Financing Special Education: Charter Schools, Encroachment, and Financial Burdens

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Does Charter School Competition affect Special Education?

Theory:

Special Education students are less likely to enroll in Charter Schools, leaving higher numbers of Special Education students at the Traditional Public School (TPS), with higher encroachment.

Strategy:

Compare the effects of different types of enrollment losses.

Encroachment: Diversion of unrestricted education funds to pay for Special Education services, experienced by most Michigan districts.

Model:

\[ Y_{st} = \beta_0 \text{(percentcharterloss)} + \beta_1 \text{(percentSOCloss)} + \beta_2 \text{(percentSOCgain)} + \beta_3 + \epsilon_{st}. \]

\( Y_{st} \) is alternately the percent of students with an IEP or the encroachment per total FTEs for school district \( s \) in year \( t \); \( \beta_i \) is year fixed effects; and \( \epsilon_{st} \) is an idiosyncratic error term.

Regression Results:

<table>
<thead>
<tr>
<th>Percent students with an IEP</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentcharterloss</td>
<td>0.151** (0.046)</td>
<td>0.089** (0.024)</td>
<td>0.148** (0.023)</td>
<td>0.107** (0.026)</td>
</tr>
<tr>
<td>PercentSOCloss</td>
<td>-0.061** (0.021)</td>
<td>-0.019* (0.011)</td>
<td>-0.047** (0.011)</td>
<td>-0.017 (0.012)</td>
</tr>
<tr>
<td>PercentSOCgain</td>
<td>-0.006 (0.001)</td>
<td>0.000 (0.000)</td>
<td>0.000 (0.002)</td>
<td>0.000 (0.002)</td>
</tr>
<tr>
<td>Ln(Total Resident Students)</td>
<td>0.001 (0.002)</td>
<td>0.000 (0.001)</td>
<td>0.000 (0.006)</td>
<td>0.000 (0.006)</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>District Fixed Effects</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.18</td>
<td>0.81</td>
<td>0.36</td>
<td>0.84</td>
</tr>
<tr>
<td>Observations</td>
<td>3,822</td>
<td>3,822</td>
<td>3,822</td>
<td>3,822</td>
</tr>
</tbody>
</table>

Note: Dependent variables are natural logs of the listed revenue variables. Robust standard errors are given in parentheses. ** p<0.01, * p<0.05.

One Example of the Financial Implications (2013)

Detroit Public Schools
- 18% with an IEP
- $1278/student encroachment (Compared to $500 state ave)
- $62 M Total Encroachment
- $35 M higher than average.

Encroachment per Total FTE, by Wealth Quintile

![Encroachment per Total FTE, by Wealth Quintile](chart)

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