



EDUCATION VOTERS
of Pennsylvania

FIXING — THE — FLAWS

IN PA'S SPECIAL EDUCATION FUNDING SYSTEM

FOR CHARTER SCHOOLS:

HOW AN OUTDATED LAW
WASTES PUBLIC MONEY,
ENCOURAGES GAMING THE SYSTEM,
AND LIMITS SCHOOL CHOICE

PENNSYLVANIA HAS TWO SEPARATE FUNDING SYSTEMS FOR PUBLIC SCHOOL STUDENTS WITH DISABILITIES

Special education for school districts is funded using the Special Education Funding Formula (SEFF) that was enacted in 2014 by the Pennsylvania legislature's Special Education Funding Commission. *This formula bases state funding payments to school districts on the **ACTUAL COSTS OF THE SERVICES** provided to students with disabilities & applies to all new state funding.*

DISTRICTS

Against the recommendation of the Special Education Funding Commission, the Pennsylvania legislature exempted charter schools from this formula. *Charter schools continue to be funded using a "one-size-fits-all" formula that pays the **SAME TUITION PER STUDENT REGARDLESS OF STUDENT NEED** for each student from a school district.*

CHARTERS

*This decision - to use two separate funding systems -
has **BROAD IMPLICATIONS** for families, students, and taxpayers.*

The SEFF was intended to better meet the needs of students and schools than a "one-size-fits-all" approach by more accurately distributing state funding based on the actual costs of providing special education and related services to students with varying needs.

SEFF CATEGORIZES SPECIAL EDUCATION INTO **THREE COST CATEGORIES**

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1

MINIMAL INTERVENTIONS

eg. weekly speech therapy sessions

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2

MORE SIGNIFICANT INTERVENTIONS


eg. one-on-one help during the school day, a self-contained classroom, physical or occupational therapy, etc.

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3

MOST EXTENSIVE & COSTLY INTERVENTIONS

eg. full-time nurse or specialized out-of-district placement



CRITICS OF THE CURRENT "ONE-SIZE-FITS-ALL" CHARTER SCHOOL SPECIAL EDUCATION FUNDING FORMULA ARGUE THAT IT CREATES **INCENTIVES** FOR CHARTER SCHOOLS TO ENROLL STUDENTS WHOSE SERVICES COST LESS THAN THE PER STUDENT TUITION THEY RECEIVE FROM DISTRICTS AND – **TO DENY ACCESS TO STUDENTS** – WHOSE DISABILITY REQUIRES GREATER INTERVENTION AND HIGHER COSTS.

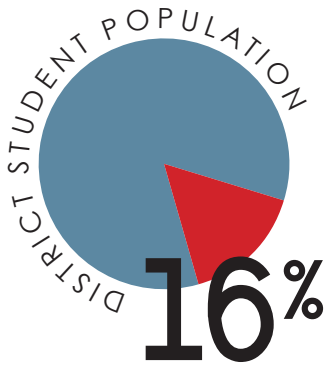
For the charter school, students whose **SERVICES:**

COST LESS than the tuition rate = **+** **FINANCIAL GAIN**

EXCEED the tuition rate = **-** **FINANCIAL LOSS**

This report analyzes special education enrollment data for school districts & charter schools based on the three cost tiers in PA's Special Education Funding Formula to see if critics' claims are borne out.

PENNSYLVANIA'S FLAWED CALCULATION FOR FUNDING CHARTER SCHOOL SPECIAL EDUCATION



The current special education funding formula assumes that 16% of each district's students receive special education services, but the statewide average is actually 19.88%. If districts have a larger percentage, their total spending is spread across more students so their per-student spending in the district is actually less than the formula assumes.

In 406 districts, the percentage of students receiving special education is 16% or higher, meaning they are **OVERPAYING CHARTERS** for special education relative to their district average. There are only 93 districts where the percentage is under 16%.¹

Because of this inaccurate calculation, typical school districts *are paying charter schools nearly 25% more* per special education student, on average, than they spend on students who remain in their own district schools.

Allowing each school district to use its actual percentage of students who receive special education as the divisor of the charter tuition calculation would equalize average funding for district and charter special education students from the same school district and **SAVE AROUND \$65 MILLION**.



COST PER SPECIAL ED DISTRICT STUDENT
ACTUAL AVERAGE AMOUNT SPENT
 $\$14,217,761 \div 965 \text{ Students}$
= \$14,733 Per Student

– VS –

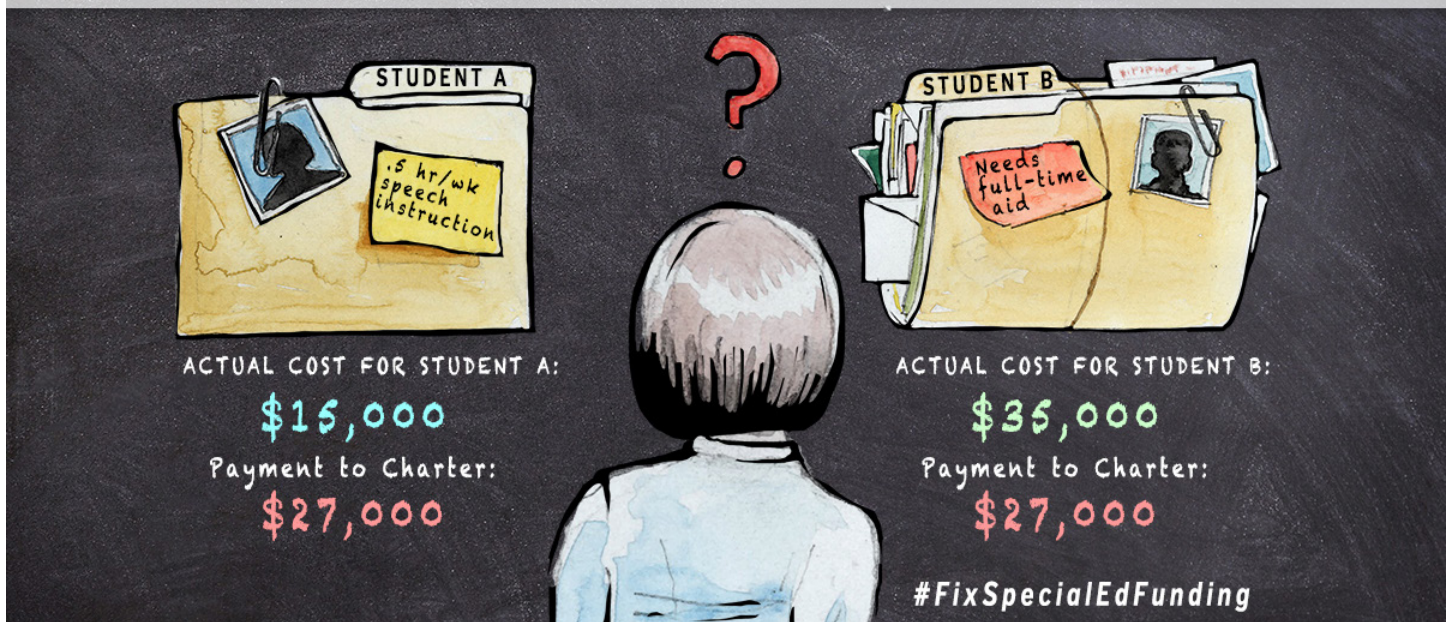
Average Daily Membership = 4853
Special Education Students = 965
Percentage of Special Ed Students = 19.88%
Total Special Ed Spending = \$14,217,761
TUITION PER SPECIAL ED CHARTER STUDENT
USING 16% CURRENT LAW CALCULATION
 $\$14,217,761 \div 776.5 \text{ Students}$
= \$18,310 Per Student

Deer Run School District paid **\$3,577 MORE** in special education funding per charter school student than it spends on students who remain in district schools.

¹ www.pasbo.org/16percent

Image credit: www.freepik.com/free-photos-vectors/vintage>Vintage vector created by sergey_kandakov - www.freepik.com

Charters are **overpaid** for the cost of educating students who require fewer services and **underpaid** for the cost of students who need more services.



AN INVITATION FOR CHARTER SCHOOLS TO EXPLOIT THE SYSTEM

The fact that charter schools receive the same amount of tuition from a school district for each special education student regardless of the costs of the services provided, whether the student receives a half hour of speech therapy per week or needs a full-time aide and extensive nursing care, combined with the **ABSENCE OF ANY REQUIREMENT** that the money be spent on special education services – *a charter school can spend the money on other things, or take it as profit* –

creates an incentive for them to –

GAME THE SYSTEM.



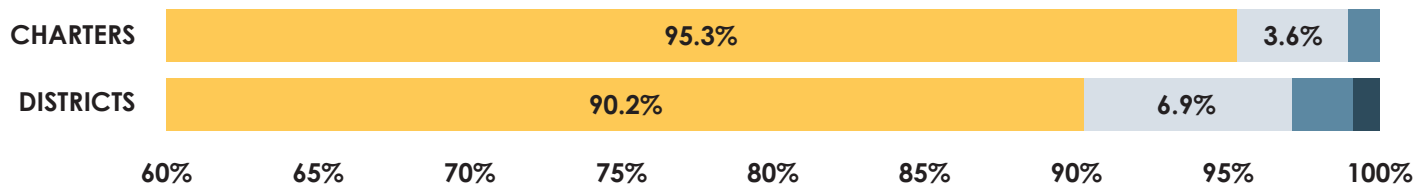
A CONSISTENT PATTERN OF UNDER ENROLLMENT OF STUDENTS WITH HIGHER-COST SPECIAL EDUCATION NEEDS

The report finds that statewide there are

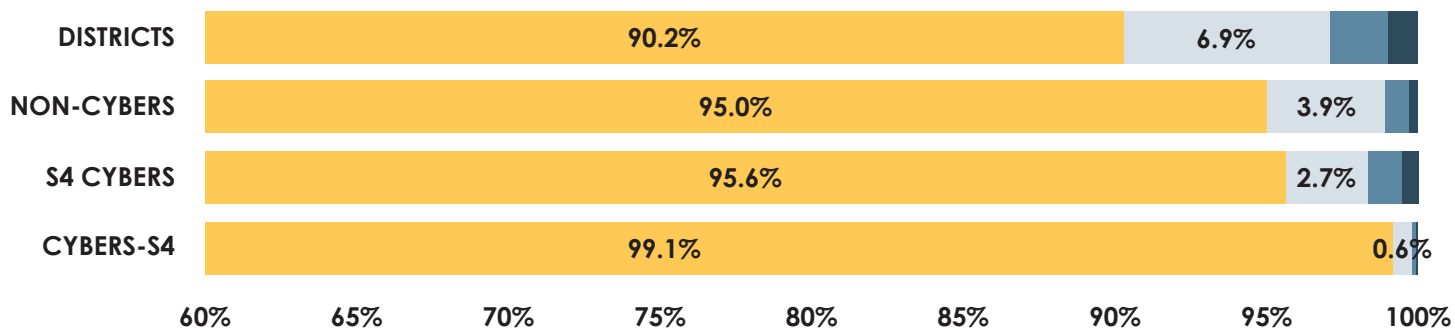
FEWER THAN 50% of Tier 2 and 3 Students
*enrolled in charter schools than
expected in a non-biased system.*

The pattern is similar or worse in each of the five regions examined. Students with higher-cost special education needs are **NOT GETTING THE SAME SCHOOL CHOICE OPPORTUNITIES** other students are receiving. *Please see our full report for additional charter school enrollment data by region.*

**PERCENT OF SPECIAL EDUCATION STUDENTS IN EACH TIER
BY SCHOOL TYPE, PENNSYLVANIA 2017-18**



**PERCENT OF SPECIAL EDUCATION STUDENTS IN EACH TIER
CYBER VS. NON-CYBER CHARTERS 2017-18**



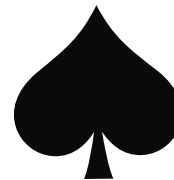
"S4 Cybers" are Agora Cyber CS, Commonwealth Charter Academy CS, Pennsylvania Cyber CS, Pennsylvania Leadership CS



KEY FINDINGS

Charter school enrollment patterns are consistent with the likelihood that many schools are exploiting the funding system by

CHERRY PICKING *students with low-cost special education needs*
& **DISCRIMINATING** *against students with high-cost needs.*



The share of Tier 2 and Tier 3 students in charter schools is about half of what would be expected in a non-biased system. The pattern is similar or worse in each of the five regions examined.

Cyber charters enroll far fewer Tier 2 and 3 students than district schools and fewer than brick and mortar charter schools. The four largest cyber charter schools, Agora Cyber CS, Commonwealth Charter Academy CS, Pennsylvania Cyber CS, and Pennsylvania Leadership CS, together have an enrollment of 4.4% Tier 2 and 3 students while the other 12 cyber charters enroll fewer than 1%. Seven cyber charter schools enroll no Tier 2 or 3 students.

66

BRICK-AND-MORTAR *charter schools,*
41% of the state's total charters,
enroll NO STUDENTS IN TIERS 2 OR 3.

PHILADELPHIA

In Philadelphia, some schools that operate as catchment-based Renaissance schools have higher shares of students with disabilities in Tier 2 and 3, but still enroll a smaller share of high-need students than district schools. Enrollment differs among operators, with Mastery serving more students with disabilities in Tier 2 & 3 than KIPP or Universal. **24** charter schools in Philly (29%) *enroll no Tier 2 or Tier 3 students.*

PITTSBURGH

Environmental Charter School at Frick Park and City High Charter in Pittsburgh enroll expected numbers of students in each tier. Eight of Allegheny County's **22** charter schools (36%) *enroll no students in Tiers 2 or 3.*

LEHIGH

Lehigh County's **6** of eight charter schools (75%) *enroll no students in Tiers 2 or 3.*

DAUPHIN

Dauphin County's **3** of four charter schools (75%) *enroll no students in Tiers 2 or 3.*

ERIE

Erie County's **4** charter schools (100%) *enroll no students in Tiers 2 or 3.*

9 COUNTIES

All charter schools in Adams, Bedford, Berks, Clinton, Huntingdon, Lancaster, Luzerne, Mercer, and Westmoreland Counties – **ALL** (100%) **ENROLL NO STUDENTS IN TIERS 2 OR 3.**

CONCLUSIONS

Students with higher-cost special education needs are **NOT GETTING THE SAME SCHOOL CHOICE** opportunities other students are receiving. *This subverts one of the goals of the charter school law, may violate equal opportunity laws, and should be rectified.*

This system also **NEGATIVELY IMPACTS TAXPAYERS AND STUDENTS** who remain in district schools. *School districts must raise taxes and/or sacrifice educational services and programming for students in district schools in order to pay charter school tuition bills in excess of what charters spend providing services for students with disabilities.* Excess special education funding sent to charter schools is wasted by charter schools that spend it on things other than educating students with disabilities.

♠ THE BEST AND FAIREST SOLUTION ♠

The Pennsylvania legislature should follow the recommendation of the Special Education Funding Commission and apply the Special Education Funding Formula to school districts and charter schools alike. This would save more than \$100 million and more closely tie funding to actual costs, substantially reducing the incentive for charters schools to cherry pick students, and thus improving opportunities for school choice.²

♥ A SECOND-BEST SOLUTION ♥

If the state legislature is unwilling to enact a tiered funding system, it should at least change the current formula to allow each school district to use its actual percentage of students who receive special education as the divisor in the charter tuition calculation. This would equalize average funding for district and charter special education students from the same district and save around \$65 million.

♣ CHARTER SCHOOL PROFITS SHOULD BE RETURNED TO DISTRICTS ♣

A law should also be enacted requiring charter schools to return special education funding that is not used to provide services for students with disabilities. This money should go back to school districts and be allocated to help other children get the services they need. This reform would virtually eliminate the incentive for charters to cherry pick students who require low cost services in order to reap a profit off of special education tuition. It would also preclude special education funding being spent on other things.

ACKNOWLEDGMENTS

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ABOUT EDUCATION VOTERS OF PA

Education Voters of PA is a statewide, nonpartisan, nonprofit organization that was established in 2007 to promote a pro-public education agenda with elected leaders and the public.



To read the full report and to support our work visit www.EducationVotersPA.org

² www.education.pa.gov/K-12/Charter%20Schools/CharterPolicyReform/Pages/LegisProposal.aspx