

Resource Realities

Understanding Pennsylvania's District and Charter Funding System

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About This Series: Public school funding is one of the most consequential and contested policy areas in K-12 education. It is also one of the most technically complex, making it difficult for policymakers and stakeholders to understand how funding systems work, what they produce, and where there are trade-offs. Public school students attend a range of schools, including district-operated schools and public charter schools, and the mechanisms that govern how dollars flow to each type of school are not always well understood. Resource Realities exists to build a common fact base. The series analyzes and unpacks the similarities and differences in funding for public district-operated schools and charter schools in states across the country. The series aims to explain the impact of these funding differences on schools and students, and build greater understanding of state K-12 funding systems.

Executive Summary

Pennsylvania ranks fifth nationally in total K-12 per-pupil revenue and third in funding effort relative to state gross domestic product (GDP).¹

By those measures, it is one of the most committed states in the country to funding public K-12 education. However, in 2023, the Commonwealth Court of Pennsylvania found the state's school funding system unconstitutional, concluding that it distributes resources based on historical spending patterns and local property wealth rather than student need, and that it fails to provide students in lower-wealth districts with a meaningful opportunity to succeed academically, socially, and civically.² These inequities fall most heavily on districts serving students with the greatest needs and the fewest local resources.

In Pennsylvania, public school students are served through two primary sectors: district-operated schools and public charter schools. District schools are run by the state's 500 school districts, while charter schools are independent public schools operating under a charter granted by a public authority. Both are tuition-free, publicly funded, and open to all students. Together, district-operated schools and brick-and-mortar public charter schools serve approximately 92% of Pennsylvania's 1.7 million public school students.³ All are funded from the same pool of public dollars, a combination of state appropriations, local tax revenue, and federal funds. But how those dollars reach schools, and in what amounts, differs by sector.

Pennsylvania funds its public schools primarily through state formula-driven appropriations, local property tax revenue, and federal funds. The state's basic education funding (BEF) formula distributes state dollars to school districts based on a mix of historical allocations and student need, though the majority of funding remains tied to historical spending levels rather than current enrollment or student characteristics. Public charter schools operate within that same funding environment, but the mechanism that determines how much they receive works differently. Pennsylvania does not fund public charter schools through a stand-alone formula. Instead, 82% of charter school revenue comes from per-pupil payments made by students' resident districts, calculated based on each district's prior-year expenditures.⁴ This design means that structural inequities in district funding flow directly into charter school funding, and in several cases the payment mechanism compounds those disparities.

This report examines how Pennsylvania funds K-12 education, explains how districts calculate per-pupil payments to public charter schools, and analyzes the structural features of the funding system that systematically exclude charter schools from key revenue streams and produce wide variation in per-pupil payments across districts. It focuses on district-operated schools as well as brick-and-mortar public charter schools, the latter of which enrolled approximately 104,658 students in school year (SY) 2024-25, or about 6% of statewide K-12 enrollment.⁵ Both district-

operated schools and brick-and-mortar charter schools serve a student population with high concentrations of economic disadvantage: 75% of brick-and-mortar charter students are economically disadvantaged, while 48% of students in district-operated schools are economically disadvantaged.⁶

Pennsylvania has worked to improve equity in its K-12 funding system.

For decades, Pennsylvania distributed most of its basic education funding by giving each district the same amount it had received the prior year, locking historical inequities into every subsequent allocation. When the state enacted a student-weighted formula in 2016, it applied only to new dollars added above that historical base, meaning the inequities of the prior system were preserved rather than corrected.⁷

In 2023, the Commonwealth Court ruled in *William Penn School District et al. v. Pennsylvania Department of Education et al.* that this system violates the state constitution's requirement to provide a thorough and efficient system of public education. The court found that students in lower-wealth districts are denied essential resources, with measurable gaps in test scores, graduation rates, postsecondary attainment, and college completion that cannot be justified by any compelling government interest.⁸

In the wake of this ruling, Pennsylvania has made a number of changes to its K-12 funding system and has added some historic new investments. These include Act 55 of 2024 and Act 47 of 2025, which established adequacy supplements totaling more than \$560 million annually. The state's adequacy supplements target districts whose per-pupil spending falls below a specific benchmark, which is based on the per-weighted-student spending of Pennsylvania's most successful school districts.⁹ These investments are one way the state is working to meet its constitutional obligations, but gaps and challenges persist. The 2023 Basic Education Funding Commission (BEFC) estimated that the state's share of the funding needed to bring all districts to an adequate spending level totals \$5.1 billion, while current supplements address less than 15% of that identified need.¹⁰

About the Data and Calculations

For the per-pupil revenue comparisons in this report, Bellwether used SY23-24 Pennsylvania Annual Financial Report (AFR) data, the most recent year available at the time of analysis. AFR data were crosswalked with 10-year enrollment data from the Pennsylvania Department of Education (PDE) to calculate per-pupil figures, using average daily membership (ADM) as the denominator. Local education agency (LEA) classifications from PDE's Educational Names and Addresses system were used to distinguish school districts, brick-and-mortar charter schools, cyber charter schools, and other institution types throughout the report.

Charter per-pupil payment rates for each of the five featured districts were drawn from PDE-363 forms, including historical forms obtained from the districts themselves and SY24-25 data available from PDE — the most recent year for which tuition rate calculations were available at the time of analysis.

Because charter school payments are derived from district spending, every district-level inequity flows downstream into charter school funding.

Each year, every school district calculates its charter per-pupil payment rates using audited prior-year expenditure data, subtracting a defined set of statutory exclusions before arriving at a rate. Because this calculation is district-specific and based on prior-year spending, two public charter schools serving identical student populations can receive materially different per-pupil payments based solely on where their students live. Analyses show that regular education charter per-pupil payment rates can vary by nearly \$15,000 per student across districts, and special education rates can vary by nearly \$39,000 per student, even when students receive comparable services.¹¹

For example, a charter school serving a student with no special education needs from Pittsburgh School District would receive \$21,746 to educate that student in fiscal year (FY) 2024-25. A similar charter school serving a student from Philadelphia City School District with identical needs would receive only \$12,709 (more than \$9,000 less) to educate that student in FY24-25.*

Districts in the poorest quintile spend approximately \$6,230 less per BEF-weighted student than districts in the wealthiest quintile, despite serving students with higher needs and exerting higher average tax effort.¹² Because charter per-pupil payments are derived from district spending, this underlying disparity carries directly into the charter funding system. Public charter schools serving students from lower-wealth districts receive lower per-pupil payments, not because those students need less, but because the districts they come from spend less.

The same design that transmits district inequities into charter payments also shapes how Pennsylvania's new adequacy investments reach public charter schools. The Adequacy, Minimum Adequacy, and Tax Equity Supplements are district-only appropriations; charter schools receive no direct allocation.¹³ The Tax Equity Supplement is also explicitly excluded from the PDE-363 calculation that sets charter per-pupil payment rates. The Adequacy Supplement is treated differently: Districts that spend adequacy dollars in eligible program areas may see those expenditures reflected in charter per-pupil payment rates through the prior-year expenditure base, though only indirectly and with a one-year lag.¹⁴ As Pennsylvania phases in investments toward closing a \$5.1 billion state-share adequacy gap, charter students stand to benefit from those investments, but with funds coming to their schools a year behind district students.

On top of inherited district inequities, charter schools face additional structural challenges specific to how their funding is calculated.

Pennsylvania's charter funding system produces four compounding challenges. They stem from two underlying features of the system. First, inequities in how the state funds traditional districts carry through

to charter payments, including differences in how special education funding is calculated across LEA types. Second, state rules exclude certain dollars from charter allocations.

1. Charter per-pupil payments vary widely across districts, even for students with similar needs.

Because payment rates are calculated from each district's own prior-year expenditures, two charter schools serving identical student populations can receive materially different funding based solely on where their students live. Regular education charter per-pupil payment rates can vary by nearly \$15,000 per student across districts, and special education rates can vary by nearly \$39,000 per student, even when students receive comparable services.¹⁵ As a result, geography weighs more heavily than student characteristics or need in determining how much funding follows a child to a public charter school.

2. Pennsylvania's recent historic investments in adequacy reach public charter schools only indirectly, and with a lag.

Act 55 of 2024 and Act 47 of 2025 established adequacy supplements totaling more than \$560 million annually as district-only appropriations; charter schools receive no direct allocation.¹⁶ When districts spend adequacy dollars on eligible program areas, that spending enters the prior-year expenditure base used to set charter per-pupil payment rates for the following year.¹⁷ As Pennsylvania phases in investments toward closing a \$5.1 billion state-share adequacy gap, charter students stand to benefit from those investments, but a year behind district students.

3. The exclusion of facilities costs creates a structural gap that charter schools must bridge on their own.

When districts calculate per-pupil payment rates, they use a standardized form called the PDE-363, submitted annually to PDE. The PDE-363 calculation begins with each district's total prior-year expenditures and then subtracts a defined set of statutory exclusions before arriving at the per-pupil rate paid to charter schools.¹⁸ Among those exclusions are spending on land, construction, and building improvements (line 4000) and debt service payments and fund transfers (line 5000).¹⁹ These

5 **Note:** *Pennsylvania and PDE datasets refer to a fiscal year covering July 1 of a given year through June 30 of the following year as the state budget or fiscal year range.²⁰ For example, the time period from July 1, 2025 through June 30, 2026 is FY25-26. This analysis maps to the state's format unless otherwise noted by a school year range.

exclusions mean that charter schools receive no explicit funding through their per-pupil payments for the buildings their students learn in. District-operated schools can draw on dedicated state grant programs, local tax revenue, and bond financing to support facilities; public charter schools cannot levy local taxes, are ineligible for the state’s primary facilities grant program, and cannot issue bonds on the same terms. Dollars that charter schools spend on facilities come out of the same per-pupil payments that must also fund instruction, staffing, and operations.

Bellwether’s analysis of PDE-363 forms for five urban, high-need districts across Pennsylvania illustrates the magnitude of this gap. In SY24-25, combined capital-related exclusions reduced charter schools’ per-student funding by 28% to 48% in four of the five districts examined (Executive Summary Table). In Philadelphia City School District, capital-related exclusions amounted to \$6,033 per charter student. These exclusions also introduce year-to-year volatility: A large capital project or bond issuance by a district in one year reduces charter payments the following year, with little mechanism for charter schools to anticipate or prepare for the change.²¹

4. The special education payment calculation is disconnected from actual student need. Pennsylvania funds special education for district-operated schools through a tiered system calibrated to the actual cost and intensity of services students require.²² Charter schools receive a flat per-pupil rate based on an assumed 16% disability rate applied to each district’s total ADM.²³ Because most Pennsylvania districts serve a higher share of special education students than 16%, using that lower assumed denominator produces a higher per-pupil rate than dividing by the actual count would. Every charter school from that district then receives that flat rate for each special education student, regardless of the nature or intensity of services those students require.²⁴ For charter schools serving higher concentrations of students with intensive needs, this structure means absorbing costs the payment system was not designed to cover.

EXECUTIVE SUMMARY TABLE: CAPITAL COST EXCLUSIONS AS A SHARE OF CHARTER PER-PUPIL PAYMENT, PENNSYLVANIA, SCHOOL YEAR 2024-25

District	Charter Per-Pupil Payment	Facilities Exclusions (Line 4000)	Other Expenditures and Financing Uses Excluded (Line 5000)	Combined Exclusions as % of Per-Pupil Charter Payment
Harrisburg City School District	\$13,835	\$3,299	\$2,818	44.2%
Philadelphia City School District	\$12,709	\$956	\$5,077	47.5%
Reading School District	\$12,397	\$1,925	\$2,543	36.0%
Allentown City School District	\$13,598	\$1,470	\$2,441	28.8%
Pittsburgh School District	\$21,746	\$106	\$1,961	9.5%

Source: Bellwether analysis of PDE-363 forms for SY24-25.

The students most affected by Pennsylvania's structural K-12 funding inequities are disproportionately low-income students, English learner (EL) students, and students with disabilities — the very students the state has the greatest constitutional obligation to serve.

Pennsylvania's brick-and-mortar public charter schools disproportionately serve the students for whom stable, adequate funding often matters most. Nearly three-quarters of their students come from economically disadvantaged households.²⁵ Research consistently finds that sustained increases in per-pupil spending improve graduation rates, educational attainment, and adult earnings, with the largest effects concentrated among economically disadvantaged students.²⁶

The structural features described in this report, including inherited inequities from a district funding system built on historical allocations and local property wealth, compounded by the design of Pennsylvania's charter payment mechanism, fall hardest on those students. Pennsylvania has taken meaningful steps toward a more equitable and adequate school funding system. Ensuring those steps benefit all public school students, including those enrolled in public charter schools, requires examining not only how much the state invests in education, but also how those investments move through the system, reach schools, and ultimately support students.



Introduction

In Pennsylvania, K-12 funding for public charter schools is not determined by a stand-alone statewide formula. Instead, it is tied to the spending decisions of students' resident school districts, creating wide variation in how much funding follows students to public charter schools across the state. Districts make per-pupil payments to the public charter schools their students attend, based on prior-year expenditures.

This design has a defining consequence: Funding for charter schools in Pennsylvania is inseparable from how the state funds district-operated public schools. Understanding what charter schools receive requires understanding how Pennsylvania funds districts and how district revenues translate into expenditures (Sidebar 1).

Pennsylvania invests heavily in K-12 education, ranking fifth nationally in total per-pupil revenue and third in funding effort relative to state GDP.²⁷ Yet its high level of investment does not translate into consistent funding across schools. The design of the state's funding system, which relies in part on historical spending patterns, uses a formula to distribute new funding and excludes certain cost categories when calculating charter payments, producing wide variation in funding across districts and, by extension, across charter schools. Because districts calculate per-pupil payments to charter schools based on their past-year expenditures, excluding several major cost categories, charter schools may receive less per-pupil than their home districts spend overall.

A widely debated aspect of charter funding in the state is the fact that charter schools must cover facilities costs, including leasing, purchasing, and maintaining buildings, from the same per-pupil payment that funds instruction, staffing, and operations. District-operated public schools, by contrast, can draw on dedicated state facilities programs and local tax revenue for these expenses. Because charter schools cannot levy local taxes, per-pupil payments from the resident districts are their primary source of public funding.

A Note on Terminology and Scope

Charter schools are independent public schools established and operated under a charter.²⁸ In Pennsylvania, this includes three types: 1) brick-and-mortar charter schools, 2) regional charter schools, and 3) cyber charter schools. All are tuition-free, publicly funded, and open to all students.²⁹ Brick-and-mortar and regional charter schools are authorized by local school boards, while cyber charter schools are authorized by PDE.³⁰

This report focuses on brick-and-mortar and regional charter schools, which PDE collectively refers to as "charter schools."³¹

Cyber charter schools operate under a fundamentally different model: They deliver instruction primarily through online and electronic means, without a requirement that students attend a physical facility.³² Their cost structures, operational and facility needs, and funding dynamics differ substantially from those of brick-and-mortar schools, making direct comparisons analytically difficult. They have also been the subject of recent legislative changes, the impacts of which are still settling in: Act 47 of 2025 revised the cyber charter funding formula, reducing tuition payments from districts by an estimated \$178 million annually, and introduced new oversight requirements, including student wellness checks, attendance and truancy provisions, and residency verification.³³ To preserve the clarity of this report, cyber charter schools are excluded unless otherwise noted.

Throughout this report, "charter schools" or "charters" refer only to brick-and-mortar and regional public charter schools. Traditional public school districts are referred to as "districts" and to the schools they operate as "district-operated schools."

These constraints are compounded by the variation in funding across districts. Per-pupil payments vary widely, meaning two charter schools serving similar student populations can receive materially different funding based solely on where their students live. For example, a charter school serving a student with no special education needs from Pittsburgh School District would receive \$21,746 to educate that student in FY24-25. A similar charter school serving a student from Philadelphia City School District with identical needs would receive only \$12,709 (more than \$9,000 less) to educate that student in FY24-25. In addition, the state funding system applies a flat assumed disability rate to determine special education payments, regardless of actual student need.

Together, these features produce a funding system in which geography and district spending patterns, rather than student need, determine how much public funding follows a child to their charter school.

These dynamics are occurring alongside changes in charter school enrollment and student demographics. Over the past decade, statewide enrollment in brick-and-mortar charter schools has grown by 6%, while enrollment in district-operated public schools has declined by nearly 5%.³⁴ Charter schools in Pennsylvania also serve higher shares of economically disadvantaged students. In brick-and-mortar charters, 75% of students are economically disadvantaged, compared with 48% in district-operated schools.³⁵ As more students enroll in charter schools and those students are more likely to have higher educational needs, the funding structure governing charter schools has growing implications for funding equity.

This report examines how Pennsylvania funds K-12 education, explains how districts calculate per-pupil payments to public charter schools, and analyzes the structural features of the funding system that systematically exclude charter schools from key revenue streams and produce wide variation in per-pupil payments across districts.



Key Terms Related to Pennsylvania’s K-12 Funding

Act 55 of 2024: An omnibus amendment to the Pennsylvania Public School Code enacted in July 2024, which introduced governance and transparency requirements for charter school boards, modified the special education tuition calculation for cyber charter schools, and established the adequacy-based distribution formula for the Ready to Learn Block Grant Adequacy and Tax Equity Supplements under School Code section 2599.6.³⁶

Act 47 of 2025: A budget-related amendment to the Pennsylvania Public School Code enacted in November 2025 that restructured the cyber charter school funding formula, reducing district payments to cyber charter schools by an estimated \$178 million annually.³⁷

Average Daily Membership (ADM): A standardized measure of student enrollment calculated as the average number of students attending school on a given day over a defined period.³⁸ ADM is the standard denominator for all per-pupil figures in this report.

Basic Education Funding (BEF): The single largest state K-12 appropriation in Pennsylvania, totaling \$8.3 billion in FY25-26, distributed to school districts through a fixed Historical Base tied to FY23-24 allocations plus a formula-driven Student-Weighted Distribution applied only to new dollars added after FY23-24.³⁹

Basic Education Funding Commission (BEFC): A legislative commission established by Act 51 of 2014 and reconvened in May 2023, following the Commonwealth Court’s ruling that Pennsylvania’s school funding system was unconstitutional.⁴⁰ The BEFC released a majority report in January 2024 with policy recommendations, including adequacy payments and measures to smooth BEF funding, that form the foundation for ongoing reform efforts.⁴¹

Charter Per-Pupil Payments: The public funding a charter school receives from each student’s district of residence, calculated annually from each district’s prior-year expenditures after statutory exclusions.⁴² Pennsylvania statute calls these payments “tuition,” but this report uses “charter per-pupil payments” to avoid implying these are fees charged to families rather than public dollars supporting public education. Separate rates apply to regular education and special education students.

PDE-363: The annual form each Pennsylvania school district completes to document its charter per-pupil payment calculation, recording prior-year expenditures, applying statutory exclusions, and producing the resulting regular and special education per-pupil rates.⁴³

Ready to Learn Block Grant (RTL): A state block grant designed to increase academic achievement and equity; in FY25-26, the appropriation for RTL totaled \$1.38 billion. The block grant contains three components: 1) an RTL Foundation allocation available to both school districts and charter schools; 2) an Adequacy Supplement available only to qualifying school districts; and 3) a Tax Equity Supplement also restricted to school districts.⁴⁴ The Adequacy Supplement was introduced in FY24-25 under Act 55 of 2024 as part of Pennsylvania’s legislative response to the *William Penn School District et al. v. Pennsylvania Department of Education et al.* ruling. It uses an adequacy formula under School Code section 2599.6 to direct dollars to qualifying districts based on the gap between their current funding and estimated adequacy targets, and each year’s allocation folds into the district’s RTL Foundation base in the subsequent year.⁴⁵

***William Penn School District et al. v. Pennsylvania Department of Education et al.*:** A 2014 lawsuit filed by six Pennsylvania school districts, parents, and advocacy organizations. It produced a landmark ruling in February 2023 by Pennsylvania Commonwealth Court declaring the state’s school funding system unconstitutional and finding it violated the state constitution’s education clause and equal protection provisions.⁴⁶ The Commonwealth Court did not prescribe specific remedies but directed the legislature and executive branch to address the constitutional deficiencies.

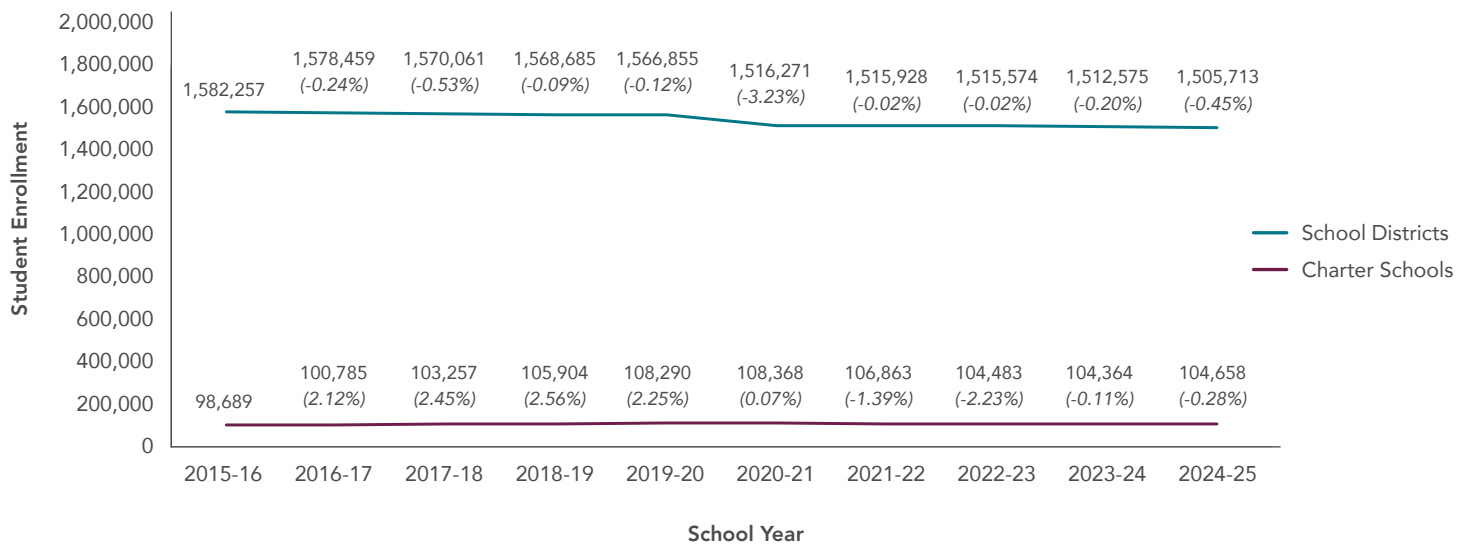
Who Do Pennsylvania’s Charter Schools Serve, and Why Does This Matter for School Funding?

Pennsylvania’s K-12 education system serves more than 1.7 million students across 500 school districts and 176 charter schools, including 162 brick-and-mortar charters and 14 cyber charter schools.⁴⁸ Understanding who attends charter schools, and how that population has changed over time, provides essential context for evaluating how the state’s funding system distributes resources.

Pennsylvania charter enrollment is growing as district enrollment declines.

In SY24-25, charter schools, including brick-and-mortar charters and cyber charters, collectively enrolled approximately 169,000 students, or roughly 10% of total statewide K-12 enrollment.⁴⁹ Brick-and-mortar charter schools accounted for 104,658 of those students, or about 6% of total statewide K-12 enrollment.⁵⁰ Over the past decade, enrollment in brick-and-mortar public charter schools has grown by 6%, while enrollment in district-operated public schools has declined by nearly 5% (Figure 1).⁵¹ This divergence matters for how the funding system functions in practice. As more students enroll in charter schools, more per-pupil payments flow from district budgets to charter schools. Districts facing enrollment decline and rising charter payments must serve fewer students with a cost structure that does not necessarily shrink proportionally; to account for this, their central office footprint may need to decrease. Charter schools, meanwhile, absorb growing enrollment without access to the full range of public funding streams available to district-operated schools.

FIGURE 1: ENROLLMENT SHIFTS IN PENNSYLVANIA PUBLIC SCHOOLS — CHARTERS VERSUS DISTRICTS, SCHOOL YEARS 2015-16 TO 2024-25⁵²



Note: Enrollment figures show total students by LEA type for each school year (SY15-16 through SY24-25). Values in parentheses that follow reflect the year-over-year percent change from the prior year.

Charter schools serve a student population with higher concentrations of funding-relevant needs.

The students who enroll in charter schools are not an exact cross-section of Pennsylvania’s overall student population; they tend to come from lower-income backgrounds and include higher shares of students with additional learning needs. Brick-and-mortar charter schools serve a higher proportion of economically disadvantaged students: 75% of students in these schools are economically disadvantaged, compared with 48% in district-operated public schools (Table 1). Compared with district-operated public schools, charter schools also serve a slightly higher proportion of EL students (7.5% versus 6.9%) and students with disabilities (22.1% versus 20.2%).

Students who are economically disadvantaged, EL students, or students with disabilities require additional resources and support in school.⁵³ Research consistently finds that sustained increases in per-pupil spending improve graduation rates, educational attainment, and adult earnings, with the largest effects concentrated among economically disadvantaged students.⁵⁴ One frequently cited analysis found that a 10% increase in per-pupil spending across all 12 school-age years increases the probability of high school graduation by roughly 10 percentage points for economically disadvantaged students and raises adult wages for economically disadvantaged students by nearly 10%.⁵⁵

Similarly, adequate funding for EL students and students with disabilities provides access to the specialized instruction and supports that research shows make a real difference. For EL students, that means high-quality language development programs, bilingual instruction, and trained staff — resources that are tied to measurable gains in academic growth and language proficiency.⁵⁶ For students with disabilities, research indicates that 85% to 90% are capable of meeting the same academic standards as their peers when they receive appropriate instruction, supports, and accommodations.⁵⁷

The concentration of these students in charter schools raises questions about the adequacy of per-pupil payments, with direct consequences for students and equity in the state. Charter schools are a growing sector that educates a disproportionate share of students with the highest needs, and the funding structure governing their operations directly shapes their capacity to serve those students well. How Pennsylvania structures and calculates per-pupil payments determines whether schools serving these students have the resources to meet them where they are. The sections that follow explain how the funding system that determines those resources came to be, how it works today, and why its structure produces persistent gaps between what charter schools receive and what their students need.

TABLE 1: K-12 CHARTER SCHOOL AND DISTRICT-OPERATED PUBLIC SCHOOL STUDENT DEMOGRAPHICS, PENNSYLVANIA, SCHOOL YEAR 2024-25

Student Group	District-Operated Public Schools	Brick-and-Mortar Charter Schools	Total (All LEA Types)
EL Students ⁵⁸	6.9%	7.5%	6.7%
Economic Disadvantage ⁵⁹	47.8%	74.5%	49.8%
Students with Disabilities ⁶⁰	20.2%	22.1%	20.7%

Note: Values in the “Total” column include other LEA types not generally included in this report, such as cyber charters, intermediate units, occupational career and technical centers, and community career and technical centers.

How Did Pennsylvania's School Funding System Get Its Current Shape?

For decades, Pennsylvania distributed most of its basic education funding by giving each district the same amount it had received the prior year, locking historical inequities into every subsequent allocation. A 2008 attempt at weighted student funding was abandoned after three years.⁶¹ (Note: For a full account of the legislative history from 1966 through 2014, see the 2015 BEFC Report and Bissett and Hillman (2013).⁶²)

Act 51 of 2014 created the BEFC and charged it with designing a distribution formula.

After 15 hearings and a review of models from 46 other states, the 2015 BEFC recommended a two-step student-weighted formula, enacted as Section 2502.53 of the Public School Code through Act 35 of 2016.⁶³ The formula weights each district's enrollment for poverty, EL students, concentrated poverty, and charter school students, then adjusts for local wealth and tax effort. It applies only to new dollars added above each district's historical base, a design the BEFC chose deliberately, finding that eliminating the hold-harmless base would have shifted approximately \$1 billion away from 320 districts, including many of the state's poorest.⁶⁴

A Pennsylvania court ruled the state's school funding system unconstitutional.

Even as the original BEFC formula took effect, a constitutional challenge to Pennsylvania's school funding system was advancing in the courts. In 2014, the Public Interest Law Center, the Education Law Center, and O'Melveny & Myers LLP filed suit in *William Penn School District et al. v. Pennsylvania Department of Education et al.* on behalf of six school districts, seven parents, the Pennsylvania Association of Rural and Small Schools, and the NAACP Pennsylvania State Conference.⁶⁵ The plaintiffs argued the funding system violated Article III, Section 14 of the Pennsylvania

Constitution, which requires the General Assembly to "provide for the maintenance and support of a thorough and efficient system of public education," by relying so heavily on local property wealth that students in low-wealth districts were denied the resources to meet the state's own academic standards.⁶⁶

On Feb. 7, 2023, the Commonwealth Court issued a 786-page ruling finding the system unconstitutional, holding that the state had failed to ensure "every student receive a meaningful opportunity to succeed academically, socially, and civically."⁶⁷ The court found that the funding disparities between high-wealth and low-wealth school districts are "not justified by any compelling government interest nor rationally related to any legitimate government objective," with extensive trial evidence showing achievement gaps in test scores, graduation rates, postsecondary attainment, and college completion between students in low-wealth and high-wealth districts.⁶⁸ Legislative leaders did not appeal by the July 21, 2023, deadline, making the ruling final.⁶⁹ The court did not prescribe a specific remedy but implied the state must establish adequacy targets for each district, ensure an equitable state-local funding split, invest in facilities and early childhood education, and implement a reasonable timeline.⁷⁰

A reconstituted 2023 BEFC issued eight recommendations in response.

Act 51 of 2014 required the BEFC to reconstitute every five years.⁷¹ The commission reorganized in May 2023, held 13 hearings across Pennsylvania, and adopted its Majority Report on Jan. 11, 2024 (in an 8-7 vote).⁷² Its eight recommendations are listed below; the first two are most directly reflected in the legislation and education budgets that followed and in the funding mechanics that this report analyzes.

1. **Reduce formula volatility.** The 2023 BEFC found that the U.S. Census' American Community Survey-based poverty and income data produced large year-over-year swings in districts' formula shares.⁷³ It recommended using three-year averages for key data inputs, extending the concentrated poverty weight so districts do not lose it for falling marginally below the 30% threshold in one year, resetting the historical base to SY23-24 levels, and providing at least \$200 million in new formula-driven funding annually.⁷⁴ The commission explicitly rejected the alternative of routing all BEF dollars through the formula, concluding that in SY23-24 doing so would have redistributed over \$1 billion across districts, with many of Pennsylvania's poorest schools losing crucial BEF funding.⁷⁵
2. **Calculate adequacy targets for each district.** A central criticism heard throughout the public hearings was that the existing formula allocates what is available rather than determining what is needed.⁷⁶ The BEFC recommended calculating an adequacy target for each district using a Pennsylvania-centric "successful schools" methodology: Identify "successful" schools, defined as those meeting the state's interim graduation rates and proficiency standards on statewide assessments, then use the median current expenditures per weighted student among those schools as the adequacy benchmark.⁷⁷

Using SY21-22 data, the commission calculated a benchmark of \$13,704 per weighted student.⁷⁸ When applied across all 500 districts, 387 districts (77%) were spending below this level, resulting in a total statewide adequacy gap of about \$5.4 billion. The state's share of that gap was estimated at roughly \$5.1 billion.⁷⁹ The commission also identified an additional \$955 million in need for tax equity supplements for high-effort districts.⁸⁰ The commission recommended a seven-year phase-in and that all adequacy and tax equity payments roll into districts' base BEF allocations each year, locking in gains.⁸¹
3. **Reconstitute the next BEFC in 2029.** The commission supported continuing the five-year review cycle and cautioned against evaluating the impact of adequate funding on student outcomes over anything shorter than a generation.⁸²
4. **Invest in school facilities.** Nearly three-quarters of districts reported at least one building in need of major repair or replacement; 70% had deferred projects due to a lack of state reimbursement.⁸³ The BEFC recommended a minimum of \$300 million in annual state investment and called for reopening the Planning and Construction Workbook Program (PlanCon 2.0), which had been stalled under an ongoing moratorium.⁸⁴
5. **Examine charter school funding.** Aggregate charter per-pupil payments had more than doubled over the prior decade to approximately \$3 billion annually, outpacing BEF growth. The BEFC identified three options: reestablish state charter reimbursement to districts; modernize cyber charter per-pupil payments calculation; and/or enact broader charter reforms, including addressing inequities in how charter schools receive special education funding and comprehensively examining the PDE-363 deductions used to calculate charter per-pupil rates.⁸⁵
6. **Invest in the education workforce.** Pennsylvania faced a severe educator shortage, as in-state teacher certifications dropped by 75% between 2012 and 2023, while emergency permits surged by 424%.⁸⁶ The BEFC recommended expanding recruitment and retention programs, including stipends for student teachers and targeted supports for teachers, counselors, and other school professionals.⁸⁷
7. **Invest in student supports.** The BEFC identified three areas of unmet need: grade-level literacy and reading intervention, K-12 mental health services (recommending at least \$100 million annually), and the community schools model as a vehicle for wraparound student services.⁸⁸

8. Consider other important issues. The BEFC flagged several topics beyond its direct charge for General Assembly attention, including expanding pre-K access, exploring universal full-day kindergarten, incentivizing district consolidation and shared services, increasing career and technical education investment, funding public libraries and school librarians, reforming the pupil transportation formula, sustaining school safety funding, and targeting additional special education investment.⁸⁹

Act 55 of 2024, Act 47 of 2025, and recent state education budgets have enacted some of the commission’s core formula and adequacy recommendations.

The General Assembly codified Recommendations 1 and 2 in Act 55 of 2024 (signed July 11, 2024) and the accompanying FY24-25 enacted budget, with Act 47 of 2025 and the FY25-26 budget maintaining and extending that structure. The changes most relevant to this report include:

- **BEF Base Reset (Recommendation 1):** Act 55 of 2024 reset the historical base to the SY23-24 allocation, moving nearly a decade of formula-driven funding into districts’ fixed base allocations. The FY24-25 budget added \$285 million to BEF; the FY25-26 budget added a further \$670 million, bringing the total BEF appropriation to approximately \$8.3 billion.⁹⁰
- **Adequacy and Tax Equity Supplements (Recommendation 2):** Act 55 of 2024 established the Adequacy Supplement (\$526 million), Minimum Adequacy Supplement (\$6 million), and Tax Equity Supplement (\$32 million) as components of RTL — the first year of the BEFC’s recommended seven-year phase-in. Act 47 of 2025 continued these supplements at the same levels for FY25-26, with prior-year allocations rolling into districts’ RTL Foundation base as the BEFC’s ratchet mechanism required. Gov. Josh Shapiro’s proposed FY26-27 budget would sustain these supplements at enacted levels, though that budget had not been enacted as of this writing.⁹¹
- **Charter School Funding (Recommendation 5, Partial):** The FY24-25 budget appropriated \$100 million to reimburse districts for a portion of cyber charter per-pupil costs — a one-time step toward Option 1 of Recommendation 5, not a structural reform. Act 47 of 2025 went further, enacting a new formula for calculating per-pupil payments to cyber charter schools (Section 1725.1-A of the Charter School Law) that PDE estimates will save school districts approximately \$178 million annually, addressing Option 2. Recommendation 5’s other options, including reestablishing broad-based charter reimbursement and reforming the PDE-363 deductions and special education flat-rate payment for brick-and-mortar charters, remain unenacted.⁹²

Despite the scale of investment in FY24-25 and FY25-26, the commission’s adequacy supplements address less than 15% of the \$5.1 billion state-share adequacy gap it identified.⁹³ The structural features of the system that produce these persistent challenges for charter schools are the subject of the remainder of this report. But first, it is necessary to understand how Pennsylvania’s K-12 funding system works in practice today.

How Does Pennsylvania Fund Its K-12 School Districts Today?

Pennsylvania invests heavily in public education — ranking fifth nationally in total per-pupil revenue in FY22-23, with an average of \$26,242 per student, and third among all states in funding effort measured as K-12 spending relative to state GDP.⁹⁴ These rankings reflect a strong statewide fiscal commitment to public education.

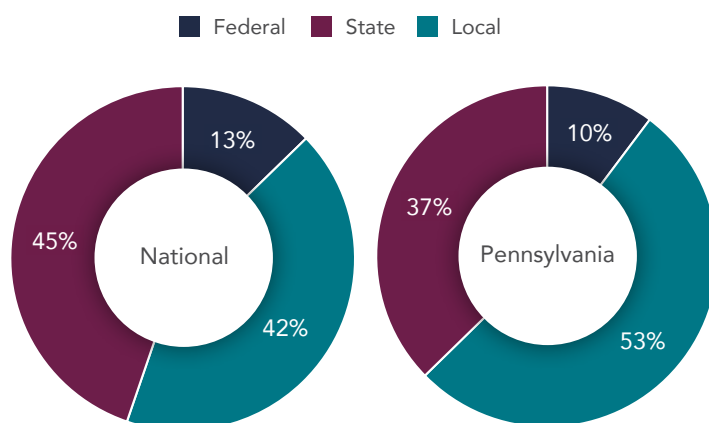
Like all states, Pennsylvania funds K-12 education through a combination of federal, state, and local revenues (Figure 2). Nationally, state and local sources together account for nearly 90% of total education funding, with federal dollars making up the remainder.⁹⁵ Pennsylvania’s revenue mix broadly reflects this pattern and draws on a range of appropriations, programs, and funding streams to support its more than 1.7 million public school students.⁹⁶ Notably, however, Pennsylvania’s state share runs roughly 8 percentage points below the national average, while its local share runs approximately 11 percentage points higher, making Pennsylvania one of the most locally dependent education funding systems in the country.

As in most states, Pennsylvania’s local revenue largely comes from property taxes. This reliance on local property taxes to fund schools can create a structural equity challenge that state funding must work against. Districts with higher property values can generate substantially more revenue per student at the same tax rate as a lower-wealth district. Act 1 of 2006 caps how much districts can increase local taxes each year without a voter referendum, based on the average of Pennsylvania’s statewide weekly wage growth over the preceding 36 months and the federal employment cost index for elementary and secondary schools.⁹⁷ Districts can exceed the cap by seeking voter approval or qualifying for one of four specific referendum exceptions: school construction costs for grandfathered

indebtedness, school construction costs for voter-approved electoral debt, special education expenditure increases above the index, and retirement contributions to the Public School Employees’ Retirement System.⁹⁸

In practice, very few districts pursue exceptions in any given year; in SY25-26, only eight of the state’s 500 districts received approved referendum exceptions, while 481 districts adopted resolutions certifying they would not raise taxes above their index.⁹⁹ Lower-wealth districts receive a modestly higher cap based on their market value and personal income characteristics, an intentional equity adjustment that, while helpful, has not been sufficient to close the underlying gap.¹⁰⁰ The result is that lower-wealth districts face a compounding disadvantage: a smaller property tax base that generates less revenue per mill (the unit used to calculate property tax rates, equal to \$1 per \$1,000 of assessed property value), and a growth cap that limits how quickly they can close that gap even when local willingness to tax is high.

FIGURE 2: NATIONAL AND PENNSYLVANIA K-12 REVENUES BY SOURCE, FISCAL YEAR 2022-23¹⁰¹



BEF is the largest and most policy-responsive source of state support for K-12 education.

Within Pennsylvania’s state budget, K-12 education is supported through a wide range of programs and line items.¹⁰² Most state funding, however, is concentrated in a relatively small number of large appropriations (Figure 3). BEF is the single largest, totaling \$8.3 billion in FY25-26.¹⁰³ BEF provides general operating support to school districts and represents the largest share of discretionary state funding in the K-12 budget.¹⁰⁴ Other major appropriations include the state’s share of school employee retirement costs (\$3.3 billion), special education funding (\$1.5 billion), and the Ready to Learn Block Grant (\$1.4 billion), alongside programs supporting transportation, early intervention, career and technical education, and services for nonpublic school students.¹⁰⁵

Although BEF accounts for less than half of total state support for public schools once pensions and other programs are included, it is the most flexible and policy-responsive source of state funding for district operations. As such, it plays an outsized role in legislative debates about equity, adequacy, and system design, and it is the primary focus of this report’s analysis of Pennsylvania’s K-12 funding system.

Pennsylvania’s approach to distributing education funding is unlike any other state in the country.

Once Pennsylvania lawmakers appropriate funding for K-12 education, the state must determine how to divide those dollars among school districts. Every state uses some form of school funding formula to do this (Table 2). Nationally, most formulas fall into three broad categories: student-based, resource-based, and program-based, though some states use hybrid approaches (Figure 4).¹⁰⁶ These categories provide a useful framework for understanding the dominant structure of a state’s funding system, but in practice the lines between them are rarely completely clean. Many states incorporate elements of more than one approach, and special education funding in particular frequently drives that hybridity.

FIGURE 3: PENNSYLVANIA STATE APPROPRIATIONS FOR K-12 EDUCATION, FISCAL YEAR 2025-26

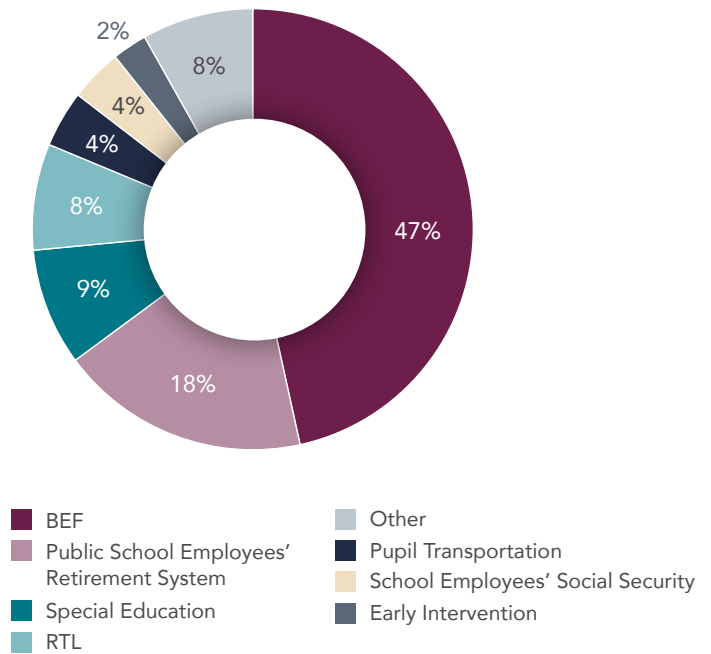
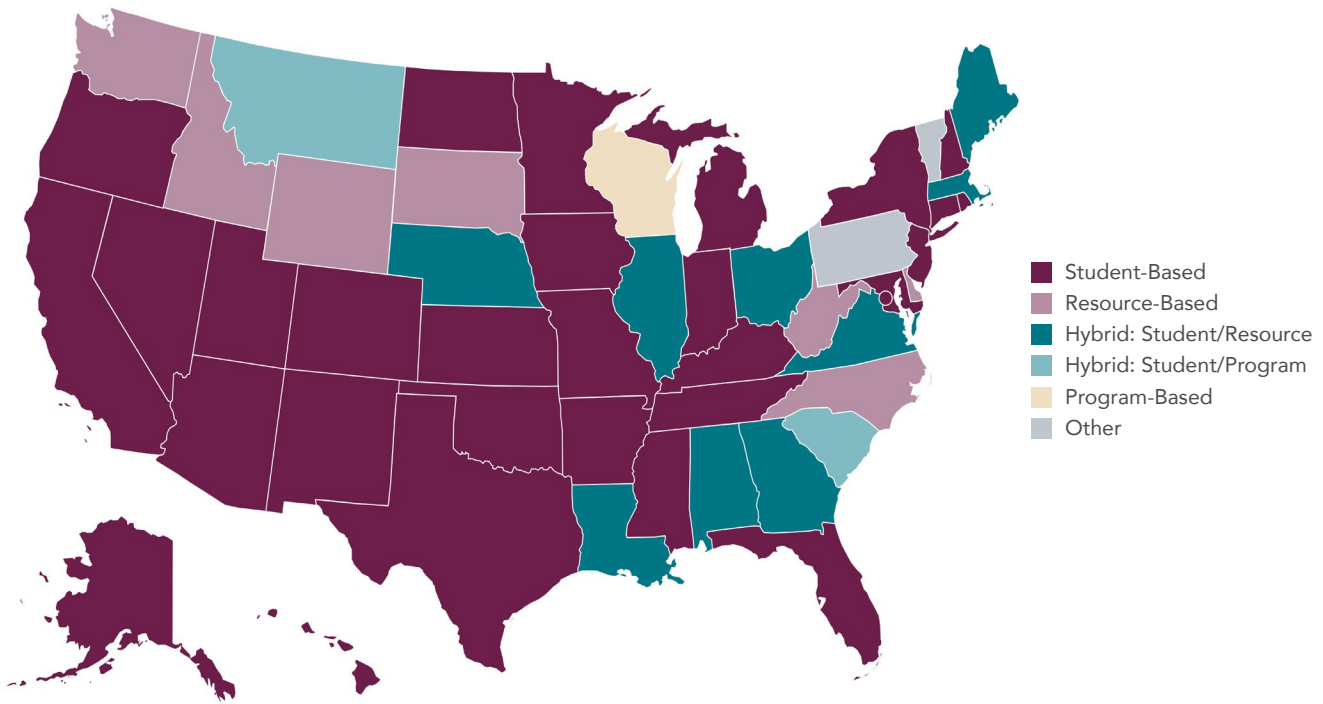


TABLE 2: STATE-LEVEL K-12 FUNDING FORMULA TYPES AND DESCRIPTIONS, UNITED STATES

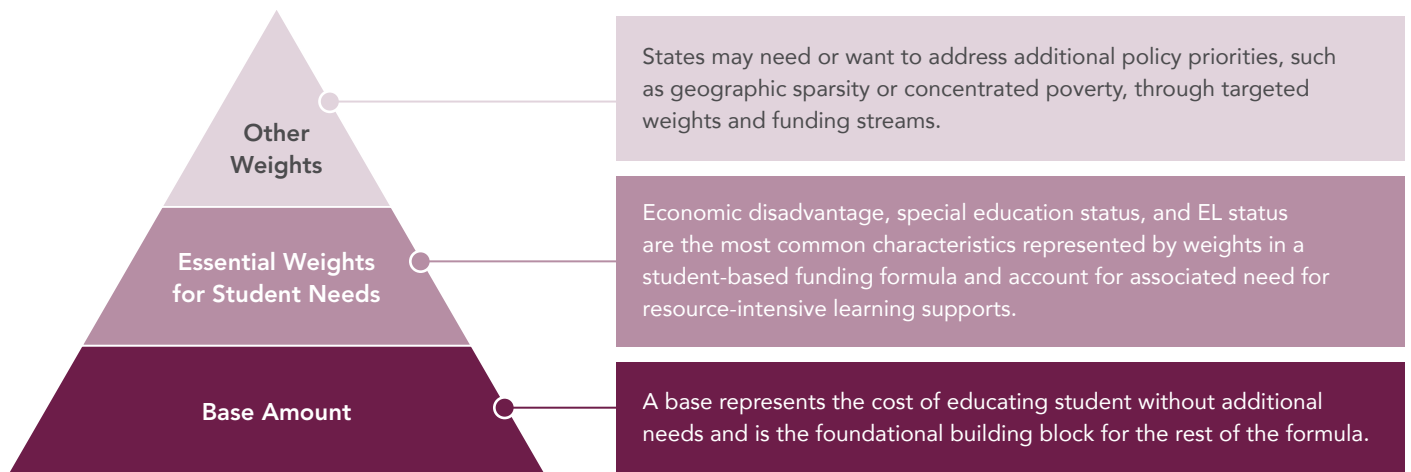
Formula Type	Description
Student-Based	School districts receive funding based on the number of students, usually with weights or supplements based on anticipated student learning needs.
Resource-Based	School districts receive funding based on the anticipated cost of resources and inputs, such as staff salaries and instructional materials.
Program-Based	School districts receive funding based on the cost of educational programs within those districts.
Hybrid	School districts receive funding through a combination of two or more formula types.

FIGURE 4: STATE K-12 FUNDING FORMULA TYPES, UNITED STATES¹⁰⁷



Student-based funding formulas are the most common funding approach. Currently, 41 states and the District of Columbia use some form of weighted, student-based formula as the foundation of their K-12 funding system.¹⁰⁸ In recent years, several states have reformed their funding systems to move toward student-based models.¹⁰⁹ These formulas typically start with a standard per-student base amount intended to reflect the cost of educating a student with no additional learning needs, then layer on additional weights for students who require more intensive support, including economically disadvantaged students, EL students, and students with disabilities (Figure 5).¹¹⁰

FIGURE 5: GENERAL DESIGN OF STUDENT-WEIGHTED K-12 FUNDING FORMULAS



Pennsylvania is one of only two states whose approach does not align with any of the standard formula models.¹¹¹ The second state is Vermont, which uses a distinct model: Districts build their own budgets approved by local voters, the state guarantees full funding for every approved budget, and statewide property tax rates are adjusted annually and pooled into the Education Fund to cover the total cost across all districts.¹¹²

Two major factors make Pennsylvania’s BEF system unique: Most of its funding is tied to historical allocations rather than current student need, and its formula divides a fixed pool of new dollars rather than estimating what districts need.¹¹³

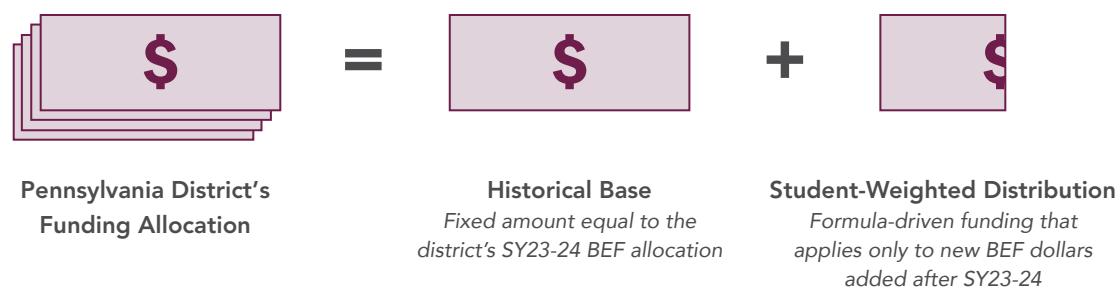
Factor 1: Most BEF funding is tied to historical allocations rather than current student need. Pennsylvania’s BEF system has two components that work in fundamentally different ways. The first is a fixed Historical Base, under which each district receives an amount anchored to a prior-year allocation that does not respond to changes in enrollment or student need.¹¹⁴ The second is a formula-driven Student-Weighted Distribution that applies only to new state dollars added above the base in any given year, allocating those dollars based on current student enrollment, economic disadvantage, local tax effort, and other indicators of need (Figure 6).¹¹⁵



Beyond BEF: A Note on Other Major State Funding Streams

BEF is Pennsylvania’s largest state education appropriation but not the only one. Several other significant funding streams flow to districts entirely outside the BEF formula, each governed by its own allocation methodology, including special education funding, the Ready to Learn Block Grant, pupil transportation reimbursements, and school employee retirement costs. These streams, covered in more detail below, also shape what both districts and charter schools receive.

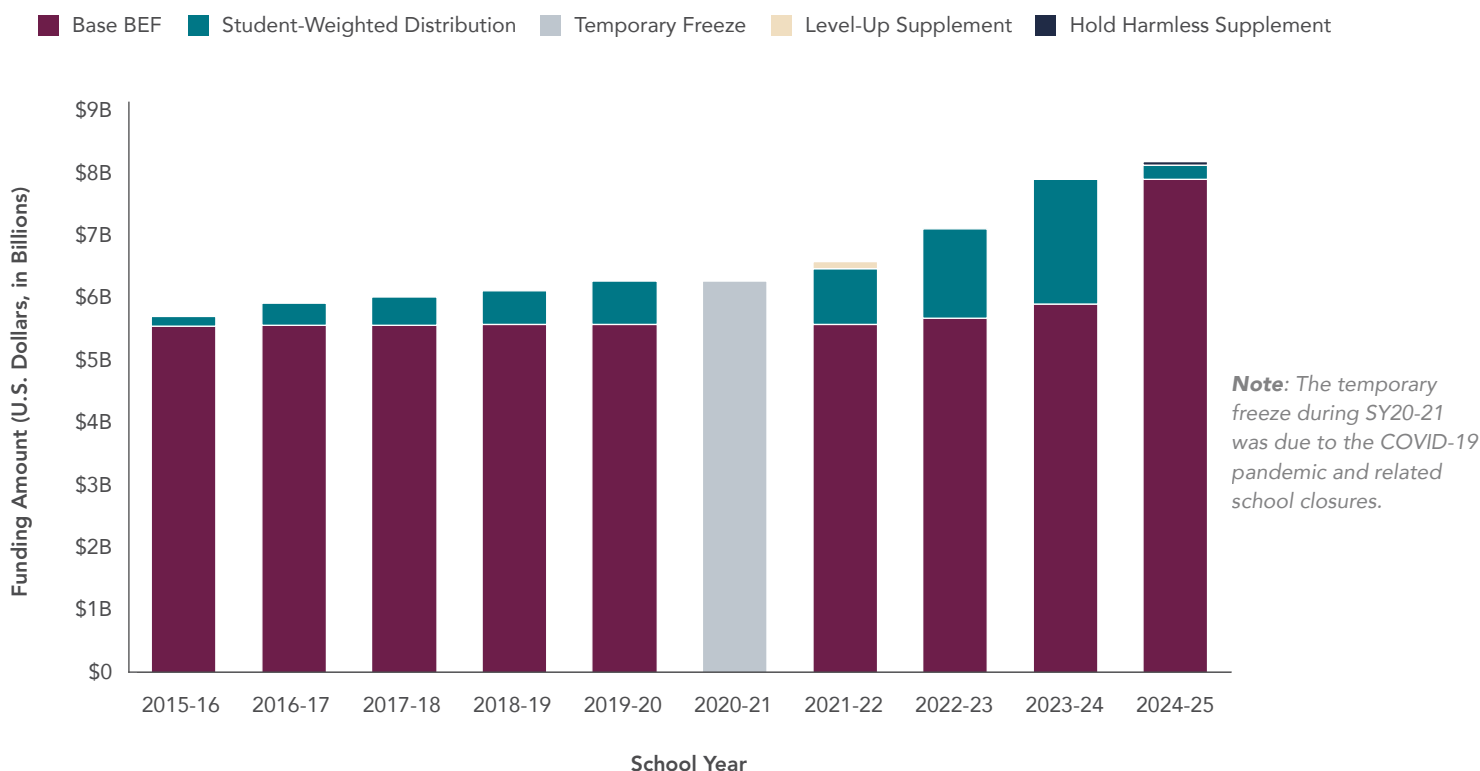
FIGURE 6: KEY COMPONENTS OF PENNSYLVANIA’S BEF SYSTEM¹¹⁶



The distinction between these two components matters because of their relative size. As described above, when the 2015 formula was enacted, the base was set at each district’s SY14-15 BEF allocation, locking in the funding levels from that year; formula-driven dollars were only ever the new money added each year on top of a base that remained fixed.¹¹⁷ Act 55 of 2024 updated the base to the SY23-24 allocation levels — a significant modernization, but one that preserved the same two-component structure.¹¹⁸

While the formula share of total BEF grew gradually over time as new dollars were added, it remained a minority of total funding: By FY23-24, 25.3% of total BEF flowed through the Student-Weighted Distribution, with the remainder locked in the historical base.¹¹⁹ The Act 55 base reset then caused that formula share to drop sharply because the accumulated formula-driven dollars from nearly a decade of annual increases were absorbed into the new base. The result is a system anchored to a more recent baseline than before 2024, but one with even less room to adjust each year in response to changes in enrollment, poverty, or local fiscal capacity (Figure 7).¹²⁰

FIGURE 7: PENNSYLVANIA BEF DISTRIBUTION BETWEEN THE HISTORICAL BASE AND STUDENT-WEIGHTED COMPONENTS, SCHOOL YEARS 2015-16 TO 2024-25¹²¹



Factor 2: The Student-Weighted Distribution operates differently from traditional student-weighted funding structures and allocates a fixed pool of new funding based on each district’s share of weighted enrollment.

Many states consider adequacy in designing their school funding formulas, setting per-student targets that reflect what it costs to educate students to state standards and putting in place plans to reach them over time.¹²² In a typical student-weighted formula, this adequacy approach is embedded in the base amount, with additional weights layered on to support students with greater needs.¹²³ In these systems, because both the base amount and the weights are usually set in statute, there is a clear and predictable link between the assumed cost of educating students with particular needs and the funding districts receive based on the students they serve.¹²⁴

Recently, Pennsylvania has taken its own steps to establish adequacy targets. The 2023 BEFC set adequacy targets for each district, codified through Act 55 of 2024, with a seven-year phase-in plan to close identified gaps.¹²⁵ Those targets, however, are expressed through the Adequacy Supplement within RTL, a separate appropriation that operates outside the BEF formula.¹²⁶

The Student-Weighted Distribution operates differently from most student-weighted funding formulas. Each year, the legislature first determines how much new funding to add to the BEF appropriation. The formula then distributes that pool across districts based on each district's share of weighted enrollment statewide (Sidebar 2).¹²⁷ In this structure, student characteristics such as economic disadvantage, EL status, and charter enrollment do not generate fixed additional dollars on their own. Instead, they increase a district's enrollment count to reflect relative need, producing a weighted student total. That total is then divided by the statewide total to determine the district's share of the funding pool.

Because all districts' shares must sum to 100%, a district's funding depends not only on its own students and needs, but also on changes in enrollment and student characteristics across the state, as well as the overall size of the appropriation.¹²⁸ The calculation runs through three steps:

- **Step 1: Calculate a weighted student count.** Each district's enrollment (based on a three-year average ADM) is adjusted using student-based factors such as economic disadvantage, EL status, charter enrollment, and geographic sparsity/size.¹²⁹ These weights increase the student count to reflect the higher cost of serving students with greater needs, producing a weighted student total.
- **Step 2: Apply district-level factors.** The weighted student count is multiplied by two district-specific adjustments: the Median Household Income Index and the Local Effort/Capacity Index. These factors account for differences in local wealth and taxing effort, increasing shares for lower-income districts

SIDEBAR 2

A Closer Look at Pennsylvania's Charter Enrollment Weight

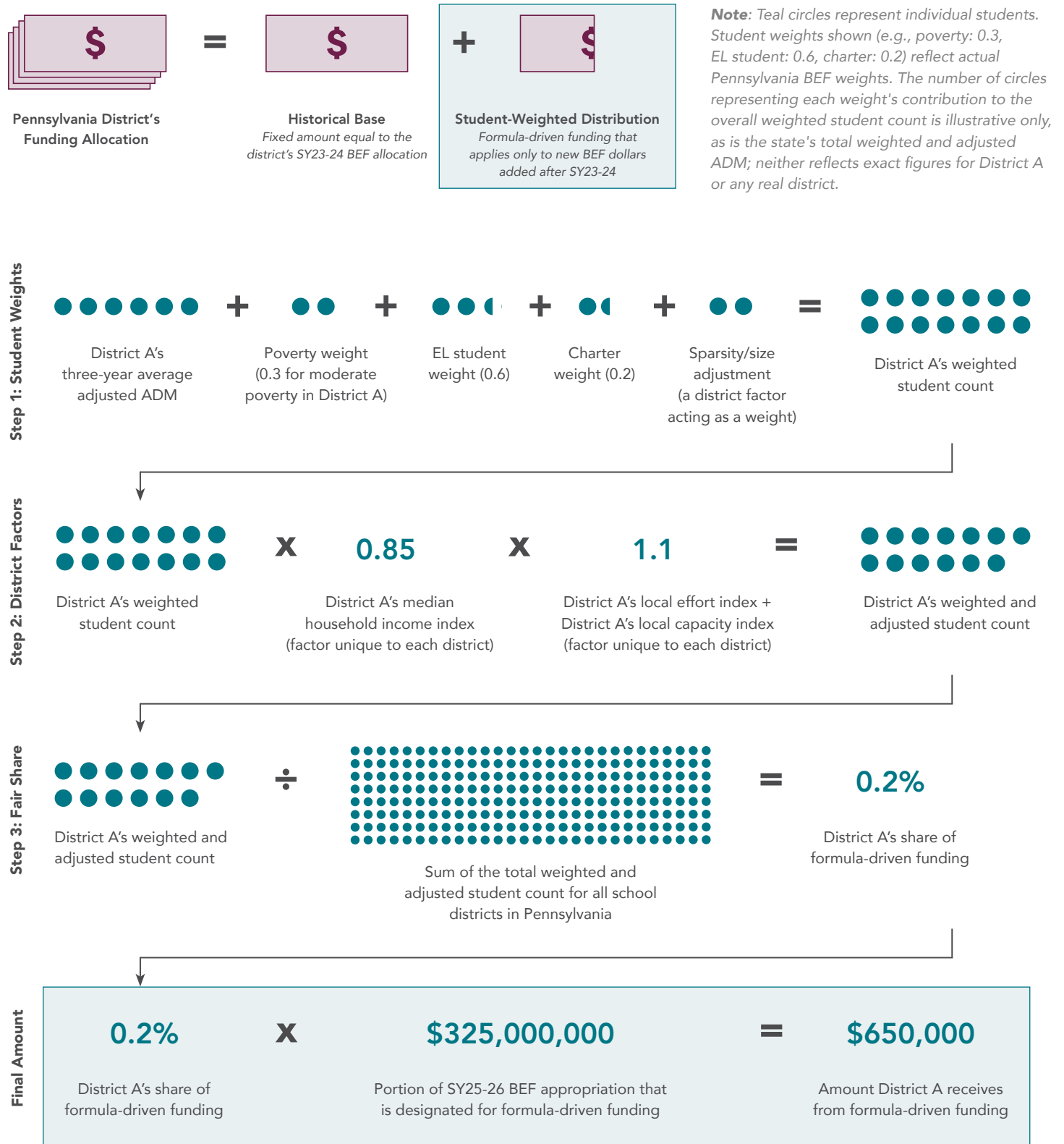
The BEF formula includes a charter enrollment weight of 0.2, added in 2015 to partially compensate districts for what are sometimes called "stranded costs" — fixed expenses such as buildings and administrative staff that districts continue to incur even as students leave for charter schools.¹³⁰ In practice, its impact is modest: Testimony to the 2023 BEFC noted that this weight generates roughly \$33 million of the nearly \$2 billion distributed through the formula each year.¹³¹

and reducing them for higher-wealth districts.¹³² For example, in SY23-24, affluent Radnor Township School District, one of the wealthiest suburban districts in the Philadelphia metro area, had a combined multiplier of 0.39, effectively reducing its weighted student count. Reading School District, one of the poorest large districts in Pennsylvania by child poverty rate, had a combined multiplier of 2.86, nearly tripling its weighted student count before funding shares are calculated.¹³³

- **Step 3: Determine each district's share of funding.** Each district's weighted and adjusted student count is divided by the statewide total, producing its percentage share of the available funding pool. These shares sum to 100% across all districts, meaning each district's allocation depends both on its own characteristics and on statewide patterns of enrollment, need, and the size of the appropriation.¹³⁴

To illustrate how these factors work together, consider a hypothetical medium-sized, rural district where 25% of students are economically disadvantaged, 20% are EL students, and 15% are students with disabilities (Figure 8).

FIGURE 8: WALKTHROUGH OF PENNSYLVANIA'S BEF FUNDING ALLOCATION FOR DISTRICT A ¹³⁵





The student weights visualized on Page 22 also preview a structural difference between how districts and charter schools are funded. Districts generate larger or smaller shares of the formula pool based on the characteristics of their enrolled students, with more students in poverty or more EL students meaning a higher weighted count and a larger share of new dollars. Charter schools, by contrast, receive a flat per-pupil payment for each student from the student's home district. The rate is set by the district, not by the characteristics of the students a charter school serves; a high-need EL student and a student with no additional needs generate the same payment, with the sole exception of students with disabilities, who generate a separate, higher rate. Some need-based differentiation reaches charter schools indirectly, since per-pupil payments are calculated from each district's prior-year expenditures, which reflect what the district received through the weighted formula, but the link is neither direct nor complete.

Other major state funding streams shape how much revenue districts receive — and how much flows to charter schools.

BEF is the largest but not the only significant source of state funding for Pennsylvania school districts. Several other major appropriations contribute to district revenues and, in turn, shape the per-pupil payments that districts make to charter schools. Two patterns stand out across these funding streams (Table 3).

First, most major state funding flows to districts rather than directly to charter schools. Charter schools access state dollars indirectly. When a district receives more funding and spends it, that increased spending eventually factors into the per-pupil payment calculation for charter schools in the following year. But the connection is neither automatic nor complete, because some spending categories are excluded from that calculation entirely. Second, some state programs provide charter schools with limited or no access. One significant example is the Public School Facility Improvement Grant, which is available only to school districts and area career and technical schools. Charter schools cannot apply regardless of their facilities needs and must finance those costs independently.

TABLE 3: OVERVIEW OF PENNSYLVANIA SCHOOL FUNDING STREAMS AND CHARTER APPLICABILITY

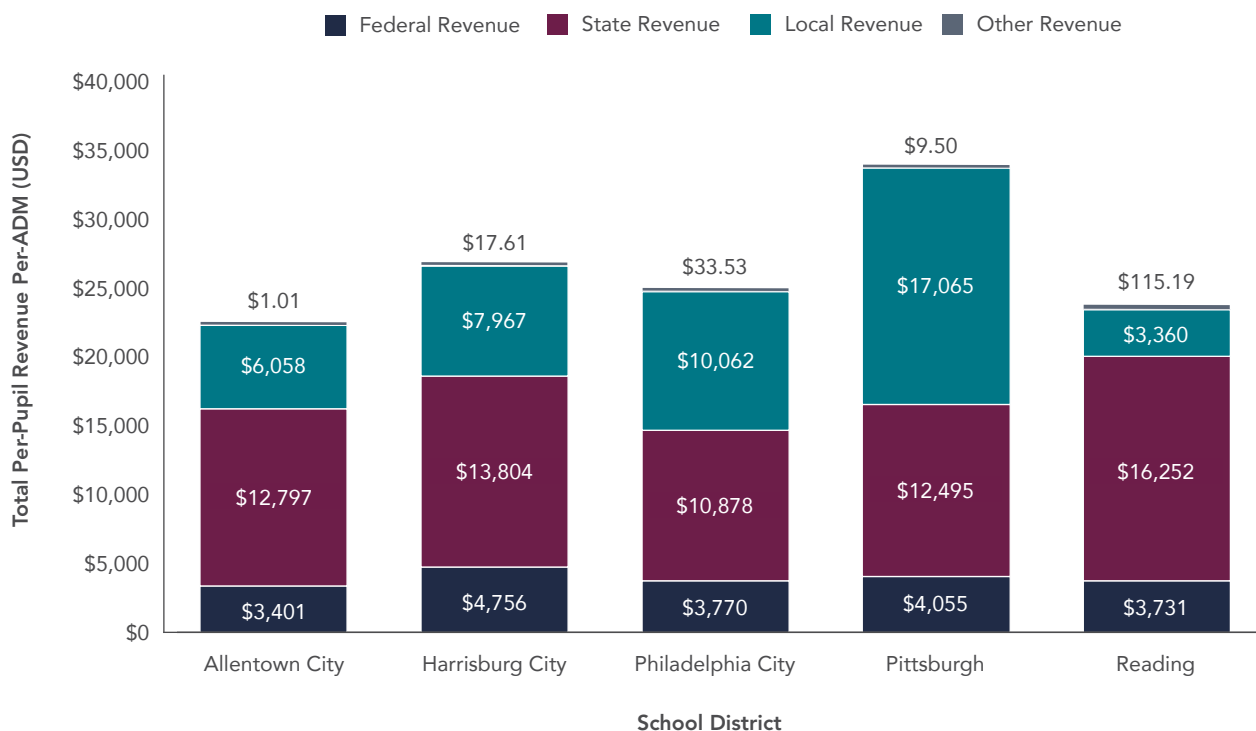
Funding Stream	Approximate FY25-26 Amount	Applicability to Charter Schools
<p>BEF: Primary source of state operating aid for school districts. Distributed through a Historical Base plus a Student-Weighted Distribution that applies only to new dollars.</p>	\$8.3 billion	Indirect
<p>Public School Facility Improvement Grant: Competitive, one-time state grant program supporting major repairs, renovations, and improvements to public school facilities, including building safety, environmental remediation, and facility modernization.</p>	\$175 million	Not Applicable
<p>Pupil Transportation: Partial state reimbursement to school districts for approved pupil transportation costs.</p>	\$736 million	Indirect
<p>RTL — Foundation: State block grant supporting a broad range of instructional and student-support programs.</p>	\$818 million	Partial
<p>RTL — Adequacy and Minimum Adequacy Supplements: Two formula-driven supplements created in response to the Commonwealth Court’s February 2023 ruling that Pennsylvania’s school funding system was unconstitutional, codified by Act 55 of 2024 and updated by Act 47 of 2025. The Adequacy Supplement (\$526 million) targets districts whose current expenditures fall below a statutory adequacy target. The Minimum Adequacy Supplement (\$6 million) guarantees a floor: Any district whose combined Adequacy and Tax Equity supplements total less than \$50,000 receives a top-up to that threshold.</p>	\$533 million	Indirect
<p>RTL — Tax Equity Supplement: A formula-driven supplement, created under Act 55 of 2024 and updated by Act 47 of 2025, targeting school districts with unusually high local tax effort.</p>	\$32 million	Not Applicable
<p>Special Education Funding: State support for special education services. Largely based on historical allocations, with new dollars distributed through a formula that estimates need rather than actual enrollment or costs.</p>	\$1.5 billion	Indirect

Note: The Appendix provides detailed descriptions and sources of these funding streams and explains how each applies to charter schools.

Together, these funding streams — including BEF, Special Education Funding, RTL elements, facilities programs, and other categorical appropriations — constitute the primary state revenue components that flow to school districts in Pennsylvania. When combined with local tax revenue and federal funding, they make up each district’s total revenue and represent the full pool of resources available to support students.

Expressing total revenues on a per-pupil basis using ADM provides a standardized way to compare funding levels across districts of different sizes. The figure below displays total revenue per ADM by source for five sample districts in SY23-24 (Figure 9). Overall per-pupil funding levels and revenue composition vary meaningfully across districts, reflecting differences in local property wealth, state formula allocations, and historical funding patterns. Because charter per-pupil payment rates are derived from district expenditures, variation in district revenue directly contributes to variation in charter school funding.

FIGURE 9: TOTAL PER-PUPIL REVENUE (PER-ADM) BY SOURCE ACROSS SELECTED PENNSYLVANIA SCHOOL DISTRICTS, SCHOOL YEAR 2023-24¹³⁶



How Does Pennsylvania Fund Public Charter Schools?

Pennsylvania does not fund charter schools through a stand-alone statewide formula, as many other states do. Instead, charter schools receive per-pupil payments from the school districts where their students reside. Under the current system, 82% of the state's charter school revenue comes from these district payments.¹³⁷ A charter school serving students from multiple districts receives a separate per-pupil payment from each district, and those amounts can differ substantially.

Districts calculate per-pupil payments based on prior-year spending.

Each year, every school district calculates its district-specific charter per-pupil payment rates for regular education students and special education students. Districts document these calculations by completing PDE-363 forms, which are submitted to PDE (Figure 10).¹³⁸ The calculation starts with a district's total prior-year expenditures, drawn from audited financial data and reflecting spending across state, local, and federal revenue sources. State law then requires districts to subtract a defined set of statutory exclusions before arriving at the per-pupil payment rate.¹³⁹ Major exclusions include:

- Facilities acquisition, construction, and improvement costs.
- Debt service and other financing uses.
- Student transportation services.
- Special education expenditures, which are removed from this calculation but used separately to compute the special education per-pupil payment rate.
- Federal funds across nearly all functional categories, including regular instruction, vocational education, pupil personnel, instructional staff support, administration, pupil health, business services, plant operations and maintenance, and other support services.

After exclusions are applied, remaining expenditures are divided by ADM to produce a regular education per-pupil payment rate.

Because this calculation is based on the prior school year's expenditure data, there is an inherent one-year lag between what a district spends and what its charter schools receive.¹⁴⁰ A district that significantly increases spending in one year through new state funding, a capital project, or program expansion will not see that change reflected in charter payment rates until the following year. Conversely, a district that reduces spending will reduce charter payments the following year, with limited mechanisms for charter schools to anticipate or prepare for the change. For charter schools that must commit to staffing and programs before their per-pupil rate is set, a large district capital project or budget shift can materially change revenue with little warning and no recourse.

Special education payments are calculated separately from the regular education rate, and this report describes that calculation at a high level. Special education funding in Pennsylvania is a complex topic: It operates through its own funding formula. A full analysis is beyond the scope of this report.

At a high level, each district calculates a special education per-pupil payment rate by taking its total prior-year special education expenditures and dividing them by an assumed number of special education students, derived by applying a fixed 16% disability rate to the district's total ADM rather than using the district's actual count of students receiving special education services.¹⁴¹ The resulting rate is district-specific and applies uniformly to all charter students from that district who receive special education services, regardless of the nature, intensity, or cost of the services those individual students require.

This flat-rate approach stands in contrast to how Pennsylvania funds special education for district-operated schools, where new state dollars are calibrated to three tiers of disability cost and intensity, though most district special education funding remains anchored in historical allocations rather than current student need.¹⁴² Pennsylvania's Special Education Funding (SEF) formula, adopted under School Code section 2509.5, mirrors BEF's structure: There is a historical base and a formula-driven component that applies only to new dollars added after that year.

As described in more detail below, this mismatch between how districts and charters receive special education funding is a source of ongoing frustration for both sectors.

FIGURE 10: PENNSYLVANIA PDE-363 FORM, DEDUCTIONS SECTION, SCHOOL YEAR 2025-26 AND BEYOND¹⁴³

Deductions from Total Expenditures — All Charter Schools

Line	Expenditure
1100	Regular Education (Federal only; include object 562-federal, as applicable)
1200	Special Education
1300	Vocational Education (Federal only)
1400	Other Instructional Programs (Federal only)
1500	Nonpublic School Programs
1600	Adult Education Programs
1700	Community/Junior College Programs
1800	Pre-K (Federal only)
1800	Pre-K (State Pre-K counts only)
2100	Pupil Personnel (Federal only)
2200	Instructional Staff (Federal only)
2300	Administration (Federal only; include account 2330-federal, as applicable)
2400	Pupil Health (Federal only)
2500	Business (Federal only)
2600	Operation and Maintenance of Plant Services (Federal only)
2700	Student Transportation Services
2800	Central (Federal only)
2900	Other Support Services (Federal only)
3000	Operation of Noninstructional Services (Federal only; include account 3200-federal, as applicable)
4000	Facilities Acquisition, Construction and Improvement
5000	Other Financing Uses
7360	School Safety and Security Grants
75xx	RTL (via online spreadsheet)

Source: Re-created from Commonwealth of Pennsylvania, "[Charter Schools Funding — PDE-363 for SY25-26 and Beyond.](#)"

What Challenges and Inequities Does Pennsylvania's Funding System Produce for Charter Schools?

The design of Pennsylvania's charter funding system produces several structural challenges that affect charter schools' ability to serve their students. These challenges do not stem from any single policy decision; rather, they reflect the cumulative effect of how the state built its broader funding system and then layered charter funding on top of it. Five factors stand out:

- Charter per-pupil payments vary widely across districts, even for students with similar needs.
- How charter and district funding compare depends on what is measured.
- Recent state investments in adequacy largely bypass charter schools.
- Facilities costs and capital financing create a structural funding gap that charter schools cannot bridge on their own.
- The special education payment calculation is disconnected from actual student need, creating challenges for both charter schools and districts.

Charter per-pupil payments vary widely across districts, even for students with similar needs.

Because per-pupil payment rates are calculated from each district's own prior-year expenditures, a charter school's funding level depends primarily on which district its students come from, not on what those students need. Two charter schools serving identical student populations can receive materially different per-pupil payments simply because their students reside in different districts.

Analyses show that regular education charter per-pupil payment rates can vary by nearly \$15,000 per student across districts, and special education rates can vary by nearly \$39,000 per student, even when students receive comparable services.¹⁴⁴ Historical spending differences across districts are transmitted directly into

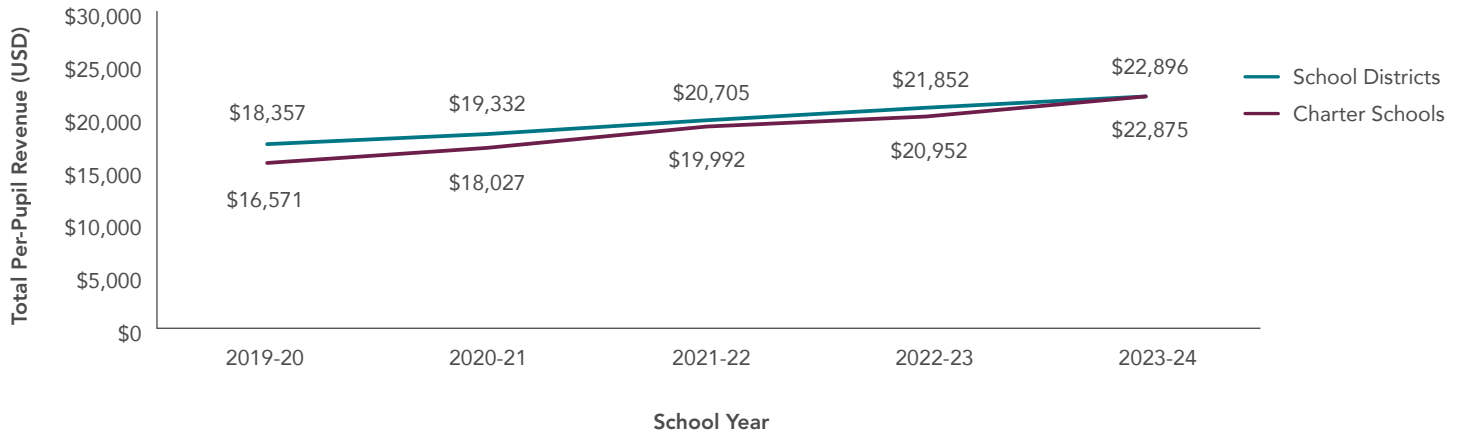
charter per-pupil payment rates, reinforcing funding disparities driven by local fiscal capacity rather than student characteristics. This creates a system in which geography, not need, is the primary determinant of how much funding follows a student to a charter school.

How charter and district funding compare depends on what is measured.

Setting aside district variation, how does charter funding compare with district funding statewide? The answer depends on what is measured. This report focuses on federal, state, and local revenue per pupil. Pennsylvania's revenue data also includes a separate category, code 9000, labeled "Other Financing Sources," which the state's Chart of Accounts notes "in a strict accounting sense, are not revenues."¹⁴⁵ This category captures items such as proceeds from asset sales, insurance recoveries, interfund transfers, and refunds of prior-year expenditures. Because these are irregular, one-time items rather than ongoing operating revenue, this report excludes them to allow for more consistent comparisons over time and across school types.

On this basis, brick-and-mortar charter schools and district-operated schools have in recent years received comparable per-pupil funding on a statewide weighted average.¹⁴⁶ In SY23-24, school districts received \$22,875 per student while brick-and-mortar charter schools received \$22,896, a difference of roughly \$21 per student, essentially at parity.¹⁴⁷ This convergence is recent; as recently as SY19-20, school districts received \$18,357 per student, compared with \$16,571 for charter schools, a gap of \$1,786 in districts' favor.¹⁴⁸ That gap gradually narrowed over the following years. Pennsylvania has not yet published statewide AFR data for SY24-25, so it is not yet possible to confirm whether this pattern has continued (Figure 11).

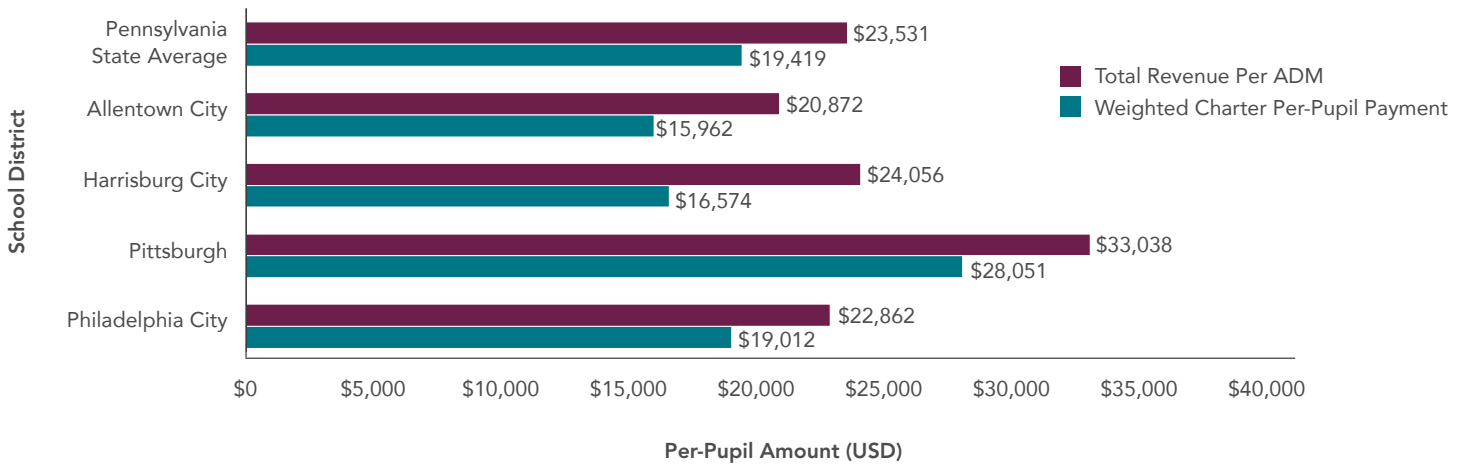
FIGURE 11: PENNSYLVANIA FIVE-YEAR TREND IN PER-PUPIL REVENUE, BY LEA TYPE¹⁴⁹



Note: Analysis excludes data from schools where ADM or total revenue was not reported. Calculated per-pupil revenue rates also exclude funding categorized under "Other Financing Sources" (code 9000), following PDE's Chart of Accounts, which notes that these dollars are not revenues in a strict accounting sense. If Other Financing Sources were included, SY23-24 revenue would be \$22,956 per student for districts and \$23,216 per student for charter schools.

However, statewide averages mask significant gaps at the district level, where charter per-pupil payment rates are actually determined. The charter per-pupil payment calculation in the PDE-363 excludes facilities, debt service, transportation, and other categories from the expenditure base, producing rates that are meaningfully lower than district per-pupil spending. The comparison below measures the district side as non-federal revenue per ADM, since PDE-363 calculations exclude federal dollars, and the charter side as a weighted average of special education and non-special education rates by actual enrollment mix (Figure 12). Across select districts, gaps range from roughly 12% in Pittsburgh to 29% in Harrisburg City and Allentown City. The PA brick-and-mortar state average shows a similar pattern: \$22,086 in non-federal revenue per ADM against a weighted charter rate of \$17,523, a gap of \$4,563, or roughly 21%.

FIGURE 12: CHARTER PER-PUPIL PAYMENT (WEIGHTED SPECIAL EDUCATION AND NON-SPECIAL EDUCATION AVERAGE) VERSUS REVENUE PER ADM (EXCLUDING FEDERAL REVENUE), SELECTED PENNSYLVANIA DISTRICTS, SCHOOL YEAR 2023-24¹⁵⁰



Note: Weighted charter per-pupil payment estimates the average tuition rate paid for students in each district's brick-and-mortar charter schools, accounting for the actual mix of special education and non-special education students enrolled. Because public data do not identify each charter student's resident district, this analysis uses the charter school's location district as the proxy paying district. Differences across districts are influenced by charter sector composition: Districts with arts, STEM, or other specialized charters that enroll fewer students receiving special education services may show larger gaps; this is the case in Harrisburg City School District and Allentown City School District. Reading School District is excluded because it had no brick-and-mortar charter schools.

Recent state investments in adequacy largely bypass charter schools.

As described above, Act 55 of 2024 and Act 47 of 2025 established a new system of adequacy supplements specifically designed to close the funding gaps identified by the *William Penn* court; this includes \$526 million annually through the Adequacy Supplement, \$6 million through the Minimum Adequacy Supplement, and \$32 million through the Tax Equity Supplement.¹⁵¹ These investments represent a significant and meaningful step toward meeting Pennsylvania's constitutional obligation to fund a thorough and efficient system of public education.

Charter schools receive no direct allocation of the Adequacy and Minimum Adequacy Supplements, or Tax Equity Supplements; both are allocated only to qualifying districts.¹⁵² The Tax Equity Supplement is also explicitly excluded from the PDE-363 calculation that sets charter per-pupil payment rates, so those dollars do not pass to charters in any way. The Adequacy Supplement is treated differently. Because its allowable uses include instructional and support programs, not facilities, transportation, or other categories excluded from the PDE-363, adequacy spending generally flows into the prior-year expenditure base used to calculate charter per-pupil payment rates. That means charter students do benefit from the investments, but they see it in the following year rather than the year it is distributed by the state. For schools already serving those students and committing to staffing and programs in real time, that lag may create fiscal and planning pressure for charter schools. For the RTL Foundation allocation, charter schools that existed before SY14-15 and received RTL funding in SY23-24 do receive a base block grant allocation, but charter schools that opened after SY14-15 are categorically ineligible regardless of student demographics, enrollment, or need. This rule affects approximately 16% of brick-and-mortar charter schools.¹⁵³

The result is that RTL's components reach charter schools unevenly: Only some charters qualify for the RTL Foundation allocation, adequacy spending flows through indirectly with a one-year lag, and the Tax Equity Supplement is excluded from charter payment calculations entirely.¹⁵⁴

Facilities costs and capital financing create a structural funding gap that charter schools cannot bridge on their own.

Of all the structural inequities in Pennsylvania's charter funding system, the exclusion of capital-related costs from per-pupil payment rate calculations is among the most consequential. When districts calculate per-pupil payment rates for charter students, they exclude two distinct categories of capital spending from the expenditure base: spending on land, construction, and building improvements under line 4000, and debt service payments and fund transfers under line 5000.¹⁵⁵ These exclusions mean that charter schools receive no funding through the per-pupil payment for the buildings their students learn in, nor for the cost of the debt districts take on to build and finance those buildings. District-operated schools face no comparable constraint: They can draw on dedicated state grant programs, local tax revenue, and bond financing to fund and maintain their facilities. Charter schools have none of these options, as they cannot levy local taxes, are ineligible for Pennsylvania's primary facilities grant program, and cannot issue bonds on the same terms available to districts. Every dollar a charter school spends on capital costs comes out of the same per-pupil payment rate that must also fund instruction, staffing, and operations.

Other states have taken a different approach. A number provide dedicated per-pupil facilities allowances, while others give charter schools access to the same state grant programs, bond financing, or local property tax revenues available to districts.¹⁵⁶

The per-pupil impact of these exclusions can vary significantly across districts and across years. To better understand this, Bellwether obtained and analyzed several years of PDE-363 forms for five urban, high-need school districts — Allentown City, Harrisburg City, Philadelphia City, Pittsburgh, and Reading.

Starting with line 4000, the variation across these districts is striking. In SY24-25, excluded facilities spending ranged from \$106 per student in Pittsburgh to \$3,299 per student in Harrisburg City, representing nearly a quarter of the per-student charter payment

rate. In Reading, the exclusion was \$1,925 per student, roughly 15% of the charter rate, and has remained near that level for three consecutive years. In Allentown City, excluded facilities spending grew from \$200,000 in SY22-23 to \$31.9 million in SY24-25, a more than 150-fold increase in two years.

The line 5000 exclusion, which covers debt service on bonds, principal and interest, and transfers of funds between accounts, including to capital reserve funds set aside for future projects, adds a second, often larger layer on top of that.¹⁵⁷ When a district finances construction through bonds, the annual debt service payments are excluded from the charter rate calculation. Charter schools cannot issue bonds and receive no benefit from the buildings that debt financed, yet their per-pupil payments are reduced by the cost of servicing it. In SY24-25, line 5000 ranged from \$1,961 per student in Pittsburgh to \$5,077 in Philadelphia City, where it represents approximately 40% of the charter per-pupil payment rate.

When the two exclusions are considered together, the cumulative effect is substantial (Figure 13). In four of the five districts examined, capital-related exclusions amount to between 28% and 48% of the charter per-pupil payment, meaning that for every dollar a charter school is paid, between roughly one-quarter and nearly half was already deducted to cover district capital costs the charter had no role in generating (Table 4).

Both exclusions also introduce year-to-year volatility into charter school finances. Because the charter rate is calculated from prior-year district expenditures, a large capital project or bond issuance reduces charter payments the following year. Philadelphia City's line 5000 expenditures grew from \$312 million in SY21-22 to nearly \$1 billion in SY23-24. Allentown City's combined capital exclusions grew from approximately \$19 million in SY22-23 to nearly \$85 million in SY24-25. These are large, discrete changes in district capital activity that charter schools absorb through lower per-pupil payments, with little mechanism to anticipate or adjust for them. The result is that charter schools routinely spend instructional dollars on facilities costs, dollars that district-operated schools can direct to classrooms. For a sector that disproportionately serves economically disadvantaged students and operates in urban areas where real estate costs are high, this structural gap compounds over time and directly constrains what charter schools can invest in student learning.

FIGURE 13: PENNSYLVANIA CHARTER PER-PUPIL PAYMENT VERSUS CAPITAL EXCLUSIONS PER STUDENT, SCHOOL YEAR 2024-25

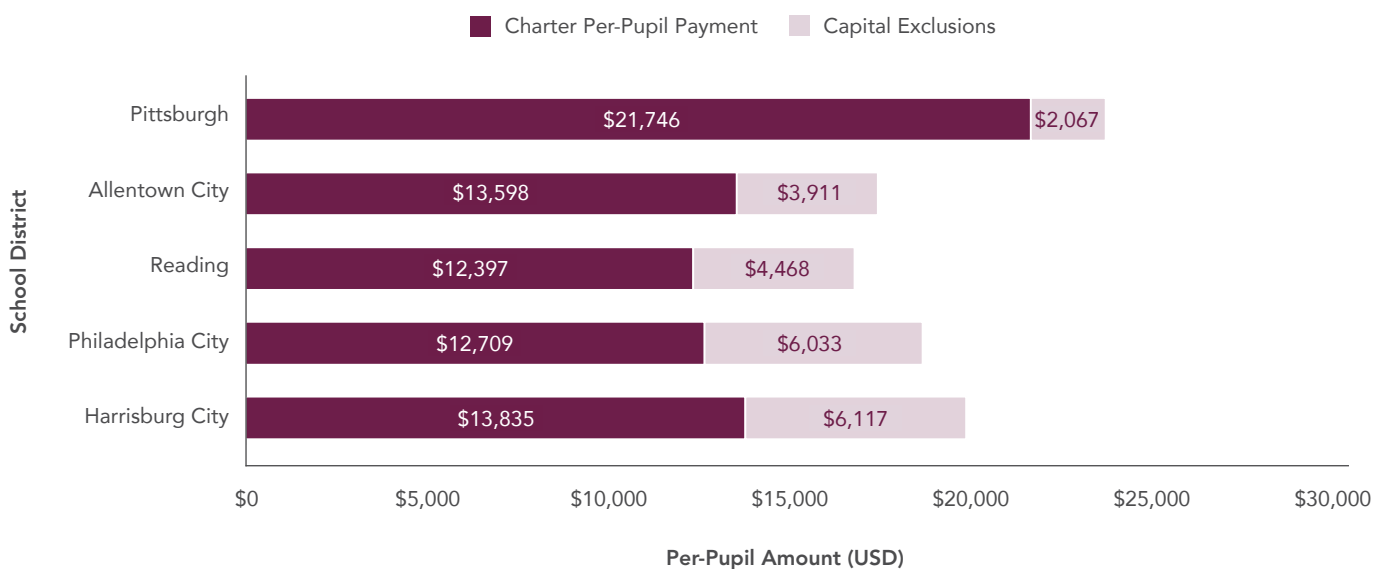


TABLE 4: CAPITAL COST EXCLUSIONS AS A SHARE OF PENNSYLVANIA CHARTER PER-PUPIL PAYMENT, SCHOOL YEAR 2024-25

District	Charter Per-Pupil Payment	Facilities Exclusions (Line 4000)	Facilities as % of Per-Pupil Charter Payment	Other Expenditures and Financing Uses Excluded (Line 5000)	Other Financing as % of Per-Pupil Charter Payment	Combined Exclusions	Combined Exclusions as % of Per-Pupil Charter Payment
Harrisburg City School District	\$13,835	\$3,299	23.8%	\$2,818	20.4%	\$6,117	44.2%
Philadelphia City School District	\$12,709	\$956	7.5%	\$5,077	39.9%	\$6,033	47.5%
Reading School District	\$12,397	\$1,925	15.5%	\$2,543	20.5%	\$4,468	36.0%
Allentown City School District	\$13,598	\$1,470	10.8%	\$2,441	18.0%	\$3,911	28.8%
Pittsburgh School District	\$21,746	\$106	0.5%	\$1,961	9.0%	\$2,067	9.5%

Source: Bellwether analysis of PDE-363 forms for SY24-25.

The special education payment calculation is disconnected from actual student need, creating challenges for both charter schools and districts.¹⁵⁸

Pennsylvania distributes new special education dollars to district-operated schools through a tiered system calibrated to the cost and intensity of services students require, though most district special education funding remains anchored in historical allocations rather than current student need.¹⁵⁹ Under this framework, students are categorized into three tiers based on the level of support they need, from relatively minimal interventions to the most extensive and costly placements, and districts receive funding calibrated to reflect those differences.

Charter schools operate under an entirely different calculation. Rather than accounting for the actual mix of students they serve or the intensity of services those students require, the formula applies a single assumed 16% disability rate to each district’s total enrollment.¹⁶⁰ Every charter school receives the same flat special education per-pupil payment rate for all students from a given district, regardless of whether those students need minimal supports or highly intensive, high-cost services. This structure creates significant challenges on both sides of the funding relationship. For charter schools, the flat rate means that schools serving higher concentrations of students with intensive needs (Tier 2 and Tier 3 under the state’s own framework) receive no additional funding to cover those higher costs. A charter school that enrolls students with the most complex disabilities absorbs those costs within a payment designed around an average, not actual need. This constrains the resources available for specialized instruction, related services, and support staff — precisely the investments that research shows matter most for students with disabilities.

For districts, the assumed 16% rate can produce a payment that is misaligned with what the district actually spends on special education. In districts where the actual share of students receiving special education services exceeds 16%, as in many Pennsylvania districts, the formula inflates the per-student special education payment rate relative to the district’s own per-student spending. This means districts may be paying charter schools more per special education student than they spend on comparable students in their own schools, creating a financial pressure that is also disconnected from actual service costs.

The core problem in both cases is the same: a flat, assumed rate produces payments that are structurally misaligned with what it actually costs to educate students with disabilities, leaving neither sector well served by the current design.

These charter funding dynamics operate within a broader context of statewide funding inequity.

The challenges described above do not exist in isolation. They are compounded by the broader inequities embedded in Pennsylvania's school funding system. Expert testimony presented to the 2023 BEFC showed that districts in the poorest quintile spend approximately \$6,230 less per BEF-weighted student than districts in the wealthiest quintile, despite serving students with higher needs and exerting higher average tax effort.¹⁶¹ Because charter per-pupil payment rates are derived from district spending, these underlying disparities are directly carried over into the charter funding system. Charter schools serving students from lower-wealth districts receive lower per-pupil payments — not because those students need less, but because the districts they come from spend less.

Conclusion

Pennsylvania's K-12 charter school funding levels reflect the design of the state's broader school finance system rather than the needs of the students charter schools serve. Because per-pupil payments are derived from district spending patterns, shaped by historical funding allocations, statutory exclusions, and fixed assumptions about student need, charter schools serving similar students can receive materially different levels of funding depending on where those students live.

This report identifies four structural features that produce persistent funding challenges for public charter schools. Per-pupil payments vary widely across districts, meaning geography rather than student need is a primary driver of how much funding follows a child to their public charter school. Pennsylvania's recent investments in adequacy are structured as district-only appropriations that do not flow to public charter schools. The exclusion of facilities and related costs from per-pupil payment calculations, combined with charter schools' ineligibility for the state's primary facilities grant program, forces public charter schools to cover building costs from the same payment that funds instruction and operations. And the special education flat-rate calculation is disconnected from the actual cost and intensity of services students require, creating challenges for both charter schools and districts.

These challenges fall hardest on the students Pennsylvania's charter schools disproportionately serve. The state's brick-and-mortar charter schools enroll nearly three-quarters of their students from economically disadvantaged households and serve a growing share of EL students and students with disabilities, students for whom adequate and stable funding directly shapes the quality of instruction, supports, and services available to them.¹⁶²

As charter enrollment grows and the demographic profile of charter students continues to diversify, the structure of the state's funding system increasingly determines whether public education dollars are aligned with student needs across sectors. Pennsylvania has made meaningful progress in recent years toward addressing longstanding inequities in how it funds district-operated public schools. Ensuring that progress extends equitably to all public school students, including those who attend charter schools, will require addressing the structural features of the charter funding system this report has examined.

Questions for Pennsylvania Advocates and Policymakers to Consider

This report explains how Pennsylvania's charter funding system works and is not intended to prescribe specific policy solutions. The structural features described here raise questions that advocates, policymakers, and other stakeholders should grapple with as the conversation about charter funding reform develops.

- If Pennsylvania were redesigning its school funding system from the ground up, should policymakers continue to anchor funding in historical spending levels, or would it be better to move toward a traditional student-weighted model that more directly ties dollars to enrollment and student need across all public schools? What trade-offs exist between these approaches?
- Other states have developed charter school funding approaches that do not rely on district expenditure patterns as the basis for per-pupil payments. What lessons have emerged from those states' experiences, including both what has worked and what trade-offs those models have required? What features of Pennsylvania's existing system would shape what reforms are feasible to adopt?
- Because charter per-pupil payment rates are layered on top of Pennsylvania's broader district funding system, they inherit the inequities and structural features embedded in that design. Should charter funding reform be pursued independently, or should it be addressed as part of broader reforms to the state's overall school finance system?
- Pennsylvania's current structure allows charter students with similar characteristics to receive materially different funding levels solely based on their district of residence. Is this geographic variation an acceptable feature of local control, or does it conflict with principles of statewide equity and funding portability?
- Charter per-pupil payment rates are derived from district spending rather than from a direct estimate of what it costs to educate charter students. Should the state's funding for public charter schools continue to reflect district expenditure patterns, or should it more explicitly align with the actual cost of educating students regardless of which district they come from?
- As public charter schools serve a growing share of Pennsylvania students, particularly students from economically disadvantaged backgrounds and students requiring additional supports, how should the state balance fiscal sustainability for districts, equitable access for families, and transparency in how public dollars are allocated across sectors? ♦

Appendix

NOTABLE PENNSYLVANIA SCHOOL FUNDING STREAMS AND CHARTER APPLICABILITY

Funding Stream

BEF: Primary source of state operating aid for school districts. Distributed through a Historical Base plus a Student-Weighted Distribution that applies only to new dollars.¹⁶³

- **Approximate FY25-26 Amount: \$8.3 billion**
- **Applicability to Charter Schools: Indirect** — BEF is paid to districts, not charter schools directly. Charter schools receive funding derived from district BEF spending through per-pupil payments, rather than a direct allocation.

Public School Facility Improvement Grant: Competitive, one-time state grant program supporting major repairs, renovations, and improvements to public school facilities, including building safety, environmental remediation, and facility modernization.¹⁶⁴ Program is episodic rather than ongoing and does not operate through a formula tied to enrollment or need.

- **Approximate FY25-26 Amount: \$175 million** (Recent grant cycle)
- **Applicability to Charter Schools: Not Applicable** — Only school districts and area career and technical schools may apply. Charter schools cannot access these grants and must finance facilities independently. Facility costs are excluded from charter per-pupil payment calculations.

Pupil Transportation: Partial state reimbursement to school districts for approved pupil transportation costs.¹⁶⁵ Reimbursement is calculated based on eligible costs multiplied by a district aid ratio, with additional allowances for mileage, capacity, and depreciation.

- **Approximate FY25-26 Amount: \$736 million**
- **Applicability to Charter Schools: Indirect** — Districts are legally responsible for transporting charter students who meet eligibility criteria. Transportation costs are excluded from charter per-pupil payment calculations. If a district fails to provide required transportation, PDE may pay the charter directly and deduct the amount from district aid.

RTL — Foundation: State block grant supporting a broad range of instructional and student-support programs.¹⁶⁶ Allowable uses include pre-K, full-day kindergarten, class size reduction in Grades K-3, literacy and math programs, career and technical education, professional development, mental health services, tutoring, after-school and remediation programs, and support for EL students and students with disabilities, among others. Each eligible school entity receives at least the Foundation amount it received in the prior year. The Foundation base grows over time because prior-year Adequacy and Tax Equity Supplement allocations roll into the Foundation in subsequent years; the FY25-26 Foundation of approximately \$818 million reflects the full FY24-25 RTL allocation (Foundation plus Adequacy and Tax Equity supplements combined) converted into the new base.

- **Approximate FY25-26 Amount: \$818 million**
- **Applicability to Charter Schools: Partial** — Districts and eligible charter schools both receive an RTL Foundation allocation. However, charter eligibility is frozen: Only schools that existed before SY14-15 and received RTL funding in SY23-24 qualify. Any charter school that opened after FY14-15, regardless of student demographics, enrollment size, or need, is categorically ineligible, which is about 16% of charters.¹⁶⁷ Districts also deduct their RTL Foundation allocation from the expenditure base used to compute per-pupil charter payments on the PDE-363, treating it as a revenue offset against total spending.

Funding Stream

RTL — Adequacy and Minimum Adequacy Supplements: Two formula-driven supplements created in response to the Commonwealth Court’s February 2023 ruling that Pennsylvania’s school funding system was unconstitutional, codified by Act 55 of 2024 and updated by Act 47 of 2025. The Adequacy Supplement (\$526 million) targets districts whose current expenditures fall below a statutory adequacy target. That target is calculated by multiplying \$14,120, the legislatively enacted adequacy benchmark derived from the BEFC’s analysis of successful school district spending, by each district’s combined student-weighted count, which sums its BEF-weighted average daily membership and its SEF-weighted student count, adjusted to eliminate double-counting. Districts whose current expenditures fall below that target have an adequacy gap; a poverty adjustment is then added to the gap for districts with higher concentrations of low-income students, increasing their calculated need. Each qualifying district receives a pro-rata share of the \$526 million appropriation based on its adequacy gap relative to the total statewide gap, meaning every eligible district closes roughly the same percentage of its own gap. The statewide gap was estimated at approximately \$5.1 billion on a state-share basis by the 2023 BEFC, meaning current supplements address less than 15% of identified need. The Minimum Adequacy Supplement (\$6 million) guarantees a floor: Any district whose combined Adequacy and Tax Equity supplements total less than \$50,000 receives a top-up to that threshold.

- **Approximate FY25-26 Amount: \$533 million** (Adequacy: \$526 million; Minimum Adequacy: \$6 million)
- **Applicability to Charter Schools: Indirect** — Both supplements flow only to qualifying school districts; charter schools receive no direct allocation. Adequacy dollars can still reach charter per-pupil payment rates indirectly, however. Districts spend adequacy funds on eligible instructional and support programs, which enters their total district expenditures. The PDE-363 sets charter payment rates based on prior-year district expenditures minus specific statutory deductions, and the Adequacy Supplement is not among the items state law designates as deductible. Adequacy spending stays in the base and flows into charter payment rates the following year. District students benefit from adequacy investments in the year they are made; charter students see the benefit one year later.

RTL — Tax Equity Supplement: A formula-driven supplement, created under Act 55 of 2024 and updated by Act 47 of 2025, targeting school districts with unusually high local tax effort. Eligibility is limited to districts whose local effort rate exceeds the 90th percentile statewide. For qualifying districts, the supplement is calculated by finding the difference between the revenue the district generates at its current local effort rate and the revenue it would generate at the 90th percentile rate, then multiplying that difference by a fractional local capacity index that reduces the supplement for districts with above-median property wealth. Each qualifying district receives a pro-rata share of the \$32 million appropriation based on its tax equity gap relative to the statewide total. Allowable uses are narrower than the Adequacy Supplement and are limited to: mitigating or preventing millage rate increases, supplementing homestead and farmstead exclusions, expanding senior tax rebate programs, replacing revenue lost from court assessment appeals, and reducing debt. To receive funds, a district’s board of school directors must adopt a formal resolution of intent.

- **Approximate FY25-26 Amount: \$32 million**
- **Applicability to Charter Schools: Not Applicable** — The Tax Equity Supplement flows only to qualifying districts. Its allowable uses fall under expenditure function codes 4000 and 5000, both of which are fully deducted from the PDE-363 base regardless of funding source. Act 55 of 2024 also explicitly prohibits including Tax Equity awards in the expenditure base used to calculate per-pupil charter payments.

Special Education Funding: State support for special education services.¹⁶⁸ Largely based on historical allocations, with new dollars distributed through a formula that estimates need rather than actual enrollment or costs.

- **Approximate FY25-26 Amount: \$1.5 billion**
- **Applicability to Charter Schools: Indirect** — Special education funding flows to districts, not directly to charter schools. Districts’ special education funding allocations enter the special education expenditure base used to calculate the charter special education per-pupil payment rate, so these dollars do eventually reach charter schools, but through a flat-rate mechanism that strips out the need-sensitivity the special education funding formula was designed to provide. Districts receive these through a tiered formula calibrated to their actual special education population and needs. Charter schools receive a flat per-student rate derived from district average spending and an assumed 16% disability rate, regardless of specific student need.

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About Bellwether

Bellwether is a national nonprofit that works to transform education to ensure young people — especially those furthest from opportunity — achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we help mission-driven partners accelerate their impact, inform and influence policy and program design, and bring leaders together to drive change on education's most pressing challenges. For more, visit bellwether.org.

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