

December 17th Meeting
Ensuring Fairness between School Types

Differences in Expenses between Traditional Districts and Public Schools of Choice

- *Key Concept 1:* Charters & traditional districts both have unique expenses. We know more about these differences than we did when the formula was first enacted. (Brief 2 and Public Discussion)
- *Key Concept 2:* Differences in expenses originate from both differences in regulation or statute and differences overwhelming differences in practice. (Brief 2)
- *Key Concept 3:* Data indicates that traditional districts have, among other things, significantly higher spending in special education expenses. Conversely, charter schools have, among other things, significantly higher expenses related to school housing. (Brief 5, Follow-up request 3, and Discussion and Public Comment)
- *Key Concept 4:* This issue is not unique to Rhode Island. At least five other states’ funding formulas allow for itemized adjustments to account for differences in expenses. In these states, charter school funding adjustments for high costs special education and other extraordinary expenses were common. (Brief 2)
- *Key Concept 5:* There are different opinions about the expense categories that should be included in this analysis which result in different conclusions. RIDE-presented data indicates that traditional districts have slightly more unique expenses. (Discussion and Public Comment)
- *Key Concept 6:* Potential solutions to address these issues need to be fair between all school types and should not, in the final analysis, result in wholly unsustainable adjustments for either. (Discussion and Public Comment)

Discussion Notes

Considerations to promote fairness in the way that the funding formula handles these issues	
Considerations to promote equity amongst student and school types in the way that the funding formula handles these issues	
Considerations that will help ensure that all recommendations for revision are grounded in data	
Other notes	

Issue Summary: Differences in Expenses Between School Types

Rhode Island's funding formula requires that state and local funds follow the student from their resident district to their public school of choice. This brief focuses on the issue of fundamental differences in expense obligations between charter schools and traditional school districts.¹

Traditional districts are required to send a local per pupil share to public schools of choice that is calculated based on (nearly) all their revenue, including revenue used for expenses that charter schools do not typically bear. Conversely, charter schools must fund their educational program based largely on state and local per pupil funding, even though they bear expenses that traditional districts do not. It is therefore important to understand the unique expenses for both school types and to estimate their net impact.

This brief focuses only on unique expenses that can be defined by two criteria: **Criteria 1** are differences in regulatory or statutory requirements; or **Criteria 2** are overwhelming differences in practice.

Districts tend to have expenses that charter schools do not in the following areas:

- (1) *Pre-school screening, intervention, and targeted educational services*: These are costs associated with the federal requirement that districts identify resident 3-5 year olds, screen them for potential disabilities, and provide services to qualifying students.
 - **This meets criteria 1.** Because charter schools do not have "resident" 3-5 year old students, they have no regulatory responsibility in this area.
- (2) *Private school obligations*: Rhode Island General Law requires that districts pay for the transportation and some textbooks for resident students attending private schools.²
 - **This meets criteria 1.** Charter schools are not required to provide this benefit.
- (3) *Career and technical tuition costs*: These are the tuition costs associated with students enrolling in career and technical education programs outside their resident district.
 - **This meets criteria 2.** If a charter student requested access to a career and technical education program outside their school, the charter would be required to provide it. However, virtually no charter school student requests tuition-based placement outside their school.
- (4) *Out of district special education costs and transportation*: Some students with disabilities have needs that cannot be met within the district and require placement in a specialized program. In these instances, the district must pay the tuition and transportation for served students.
 - This expense meets **criteria 2**. It is possible that charter schools could enroll and would need to serve students through out-of-district-placement; historically, students that enroll in charter schools rarely require out-of-district placement.
- (5) *Retiree health benefits*: These are the legacy costs of continuing to pay for health benefits that were guaranteed to prior staff and persist through their retirement.
 - This expense meets **criteria 2**. In time, some charter schools may have some retiree benefit expenses but due to management of benefit packages and relative youth of the workforce and sector, they have virtually no expenses in this area.
- (6) *18-21 year old services*: These are costs associated with providing education and transition services to youth with disabilities up to the age of 21.
 - This expense meets **criteria 2**. If a charter enrolled a student that was legally entitled to services through the age of 21, they would be obligated to provide them; historically, very few 18-21 year olds receive these services in charter schools.

Charter schools tend to have unique expenses that meet the above criteria in the following areas:

¹ This memo does not address Davies and the Met, two state operated public schools of choice.

² A portion of non-public transportation and high-cost special education expenses are offset by a state-funded categorical.

- (1) *Debt service*: The cost of repaying debt is nearly exclusively associated with facilities purchase, construction, or renovation. For traditional districts, this expense is covered by the city/town and is not encompassed by their per pupil funding. Conversely, charter schools must pay for all housing costs from per pupil funding.
- **This meets criteria 1.** With the exception of regional districts, virtually no traditional districts incur this expense and charters currently incur it as a result of both budget and statute.
- (2) *Rental*: These are the costs of renting schools and facilities. Charter schools very frequently rent (rather than buy) their schools.
- **This meets criteria 2.** Although some traditional districts incur rental expenses, they are negligible and tend to cover things like the cost of small ancillary space, storage, and access to athletic facilities. Charter schools are incurring rental expenses for the school buildings.

Rhode Island Context and Data

The House Study Commission dedicated significant time to the discussion and study of this issue. Based on FY14 expenditure data, average costs for expenses incurred by traditional districts (and not charter schools) are presented in table 1, below. Average costs incurred by charter schools are presented in table 2, below.

Table 1: Rounded average FY14 Costs Incurred By Traditional Districts, Per Pupil

<i>Out of district special ed.</i>	<i>Retiree Health Benefits</i>	<i>18-21 Services</i>	<i>Pre-School Screening /Costs</i>	<i>Non-Public obligations</i>	<i>Career and Tech Tuition</i>
\$560	\$250	\$280	\$115	\$30	\$60

Table 2: Rounded Average FY14 Costs Incurred by Charters, Per Pupil

<i>Debt Service</i>	<i>Rental Costs</i>
\$510	\$430

National Practice and Examples

This issue is not unique to Rhode Island. At least five other states' funding formulas allow for itemized adjustments to account for differences in expenses. These states include Massachusetts, Connecticut, Delaware, Ohio, and Pennsylvania. In these states, charter school funding adjustments for high cost special education and other extraordinary expenses were common.

Issue Summary: Special Education

Students with disabilities (SWD) are being served in every school and district in Rhode Island. Students who are evaluated and determined to have a disability that requires additional support are provided individualized educational plan (IEP). The IEP is developed by a team of professionals and describes the services and supports to which the student has a legal right. Students with disabilities are regularly evaluated to determine whether they are making progress.

High-quality special education services:

1. Are responsive to the changing needs of the students;
2. Define special education as a service, *not a place* and keep students with disabilities with their classmates and peers;
3. Use a team approach to educating and monitoring student progress;
4. Treat parents as partners in the educational process; and
5. Are delivered by qualified and well-trained educators.

Rhode Island Context and Data

Rhode Island has an average special education identification rate of 15.9%, which has fallen over the past five years. Table 1 summarizes the change in special education rates in Rhode Island's three largest districts which, together, serve almost 30% of the state.

	2010 Special Education %	2015 Special Education %	Change
Statewide	16.5%	15.9%	-0.6%
Providence	18.1%	16.7%	-1.4%
Cranston	14.9%	13.8%	-1.1%
Warwick	18.7%	18.1%	-0.6%

SWD have highly variable need based on the nature of their disability. Some students received services and quickly exit, while others receive services throughout their K-12 education. Some students require individualized supports until the age of 21, while others need to be placed in a non-public school equipped to meet their unique needs.

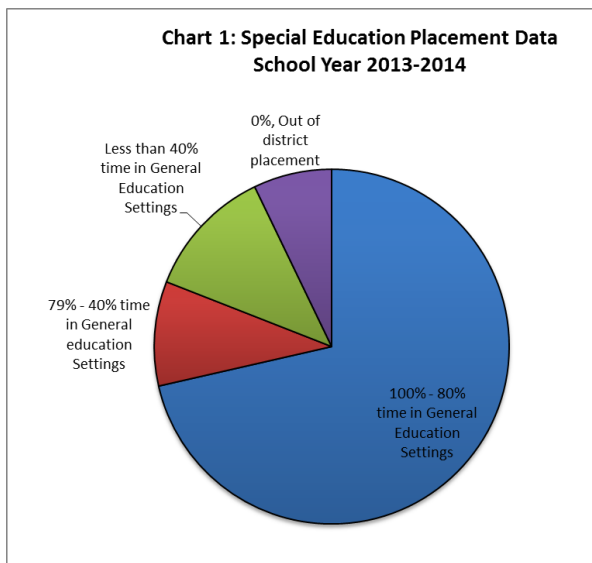


Chart 1 provides a high-level view of the proportions of special education service, which is presented as the percentage of time that students spend in general education settings. The vast majority of students with disabilities are spending the vast majority of their school day in general education settings. At the same time, it is critical to more fully understand the differences in cost between levels of supports in the various settings.

Table 2 displays the range in costs between levels of disability. Levels are displayed as the percentage of time students are in the regular classroom settings.

Table 2: Special Education Per-Pupil Expenditures					
School Type	Range	80%>	79-40%	<40%	OOD
Traditional Districts	Min	\$1,897	\$1,403	\$1,645	\$18,624
	Max	\$27,957	\$90,994	\$90,572	\$131,400
	Avg	\$11,327	\$30,928	\$22,932	\$63,236
State Schools	Min	\$4,169	\$0	\$0	\$0
	Max	\$50,014	\$0	\$0	\$0
	Avg	\$20,462	\$0	\$0	\$0
Charter Schools	Min	\$2,977	\$1,025	\$0	\$12,342
	Max	\$10,298	\$1,025	\$0	\$54,600
	Avg	\$6,073	\$1,025	\$0	\$33,293

The cost of special education is funded primarily by local education aid. In FY 2014, federal funding covered 16 percent of the estimated cost and the state funded \$2.5 million in reimbursement for our highest-cost students. The remainder of special education costs are funded through general state and local education aid.

National Practice and Examples

47 states have a funding mechanism specifically for SWD.

- **Formula funding:** 31 states adjust the distribution of their funding formula for SWD
 - 10 states use a single weight
 - 10 states use multiple weights (to account for the degree of need)
 - 5 states use flat dollar allocations
 - 6 states use staff allotments
- **Categorical funding:** 12 states disperse funds for SWD through a state budget item
- **Reimbursements:** 4 states reimburse districts for expenses on SWD

Rhode Island's model is not represented in the categories above and contains two mechanisms:

- (1) Approximately \$700 of the \$8979 instructional core reflect special education expenses. This means a portion of special education costs are already included in the formula.
- (2) In fiscal year 2014, Rhode Island provided a total of \$2.5 million in reimbursement for its highest cost students through a categorical fund.

Like most states, Rhode Island treats state special education funding as discretionary; once passed on to districts, they are not required to use the funds for special education.

Follow-up Data Request 3: Average Per-Pupil Special Education Costs by District Type, Fy2014
 (Districts in Blue, Charters in Yellow, and Statewide Average in Red)

