

# Resource Realities

*Understanding Pennsylvania's District and Charter Funding System*

*Executive Summary*

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JUNE 2026

**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).

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. 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. 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.

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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. 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. 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.

### **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.

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.

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. 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.

### **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.

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. 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. 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. 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. 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. 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. 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. Among those exclusions are spending on land, construction, and building improvements (line 4000) and debt service payments and fund transfers (line 5000). These exclusions mean

4 **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. 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.

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.

**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. Charter schools receive a flat per-pupil rate based on an assumed 16% disability rate applied to each district’s total ADM. 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. 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	<b>44.2%</b>
Philadelphia City School District	\$12,709	\$956	\$5,077	<b>47.5%</b>
Reading School District	\$12,397	\$1,925	\$2,543	<b>36.0%</b>
Allentown City School District	\$13,598	\$1,470	\$2,441	<b>28.8%</b>
Pittsburgh School District	\$21,746	\$106	\$1,961	<b>9.5%</b>

*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. 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.

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.



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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](http://bellwether.org).

## ACKNOWLEDGMENTS

We would like to thank the individuals who reviewed and provided feedback on this report, including Kimberly Sterin, Ph.D., of EdFund for her technical review. Thank you also to Philadelphia Charters for Excellence for its financial support of this project.

We would also like to thank our Bellwether colleagues John Bellaire, Jennifer O'Neal Schiess, and Krista Kaput for their input and Alexis Richardson for her support. Thank you to Amy Ribock, Kate Neifeld, Andy Jacob, McKenzie Maxson, Esta Sherr, Temim Fruchter, Julie Nguyen, and Amber Walker for shepherding and disseminating this work, and to Super Copy Editors.

The contributions of these individuals and entities significantly enhanced our work; however, any errors in fact or analysis remain the responsibility of the authors.



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