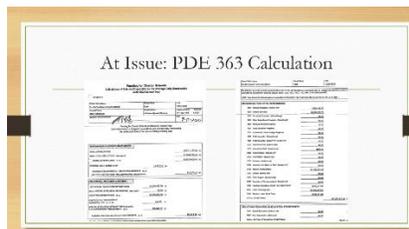


Nathan Van Deusen

Superintendent of the South Eastern School District

Good morning, Senator Martin and distinguished Senators. My name is Dr. Nathan Van Deusen, and I am the Superintendent of the South Eastern School District. I am here today to share my personal insights into the current charter school funding structure. My goal for this morning will be to look closely at the PDE 363 funding structure and share how this structure has created funding inequities which produce an undue burden for the local taxpayer and local school districts. I appreciate your willingness to have this candid conversation, so that we can work collectively toward a more equitable charter school funding structure.

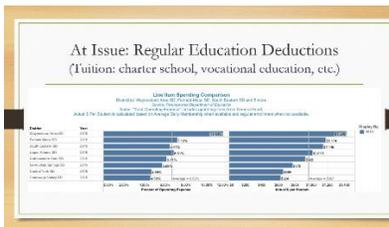
Let me begin by setting the parameters for this presentation. This morning I will specifically share information about the PDE 363 funding structure. I will not be arguing against school choice or legislation that allows for parents to choose the best learning environment for their child. In fact, I believe that competition for our public-school system can be a good thing because it will naturally stretch our educational systems further and make us all learn and grow. I also see the utility in allowing a level of voice and choice for parent taxpayers. The truth is that the public-school system does not meet the needs of all children and parents should have options that will meet the needs of their children.



Let me begin by sharing information about the PDE 363 calculation. Based on district expenditures, each school district must complete the PDE 363 form each fall. This calculation then identifies the amount that each school district sends to a charter schools, when a district student is enrolled. Also, please be aware that each school district has a separate regular education and special education charter calculation based upon the dollars spent for both regular and special education selected school expenditures divided by the average daily membership. More specifically, as we look at the PDE 363 calculation (see corresponding slide), what we see on the right-hand side of the screen are the allowable regular educational deductions. These deductions are subtracted from the district expenditures and divided by the average daily membership or ADM, to identify the per student cost for a charter school student. In the case of

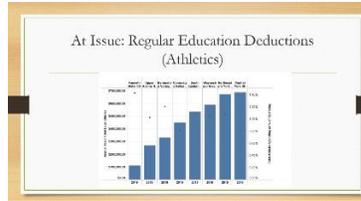
the South Eastern School District, we are able to deduct our federal dollars, our special education expenditures, student transportation expenditures, our financing/debt service, half of the Ready to Learn Block Grant. After deducting these amounts from our total district expenditures, that amount is then divided by our ADMs; that number is our charter school regular education cost (in our case this is \$14,744.33).

To calculate a district special education charter school cost, all district special education expenditures are divided by the district special education ADM to get a special education cost per student. In the case of SESD this is \$16,047.67. The final step in calculating the special education cost is adding both the regular education charter school cost with the special education cost to get the charter school cost for a special education student. In the case of SESD this is \$30,822.

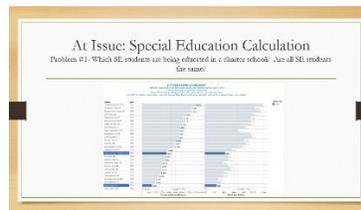


Now that the calculation structure is understood, I would like to take a few moments to share a few of the major drawbacks of the current PDE 363 funding calculation. I will separate these drawbacks into regular education issues and special education concerns. In an effort to be brief, I will be discussing only 2 regular education calculation errors and 2 special education errors. When focusing on regular education PDE 363 problems the issues lie with the structure of deductions. While I will only share 2 major regular education deduction concerns, please understand that many more can be found by simply looking into how charter and cyber charter schools spend their money.

The first concern I will highlight with the regular education calculation deals with tuition to other schools. When I share tuition to other schools, I am focusing in on charter school expenditures, alternative education programs for disruptive youths, vocational educational programs, and more. In SESD alone, we are budgeting over 3 million dollars next year for both charter school expenditures and vocational education expenditures. Our charter counterparts obviously don't have to pay a charter school cost and pay little to nothing in those other categories (especially cybers). The ability for the local school districts to deduct other school tuition would save the SESD taxpayers nearly \$2,000 per charter school student.



The second regular education deduction that I would like to highlight is athletics. While local public-school entities provide athletic opportunities, our charter school counterparts do not. On average this expenditure is about 1% of our budget for the extracurricular contracts and equipment costs. Please understand though, this 1% does not include the cost of field maintenance, the purchase of turf fields, the maintenance of indoor facilities, the building and grounds costs to maintain all athletic facilities. Again, if the local taxpayer must allow charter school students the ability to play on our athletic teams but we cannot deduct those expenditures from our calculation, the local taxpayer is again the loser in this calculation.



Next, I would like to shift to the special education calculation on the PDE 363 form. My first point will focus on which special education students are attending charter schools versus those students attending our local public schools. In this slide I have pulled out our highest risk students. From an eligibility standpoint these are students with emotional support needs, autistic support needs, multiple disabilities, physically handicapped students, and life skills students. In many cases, these students are educated in self-contained classrooms or educated outside of the district at center-based programs such as IU classes, the Janus School, Devereux. Meeting the needs of these children is a major driver of our special education budget. Please understand that these outside placements can cost anywhere from \$25,000 to over \$100,000 a year.

When delving into charter school expenditures one will notice that charter schools, especially cyber charter schools, do not have these high center-based costs. This tends to be due to the fact that students with unique needs continue their education in their center-based setting which is funded by their local school district. In this slide I have highlighted district expenditures for these high need children in the 25 IU12 districts with 6 charter schools that we currently send students to. What you will notice is that 2 of the 6 charter schools have students who fall in

those eligibility categories but 4 charter schools spend no dollars on children in those categories. What this indicates is that local taxpayers are paying Cadillac prices to pay for a much lower need; enriching charter schools. In fact, the way the current calculation is structured, charter schools are incentivized to qualify children for a low-level need (speech IEP or learning support IEP) to receive a payment that is more than double the amount of their regular education per pupil expenditure.

The Heart of the Problem:
What is an equitable PDE 363 Calculation?
Does this funding process incentivize charter school SE identification?

Foldback #2

<ul style="list-style-type: none"> • $\\$14,744.33 \text{ (RW)} + \\$16,047.67 \text{ (SE)} =$ $\\$30,822$ • <small>Assumption in this calculation is that all SE students are educated in our district.</small> • The reality: The number of students are reduced out of district (EL, Home Based, Deveraux, Joons, etc.) SUSD currently // SE students that are educated in other placements (11% of our students). 	<ul style="list-style-type: none"> • $47 \text{ students} \times \\$14,744.33 =$ $\\$692,983$ lost to the calculation • This calculation error alone costs the SUSD over $\\$1,635$ per SE child attending a charter school
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The final area to consider when looking into the PDE 363 special education calculation is how the payment structure is calculated. You may remember that what a school district pays for each charter school student is based upon the average regular education ADM plus the average special education ADM. So, the regular education calculation is added to the special education calculation. By folding the regular education cost in with the special education costs, the PDE 363 calculation assumes that all special education students are educated in the school district; this is not the case. This year in the SESD alone, 47 special education students are being educated in placements outside the district (11% of our SE population) but we pay charter school tuition costs as if those students were being educated in our district. This year alone, if the SESD did not add in regular education costs for those 47 center-based students our taxpayers would save over \$1,600 per student (nearly \$50,000 in total savings). Again, these dollars lost in, what I would term an inequitable funding calculation, directly affect our organizations and our taxpayers.

Conclusion and Questions

As I conclude, I would like to reiterate my major points for this committee. If our goal is to be equitable with charter school funding we need to consider these two questions:

1. Which school district expenditures should be added to the list of deductions simply because our charter school counterparts do not have those expenditures? I had shared

outside tuition costs and athletics but there are many more that could also be considered.

2. How can we create a special education calculation that is based upon the need of the child and does not incentive charter schools to identify students in an effort to enrich their system?

As I close, I would like to reiterate that the purpose of this presentation is not to argue against school choice. We understand that choice is part of the educational landscape and provides parents with alternatives when a district is not meeting the needs of a student. That being said, I implore this committee to revisit the charter school PDE 363 calculation structure. This current draconian structure financially harms the local school district and taxpayer by paying excessive amounts money to charter schools to provide services that those charter schools do not provide. As these costs continue to rise, each school district must wrestle with how to make up the difference. For school districts this will mean millage increases, reduction of staff, or loss of programs.

I appreciate the opportunity to provide comments on this critical issue and look forward to working with the Senator Martin and this committee to come up with an equitable PDE 363 calculation that is fair and does not financially burden our local taxpayers.