

## It's time to reform special education payments for charter schools

***Pennsylvania's current method of funding special education students who attend charter schools utilizes a flawed and outdated formula that results in inconsistencies and overpayments to charter schools. It's time for the General Assembly to enact legislation to apply a tiered special education funding formula to charter schools in the same manner as it did for school districts.***

### **School district formula correctly targets levels of need, costs**

Under Act 126 of 2014, the state revised its formula for reimbursement for special education. The goal was to create a more accurate funding system where special education resources were targeted to schools with the highest special education costs and address concerns with the potential incentive for over-identification of students needing special education. This formula was developed by the bipartisan Special Education Funding Commission following an extensive study. The commission also specifically noted that the existing special education funding process for charter schools was flawed and recommended that the same principles from the proposed funding system be applied to charter schools. However, no such changes have ever been made.



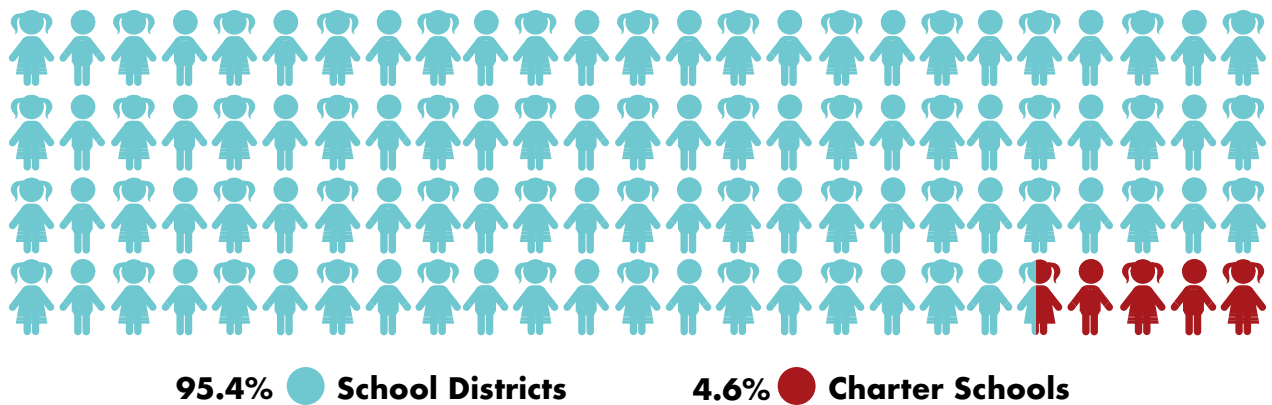
### Special education funding for charter schools

Special education tuition rates for charter schools paid by school districts continue to be calculated under the system contained in Pennsylvania’s 24-year-old charter school law. This antiquated formula harms school districts and taxpayers alike by misallocating special education resources at a time when every dollar of education funding is precious.

Currently, each school district calculates its own unique tuition rates for its resident students who choose to attend a charter school using a three-step process. Step 1 – the school district starts by taking its own expenses for special education and subtracting any federal special education funding the district received. This is because charter schools already receive federal special education funding directly. Next, the district multiplies that amount by 16% of the school district’s average daily membership. The formula assumes 16% of the school district’s students are identified for special education. Finally, the school district adds that amount to its tuition rate for students not in special education to get its special education charter tuition rate.

This funding mechanism is based on the school district’s expenses for special education and not on what the charter school spends to educate its students with disabilities. This flaw is critical because school districts are responsible for educating almost all of the students with disabilities who require the most extensive special education services and supports – those costing more than \$25,628.40 per student (as adjusted annually pursuant to School Code section 1372(8)). In 2017-18, more than 95% of the students requiring the most extensive special education services were educated by or through a school district.

#### Percentage Of Special Education Students Greater Than \$25,628.40



In comparison, more than 94% of all charter school special education students were educated for less than \$25,628.40. Yet, because the tuition calculation is based on the school district’s expenses, the average charter school special education tuition rate paid to charters by districts was \$24,200.

### The impact of the flawed funding system

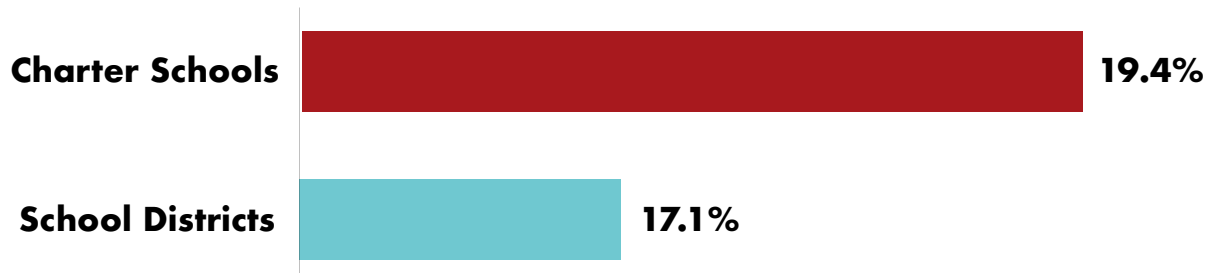
Basing charter school tuition rates for special education on the school district’s expenses has two primary outcomes:

**School districts drastically overpay charter schools for special education.** Based on an analysis of 2014-15 data, which is the latest year for which PDE has made data available, school districts paid charter schools \$101.7 million more in special education tuition payments than the charter schools spent to provide special education services. Because charter schools are not obligated to use special education tuition solely for special education purposes, and there is no mechanism for school districts to seek repayment of unused funds, these overpayments are profit to the charter school.



**These overpayments have the potential to create a financial incentive for charter schools to identify more students with disabilities that require low-cost services but receive reimbursement for high-cost services.** It may also create a disincentive for charters to serve students with more severe disabilities because their needs will be more expensive. Charter schools can currently reclassify a student as needing special education regardless of whether the student was previously classified as such by the home school district, and without review by the authorizing school district that is required to pay increased tuition rates. And, as the data shows, charter schools identify a higher percentage of their students for special education than school districts.

### Special Education Enrollments by School Type



### Time to replace outdated, unfair formula

The special education funding formula currently used for school districts correctly recognizes that not all students identified for special education have the same educational needs and costs. The formula considers the number of low-, moderate-, and high-need students in the school district and includes factors related to school district wealth and other conditions.

Unfortunately, charter schools are still paid using the flawed formula in the charter school law that does not reflect what the charter schools are spending to educate their students with disabilities. That formula also incorrectly assumes that every district serves a special education population equal to 16% of its students and assumes that all students receiving special education have the same educational costs.

The resulting impact is the overpayment of millions of dollars each year by school districts to charter schools. The use of the old formula creates an incentive to over-identify students for special education services. The Pennsylvania School Boards Association urges the General Assembly to abandon the use of the outdated, unfair formula and enact legislation to apply a tiered special education funding formula to charter schools that directs dollars based upon the needs and costs of each student.