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National and State Overview of Special Education Funding

Kansas Association of Special Education
Administrators

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Center for Special Education Finance (CSEF)

- **Initially funded by the US Department of Education**
- **Housed at American Institutes for Research (AIR), Palo Alto**
- **Started in 1992**
- **Purpose:**
 - *Measure special education costs/expenditures*
 - *Conduct special education finance policy analyses*
 - *Collect and maintain special education finance information*
 - *Disseminate information on special education costs and fiscal policies*
 - *Website: csef.air.org*

Special Education Finance National Policy Issues

- Rising enrollments
- Increasing costs
- Least restrictive environment
- General education encroachment
- Blended services/funds
- Pre-referral activities
- Accountability
- Full federal funding

Special Education Enrollments in the U.S., 1976-77 to 2003-04

School Year	Total Public and Private Enrollment, K-12	Total Special Education Population (ages 3-21)	Special Education as a Percentage of Total Public and Private Enr
76-77	49,478,000	3,691,833	7.5%
77-78	48,717,000	3,751,356	7.7%
78-79	47,635,000	3,889,061	8.2%
79-80	46,651,000	4,005,270	8.6%
80-81	46,208,000	4,141,794	9.0%
81-82	45,544,000	4,197,972	9.2%
82-83	45,165,000	4,254,793	9.4%
83-84	44,967,000	4,298,405	9.6%
84-85	44,908,000	4,315,094	9.6%
85-86	44,979,000	4,316,696	9.6%
86-87	45,205,000	4,373,638	9.7%
87-88	45,487,000	4,407,632	9.7%
88-89	45,430,000	4,492,643	9.9%
89-90	45,741,000	4,591,971	10.0%
90-91	46,451,000	4,710,089	10.1%
91-92	47,322,000	4,874,676	10.3%
92-93	48,145,000	5,035,778	10.5%
93-94	48,812,000	5,216,858	10.7%
94-95	49,610,000	5,377,867	10.8%
95-96	50,503,000	5,573,104	11.0%
96-97	51,375,000	5,729,408	11.2%
97-98	51,968,000	5,902,980	11.4%
98-99	52,475,000	6,054,266	11.5%
99-00	52,876,000	6,190,234	11.7%
00-01	53,385,000	6,295,449	11.8%
01-02	53,890,000	6,401,279	11.9%
02-03*	54,158,000	6,523,833	12.0%
03-04*	54,296,000	6,633,902	12.2%

* Total enrollment projected.

Special Education – Federal vs State/Local Roles

- Federal IDEA is the major blueprint for special education policy and law.
- However, implementation and funding come mostly from states and localities.
- National averages mask substantial variations in implementation at the state and local level.

Estimated Share of Special Education Funds Across States

- Primarily funded by states and localities
 - ◆ Local share ranges from zero to 80 percent. Average: 47 percent
 - ◆ State share ranges from 3 to 90 percent. Average: 45 percent
 - ◆ Federal share ranges from 4 to 21 percent. Average: 8 percent

As reported by 39 states (Center for Special Education Finance Survey, 1999-2000)

Federal Special Education Funding

- Part B of the Individuals with Disabilities Education Act (IDEA)
 - ◆ Authorized the federal government to fund up to 40 percent of the Annual Per Pupil Expenditure (APPE).
 - ◆ U.S. Department of Education calculations show that federal funds reached 17.1 percent of the APPE in 2002-03.

Federal Special Education Funding

- Dramatic Increases at the Federal Level
 - ◆ From \$4.3 billion in FY 1999 to \$10.1 billion in FY 2004, Part B funds more than doubled in five years.
 - ◆ Approximately \$1 billion increase annually since FY 2000.*

*FY 2000 represents the 2000-01 school year

Special Education Finance State Funding Formulas

- Funding formulas vary considerably in their general orientation as well as in the detailed provisions.
- There are five basic types of funding formulas.
- In addition, there are multiple types of allocation methods.

State Funding Formulas: Across the US in 1999-2000

- Pupil weights: 19 states
- Census-based: 10 states
- Resource-based: 7 states
- Percentage reimbursement: 7 states
- Variable block grant: 4
- Other: 3 states

State Funding Formulas: Pupil Weights

- State special education aid is allocated on a per student basis.
- Most weighting systems provide more funding for students expected to cost more.
- Funding weights are differentiated on the basis of student placement, disability category, or some combination of the two.

State Funding Formulas: Census-based

- Funding is based on a fixed amount, which all applies to all students, or against the school-age population.
- Not tied to special education count, disability type, category of service, or other student characteristics.
- Sometimes adjusted
 - e.g., for poverty (federal)
 - “degree of severity” (California)
- North Dakota is a census system with no obvious adjustment.

State Funding Formulas: Resource-based

- Funding is based on an allocation of specific education resources, such as teachers or classroom units.
- Resource-based formulas include unit and personnel mechanisms in which distribution of funds is based on payment for specified resources, such as teachers, aides, or equipment.

State Funding Formulas: Percent Reimbursement

- The amount of state special education aid a district receives is directly based on its expenditure for the program.
- Usually there is some basis for determining what costs are allowable, and there may be overall caps on the number of special education students who can be claimed for funding purposes.

Allowable GE Use of SE Funds

Fiscal Policies for the Use of State Special Education Revenues, 1999-2000

Fiscal Policy	Total Number (n = 50)	Percentage of States
Special education programs only	20	40%
Any public education service	11	22%
Special education and pre-referral services	9	18%
Any public purpose	2	4%
Other	8	16%

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000. Data for Georgia, New Hampshire, South Carolina, and South Dakota are based on their responses to the 1994-95 CSEF Survey on State Special Education Funding Systems.

Criteria for Evaluating State Special Education Funding Formulas

- Understandable
- Equitable
- Adequate
- Predictable
- Flexible
- Identification Neutral
- Reasonable Reporting Burden
- Fiscal Accountability
- Cost-Based
- Cost Control
- Placement Neutral
- Outcome Accountability
- Connection to Regular Education Funding
- Political Acceptability

Criteria for Evaluating State Special Education Funding Formulas

■ Understandable

- The funding system and its underlying policy objectives are understandable by all concerned parties (legislators, legislative staff, state department personnel, local administrators, and advocates).
- The concepts underlying the formula and the procedures to implement it are straightforward and “avoid unnecessary complexity.”

■ Equitable

- Student equity: Dollars are distributed to ensure comparable program quality regardless of district assignment.
- Wealth equity: Availability of overall funding is not correlated with local wealth.
- District-to-district fairness: All districts receive comparable resources for comparable students.

Criteria for Evaluating State Special Education Funding Formulas

■ Adequate

- Funding is sufficient for all districts to provide appropriate programs for special education students.

■ Predictable

- Local education agencies (LEAs) know allocations in time to plan for local services.
- The system produces predictable demands for state funding.
- State and local education agencies can count on stable funding across years.

■ Flexible

- LEAs are given latitude to deal with unique local conditions in an appropriate and cost-effective manner.
- Changes that affect programs and costs can be incorporated into the funding system with minimum disruption.
- LEAs are given maximum latitude in use of resources in exchange for outcome accountability.

Criteria for Evaluating State Special Education Funding Formulas

■ Identification Neutral

- The number of students identified as eligible for special education is not the only, or primary, basis for determining the amount of special education funding to be received.
- Students do not have to be labeled "disabled" (or any other label) in order to receive services.

■ Reasonable Reporting Burden

- Costs to maintain the funding system are minimized at both local and state levels.
- Data requirements, recordkeeping, and reporting are kept at a reasonable level.

■ Fiscal Accountability

- Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner.
- Procedures are included to contain excessive or inappropriate special education costs.

Criteria for Evaluating State Special Education Funding Formulas

■ **Cost-Based**

- Funding received by districts for the provision of special education programs is linked to the costs they face in providing these programs.

■ **Cost Control**

- Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner.
- Procedures are included to contain excessive or inappropriate special education costs.

■ **Placement Neutral**

- District funding for special education is not linked to where services are received.
- District funding for special education is not based on type of educational placement.
- District funding for special education is not based on disability label.

Criteria for Evaluating State Special Education Funding Formulas

■ **Outcome Accountability**

- State monitoring of local agencies is based on various measures of student outcomes.
- A statewide system for demonstrating satisfactory progress for all students in all schools is developed.
- Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results.

■ **Connection to Regular Education Funding**

- The special education funding formula should have a clear conceptual link to the regular education finance system.
- Integration of funding will be likely to lead to integration of services.

■ **Political Acceptability**

- Implementation avoids any major short-term loss of funds.
- Implementation involves no major disruption of existing services.

State Special Education Finance Systems and Expenditures Report

- Survey of states (1999)
- “Quality Counts” (2003)
- These State Reports contain:
 - Descriptions of the mechanisms used by states to fund special education services for school-age children with disabilities and
 - State-reported estimates of the total amounts of spending on these services from state, local, and federal funds.

Special Education Expenditure Project (SEEP)

- **What is SEEP?**

- *A national study of special education expenditures*
- *The State SEEPs*

- **Who is our sponsor?**

- *U.S. Department of Education, Office of Special Education Programs (OSEP)*
- *A Congressionally Mandated Study*

- **What do they want to know?**

- *Total special education spending*
- *How funds are used*
- *Relationship to general and total education spending*

- **What is the purpose?**

- *Inform Congress & for reauthorization of IDEA*

Special Education Expenditure Project (SEEP) Surveys

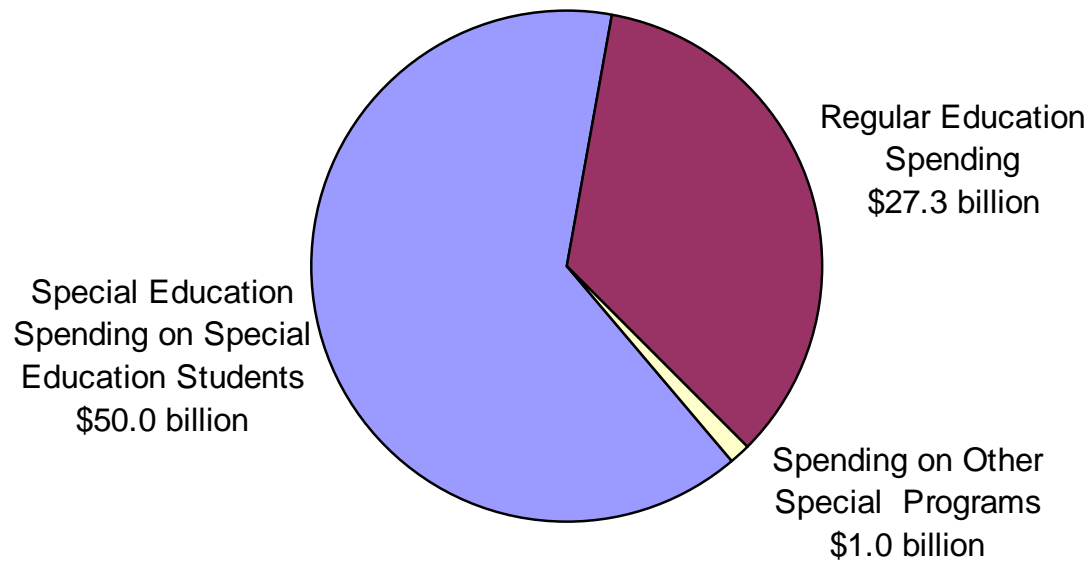
SEEP included 23 different surveys to collect data at the state, district, and school levels.

SEEP created databases from a sample of:

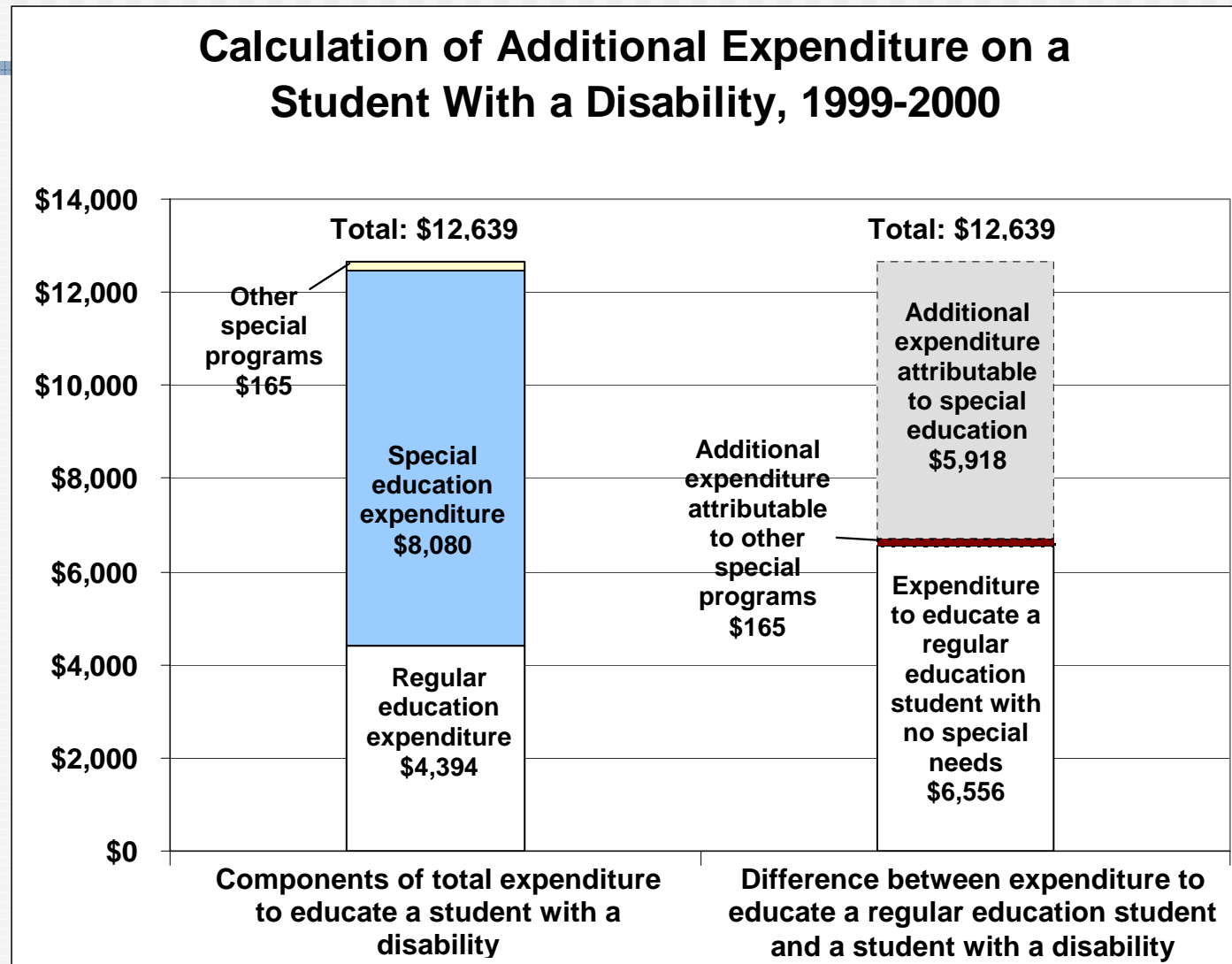
- 10,000 students with disabilities (a center piece for analysis)
- 5,000 special education teachers & related service providers
- 5,000 regular education teachers
- 1,000 schools
- 300 local education agencies

Special Education Expenditure Project (SEEP)

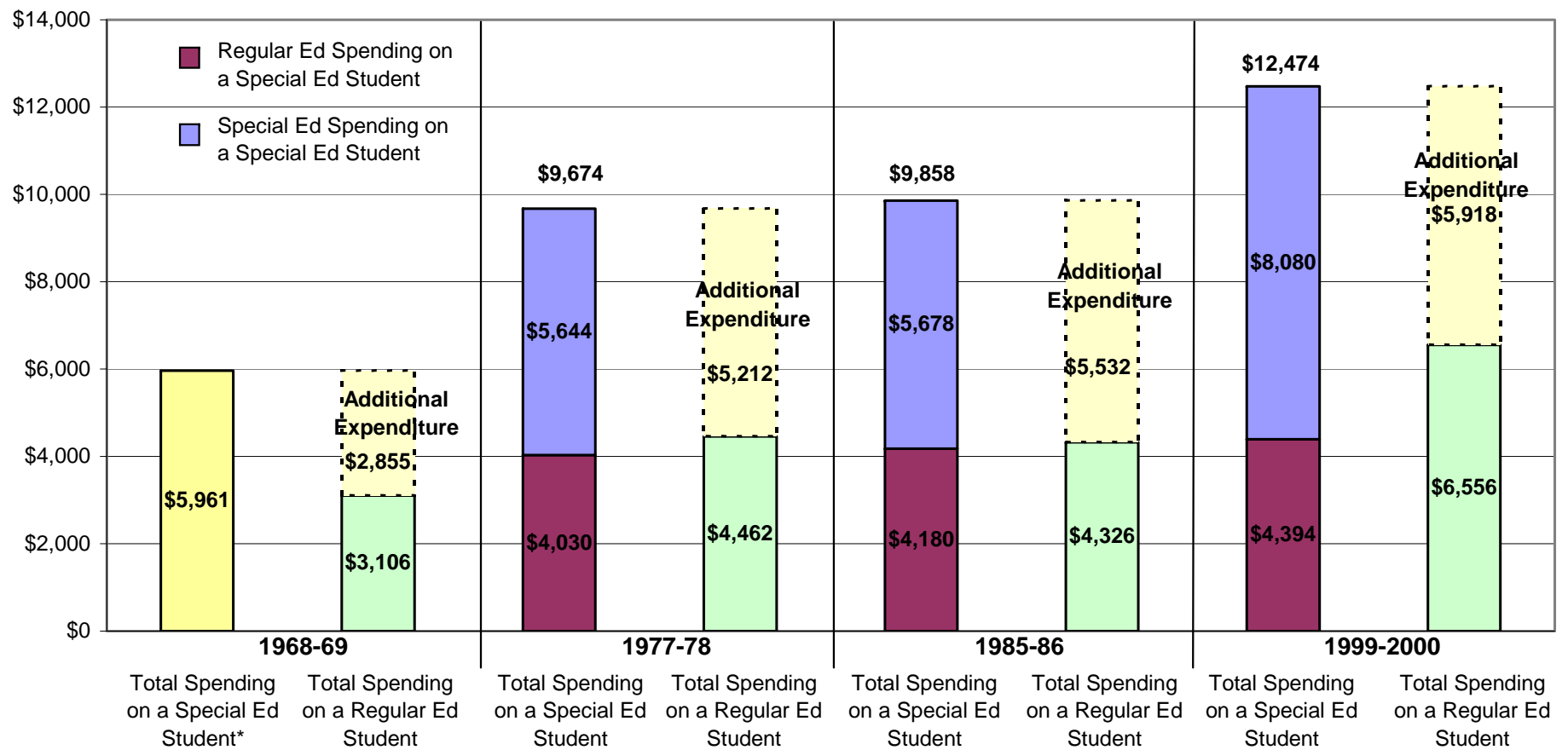
Total Spending On Students With Disabilities Who Are Eligible For Special Education Services in the U.S., 1999-2000



Special Education Expenditure Project (SEEP)

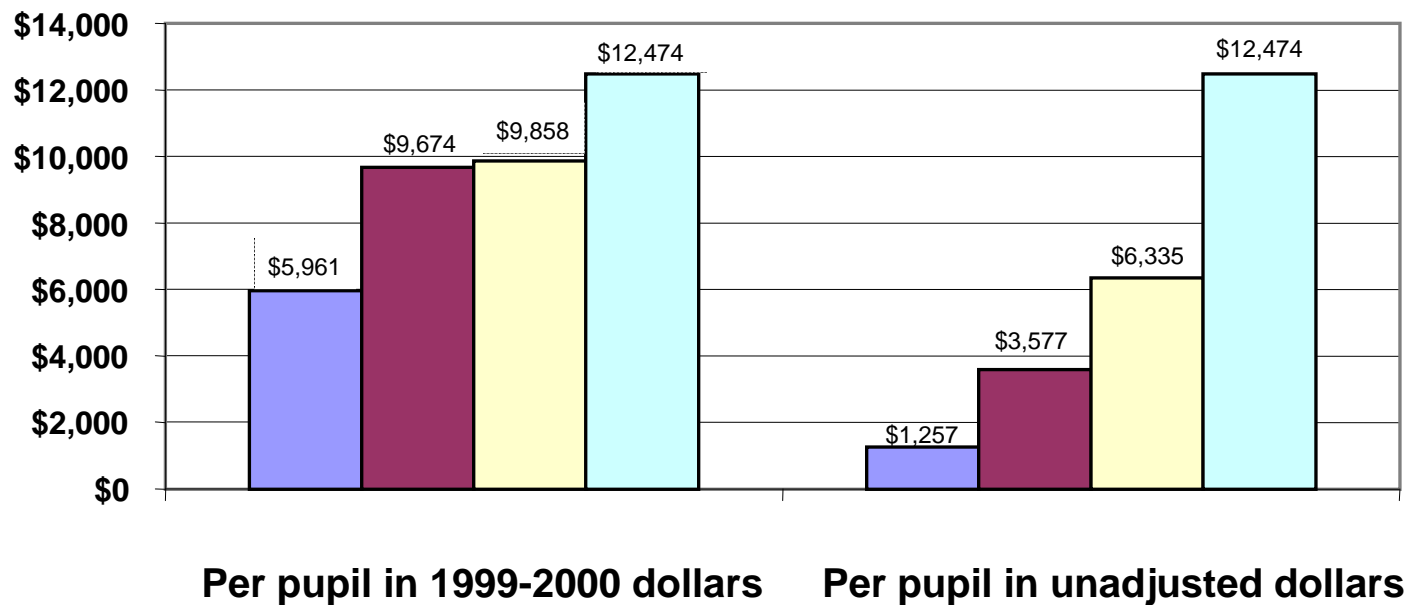


Changes Over Time in 1999-2000 Dollars



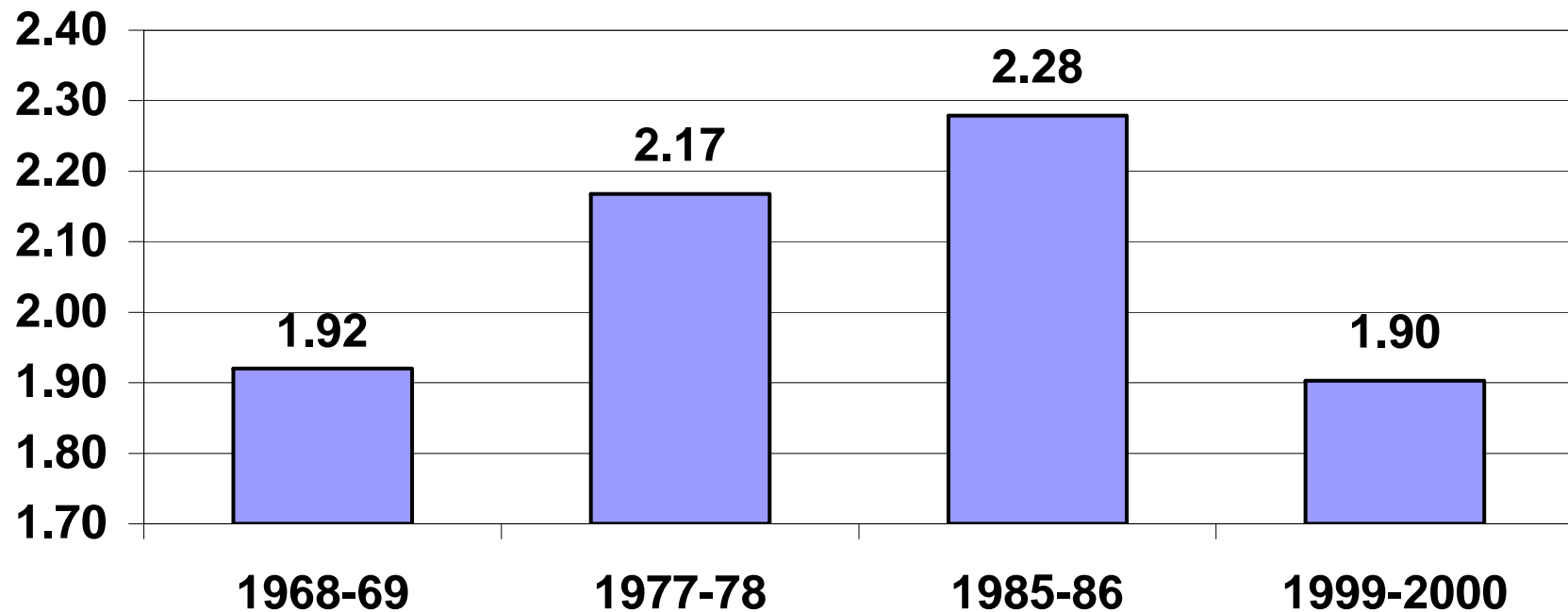
Special Education Expenditure Project (SEEP): Changes Over Time

**Changes In Total Spending Per Special Education Pupil Over Time
(68-69, 77-78, 85-86, 99-00)**



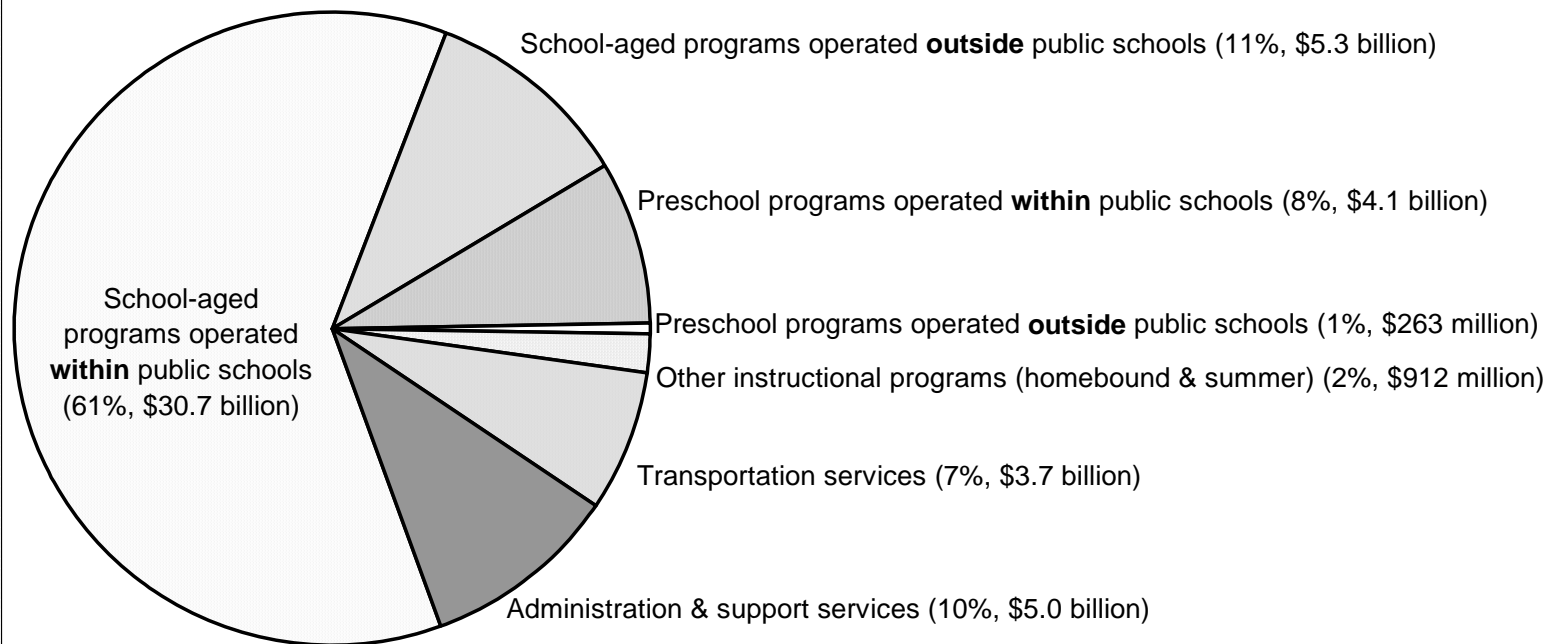
Special Education Expenditure Project (SEEP): Changes Over Time

Ratio of Spending Per Special and Regular Education Student Over Time

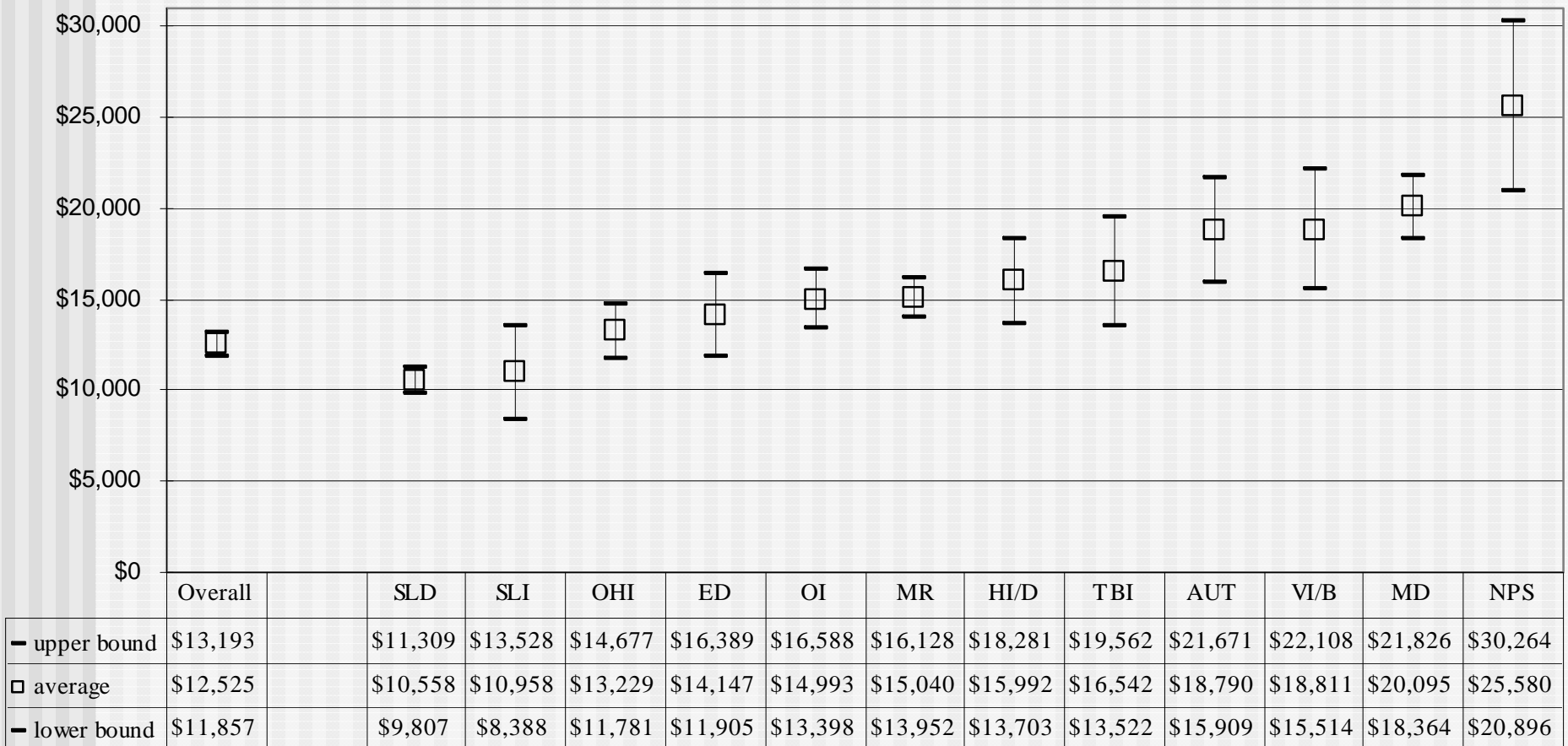


Special Education Expenditure Project (SEEP)

Allocation of Special Education Expenditures, 1999-2000



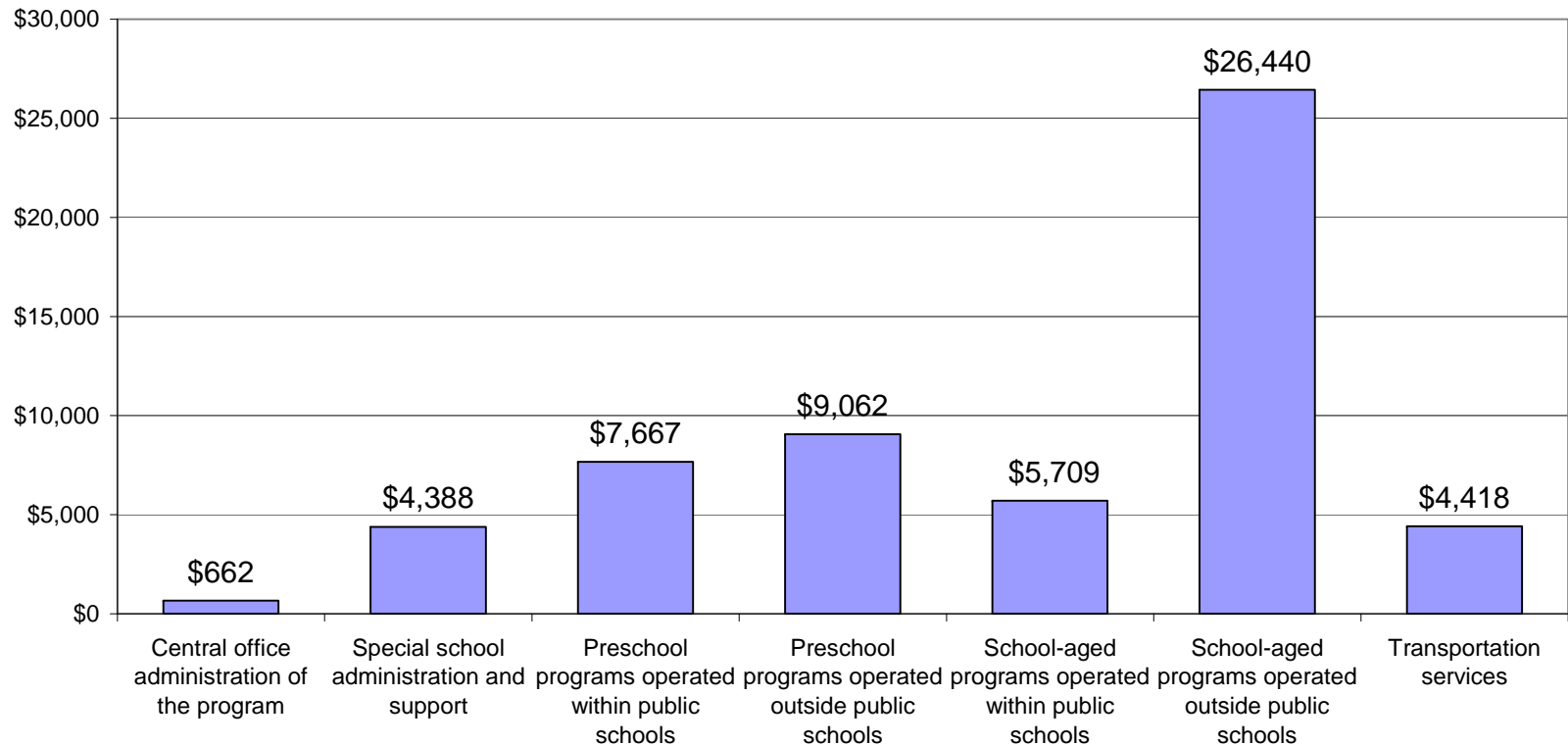
Special Education Expenditure Project (SEEP): Average Expenditure by Disability Category



Note: The overall average expenditure (\$12,525) differs from the amount in the prior slide due to excluding students served in the home or hospital.

Special Education Expenditure Project (SEEP)

Per Pupil Special Education Spending, 1999-2000



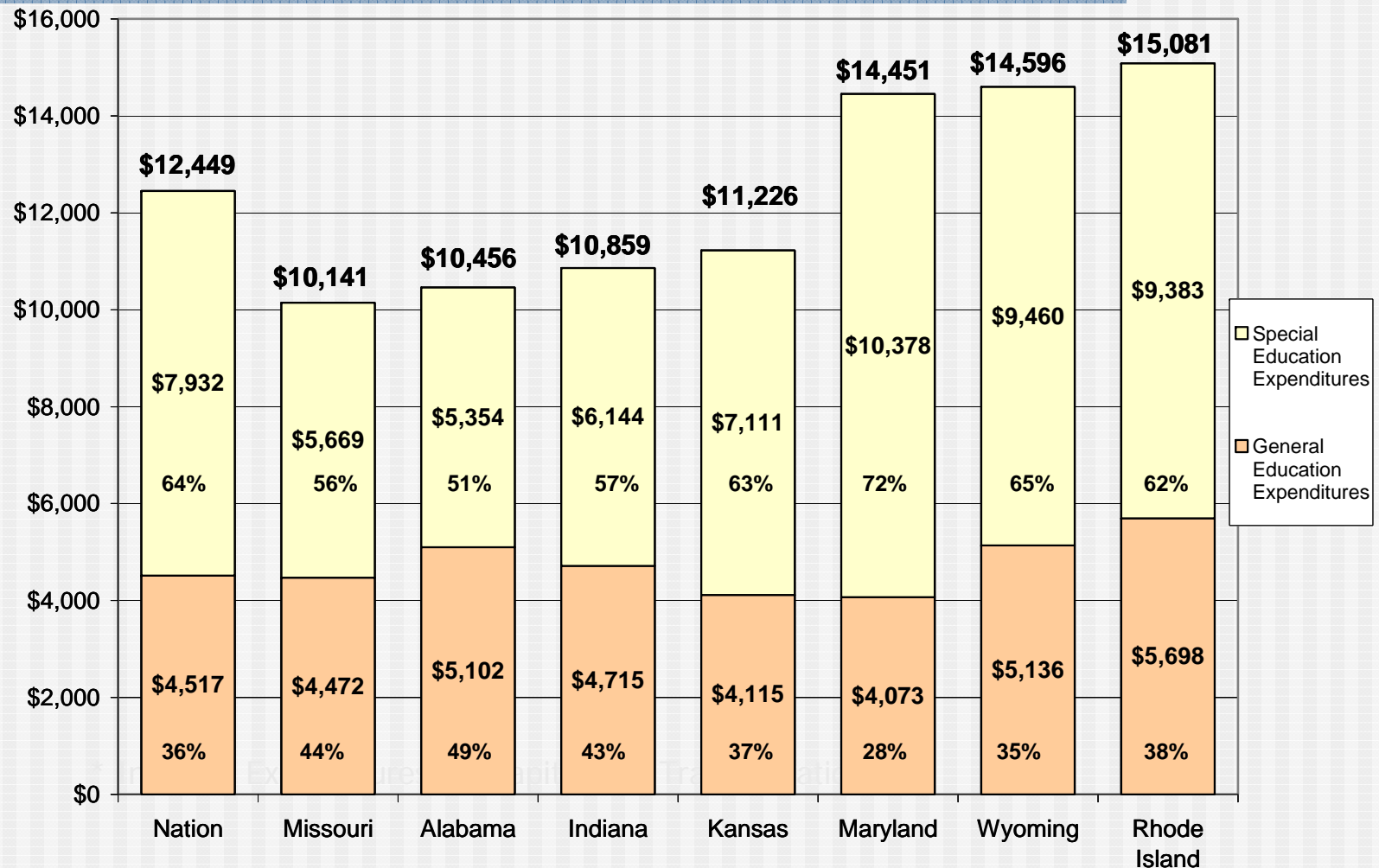
Special Education Expenditure Project (SEEP): Total Spending by LRE and Placement

- Controlling for student characteristics, total per pupil spending tends to be *higher* for students served in more restrictive environments. As compared to regular class:
 - 13.8 percent higher for a resource placement
 - 33.3 percent higher for special class placements
 - 111.1 percent higher for special school placements
- Severity of condition appears to have a direct and indirect effect on spending:
 - Higher severity results in higher spending
 - Higher severity results in increased likelihood of placement in more restrictive, more costly, placement

State SEEP Studies

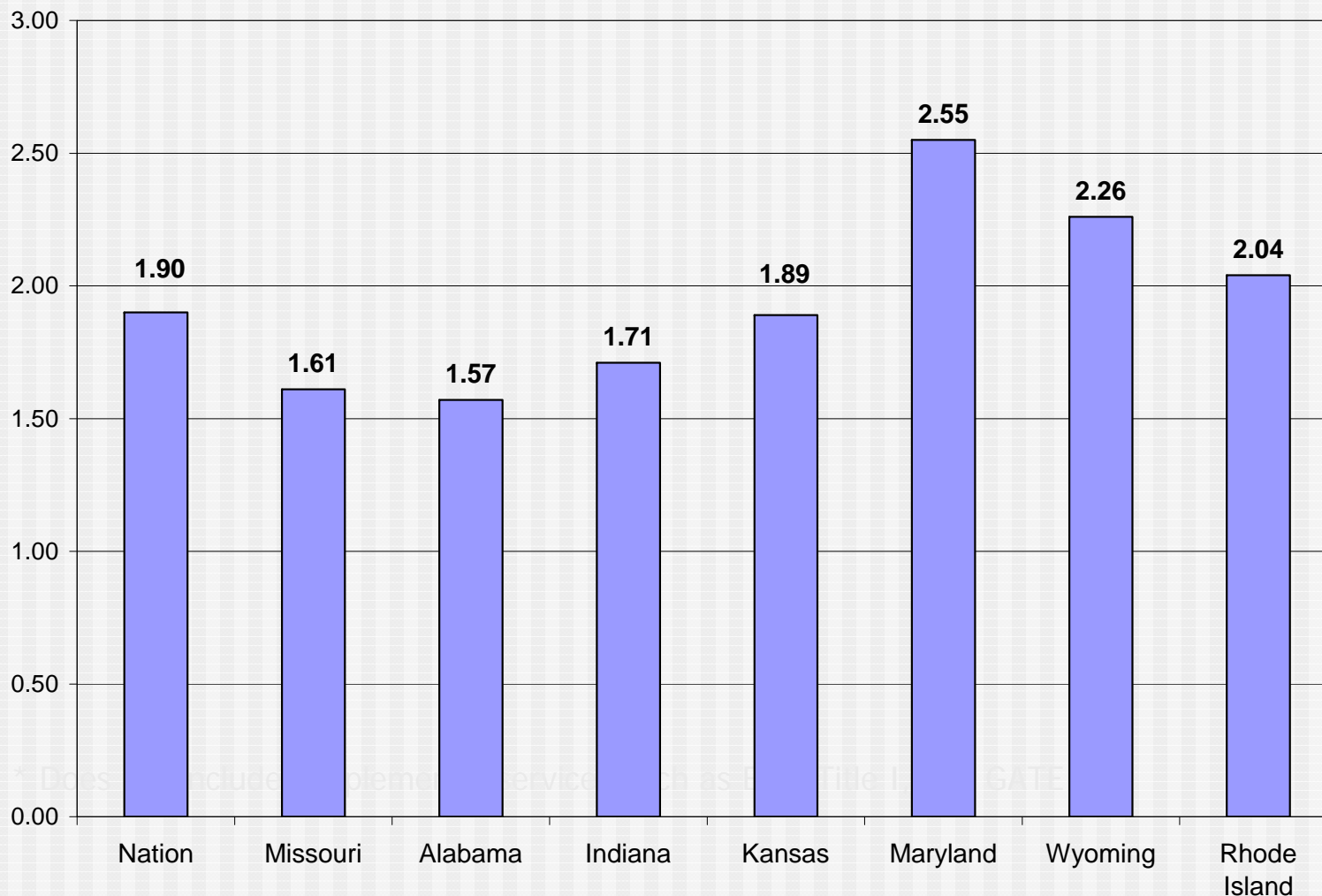
- All 50 states were invited to have their own SEEP study
- Expanded samples allow for reporting on individual state expenditures
- States in initial study:
 - Alabama, Delaware, Indiana, Kansas, Missouri, New Jersey, New York, Ohio and Rhode Island
- States/districts in second study:
 - Maryland, Wyoming, Milwaukee Public School District

Total Expenditures for Special Education Students Across SEEP States, 1999-2000 (Ages 6-21)



Note: National figure different from prior graph, as this slide shows expenditures for school-aged students.

Ratio of Total Expenditure per Special Education Student (Ages 6-21) vs. per General Education Student, Across SEEP States, 1999-2000



Special Education Spending vs Cost

- The **cost** of special education is not the same as how much are we **spending** on SE.
- Neither are easy to answer, but the cost question is by far more difficult.
- Cost is the minimum spending required to provide SE to a specified standard of service.

Special Education Adequacy

– How much is enough?

- Adequacy may be the next major fiscal policy focus for special education
 - What is appropriate?
 - How much is enough?
- This appears to be coming from:
 - Considerable variation in local practice
 - Concerns about rising costs
 - Increased emphasis on outcomes

Purpose of the Wyoming SEEP Study (2002)

- To define “adequate” resource guidelines for special education
- To determine how much is spent on special educational services
- To consider how to best fund special education in the context of first two objectives

Defining Adequacy in Wyoming

Recommended Staffing Guidelines, based on 2000-01 Student Population

Number of Students Per FTE Staff Based on:

Special Education Personnel	Number of Special Education Students Receiving the Service	Number of Special Education Students (n=11,772)	Average Daily Membership (Regular and Special) (n=85,426)
Special Education Teacher	n/a	16.5	120
Instructional Aide	n/a	13.8	100
Adaptive PE	34	689	5,000
Physical Therapist	37	896	6,500
Occupational Therapist	39	310	2,250
Related Service Aide	n/a	34	250
Speech Pathologist	40	114	825
Audiologist	14	1,378	10,000
Hearing Screening Technician	n/a	1,378	10,000
Vision Screening Technician	n/a	1,378	10,000
Diagnostic Staff	4	207	1,500
Guidance Counselor	15	172	1,250
School Social Worker	19	172	1,250
School Nurse	1	276	2,000

Defining Adequacy in Wyoming

Recommended Number of FTE Administrative Staff Based on District Size

Size	Average Daily Membership	Director, including Assistant Director	Secretarial Support
Large	3,500+	2	6
Medium	1,000-3,499	1	3
Small	550-999	1	1.5
Very Small	Less than 550	0.8	1

Goals of the NY Adequacy Study (2004)

- Estimate the cost of an adequate education
 - Pupil need
 - Scale of operations
 - Prices of comparable inputs
- Product: a cost estimate for each district in NY State

NY Study: Convene Professional Judgment Panels

- Panels of “highly qualified” educators supplied with assumptions regarding
 - Desired student outcomes
 - Student demographics
 - Other context variables
- Panels then asked to
 - Develop instructional programs
 - Specify nature and quantity of resources necessary to provide an opportunity for students to meet the specified outcomes

NY Study: Special Education Panels

Two special education panels were convened to specify the supplemental resources needed for special education students to meet the specified outcome standard

Georgia Special Education Funding Study (2005)

- Conducted for the Georgia Governor's Council on Developmental Disabilities
- Current system of weights based on a mix of segments, disability categories, and placements is unnecessarily complex and burdensome

Georgia Special Education Funding Study

Recommendations:

- Simple pupil weights (e.g., disability category or placement)

OR

- Census-based system with high-cost contingency fund

North Dakota Special Education Funding Study (current)

Current Approach:

- Census-based system, plus
- High-cost contingency fund

North Dakota Special Education Funding Study (current)

Issues:

- Inadequacy of funding overall
- System too reliant on high cost fund
- Fund is burdensome and under-funded
- Private placements – controlled by state – often charged to districts – depleting high cost funds

Washington Special Education Funding (Current)

- The Washington State Constitution says that the state is responsible for the full cost of special education services associated with “properly formulated IEPs.”
- Alliance districts argue that there is a gap between what the state provides and this obligation.

Washington Special Education Funding

- The state may argue that the funding it provides meets its constitutional requirement.
- If districts are spending more than what is being provided, perhaps this is due to the over-provision of services.

Washington Special Education Funding

- What is needed is a clear definition of “adequate” standards for special education service in Washington from which such concepts as the “cost of a properly formulated IEP” can be derived.

In Conclusion

- What is missing in virtually all states is a clear definition of “adequacy” in special education
- Adequacy of education funding is a major focus of discussion in many states now
- SE generally gets short shrift in such discussions
- Adequacy definition for SE could ensure proper support as well as potentially helping to control costs

Contact Information

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Questions?

Thank you.