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HOW AN OUTDATED LAW WASTES PUBLIC MONEY, ENCOURAGES GAMING THE SYSTEM, AND LIMITS SCHOOL CHOICE

Education Voters of PA

Our mission is to ensure elected officials adopt and implement a pro public education agenda. To that end we advocate for sound education policy and build and mobilize the public will to ensure that support for quality public education and an opportunity to learn for all children is a top priority for key decision makers.

Education Voters of PA is a nonprofit, nonpartisan project of the Keystone Research Center.

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Different Funding Systems

School Districts	Charter Schools
Funding is based on the Special Education Funding Formula that differentiates students into three cost tiers according to their level of educational need.	Funding is based on a “one-size-fits-all” calculation that assumes 16% each school district’s students receive special education services.

In 2014, the Special Education Funding Commission recommended applying the same formula to charters and districts. Charter schools successfully lobbied to be exempted.

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The Problem

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.

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The Special Education Funding Formula

SEFF CATEGORIZES SPECIAL EDUCATION INTO THREE COST CATEGORIES

TIER 1

MINIMAL INTERVENTIONS

eg. weekly speech therapy sessions

TIER 2

MORE SIGNIFICANT INTERVENTIONS

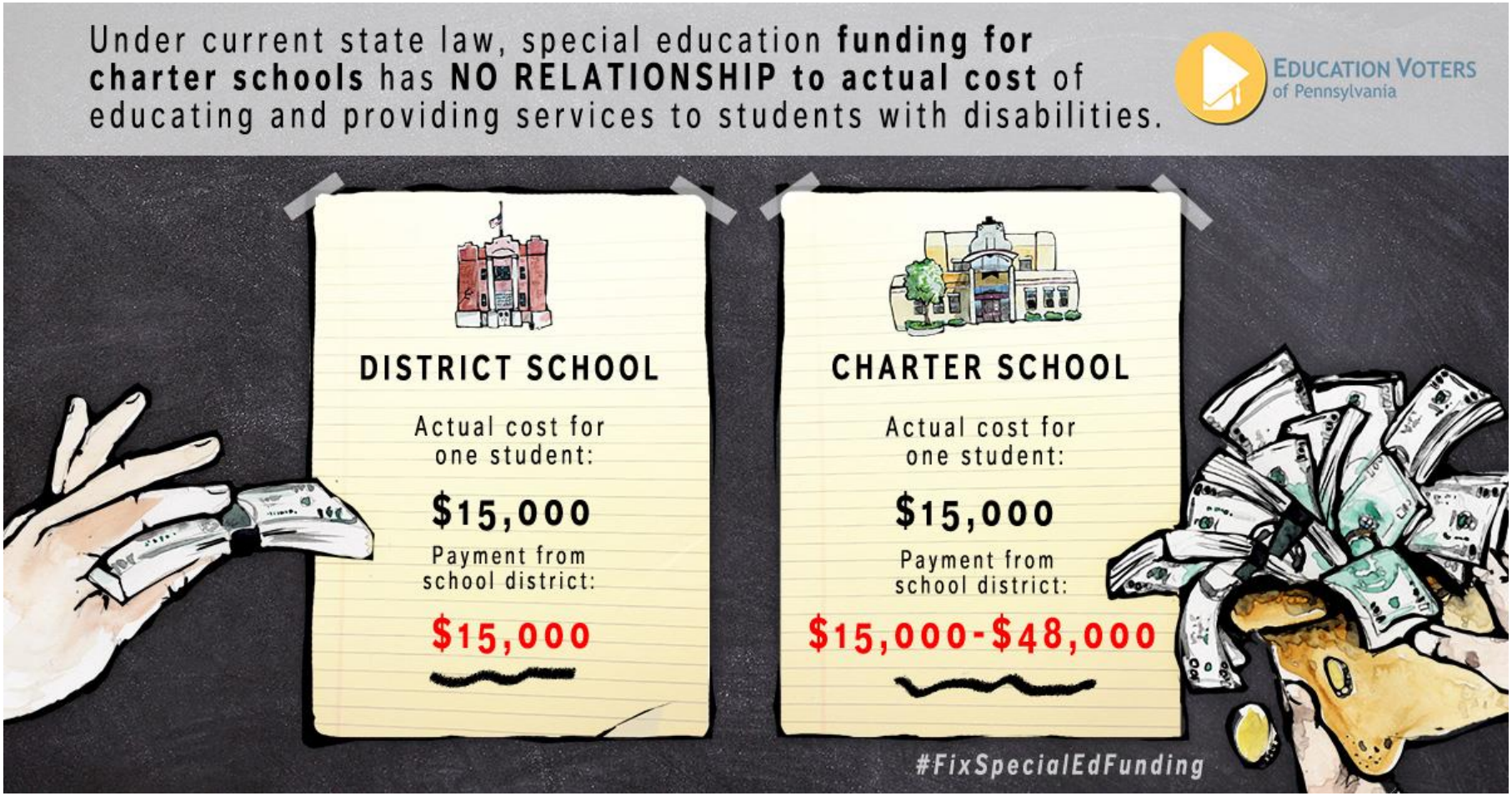
eg. one-on-one help during the school day, a self-contained classroom, physical or occupational therapy, etc.

TIER 3

MOST EXTENSIVE & COSTLY INTERVENTIONS

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

Funding not related to special ed costs



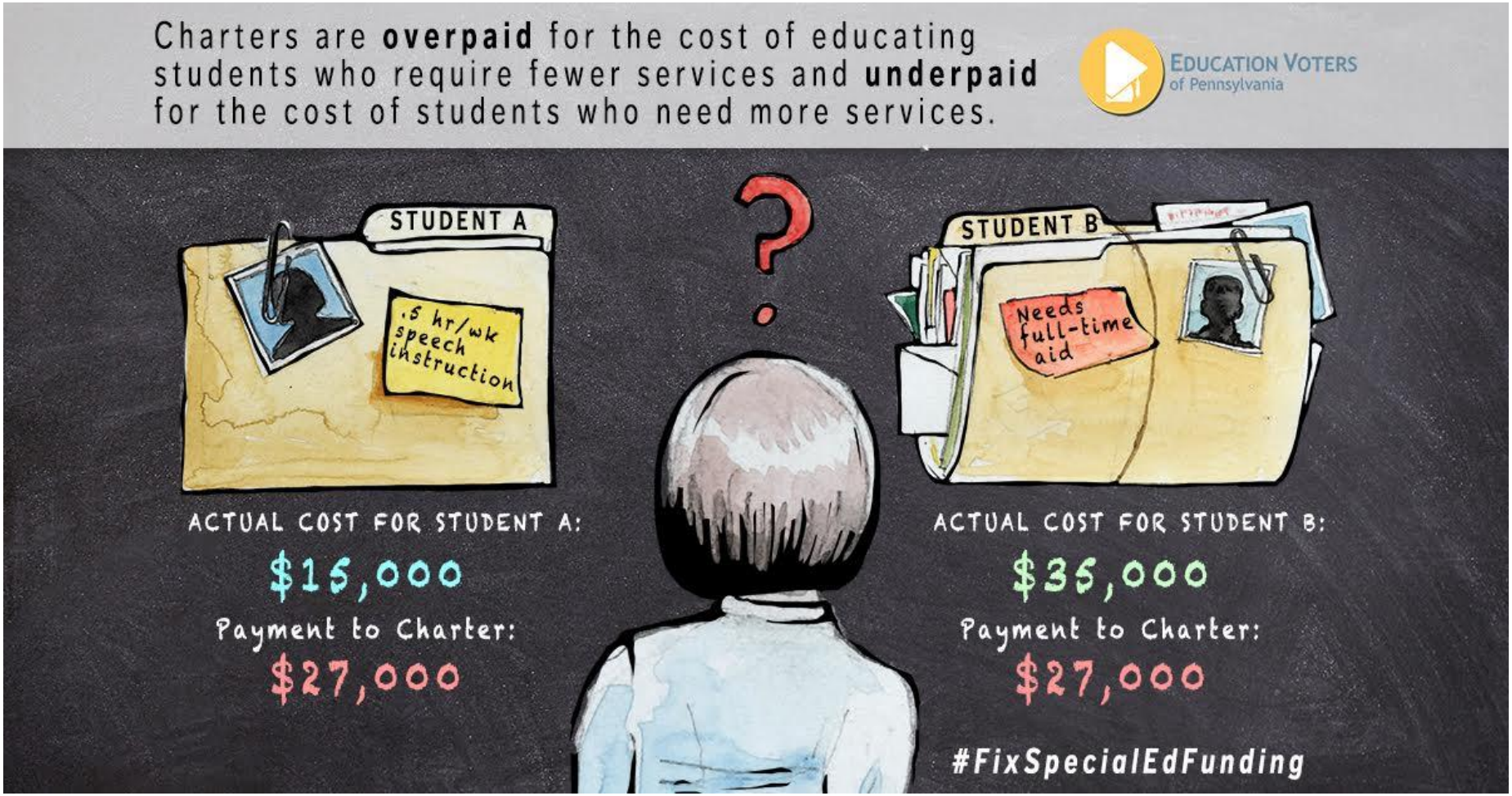
Charter School One-Size-Fits-All Calculation

For charter schools

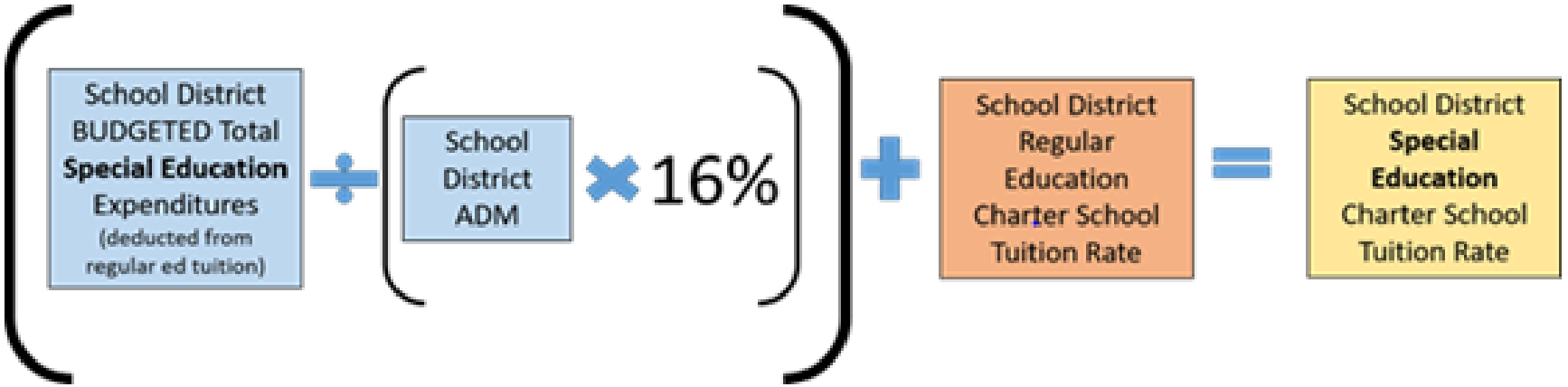
Students whose services cost LESS than the tuition rate = FINANCIAL GAIN

Students whose services exceed the tuition rate = FINANCIAL LOSS

Incentive to Game the System



The charter tuition calculation



Source: https://www.pasbo.org/dailydata-april3

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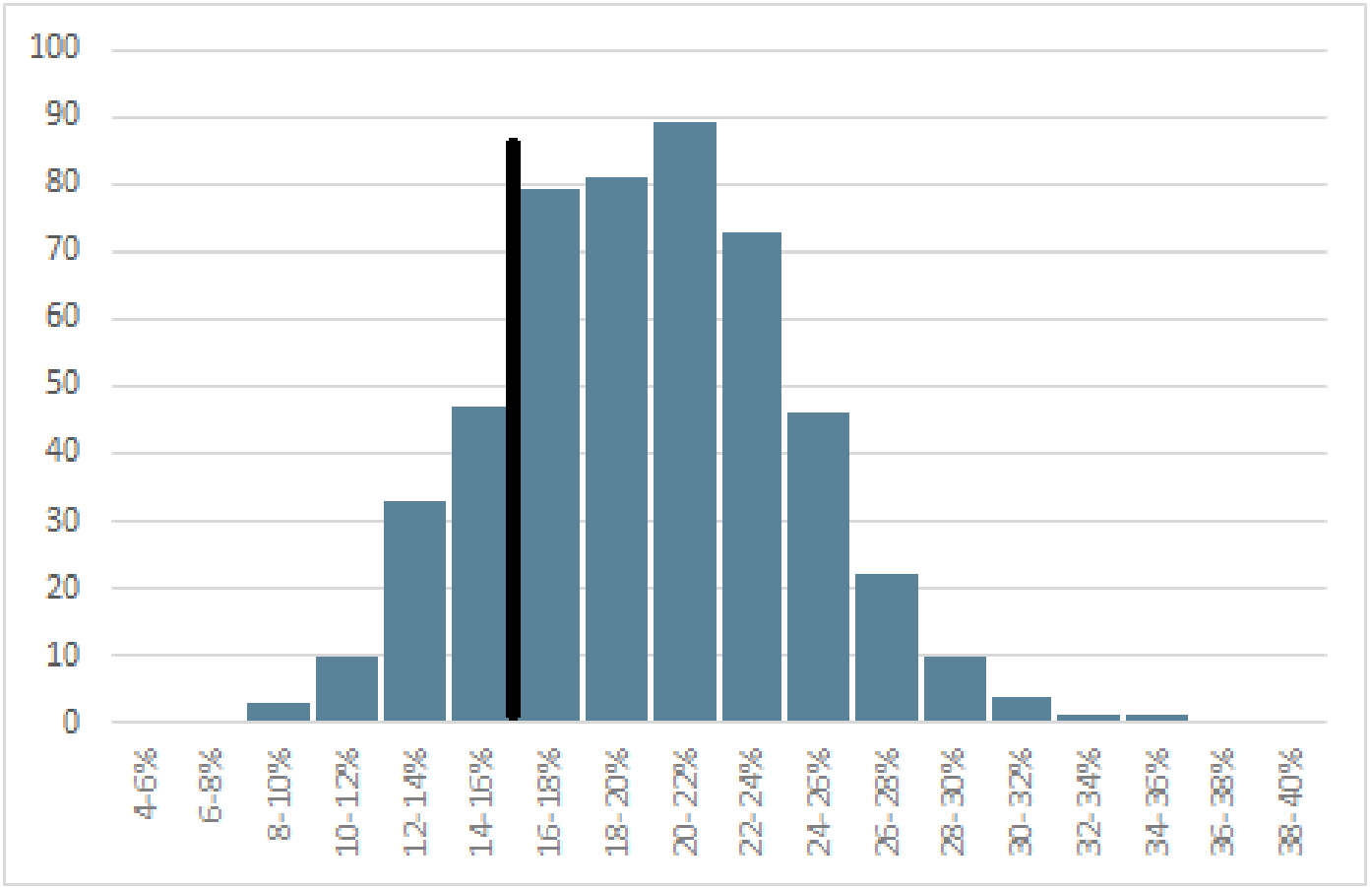
The 16% problem

Percentage of Students Receiving Special Education in PA School Districts, 2017-18



The 16% problem

Deer Run SCHOOL DISTRICT

Average Daily Membership = 4853
Special Education Students = 965
Percentage of Special Ed Students = 19.88%
Total Special Ed Spending = $14,217,761

COST PER SPECIAL ED DISTRICT STUDENT
ACTUAL AVERAGE AMOUNT SPENT
$14,217,761 ÷ 965 Students
= $14,733 *Per Student*

– VS –

TUITION PER SPECIAL ED CHARTER STUDENT
USING 16% CURRENT LAW CALCULATION
$14,217,761 ÷ 776.5 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.

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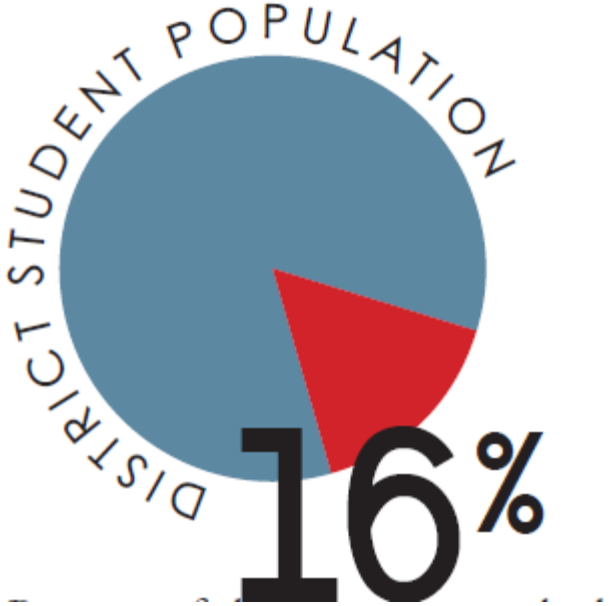
The 16% problem



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.

Simply using districts' actual percentage would save $65 million annually.

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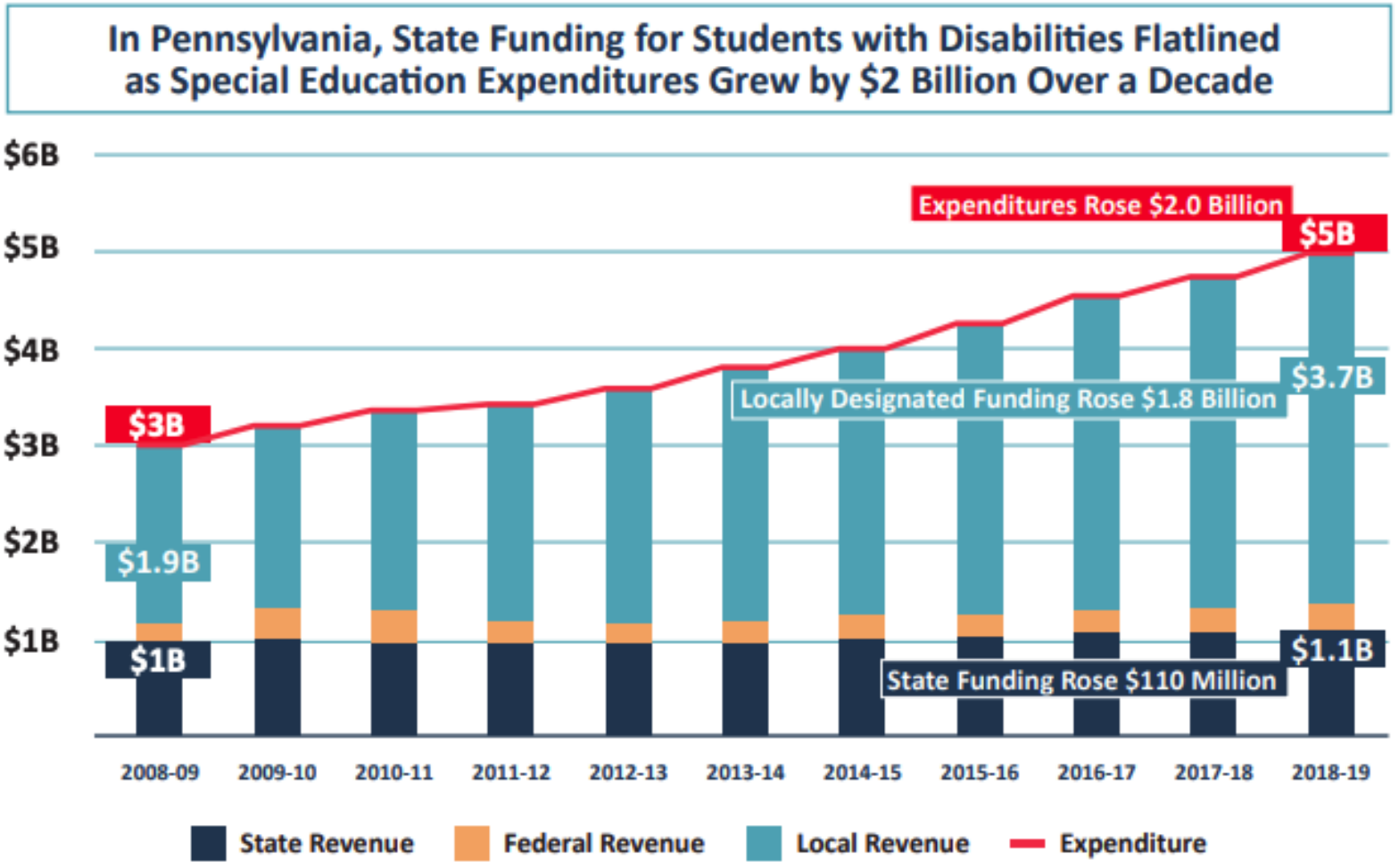
Why the Funding Matters



Data analysis by Research for Action based on Annual Financial Reports from the Pennsylvania Department of Education. Accessed from https://bit.ly/36c1JdP

The Data

2017-2018 Act 16 report—Students in Tiers 2 and 3

PDE dataset total number of students receiving special education and the numbers of students in each tier, for 2017-18.

PDE dataset showing total number of special education students for charter schools

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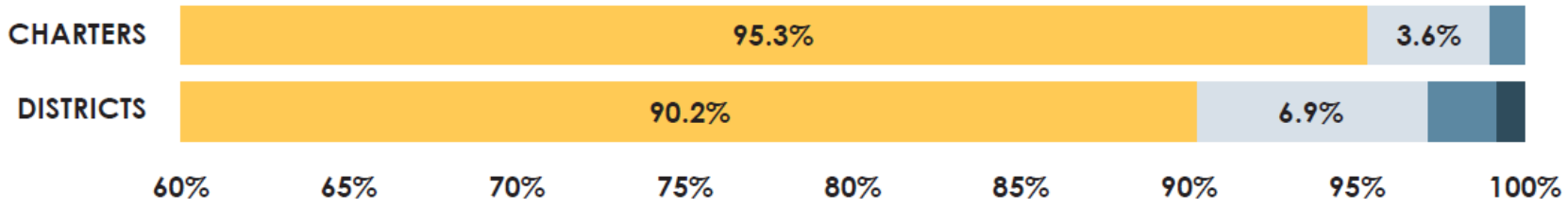
Student Enrollment Statewide

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

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



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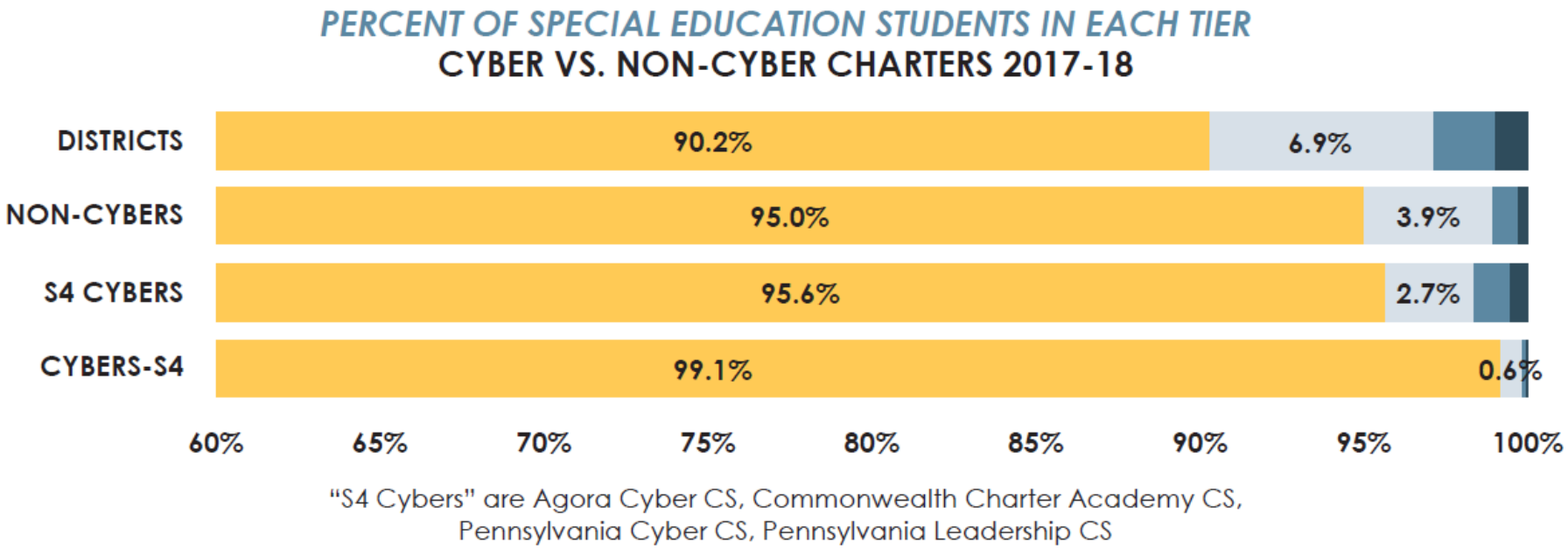
Cyber Charter Enrollment



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

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41% of charters enroll NO Tier 2 or 3 students

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.*

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41% of charters enroll NO Tier 2 or 3 students

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.**

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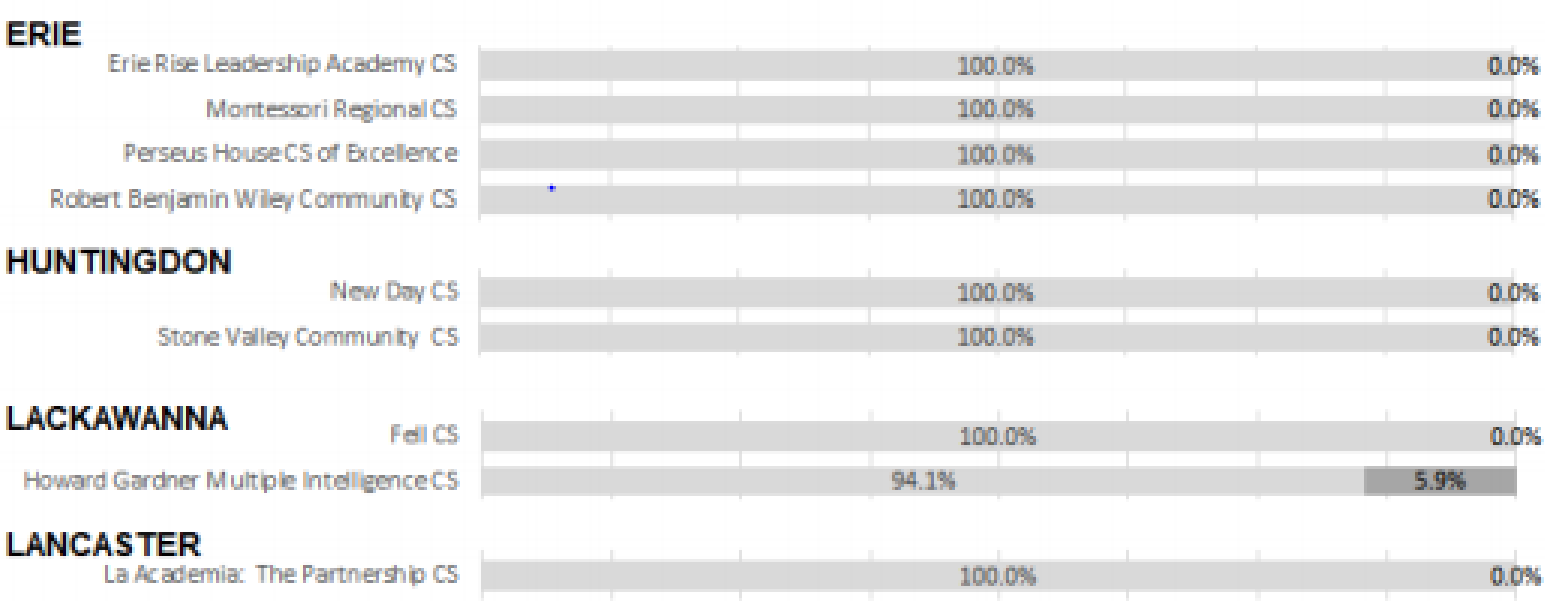
Appendices

APPENDIX II: SPECIAL EDUCATION TIERS IN CHARTER SCHOOLS



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Conclusions

Charter school enrollment patterns are consistent with the likelihood that many charter schools are gaming the funding system by cherry picking students with low-cost special education needs and discriminating against students with high-cost needs.

This system hurts taxpayers

School districts must raise taxes and/or cut teachers and programs for students in district schools in order to send excess special education payments to charter schools, which are wasted on things other than providing services to students with disabilities.

Meanwhile charters can spend excess special education funding on whatever they want—advertising, CEO salaries, anything.

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Wasted Money—One Example

In Pittsburgh Public Schools, the 2020-2021 estimated charter school tuition rates are:

Regular education: $18,050
Special education: $42,000

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The Best and Fairest Solution

The Pennsylvania legislature should apply the Special Education Funding Formula to school districts and charter schools alike.

- **Save more than $100 million.**
- **More closely tie funding to actual costs, substantially reducing the incentive for charters schools to cherry pick students.**
- **Improve opportunities for school choice for students with disabilities.**

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The Second Best Solution

Allow each school district to use its actual percentage of students who receive special education as the divisor in the charter tuition calculation.

- **Equalize average funding for district and charter special education students from the same district.**
- **Save around $65 million.**

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Profits should be returned to districts

The General Assembly should enact a law requiring charter schools to return special education funding that is not used to provide services for students with disabilities.

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Thank you!

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