



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1422

PRINTER'S NO. 1820

PRIME SPONSOR: Ciresi

As amended by A01798

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY:

This bill makes comprehensive changes to laws governing cyber charter schools in Pennsylvania.

ANALYSIS:

House Bill 1422, Printer's Number 1820 requires a paid media advertisement by a public school entity to indicate that the cost of the school is not "free" but covered by taxpayer dollars, and it prevents public schools paying to sponsor events. Public school entities must submit a report of their 2022/23 expenditures on advertising and public sponsorships to the Department of Education (PDE), which is responsible for compiling and posting the data.

Specifically for cyber charter schools, the bill enacts transparency and ethics requirements, including for charter school foundations and educational management service providers that provide services to cyber charter schools. For these entities and a cyber charter school's board of trustees, the bill requires compliance with the Right-to-Know Law and the Ethics Act. It also makes changes to the composition and quorum requirements for a cyber charter school's board of trustees, which is also subject to the Sunshine Act. Under the bill, cyber charter schools are required to post their annual budgets, audits, tax filings, and reports submitted to PDE.

The bill creates a process for a cyber charter school to request changes to its charter agreement, and it removes caps on enrollment. It requires cyber charter schools to verify residency for its students and submit weekly attendance reports to the school district of residence. Further, the bill requires cyber charter school personnel to visibly see and communicate with enrolled students at least once per week to verify well-being. Annual reports are required to be submitted to PDE and local school boards, including data on special education students, and PDE must conduct a comprehensive review prior to granting renewal or nonrenewal of a charter.

The bill allows cyber charter schools to sell programs, courses and other educational services to school districts, while also requiring school districts to provide access to facilities for state testing. School districts will also be required to transport special education students in accordance with an Individualized Education Program (IEP). It prohibits intermediate units from refusing to provide any service to a cyber charter school that requires services for a student.

Beginning in 2024/25, House Bill 1422 establishes \$8,000 per student as the statewide cyber charter tuition rate that the school district of residence must pay to a cyber charter school for each non-special education student that attends the cyber charter school. This statewide rate will increase every three years based on the average rate that school districts raised property taxes. For special education students, the statewide rate will be multiplied by 1.64 (or its successor weight), which is the Category 1 (the lowest of the three cost tiers in use; education costs between \$1 and \$27,303 beyond the cost of regular education) weight for special education students. For special education students falling in the two higher cost tiers, a cyber charter school must justify the cost with PDE before being able to charge the resident school district the statewide rate multiplied by the Category 2 or 3 weight.

The bill places fund balance limits on cyber charter schools, requires them to approve an annual budget by June 30, prohibits paying for or reimbursing parents and guardians from educational or field trips, and bans cash, gifts, or other enrollment incentives. PDE is required to set a maximum reimbursement for technology services like internet access that cyber charter schools can pay to students' families.

House Bill 1422 would take effect immediately.

FISCAL IMPACT:

PDE staff indicate that the department's administrative responsibilities under House Bill 1422 will cost \$662,000 per full year. This consists of an estimated personnel and benefit cost of \$412,000 related to three new positions (administrative officer, fiscal specialist, and attorney) and an estimated additional operating cost of \$250,000.

Beginning in 2024/25, school districts will realize savings in the form of lower cyber charter school tuition payments. The amount saved by school districts will be a revenue loss for cyber charter schools compared to current law.

The fiscal savings to school districts will vary depending upon the school district's number of cyber charter students and its 2023/24 calculated cyber charter tuition rate. Using 2021/22 data, it is estimated that school districts will save \$456 million in aggregate, which represents about 43 percent of school districts' reported expenditures on cyber charter tuition.

House Bill 1422 will impose an indeterminant cost on Intermediate Units related to their responsibility under the bill to provide any service to a cyber charter school that requires services for a student.

PREPARED BY: Sean Brandon
House Appropriations Committee (D)

DATE: July 6, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.