



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HOW AN OUTDATED LAW WASTES PUBLIC MONEY,  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

T  
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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.*

T  
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R

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.

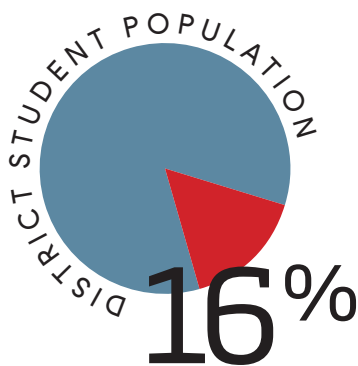
Each special education tier is defined by the additional costs per student of providing special education services. These provide a general sense of how many times more expensive each tier is relative to general education.

The first tier includes about 90% of students receiving special education, the second about 7% of those students, while 3A and 3B combined constitute about 3% of students receiving special education.

Each tier has a multiplier in the funding formula: 1.51, 3.77, and 7.46, respectively.

*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 statewide the average is actually higher.*

School districts with a special education population greater than 16% are paying a higher charter school special education tuition rate than they should, since they're dividing by a number that's smaller than their special education population.

This means that districts are **OVERPAYING CHARTERS** for special education relative to their district average.

## THE IMPACT OF THE ARBITRARY 16% CALCULATION IN PA'S CHARTER SCHOOL LAW



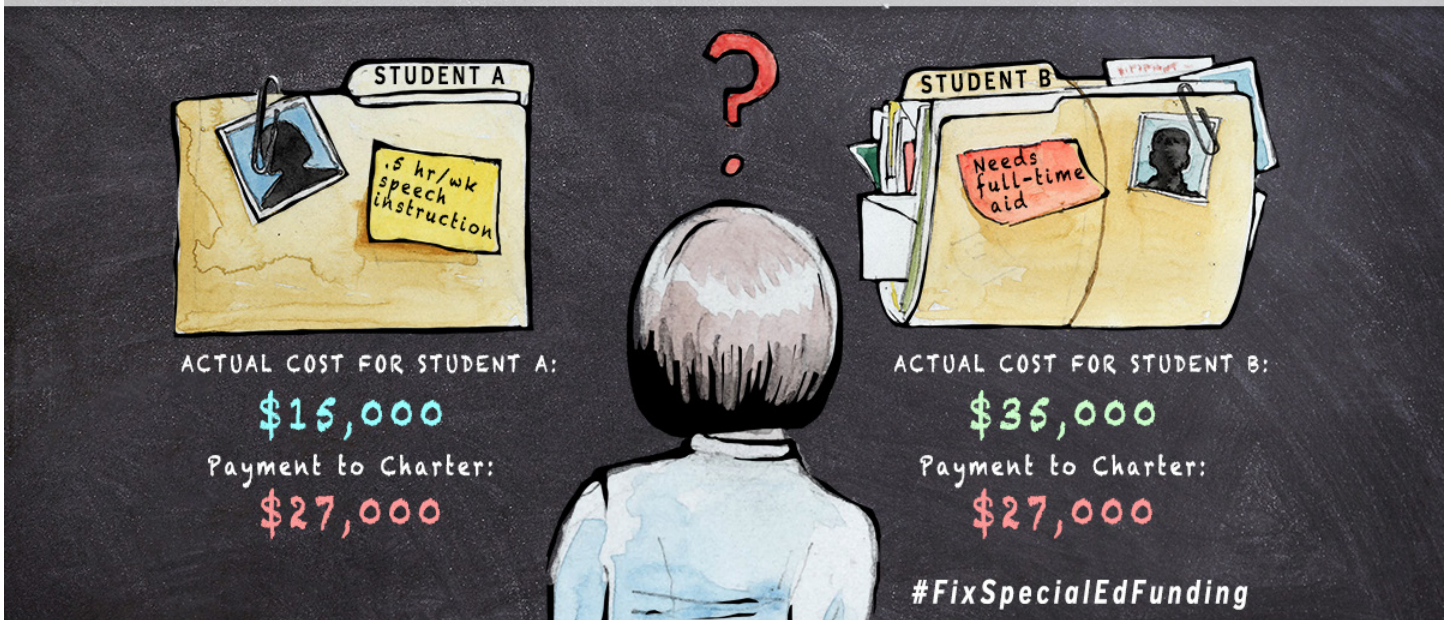
Average Daily Membership = 4853  
Special Education Students = 965  
Percentage of Special Ed Students = 19.88%  
Total Special Ed Spending = \$14,217,761

**COST PER SPECIAL ED DISTRICT STUDENT** – VS – **TUITION PER SPECIAL ED CHARTER STUDENT**  
**ACTUAL AVERAGE AMOUNT SPENT** USING 16% CURRENT LAW CALCULATION  
 $\$14,217,761 \div 965 \text{ Students}$   $\$14,217,761 \div 776.5 \text{ Students}$   
**= \$14,733 Per Student** **= \$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.



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

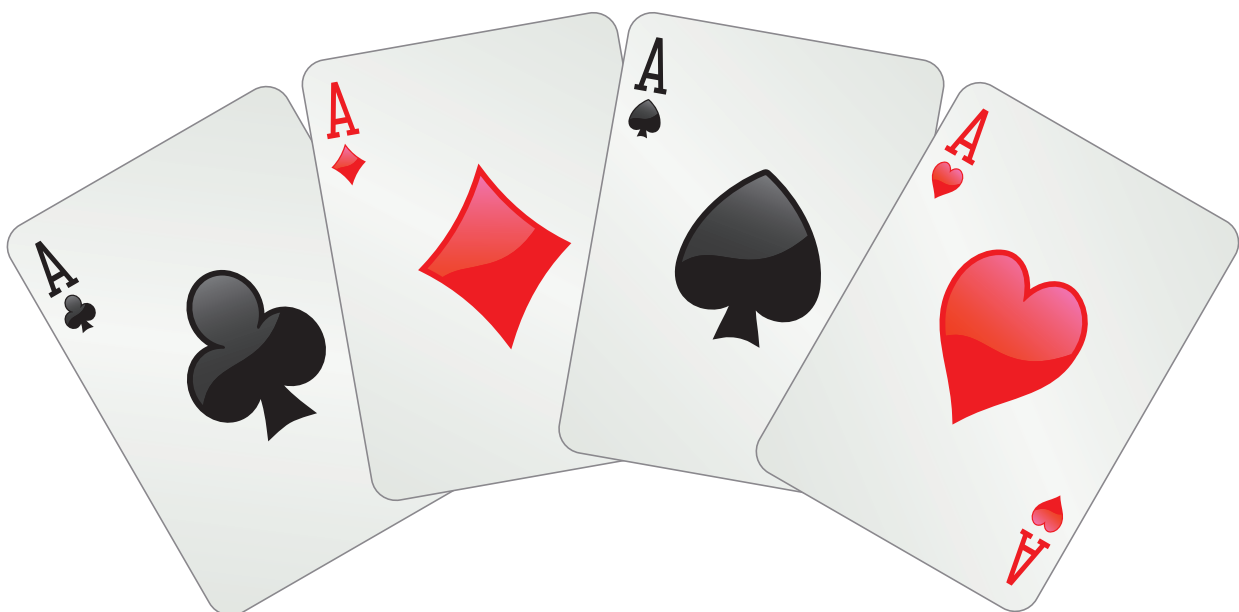


## AN INVITATION FOR CHARTER SCHOOLS TO EXPLOIT THE SYSTEM

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.**

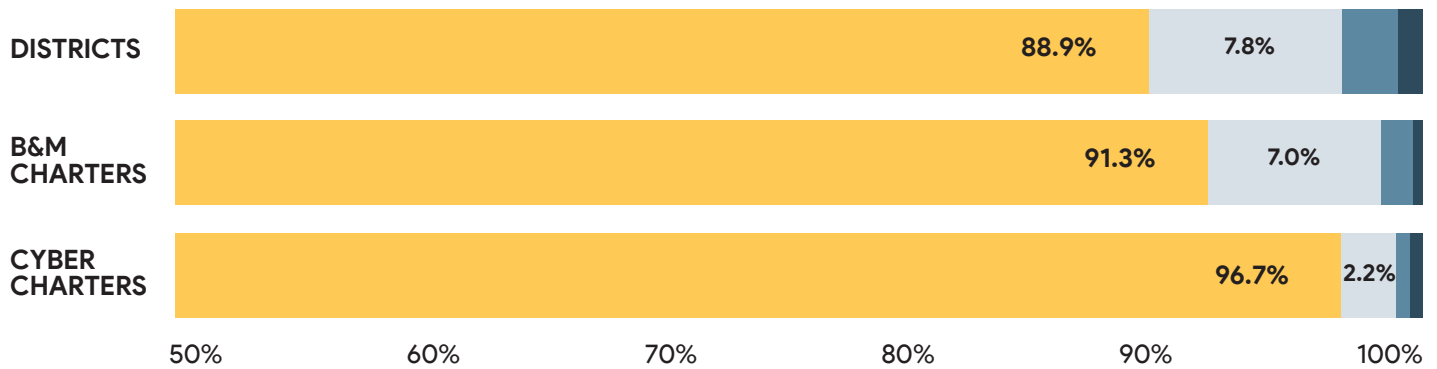


## A CONSISTENT PATTERN OF UNDER ENROLLMENT OF STUDENTS WITH HIGHER-COST SPECIAL EDUCATION NEEDS

Students with higher-cost special education needs are **NOT GETTING THE SAME SCHOOL CHOICE OPPORTUNITIES** other students are receiving.

Charter schools enroll a far smaller share of special education students who require high-cost services than school districts. But current law mandates that school districts pay charters a lump sum tuition payment for each special education student that is based on the costs of ALL students educated in the school district.

**PERCENT OF SPECIAL EDUCATION STUDENTS IN EACH TIER BY SCHOOL TYPE  
PENNSYLVANIA 2020 - 2021**



## CHARTER SCHOOLS WASTE EXCESS SPECIAL EDUCATION FUNDING THEY RECEIVE FROM SCHOOL DISTRICTS

\$185 million in special education funding was **WASTED** by charter schools on things other than services for students with disabilities in 2020-2021.

A 2016 study by the Pennsylvania School Boards Association of PDE charter school enrollment data found that school districts paid charter schools more than \$100 million more for special education than charter schools reported spending on special education.

By the 2020-21 school year, this overpayment of special education had **BALLOONED TO \$185 MILLION.**

There is no requirement in state law for charter schools to return special education overpayments to school districts. Pennsylvania's charter school law allows charter schools to reallocate special education funding from school districts to pay for other things including expensive advertising contracts, lavish CEO salaries, generous fees for for-profit management companies and lobbying firms.

Because there is no state reimbursement for these costs, charter and cyber charter school tuition payments, including overpayments for special education, are funded primarily by property taxes.

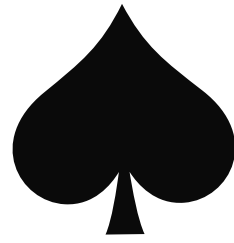
<sup>1</sup> PSBA. (2016) "Special Report: Charter School Revenues, Expenditures, and Transparency," p. 7 <https://www.psba.org/wp-content/uploads/2016/08/Charter-School-RtK-08172016.pdf>

<sup>2</sup> The Public Cost of Charter Schools - PA Charter Change. (2023, February 24). PA Charter Change. <https://www.pacharterchange.org/the-public-cost-of-charter-schools/>

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## 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.*



Cyber charters enroll far fewer Tier 2 and 3 students than district schools and fewer than brick and mortar charter schools.

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## 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 more closely tie funding to actual costs, substantially reducing the incentive for charter schools to cherry pick students, and thus improving opportunities for school choice.*

### ♥ 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.*

### ♣ 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

*We thank Blyden Potts for his substantial work on this report and the Keystone Research Center for their support as the fiscal sponsor of Education Voters of PA.*

## 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.*

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