



Subject: American Graduate Reporting: Charter School Special Education Funding¹
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Charter School Special Education Funding in Pennsylvania

Submitted by *Research for Action*

Context/Summary

For many years there have been calls to reform how Pennsylvania funds special education, both for school districts² and charter schools.³ While some modest changes were recently legislated, they applied exclusively to *new* state special education appropriations and only to school district funding. Legislative proposals to change the formula for funding special education in charter schools have, to date, been unsuccessful.

This memo summarizes how special education is funded in school districts and charter schools. In particular, we examine the state special education revenues, district special education expenditures, and charter school special education tuition rates in three school districts: William Penn (Delaware County), Columbia Borough (Lancaster County), and Woodland Hills (Allegheny County).

We explain that these three districts receive less than their equitable share of state special education funding, because the grandfathered system for state special education funding treats them as serving fewer students in need of special education than they actually serve. We also explain that under the current Pennsylvania Charter School Law, the charter school special education tuition rates paid by a number of Pennsylvania school districts are skewed due to two factors:

- 1) Many districts serve significantly higher (or lower) numbers of students with disabilities than the charter law permits them to count when calculating their per-pupil expenditures, which serve as the basis for charter tuition rates; and
- 2) Many districts serve greater numbers of “high-cost” students with disabilities while their charter schools serve greater numbers of “low-cost” students.

¹ This memo was published by RFA per agreement to provide background research and analysis to support WHYY’s education reporting. It was funded through the Corporation for Public Broadcasting’s American Graduate project.

² http://blogs.edweek.org/edweek/speced/2013/03/pennsylvania_ponders_changes_t.html

³ <http://www.pilcop.org/how-the-charter-formula-games-special-education/#sthash.HTRh7wzE.dpbs>

Overview: Special Education Funding

Special Education Funding for School Districts

Pennsylvania school districts receive the lion’s share of their revenues from local (58%) and state (36%) taxes, with smaller portions coming from federal taxes (3%) and “other” (3%) sources, including loans, grants, and private donations.⁴ There are revenue streams within both state and federal funding that are restricted for use on special education programs. As explained by the examples in Table 1 below, however, those dedicated revenues do not, and are not expected to, cover the actual total cost of providing the special education services a district’s students require. Pennsylvania school districts supplement approximately 75% of their special education costs with local revenues and other non-dedicated state and federal funds.

Table 1. Percent of Special Education Expenditures from State Revenues⁵

	2014-15 Total Expenditures for Special Education	2014-15 Total State Revenues for Special Education	Difference Between Expenditures and State Revenues for Special Education	Percent of Special Education Expenditures covered by State Revenues
All School Districts	\$ 3,814,842,263	\$983,014,252	(\$2,831,828,010)	26%
William Penn SD	\$16,748,887	\$4,064,989	(\$12,683,898)	24%
Woodland Hills SD	\$17,588,158	\$3,444,903	(\$14,143,255)	20%
Columbia Borough SD	\$5,130,503	\$1,217,641	(\$3,912,863)	24%

The *state* special education funding appropriation to school districts has historically been distributed through a much-criticized *census-based* approach. Under this approach, each school district is assumed to serve a special education population equal to 16% of their average daily membership (ADM)⁶, and appropriations are distributed proportionately based on that assumed number.⁷ Thus, in addition to not measuring a district’s *cost* of services, the census-based funding also does not measure the actual number of students receiving special education within a particular district.⁸ The result is that districts serving fewer than 16% special education enrollment receive more than their proportionate share, while districts serving greater than 16% receive less than their proportionate share.

Following the work of a legislatively-created Special Education Funding Commission,⁹ a new formula was adopted in 2014 that is now used to distribute a small fraction of state appropriations for special education to school districts.¹⁰ The new formula divides a school district’s special education enrollment into three

⁴ See 2014-15 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools (available at <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx#.Vyt1AIQrLX5>).

⁵ Detailed 2014-15 revenue and expenditure data for special education are available at <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Detailed-.aspx#.VaageGXD-Ul>

⁶ ADM includes the number of students enrolled in district schools and charter schools.

⁷ <http://www.senatorbrowne.com/files/2015/05/Special-Education-Funding-Commission-Report-121113.pdf> (see page 39).

⁸ The state also operates a smaller “contingency fund” that a limited number of districts and charter schools can apply to when they have enrolled a student requiring extraordinarily high-cost services. See <http://www.education.pa.gov/Documents/K-12/Special%20Education/Funding%20Sources/Contingency%20Fund%20Guidelines%202015-2016.pdf>

⁹ <http://www.senatorbrowne.com/special-education-funding-commission/>

¹⁰ <http://www.legis.state.pa.us/cfdocs/Legis/LI/uconsCheck.cfm?txtType=HTM&yr=2014&sessInd=0&smthLwInd=0&act=126>

cost categories and applies a weight that provides more funding to higher-cost category students. Under this formula, a category 3 student receives about five times the amount of funding as a category 1 student.¹¹ However, the new formula applies only to *new* revenues for special education funding that are appropriated over and above the census-based amount appropriated in the 2013-14 school year.¹² For the 2015-16 school year, the estimated total amount distributed through the new formula was \$47 million, or 5% of all special education funding. The remaining 95% of the special education appropriation, totaling \$948 million, continues to be distributed at the 2013-14 levels, which were determined in large part by the old census-based approach.¹³

In addition, the new formula is not a “cost-based” formula, meaning there is no attempt by the state to calculate the actual cost of educating students with disabilities in each district and then provide each district with funding that is “adequate” to cover those costs. Rather, the new formula endeavors to distribute these new revenues according to each districts’ *proportionate need* as determined primarily by measuring the actual number of students they serve in each of three different cost categories.¹⁴

Regular and Special Education Funding for Charter Schools:

The public funding of charter schools is outlined in Section 17-1725-A of the Pennsylvania Charter School Law.¹⁵ Charter schools and cyber charter schools in Pennsylvania receive only 3% of their overall funding directly from the state and 6% from the federal government. The bulk of their public revenue (87%) comes from the per-pupil “tuition” paid by the school districts in which their students reside.¹⁶ For example, if a student resides in the William Penn School District and enrolls in a charter school or cyber charter school (located anywhere in the state), then William Penn is legally required to pay “tuition” for that student. While it is not possible to calculate the exact proportions, the charter tuition is comprised of district revenues that originate from both state and local sources.

Section 1725-A of the Pennsylvania Charter School Law calculates one tuition rate for students receiving regular education and another tuition rate for students receiving special education. The final rates are calculated by the school district of residence by completion of PDE-363, a form that calculates tuition for a current school based on a district’s per-pupil expenditures, minus certain deductions, from the previous school year.¹⁷ The form calculates tuition of both regular and special education students.

¹¹ Pennsylvania Department of Education (PDE), “2015-2016 Estimated Special Education Funding,” (Dataset). Available from http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx#.V3_acfkrJQJ

¹² <http://www.senatorbrowne.com/files/2015/05/Special-Education-Funding-Commission-Report-121113.pdf> (Citing the limits of the Commissions authorizing statute, 24 P.S. § 1=122(l), which stated that “The General Assembly shall, through the annual appropriations process, determine *the level of State funding* for special education and the amount of any change in funding. The special education funding formula developed under this section shall determine *only the distribution* of any increase in special education funding among the school districts of this Commonwealth above the amount of special education funding in the base year (2010-2011) and shall not be used for any other purpose.”)(emphasis added).

¹³ Pennsylvania Department of Education (PDE), “2015-2016 Estimated Special Education Funding,” (Dataset). Available from http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx#.V3_acfkrJQJ

¹⁴ PDE, “Education Budget,” (no date). Available from <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx#.VyD9nHpGT3g>

¹⁵ 24 P.S. § 17-1725-A. Available from <http://www.education.pa.gov/Documents/K-12/Charter%20Schools/Charter%20School%20Funding/CSFunding%2024PS17-1725-A.pdf>

¹⁶ See 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools (available at <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx#.Vyt1AIQrLX5>).

¹⁷ PDE, Charter School Funding. Available from <http://www.education.pa.gov/K-12/Charter%20Schools/Pages/Charter-School-Funding.aspx#.VxqlMvkrKCj>

As with the state’s census-based special education funding calculation for school districts, the PDE-363 assumes that 16% of a district’s Average Daily Membership (ADM) equals the special education population of that district, an assumption we call the “16% assumption.”¹⁸ The PDE-363 form sums the district’s total special education spending, subtracts deductions (on average, about 10% of all spending¹⁹) and then divides that total by 16% of the district’s ADM (a number that is theoretically supposed to reflect a district’s actual special education enrollment) to calculate the district’s special education per-pupil expenditure.²⁰ This special education expenditure is then added to the “base” expenditure calculated for students receiving regular education and that sum equals the total tuition that a district must pay for each resident student who is enrolled in a charter school and entitled to special education.

Below is a snapshot of the relevant portion of a completed PDE-363 form which provides an example of how charter school tuition was calculated in the Daniel Boone School District.²¹

FOR NONSPECIAL EDUCATION STUDENTS	
TOTAL EXPENDITURES	\$52,331,761.40 (a)
Minus TOTAL DEDUCTIONS (see page 2)	\$17,334,123.08 (b)
SELECTED EXPENDITURES (a - b)	\$34,997,638.32 (c)
ESTIMATED AVERAGE DAILY MEMBERSHIP	3,547.000 (d)
FUNDING FOR NONSPECIAL EDUCATION STUDENTS (c / d) (SELECTED EXPENDITURES PER ESTIMATED AVERAGE DAILY MEMBERSHIP)	\$9,866.83 (e)

FOR SPECIAL EDUCATION STUDENTS	
1200 SPECIAL EDUCATION EXPENDITURES	\$7,160,912.95 (f)
Minus SPECIAL EDUCATION DEDUCTIONS (see page 2)	\$1,091,691.62 (g)
SELECTED EXPENDITURES (f - g)	\$6,069,221.33 (h)
ESTIMATED AVERAGE DAILY MEMBERSHIP <i>multiplied by 0.16 (d x 0.16)</i>	567.520 (i)
SPECIAL EDUCATION EXPENDITURES <i>divided by</i> 0.16 AVERAGE DAILY MEMBERSHIP (h / i)	\$10,694.29 (j)
FUNDING FOR SPECIAL EDUCATION STUDENTS (e + j)	\$20,561.12 (k)

¹⁸ The ADM includes all resident students enrolled in the district or a charter school. The special education “expenditures” include both the amount that a district spent on students in its own schools in the previous year as well as the amount of tuition the district paid to charter school students with disabilities in the previous year.

¹⁹ These deductions include expenditures that either were not spent directly on students (e.g., administrative costs), expenditures that charter schools do not also have to bear (e.g., student transportation), or that cannot be distributed by the school district (e.g., federal funds for the school lunch program). There is disagreement between school district and charter school leaders on what these deductions should be. See Michael Masch, “Masch: Claim that charters get less money per student than District schools is false,” (January 30, 2014), *The Philadelphia Notebook*. Available from <http://thenotebook.org/articles/2014/01/30/masch-claim-that-charters-get-less-money-per-student-than-district-schools-is-false>. See also Jon Cetel, “Charter schools really do get less money for children,” (February 7, 2014), *The Philadelphia Notebook*. Available from <http://thenotebook.org/articles/2014/02/07/charter-schools-really-do-get-less-money-for-children>.

²⁰ PDE, Form PDE-363 (Data sets). Available from <http://www.education.pa.gov/K-12/Charter%20Schools/Pages/Charter-School-Funding.aspx#.Vx4901aDGko>

²¹ <http://www.dboone.org/wp-content/uploads/2015/08/PDE-363-2015-16.pdf>. Notably, the data used in this form are all somewhat different from the data reported for Daniel Boone in PDE’s calculation data spreadsheet for all schools districts.

The Special Education Funding Commission studied these issues and recommended that the new formula they crafted be applied to both district and charter school special education funding. The original legislation to codify the Commission's formula included an amendment to the charter school law to this effect.²² However, that part of the legislation was abandoned following an outcry from charter schools, many of which stood to lose significant revenue under the new formula.²³ For reasons explained below, the charter school per-pupil special education tuition rate is driven higher when school districts serve greater than average numbers of students with disabilities in their own schools. The rate is also driven higher when the charter schools in those districts do not serve students with equally high-cost special education needs as the district of residence.

Issues with Charter School Special Education Tuition Calculations

Not every district serves a special education population equal to 16% of its ADM. By relying on the 16% of ADM assumption, rather than a district's actual number of students receiving special education, the PDE-363 form can inaccurately calculate a district's actual *per-pupil* special education expenditures and, thus, artificially inflate or deflate the charter school special education tuition rate.

Take for example, a hypothetical school district of 250 total students that spends \$400,000, minus deductions, on special education. Sixteen percent of their ADM is 40 students ($250 \times 16\% = 40$). The PDE-363 would thus calculate their special education expenditures to be \$10,000 per student (\$400,000 divided by 40 = \$10,000).

If that district's *actual* number of students receiving special education is 50 students (i.e., 20% of their ADM), then their *actual* special education expenditure was \$8,000 per student (\$400,000 divided by 50 = \$8,000). Yet because the state calculated its special education expenditures to be \$10,000 per student, the charter school would receive \$2,000 more per student than the district actually expends on its own special education students.

Conversely, if that district only served 12% (30 students) receiving special education, then their actual expenditures would be \$13,333 per student. The PDE-363 calculation would still only entitle the charter schools to \$10,000 per special pupil, which would be \$3,333 less per student than the district expends on its students. In both cases, the PDE-363 fails to accurately calculate the district's *actual* per-pupil expenditure, and therefore calculates charter school special education tuition inaccurately.

In addition, **not all students receiving special education have the same educational costs.** Special education services range from fairly inexpensive speech therapy to extremely costly professional student aides that assist an individual student in every class.²⁴ However, the current formula provides the same amount for each student and, thus, operates under an assumption that charters will enroll the same distribution of special education students. If this occurs, then the total funding a charter school receives should average out accurately.

However, it has previously been documented that in Pennsylvania's two most heavily concentrated charter school sectors –Chester-Upland and Philadelphia–charter schools often disproportionately educate the

²² <http://thenotebook.org/articles/2014/06/05/city-charters-get-100m-more-for-special-ed-than-they-spend-debate-rages-in-harrisburg>

²³ <http://thenotebook.org/articles/2014/10/20/state-s-special-education-funding-rules-are-slow-to-change>

²⁴ See Woodland Hills SD Superintendent Alan Johnson, video on [Public and Charter School Finance Basics](#), Nov. 20, 2015.

special education students with the least costly service needs.²⁵ The Special Education Funding Commission also documented that charter schools across the Commonwealth generally serve much higher concentrations of “low-cost” students receiving special education as compared to school districts. According to the Commission’s survey, 72% of the charter students receiving special education require less than \$10,000 of additional costs to serve, compared to only 52% of such students in district schools. Furthermore, only 2% of charter school students cost \$30,000-\$100,000 to serve, compared to 10% of special education students in district schools.²⁶

As described above, if charter expansion leads to greater concentration of “high cost” students in school districts, as appears evident from the data, then district *per-pupil* special education expenditures (and thus charter special education tuition rates) will naturally be higher after charter expansion than they were before.

A Closer Look at William Penn, Woodland Hills, and Columbia Borough

William Penn, Woodland Hills, and Columbia Borough school districts all consistently serve higher than average special education enrollment. A sizable number of students in each district are also enrolled in a charter school. In addition, each of these districts already receives an inequitably small share of state basic education funding.²⁷ For these reasons, any inequity in state special education revenue or charter school tuition calculations could have a large impact on each district.

State Special Education Funding

In the tables that follow, we compare the impact of the 16% assumption on each district’s state special education funding. In Table 2, column (a) provides the total ADM in each district and column, and (b) provides the number of students who were counted as receiving special education on the 16% of ADM assumption required under state law. Column (c) shows the *actual* percentage of students from each district’s total ADM who received special education in 2014-15, and column (d) shows the actual number of students. As shown in column (e), each district is serving significantly more students than they are permitted to use in their state funding calculations.

²⁵ See Bruce Baker, The Commonwealth Triple-Screw: Special Education Funding & Charter School Payments in Pennsylvania, School Finance 101 (June 5, 2012), <http://schoolfinance101.wordpress.com/2012/06/05/the-commonwealth-triple-screw-special-education-funding-charter-school-payments-in-pennsylvania/> (Calculating that the Chester-Upland School District was charged \$15 million in charter school tuition for students receiving special education when the charge should have been \$10 million after correcting for the types of learning disabilities and their associated costs); See also David Lapp, Testimony to the Special Education Funding Commission, Education Law Center (September 25, 2013). Available from <http://www.senatorbrowne.com/files/2015/05/Lapp.pdf> (Calculating that in 2013, the School District of Philadelphia only educated 76% of the total public school student population in the city, but served 87% of the students diagnosed with mental retardation and 97% of the students with a visual impairment, both typically high-cost disabilities. In contrast, Philadelphia charter schools were overserving students with speech and learning disabilities, typically low-cost disabilities).

²⁶ The full data reported by the Commission can found on page 67 of their report and is available at <http://www.senatorbrowne.com/files/2015/05/Special-Education-Funding-Commission-Report-121113.pdf>.

²⁷ Currently only 5.98% of the state’s Basic Education Funding is distributed through the state new BEF formula. See <http://crossroads.newsworks.org/index.php/local/keystone-crossroads/97912-how-would-your-school-district-fare-if-lawmakers-ramped-up-the-new-pa-funding-formula>. Based on RFA’s calculations, if 100% were distributed through the formula, William Penn, Woodland Hills, and Columbia Borough would receive state BEF funding increases of 18%, 22%, 12% respectively.

Table 2. Comparison of State Funding Formula Enrollment to Actual Enrollment in 2014-15

School District	(a) Total ADM in 2014-15	(b) Number of Special Education Students in ADM 2014-15 Based on 16% Assumption ²⁸	(c) Actual Percent Special Education in ADM 2014-15	(d) Actual Special Education Enrollment in 2014-15 ²⁹	(e) Difference between 16% Assumption and Actual Number of Students
William Penn	5,654	905	18.8%	1064	159
Woodland Hills	5,051	808	24.7%	1248	440
Columbia Borough	1,489	238	25.5%	380	142

The numbers above are also used in Table 3 below to calculate the difference between the state’s assumed special education per-pupil appropriation (using 16% of the ADM) and the school district’s actual per-pupil appropriation according to their actual special education ADM. Column (f) is the total amount of Special Education Funding each district received from PDE in 2014-15. Column (g) calculates how much this would provide on a per-pupil basis if the state’s assumption that 16% of their 2014-2015 ADM was comprised of students receiving special education were accurate. Column (h) calculates the per-pupil amount based on their actual special education enrollment. Column (i) shows the per-pupil difference between the 16% assumption and actual appropriation in each district.

In effect, the state treats William Penn, Woodland Hills, and Columbia Borough as receiving, respectively, \$671; \$1,503; and \$1,912 more per student than each district actually receives.

Table 3. Difference State Special Education Funding 2014-15

School District	(f) Total State Special Education Funding	(g) Per-Pupil (column (a) divided by 16% of ADM)	(h) Per-Pupil Actual (column (a) divided by actual number of students receiving special education)	(i) Per-Pupil difference between 16% ADM and actual % of ADM (b-c)
William Penn	\$4,064,989	\$4,491.70	\$3,820.48	\$671
Woodland Hills	\$3,444,903	\$4,263.49	\$2,760.34	\$1,503
Columbia Borough	\$1,217,640	\$5,116.13	\$3,204.32	\$1,912

Charter School Funding

Each district is also negatively impacted by the 16% assumption when calculating charter school special education tuition rates. For the 2015-16 school year, charter tuition calculations in the PDE-363 form were based on their 2014-15 enrollment and expenditure data. It is important to remember that the charter tuition rate is calculated by adding a district’s regular education tuition rate to its per-pupil special

²⁸ Total ADM and 16% of ADM for the 2014-15 school years can be found for each school district in the 2015-16 “Calculation Data” available at <http://www.education.pa.gov/K-12/Charter%20Schools/Pages/Charter-School-Funding.aspx#.V2gGGPkrLX4>

²⁹ The actual number of students receiving special education in each school district (district schools and charter schools combined) was reported in the “[Estimated Special Education Funding](http://www.education.pa.gov/teachers%20-%20administrators/school%20finances/education%20budget/pages/default.aspx)” spreadsheet in the Governor’s proposed education budget documents available at <http://www.education.pa.gov/teachers%20-%20administrators/school%20finances/education%20budget/pages/default.aspx>.

education expenditures, assuming that only 16% of the district’s ADM is special education students. As shown in Table 4 below, in 2015-16, the charter school tuition rates paid by the William Penn, Woodland Hills, and Columbia Borough School Districts were all *below* state average for *regular* education students. However, each district’s charter school tuition rate was significantly *higher* than state average for *special* education.

Table 4. Difference between special education tuition and regular education tuition

	(a) 2014-15 Actual Percent SpEd in ADM ³⁰	(b) 2015-16 RegEd Charter Tuition Rate ³¹	(c) 2015-16 SpEd Charter Tuition Rate
State Average	15.6%	\$10,559.13	\$22,290.95
William Penn	18.8%	\$10,322.71	\$28,835.76
Woodland Hills	24.7%	\$10,270.67	\$31,112.55
Columbia Borough	25.5%	\$9,094.33	\$29,009.96

Table 5 below explains how a district’s total special education expenditures, and thus charter special education tuition, are inflated when converted into per-pupil expenditures by the 16% assumption. Column (d) provides the total special education expenditures in each district, after deductions for federal special education spending (which charters receive individually) and for early intervention services (which charter schools are not responsible to provide). Column (g) is the calculated special education per-pupil expenditure according to the PDE-363 (i.e. based on 16% of their ADM). Column (h) is how much each district spent per special education student in 2014-15 based on their actual special education ADM. Column (i) is the percent difference between these two values.

Table 5. Comparison of Actual Special Education Per-Pupil Expenditures to Calculated Special Education Per-Pupil Expenditures in 2014-15.³²

School District	(d) Selected SpEd Expenditure (After legal deductions)	(e) 16% of ADM 2014-15	(f) Actual SpEd ADM 2014-15	(g) Calculated SpEd Per-Pupil Expenditure (16% of ADM) (d) ÷ (e)	(h) Actual SpEd Per-Pupil Expenditure (actual enrollment) (d) ÷ (f)	(i) Percent Difference (g-h)÷(g)
William Penn	\$16,748,887	905	1064	\$18,513	\$15,741.44	15%
Woodland Hills	\$16,844,180	808	1248	\$20,842	\$13,496.94	35%
Columbia Borough	\$4,743,504	238	380	\$19,916	\$12,482.91	37%

Table 5 shows that the 16% of ADM assumption in the charter school law led Columbia Borough School District to calculate their special education expenditures at 37% more than they actually expended on students receiving special education. Woodland Hills calculated expenditures at 35% more and William

³⁰ The average percentage for the entire state is available at https://penndata.hbg.psu.edu/penndata/documents/BSEReports/Data%20Preview/2014_2015/PDF_Documents/Speced_Quick_Report_State_Final.pdf. The percent special education for each district was calculated by RFA and a note explaining how this was calculated is included at the end of this memo.

³¹ The regular and special education tuition rates for each school district are available at <http://www.education.pa.gov/K-12/Charter%20Schools/Pages/Charter-School-Funding.aspx#tab-1>

³² Columns (d), (e), and (g) are taken from PDE’s spreadsheet on charter tuition calculation for 2015-16, available at http://www.education.pa.gov/_layouts/download.aspx?SourceUri=http://www.education.pa.gov/Documents/K-12/Charter%20Schools/Charter%20School%20Funding/CSFunding%202015-16%20PDE-363%20Final%20Calculation%20Data%20June2016.xlsx

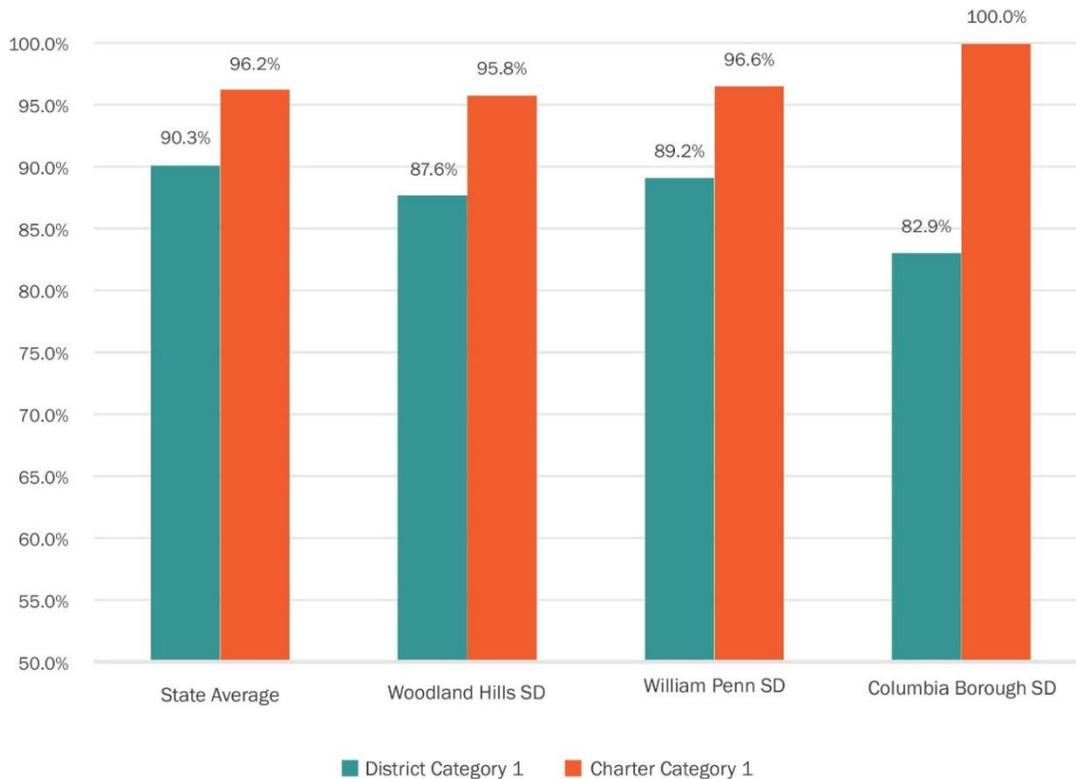
Penn at 15% more than what they actually spent to educate students receiving special education. Those special education expenditure calculations are then added to the tuition rates each district pays for a regular education student to determine the total special education tuition rate paid to a charter school for each student receiving special education.

The Impact of Low-Cost or High-Cost Students with Disabilities on Charter Tuition

In addition to the 16% assumption, the PA Charter School Law also assumes that the charter sector will serve roughly the same kinds of students with disabilities. New data recently provided by PDE confirms prior estimates that this often does not occur. To the contrary, charter schools across the Commonwealth serve a larger proportion of low-cost disability students compared to their school districts of residence. Statewide, in 2014-15, 96% of all charter school special education students were category 1 (lowest-cost), compared to just 90% of all district special education students.³³

As demonstrated below in Figure 1, this overrepresentation of category 1 students in charter schools also exists in Columbia Borough, Woodland Hills and William Penn. In fact, the cost category gaps between charter schools and district schools are larger in these districts than the state average. For example, 100% of the students with disabilities that reside in the Columbia Borough School District but attend charter schools, were students in cost category 1, the lowest cost category. However, only 83% of special needs students enrolled in the Columbia Borough School District schools were in category 1.

Figure 1. Percent of IEP Students in Lowest-Cost Category, District vs. Charter, 2014-15



³³ Data provided by the Pennsylvania Department of Education.

One might question whether these cost disparities are merely the result of more economical spending by the charter sector.³⁴ However, PennData which reports on where students with each *kind* of disability is enrolled, suggests that is not the case. PennData is disaggregated by county and by district.³⁵ Since the School District of Philadelphia is the only school district in Philadelphia County, it is easy to extrapolate the percentage of students in the Philadelphia charter sector as a whole by subtracting the district data from the Philadelphia County data.

As shown in Table 6, the data show that charter schools in Philadelphia served 34% of all the students receiving special education in 2014-15 (leaving 66% of the students with disabilities in school district schools). However, charters only served 16% of the students with Intellectual Disabilities and 21% of the students with autism, both categories of students that are typically costly to serve (leaving the district to serve 84% and 79% of those students respectively).

In contrast, charters served 51% of the students with Speech/Language Impairment and 39% of the students with a Specific Learning Disability, the two categories that are typically the least costly to serve.

Table 6. Philadelphia County Students with Disabilities by Type of Disability

	Totals in Philadelphia County	Total School District of Philadelphia	Total in Philadelphia Charter Schools	Percent of County Students in Charter Schools
All Students with Disabilities	28,459	18,862	9,597	34%
Speech/Language	2,565	1,268	1,297	51%
Specific Learning Disability	13,982	8,581	5,401	39%
Other Health Impairment	2,863	1,818	1,045	37%
Emotional Disturbance	2,551	1,845	706	28%
Autism	2,813	2,230	583	21%
Multiple Disabilities	198	158	40	20%
Intellectual Disability	2,857	2,414	443	16%
Hearing Impaired	356	309	47	13%
Visual Impairment	142	131	11	8%
Orthopedic Disability	84	77	7	8%

These data mirror the new PDE data, which disaggregates special education enrollment by cost categories. According to the cost category data, Philadelphia charter schools educated 41% of all category 1 Philadelphia students, compared to just 7% of all category 3 students.

Unfortunately, this analysis cannot be replicated as accurately in counties which serve multiple school districts. However, these data on Philadelphia demonstrate how the PDE cost categories, as defined for the special education funding formula, correspond to concrete differences in the special education programs offered in district schools versus charter schools. On the whole, the School District of Philadelphia serves students with special needs that require more trained staff per pupil and additional administrative and instructional supports (e.g., materials and textbooks printed in braille or improvements to classroom accessibility). These programmatic differences are most likely the source of higher-than-average per-pupil special education expenditures in districts like Columbia Borough, Woodland Hills and William Penn.

³⁴ According to one estimate, charter schools spend 50% less per-pupil to provide special education to their students than traditional public schools spend to provide special education to theirs.

http://www.philadelphiacontroller.org/publications/CharterSchool_FinancialImpact_October2014.pdf.

³⁵ https://penndata.hbg.psu.edu/Portals/66/documents/PennDataBooks/Statistical_Summary_2014-2015.pdf. Philadelphia County's data is available on pages 98-100 of the Statistical Summary provided by PDE.

Ultimately, the 16% assumptions in state special education funding distribution and the charter school law, as well as the overrepresentation of low-cost students with disabilities in charter schools, can cause manifold funding inequities. First, districts can receive an inequitably small share of state special education funding to begin with. Second, the PDE-363 can calculate a district's special education per-pupil expenditure rate to be higher than their *actual* per-pupil expenditure rate, resulting in inflated charter school tuition payments. Third, if charters continue to enroll higher proportions of low-cost students compared to school districts, districts will be left with a higher concentration of high-cost students. This, in turn, can drive up the districts' own average *per-pupil* expenditures on special education as they spend more resources to serve a larger proportion of high-cost students, which also inflates the charter special education tuition rate.

Of course, it is important to note that the opposite effect of all these phenomena would occur in districts with significantly fewer than 16% of their students receiving special education or if the charter sector serves a disproportionate share of students with high-cost disabilities.