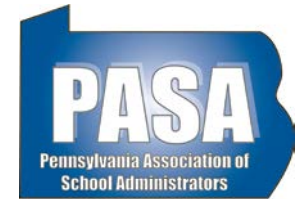


Special Education Legislation Press Conference Call/Web Forum



Tuesday, May 13, 2014

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School Special Education Funding Reform

- Special education funding reform for both school districts and charter schools is critical and long overdue.
- The goal of today's call is to address the inaccuracies and hyperbole perpetuated by the charter school community on the impact of the legislation implementing the recommendations of the Special Education Funding Commission.
- We hope to set the record straight and clarify that the current charter school special education calculation overpays charter school, pure and simple, and that the modifications recommended by the Commission are reasonable and needed.

School Special Education Funding Reform

Act 3 of 2013 created a Special Education Funding Commission charged with examining the current special education funding and recommending a new formula for the distribution of new special education dollars to school districts AND making recommendations for the modification of the charter school special education funding mechanism

- Led by Co-Chairs Sen. Patrick Browne and Rep. Bernie O’Neill, the bi-partisan Commission held 7 public hearings from July-September 2013 fully vetting the issue of special education funding for school districts and charter schools. Two of these hearings focused exclusively on charter school special education funding.
- The Commission adopted its final report containing its recommendations on December 11, 2013.
- Commission goal: target special education resources to those students in both school districts and charter schools with the highest special education costs
- House Bill 2138 and Senate Bill 1316, both introduced in early April 2014, implement the Commission’s recommendations as outlined the report.
- Charter school pushback at the eleventh hour is holding up critical special education funding reform.

Current Charter School Special Education Calculation

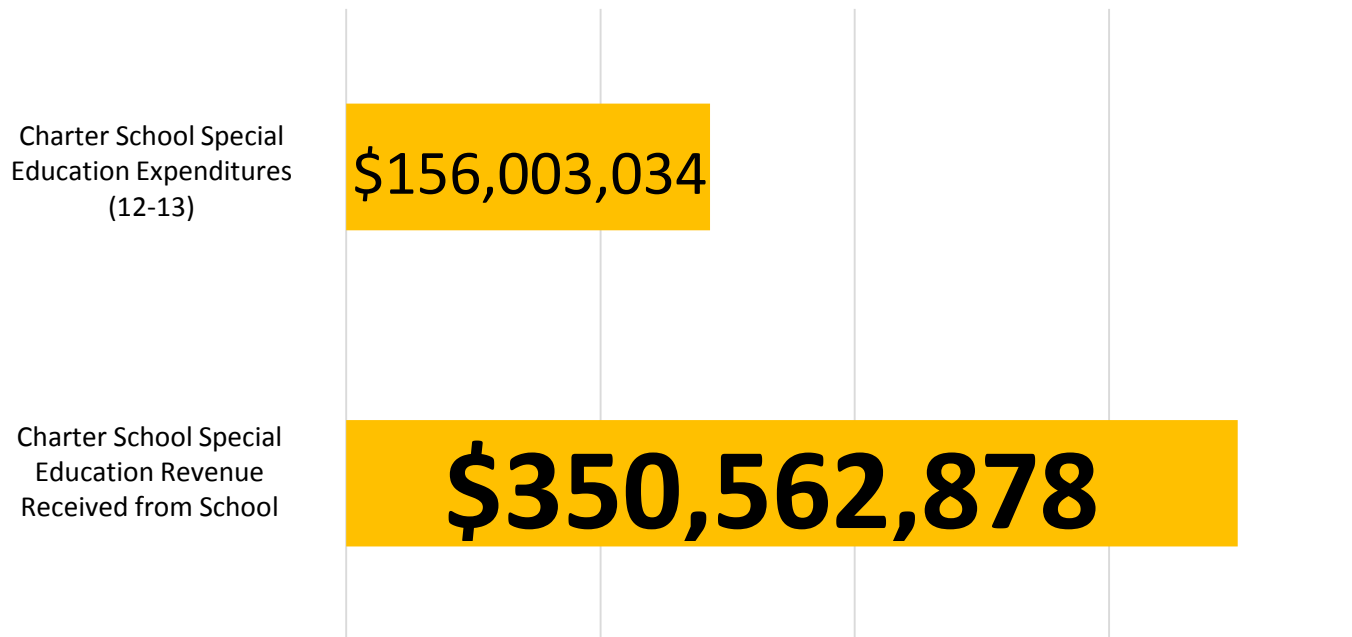
- Because the current tuition calculation is based entirely on school district expenditures, charter schools receive wildly different special education tuition rates from each school district across the Commonwealth.

Charter School Special Education (SE) Tuition Rates (Amount Paid by Resident School District Per Student 12-13)	
Lowest Per Student SE Tuition	\$12,152
Average Per Student SE Tuition	\$19,003
Highest Per Student SE Tuition	\$41,595

- Approximately 70% of the funding provided to charter schools by school districts comes from local taxpayer resources. State revenue provided to school districts does not begin to cover these costs.

Current Calculation Overpays Charter Schools

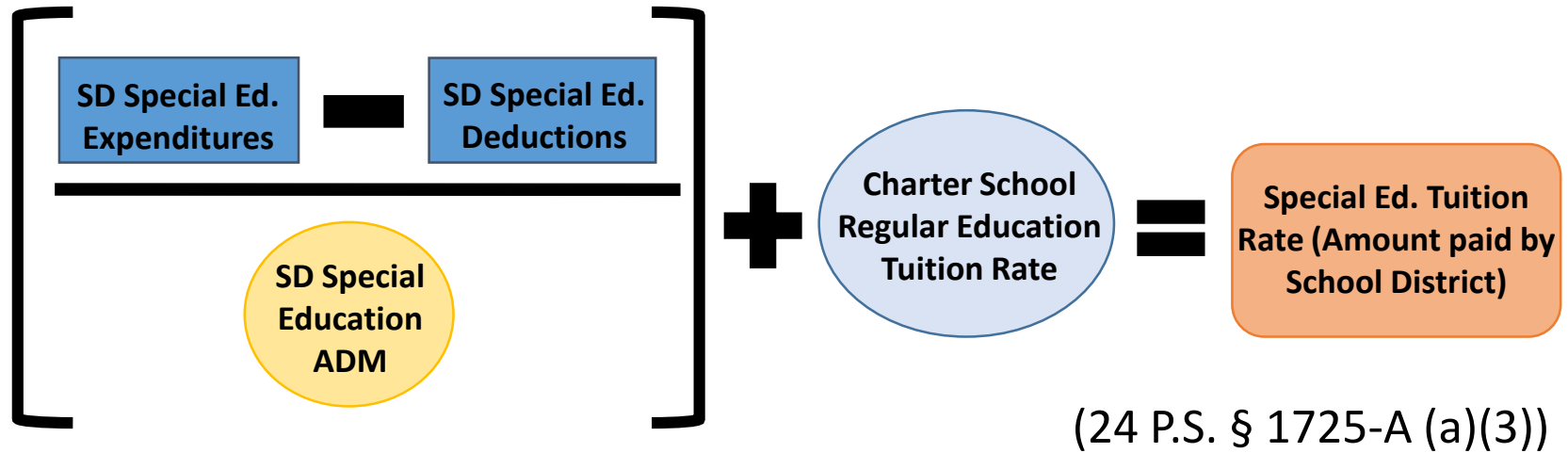
- In 2012-13, charter schools received **over \$350 million** from school districts in special education tuition, yet charter schools only spent approximately \$156 million on special education costs.



- Charter schools are NOT obligated to use these special education revenues for special education purposes, and as a result, in 2012-13, charter schools **reaped a profit of nearly \$200 million** due to the current charter school special education calculation.

Data based on 2012-13 charter school annual financial reports; charter school special education expenditures include instructional costs plus other estimated special education costs in accordance with PDE's Act 1 and Act 16 reporting.

Current Charter School Special Education Calculation



- Based entirely on school district expenditures
 - **NO** relation to **ACTUAL** charter school special education costs
 - **NO** relation to **ACTUAL** charter school special education population

Current Calculation Overpays Charter Schools

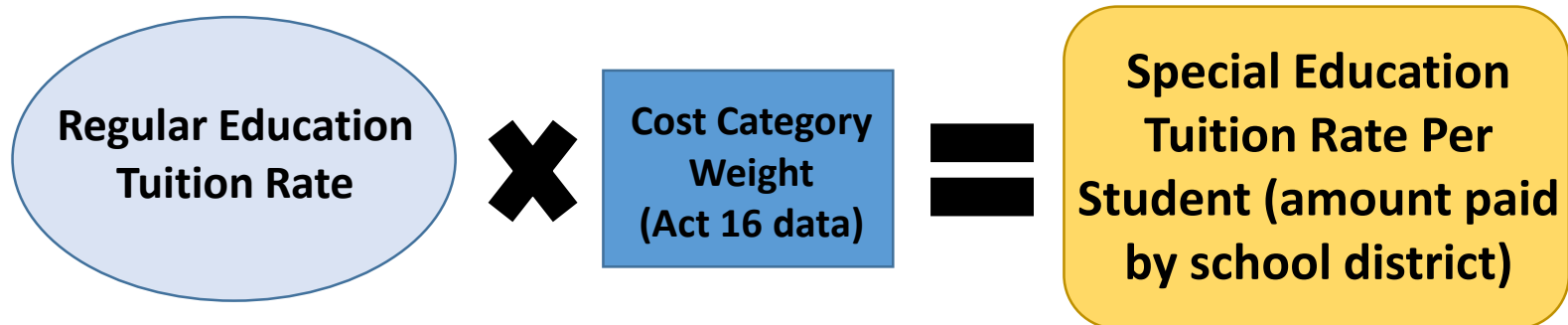
- Charter schools are receiving **nearly DOUBLE** the special education tuition per student than they are actually spending per student on special education instruction.

Avg. Amount Charter Schools Receive Per Special Education Student (12-13)	Avg. Amount Charter Schools Spend Per Special Education Student (12-13)
\$19,003	\$10,137

Based upon 2012-13 AFR data, \$19,003 is the average special education tuition rate paid by school districts across the Commonwealth per student to charter schools; \$10,137 is based upon the average charter school special education instructional costs reported on the AFR plus other estimated special education costs in accordance with PDE's Act 1 and Act 16 reporting.

Modifications to Charter School Special Education Tuition Calculation

- Commission Goal: target resources for special education to those high cost special education students that have the greatest impact on a school budget
- Modify calculation to consider **ACTUAL charter school special education student count** and **COST CATEGORY** of each charter school special education student
- Charter school receives a special education tuition rate tailored to the special education expenses of each charter school student



Modifications to Charter School Special Education Tuition Calculation

- School districts will pay charter schools MORE under the new calculation for each charter school special education student in Cost Category 2 and 3 than they pay now.
- On average, charter schools will CONTINUE to receive more per special education student from school districts than they actually spend.

Modified Charter School Special Education Tuition Rates (Based Upon Avg. Per Student 12-13 Tuition Rate)	
Avg. Category 1 Tuition	\$13,991
Avg. Category 2 Tuition	\$34,932
Avg. Category 3 Tuition	\$69,124

Modifications to Charter School Special Education Tuition Calculation

- The current charter school special education calculation pays charter schools, on average, nearly 100% more for each special education student compared to the amount they receive for each regular education student.
- Compared to the cost of educating their regular education students, charter schools spend, on average, approximately 25% more to educate their special education students.
- Under the new calculation, charter schools will receive at least 50% more for their special education students compared to their regular education students, reducing, but not eliminating the windfall.

Regular Education Tuition Rate	Current Special Education Tuition Rate	Modified Special Education Tuition Rate (Category 1)
\$9,266	\$19,003	\$13,991

Data based on average 2012-13 charter school tuition rates across all school districts.

Charters are Incented to Over-identify

Former PA Secretary of Education, Ronald Tomalis indicated the following in his March 2012 Report and Recommendation Regarding Funding for District and Charter Schools Serving Children in the Chester Upland School District (CUSD):

“So, too, the fact that charter schools receive an additional stipend of \$14,500 for every student that is classified as special education, without regard to the level that student’s challenge or the additional costs associated with educating such a child, has in all likelihood created a climate for the inefficient use of educational funds. In particular, schools may be incented to diagnose students as having borderline speech or language disabilities, which qualifies the school for an additional \$14,500 in special education funding [per student] but does not increase the cost of educating that student nearly as much.” *Secretary of Education’s Report and Recommendation Regarding Funding for District and Charter Schools Serving Children in the Chester Upland School District, US District Court for the Eastern District of Pa, March 2012 (emphasis added).*

The PA Auditor General’s Special Report on Charter School Accountability and Transparency also contains concerns about the incentive for over-identification in the current charter school special education calculation:

“Currently, charter schools can re-classify a student as special education regardless of whether the student was previously classified as such by the school district, and without review by the authorizing school district that is required to pay increased tuition rates. The lack of accountability and higher tuition reimbursement rates is causing additional financial strain on school districts, and is contributing to the poor relationship between some districts and charter schools.” *PA Auditor General, Report on Charter School Accountability and Transparency, May 12, 2014.*

Rebuttals to Charter School Claims

CLAIM: *"The same "hold harmless" approach (where the changes are only applied to new money so public school districts don't get less than they did in 2010-11) should also be applied to charter schools, said Larry Jones, CEO of the Richard Allen Preparatory Charter School in Philadelphia." (The Intelligencer, May 6, 2014)*

REBUTTAL: When charter schools are receiving \$350 million from school districts for special education students, yet only spending approximately \$156 million on special education expenditures, it would simply be outrageous to ask for "hold harmless" to preserve nearly \$200 million profit at the expense of school districts and local taxpayers.

CLAIM: *"The bottom line is we cannot exist — the school will go under — with this kind of cut," said Bill Winters, CEO of Collegium Charter School in Exton, Chester County. "The entire charter school movement could be eliminated in the state of Pennsylvania if this goes through the Legislature as written." (The Intelligencer, May 6, 2014)*

REBUTTAL: Based on 2012-13 data from PDE, Collegium Charter School received over \$6.1 million in special education tuition from the resident school districts for the 261 enrolled special education students (approximately \$23,000 per student). However, the school spent approximately only \$1.3 million on special education costs (approximately \$4,980 per student)—this means Collegium receives nearly 5 times what it actually spends on special education expenditures.

Under the legislation, Collegium would see a reduction in its tuition rate (it reports all students in Category 1). Charter school special education tuition revenue would decrease to approximately \$4 million (approximately \$15,000 per student)—this is clearly still more than 3 times what the charter school is actually spending on special education students.

Rebuttals to Charter School Claims

CLAIM: *“This proposed legislation sets up a scheme to fund public charter schools and district schools differently when they are serving special education students even though both charter and district schools have the same legal obligations to provide special education services.” (The Intelligencer, May 6, 2014)*

REBUTTAL: Legislation does nothing to change the separate and distinct mechanisms that currently exist for funding school districts and charter schools. School districts receive special education funding from the state, ranging from \$1,400 per student in one school district to \$7,300 per student in another, pursuant to section 2509.5 of the Public School Code.

Charter schools are funded primarily by the school districts of the students enrolled—they do not receive state special education dollars—pursuant to section 1725-A of the Public School Code. It is important to recognize that under this current formula charter schools are receiving (based on 12-13 data from PDE) \$350 million in special education tuition from school districts, yet are only spending only \$156 million on special education.

CLAIM: *“[S]uddenly slashing reimbursements for charter schools could make it nearly impossible to operate without scaling back programs and laying off staff — moves that could gut the innovative programs or small class sizes that some charter schools were built upon, Sofo said.” (The Intelligencer, May 6, 2014)*

REBUTTAL: While the same state and federal requirements governing the provision of special education services to eligible students are mandatory for both charter schools and school districts, this is not the case when it comes to many other aspects of charter school operation. Charter schools were built on the assumption and the understanding that they would operate as innovative entities that could operate more efficiently than school districts. As a trade-off for this promised innovation and efficiency, charter schools were granted freedom from many of the costly mandates that attach to school districts.

Rebuttals to Charter School Claims

CLAIM: *“For the Center for Student Learning Charter School at Pennsbury in Levittown, the proposed legislation to change the funding formula could mean a whopping \$500,000 to \$700,000 cut to the school's \$3.1 million budget.” (The Intelligencer, May 6, 2014)*

REBUTTAL: Based on 2012-13 data from PDE, the Center for Student Learning Charter School at Pennsbury received over \$1.5 million in special education tuition from the resident school districts of the 56 enrolled special education students (approximately \$27,500 per student). However, the school spent approximately only \$515,570 on special education costs (approximately \$9,206 per student)—this means that the Center received more almost 3 times what it actually spent on special education.

Under the legislation, the Center would see a reduction in its tuition rate (it reports all students in Category 1). Charter school special education tuition revenue would decrease to approximately \$890,000 (approximately \$15,900 per student)—this is still almost twice what the charter school is spending on special education students.

Questions?

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