

Charter School Special Education Finance Study

June, 2010

Summary

In 2002, CDE's Schools of Choice Unit (SOC) published its first report measuring the perceptions of charter school administrators and Administrative Unit (AU) special education directors about special education services provided in Colorado charter schools. In 2006, the SOC published a follow-up to the 2002 study. In addition to assessing perceptions of charter school administrators and AU special education directors about the quality of special education services provided in charter schools, each study gathered data regarding how special education services are funded and provided in charter schools. Each study recommended a further investigation into special education financing for charter schools.

Today, there are more than 140 Colorado charter schools serving approximately 61,460 of the state's 818,443 public school students (2008-09 school year data). As more charter schools serve an increasingly larger percentage of children with disabilities, understanding the complexities of special education finance has become more critical. This study is not a direct follow-up to either the 2002 or 2006 study; rather, it has a narrow focus intended to answer four basic questions:

1. How much do charter schools and Administrative Units (AUs) in Colorado spend on special education services and what revenue do charter schools and AUs in Colorado receive specifically for special education services?
2. What models of special education service delivery are used in Colorado charter schools?
3. What types of service delivery are used in Colorado charter schools?
4. Is there a link between special education service cost, quality, and model of service delivery?

Due to the limitations of available information, as it relates to the above questions, this study provides only a brief summary with limited analysis of special education finances in charter schools.

- 1. How much do charter schools and AUs in Colorado spend on special education services and what revenue do charter schools and AUs in Colorado receive specifically for special education services?**

Lack of data makes it difficult to answer this question in a fair, apples-to-apples comparison, however, the available information does reveal general trends. Charter schools and AUs receive revenue from the same sources for special education services. Special education is funded primarily by federal dollars under the Individuals with Disabilities Education Act (IDEA) and by state dollars under the Exceptional Children's Education Act (ECEA). There are also other smaller sources of funding. On average, federal funding covers 21% of special education costs and state funding covers 16% of special education costs.

Due to the differences in charter contracts and in accounting for services provided in those contracts, it is not possible to compile accurate statewide information without analyzing each situation individually. Consider the following example: AU #1, AU #2, and AU #3 use the insurance model to contract for special education services with their charter schools. Each AU has one charter school and in each case, the school receives \$6,500 in Per Pupil Revenue (PPR) and the charge per student for special education services is \$500. Each school has an enrollment of 300 students and receives its share of federal and state special education revenues through its AU. The amount of those revenues is \$100 per student. AU #1 charges its school the full amount and passes the revenue through to the school. AU #2 deducts the revenue from the expense and charges the school the net amount. AU #3 deducts the revenue from the expense and then withholds that amount from the PPR before sending the money to the school. In each case, the proper amount is being charged but the accounting process is different.

Table 1 shows how the exact same dollar amounts for the exact same services are processed differently.

Table I: Three Special Education Funding Scenarios

	AU #1	AU #2	AU #3
PPR	\$3,250,000	\$3,250,000	\$3,130,000
Special Education Revenue	30,000	0	0
Special Education Expense	(150,000)	(120,000)	0
Net	\$3,130,000	\$3,130,000	\$3,130,000

Altogether, each of these schools had special education revenues of \$30,000 and special education expenses of \$150,000. A cursory examination of the data could yield an inaccurate conclusion that these three charter schools averaged \$10,000 in special education revenue and \$90,000 in special education expenses.

An examination of charter school financial statements show some trends in special education revenues and expenditures. In fiscal year 2009, charter schools spent approximately \$30.5 million on special education services. Those expenditures were offset by approximately \$6.4 million in revenues specifically earmarked for special education services. On a per pupil basis, charter schools received approximately \$1,600 per special education student and spent approximately \$7,800 per special education student. Special education revenues made up approximately 1.5% of total charter school revenues and special education expenditures made up approximately 7% of total charter school expenditures.

The percentage of overall expenditures and the percentage of special education expenditures that are offset by corresponding special education revenues are similar to overall state averages. Special education expenditures statewide represent approximately 7% of total education expenditures, which is comparable to special education expenditures at charter schools. Between 65-70% of statewide special education expenditures are paid for out of general fund revenues. Charter schools pay for approximately 75- 80% of their special education expenditures out of general fund revenues. On a per pupil basis, statewide averages are slightly higher, with the average expenditure at roughly \$8,500 per special education student.

While Question 1, cannot be conclusively answered, the data reveal that charter schools are spending approximately the same percentage of resources serving special education students as AUs, but the per student cost is slightly lower. It also appears that charter schools are receiving less revenue to offset those expenditures. As a result, charter schools spend more general fund dollars per special education student (approximately \$6,200) than the statewide average (approximately \$5,300). Charter schools also continue to serve slightly fewer special education students than AUs.

2. What models of special education delivery are used in Colorado charter schools?

As addressed in both previous studies, charter schools use four models to contract for special education services. Because Colorado's charter schools are not Local Education Agencies (LEAs), the legal responsibility for compliance with Federal special education laws rests with the AU. As a result, the AU will always have oversight responsibilities for special education services and this drives the models used in Colorado to contract for services. Charter schools are funded under the following four models:

Contract Model

The charter school receives its share of state and federal special education funds from the AU and combines these with its own general funds to hire and/or contract for its own special education staff and related-service providers.

Full Insurance Model

The charter school pays the AU a per student amount to provide all special education services to the school. The per student amount is typically calculated by the school district by dividing its total special education costs by its total enrollment.

Modified Insurance Model

The charter school hires or contracts for staff and services but, in addition, pays the AU a per student amount to cover oversight and any services over and above those that the charter school is able to provide.

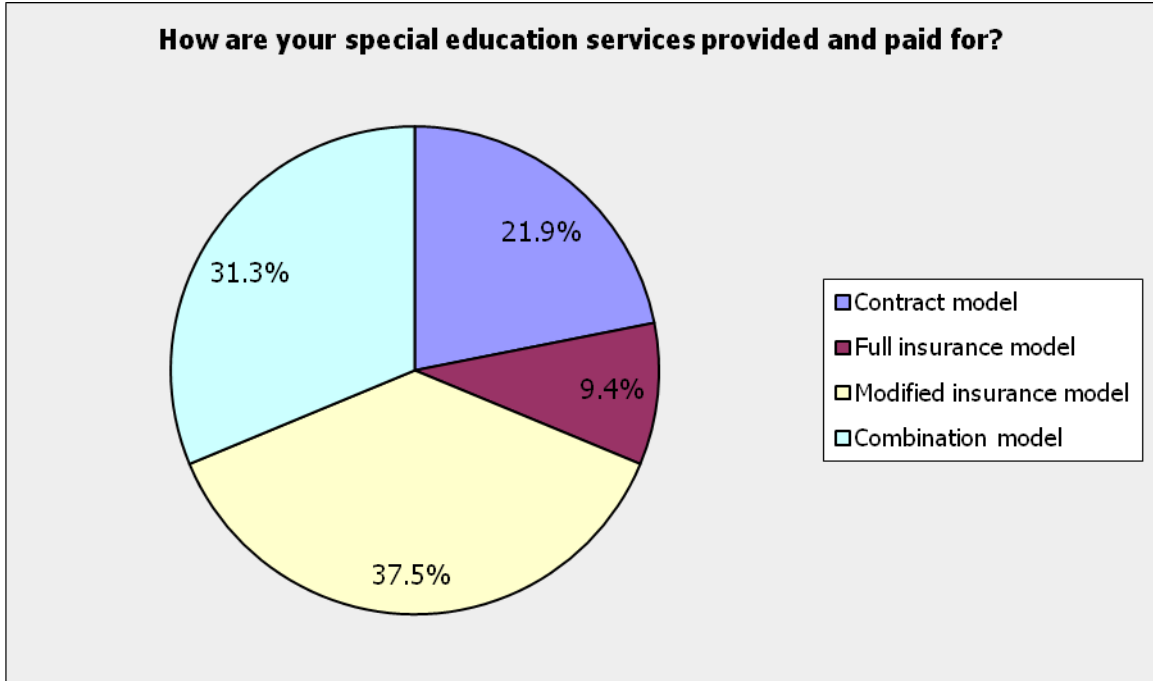
Combination Model

The charter school and the AU negotiate which services will be provided by the school and which will be provided by the AU.

The full insurance model and the contract model each place the vast majority of responsibility on one party, while the modified and combination models generally require more ongoing collaboration between the charter school and the AU. The full insurance model (9.4%) and the contract model (21.9%) are the two models that are used the

least. Meanwhile, 68.8% of charter schools use either the combination or modified insurance model.

Graph 1: Provision of Special Education Services by Type



The use of combination and modified insurance models may be growing because of the practicality of sharing responsibilities in order to serve special education students well. Given the complexity of the shared resource arrangements, however, it is most difficult to acquire complete and accurate data.

3. What types of service delivery are used in Colorado charter schools?

Charter schools deliver special education services in a variety of ways that reflect the needs of the student populations served and the school's philosophy.

Based on responses from charter schools, the following is a breakdown that shows the percentage of schools that used each type of service delivery in the 2008-09 school year. Table 2 shows that most schools reported using multiple types of service delivery.

Table 2: Types of Service Delivery

Consultation	71.9%
Resource room	59.4%
Small group instruction	68.8%
Co-teaching	31.3%
Direct instruction in the class	53.1%
Other	12.5%

There was no strong correlation between service delivery model and cost of providing special education services.

Charter schools reported providing various types of special education services. Table 3 shows a breakdown of the percentage of charter schools that provided certain types of special education services in the 2008-09 school year.

Table 3: Percentage of Charter Schools that Use Specific Types of Services

Special education instruction	90.6%
Audiology	40.6%
Counseling	62.5%
Interpreting	21.9%
Medical	18.8%
Occupational therapy	65.6%
Orientation and mobility services	9.4%
Parent counseling and training	28.1%
Physical Therapy	28.1%
Psychological	59.4%
School health/school nurse	78.1%
Speech language	81.3%
Paraprofessional	53.1%
Other	15.6%

Even though certain services are more expensive to provide than others, there was no strong correlation between the types of service being provided and the overall cost of special education services.

4. Is there a link between special education cost, quality, and model of service delivery?

There is not enough reliable information to discern whether there is a linkage between the cost of special education services or the model of service delivery and the quality of services. Therefore, this question does not have a statistically supportable answer at this time. For the 9.4% of charter schools that use the full insurance model, follow-up with each AU regarding the calculation of per student charges would provide a

clear answer of how much the full insurance model costs. However, more research is required to obtain reliable numbers and draw conclusions regarding relative costs for each model.

Recommendations

1. There is still a significant lack of knowledge at charter schools regarding funding available for special education. Over half (56.3%) of charter school respondents state that they do not receive or do not know if they receive state special education funding while slightly more (59.4%) say that they do not receive or do not know if they receive federal special education funding. In analyzing audited financial statements, there is not sufficient detail to verify that schools receive this revenue. Additional training and information could help dispel some of the confusion and misperceptions over special education funding. Schools and districts would also benefit from a more standardized and transparent way of reporting the amount of special education funds provided to each charter school.
2. At present, there is not a uniform way of reporting the cost of special education services that charter schools pay to their AUs. Charter schools and districts would benefit from a standardized form of reporting for AU billing of special education services to charter schools and charter schools recording of expenses.
3. Districts and charter schools could achieve greater clarity by including in the charter contract a language that delineates which party is responsible for which services, how, the charges will be calculated, and what revenue will be provided to the school for special education services.
4. Additional data may be gathered on special education revenues, expenditures, and the relationship of both to service delivery and service type by commissioning an intensive yearlong research project.