & Moran, D. (2017). The fiscal impact of charter school expansion: Calculations in six Pennsylvania school districts. Research for Action. Retrieved from <https://www.researchforaction.org/research-resources/k-12/fiscal-impact-charter-school-expansion-calculations-six-pennsylvania-school-districts/>

⁴ Importantly, “stranded cost” or fiscal impact does not refer to total cost of charter tuition which is much greater. Stranded cost refers to the difference from what a district spends in charter tuition vs the savings it might realize from lower enrollment in district school.

⁵ DeJarnatt, S. (2019). *A legal mandate that authorizers consider fiscal and other impacts of charter school expansion*. *West Virginia Law Review*, 121(4), 811–843. Temple University Legal Studies Research Paper No. 2019-04. Retrieved from <https://ssrn.com/abstract=3325287>

⁶ William Penn SD et al. v. Pa. Dept. of Education et al. (Pa., 2017) (available at <https://www.elc-pa.org/cases/william-penn-sd-et-al-v-pa-dept-of-education-et-al-pa-2017/>)

⁷ *William Penn SD et al. v. Pa. Dept. of Education et al. (Pa. Commonwealth Court, 2018)* (available at <https://pubintlaw.org/wp-content/uploads/2023/02/02.07.23-Memorandum-Opinion-Filed-pubintlaw.pdf>). Commonwealth Court President Judge Renée Cohn Jubelirer also ruled that current state education spending violates the state constitutional requirement to provide equal protection of law.

⁸ 24 Pa. Stat. § 25-2599.6 (2024). Available at <https://www.legis.state.pa.us/cfdocs/legis/LI/uconsCheck.cfm?txtType=HTM&yr=1949&sessInd=0&smthLwlnd=0&act=14&chpt=25&sctn=99&subsctn=6>.

⁹ The state's adequacy calculations for each district are included in the 2024-2025 Ready to Learn Block Grant, available from the Pennsylvania Department of Education at <https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/ready-to-learn-block-grant.html>.

¹⁰ Greene, P. (2024, September 6). *New report shows Pennsylvania's cyber charter schools are failing Black and Hispanic students*. *Bucks County Beacon*. <https://buckscountybeacon.com/2024/09/new-report-shows-pennsylvanias-cyber-charter-schools-are-failing-black-and-hispanic-students/>

¹¹ Lapp, D. (2021, April). *Special education funding in Pennsylvania charter schools*. Research for Action. Retrieved from <https://www.researchforaction.org/research-resources/k-12/special-education-funding-in-pennsylvania-charter-schools/>

¹² Eddins, M., Pehrson, M., & Burgess, K. (2024, June). *Revisiting research on school closings: Key learnings for district and community leaders*. Research for Action. <https://www.researchforaction.org/research-resources/k-12/revisiting-research-on-school-closings-key-learnings-for-district-and-community-leaders/>

¹³ Research for Action. (2019, November). *Equity-Focused Charter School Authorizing Toolkit*. Research for Action. <https://www.researchforaction.org/research-resources/k-12/equity-focused-charter-school-authorizing-toolkit/>

¹⁴ None of this should be interpreted as antagonism against existing brick & mortar charter schools or responsible charter school expansion. Philadelphia's charter schools, just like district schools, are massively underfunded and, also like district schools, many are struggling hard to do more with less, to provide underserved students with as high-quality education as they can without adequate resources. Neither am I commenting on the merits of the applications before you, which should of course be examined closely and weighed appropriately, along with the impact of charter expansion on the entire system.