

# the CSEF resource

Center for Special Education Finance

Summer 1999

## Refunded CSEF to Conduct New National Study of Special Education Expenditures

by Jean Wolman

The Center for Special Education Finance (CSEF) has just begun its seventh year of operation following the award of a new five-year contract by the U.S. Department of Education, Office of Special Education Programs (OSEP). CSEF will continue to conduct and disseminate research on critical, policy relevant issues related to funding programs and services for children and youth with disabilities. As before, CSEF's overall mission is to address fiscal policy questions and information needs related to the delivery and support of special education and to provide opportunities for sharing this information throughout the nation.

Not surprisingly, one of the most pressing needs identified during CSEF's first six years was for more recent, accurate information about the "real" costs of providing special education and related services across the nation. As we reported during this period, scrutiny of special education enrollments and costs escalated to new heights during the 90's—raising questions about rising special education expenditures and concerns of possible encroachment upon general education resources.

These issues, however, could not be fully explored in the absence of recent, accurate, and comparable information on special education costs. Indeed, the last national expenditure

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study was conducted well over a decade ago—during the 1985–86 school year.

Consequently, we are pleased to report that a major national special education expenditure study will be the major component of CSEF's work plan over the next few years. Planning and design of the *Special Education Expenditure Project*—hereafter referred to as SEEP—is already

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### About CSEF

The Center for Special Education Finance (CSEF) was established in October 1992 to address fiscal policy questions related to the delivery and support of special education services throughout the United States. CSEF has been recently refunded to continue to meet these information needs and to conduct the first comprehensive, nationally representative study of special education spending to be undertaken in more than a decade.

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## An Invitation to States: Enhanced Participation in SEEP

- Can your state provide solid estimates of its special education costs?
- Does your state know how its special education resources are used?
- Would your state like to understand the relationship between special and general education funding?
- Does your state know how its special education expenditures compare with those of other states or how select districts compare with like districts across the nation?
- Can your state collect, analyze, and interpret data related to the costs of special education?

If you answered “no” to any of these questions, you may be interested in our invitation for extended participation in the Special Education Expenditure Project (SEEP).

***We can over-sample your state.*** Because 250 randomly selected LEAs will participate in SEEP, it is likely that one or more districts from your state will be included in this sample. However, over-sampling would allow your state to include additional school districts and/or schools in the study. This might

furnish several important benefits to your state, such as providing:

- data that are representative of your state
- data for your state and school districts that are directly comparable to data that have been collected and compiled for other districts and states
- assistance in building local capacity to compile similar types of data over time for your state and participating districts.

Although the full development costs of the SEEP and the cost of data collection and analysis from the base sample are paid by the U.S. Department of Education, states wishing to oversample will have to bear some of the additional costs of data collection, analysis, and reporting. A letter describing this opportunity was sent to each state director of special education in June.

If you are interested in exploring what might be done in your state and obtaining a more precise definition of what it would cost, please contact CSEF staff Dan Kaleba, Jay Chambers or Tom Parrish at (650) 493-3550, or e-mail us at [csef@ca.air.org](mailto:csef@ca.air.org). We hope to hear from all interested states by the end of July.

# California Adjusts New Census-Based Funding Formula

by Daniel Kaleba

California, like several other states and the federal government, recently adopted a census-based formula for funding special education programs and services. Under the new formula, special education funding is based on *total district enrollment*. This is in contrast to the prior resource-based formula, which was linked directly to “units” of special education services provided to special education students. California enacted the new formula to ensure greater equity in funding, to avoid unnecessary complexity, and to eliminate financial incentives to inappropriately place students in special education.

A potential problem with unadjusted census-based systems, however, is that they are based on an assumption of an equal prevalence of students requiring special education services across jurisdictions. In fact, one rationale for providing equal funding to districts or states of equal size is the assumption that their incidence rates for students with disabilities are approximately the same, and that these true *incidence* rates are often not well reflected in local *identification* rates.

To test this assumption, a joint committee of the California Legislative Analyst’s Office, the California Department of Education, and the California Department of Finance contracted with

CSEF staff at the American Institutes for Research (AIR) to conduct a “Study of Incidence of Disabilities.”

The purpose of the study was to determine whether students with severe and/or high cost disabilities were evenly distributed among the school-age population of California’s special education local planning areas (SELPA). If the incidence of these disabilities across SELPAs was found to be uneven, the research team was to recommend a method for adjusting the state’s new census-based funding formula.

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***“...variation across SELPAs of both low-incidence and high cost students was far greater than could be expected by chance.”***

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## Severity Analysis

The first challenge of this analysis was to define “severe and/or high cost disabilities.” We ultimately constructed two models of “severity” to test the variability of incidence across SELPAs. The first model analyzed the distribution of students across SELPAs defining severe as including all low-incidence categories of disability. The second model analyzed the distribution of “high cost” students across SELPAs, as described in the following section.

Using both models, the analyses demonstrated that the variation across SELPAs of both low-incidence and high cost students was far greater than could be expected by chance.

Interestingly, the SELPA rank based on the proportion of students with low incidence disabilities is only partially related to the rank based on the proportion of high cost students. In almost a fifth of all cases, a SELPA’s rank changes radically when shifting from one criterion to the other. The presence of a larger proportion of students with low incidence disabilities did not necessarily forecast demand for larger levels of resources, nor did the presence of many high cost students indicate identification of large numbers of students with low incidence disabilities.

We determined, therefore, that counts of severe and/or high cost students could not be based on categories of disability alone due to the diverse mix of students and student needs across disability categories. To illustrate the ambiguity of these categories, California’s incidence by disability differs substantially from that found across the nation despite relatively clear federal definitions of these disability categories (Table 1).

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## Feature

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**Table 1 – California vs. U.S. Average Cost Estimates and Incidence Rates**

Disability	Average Cost Per Student		Percent Special Education Enrollment	
	California Estimates*	National Estimates**	California	Nation
<b>Severe</b>				
MR	\$11,164	\$8,393	5.7%	11.6%
HH	\$13,128	\$9,530	1.0%	1.3%
DEAF	\$20,575	***	0.6%	***
VI	\$19,252	\$8,982	0.7%	0.5%
DB	\$32,323	\$33,544	<0.1%	0.0%
OI	\$17,384	\$9,225	2.2%	1.2%
MH	\$21,442	\$12,844	1.1%	1.8%
AUT	\$18,037	\$13,902	1.0%	0.5%
TBI	\$15,141	\$33,500	0.1%	0.2%
<b>Non-severe</b>				
SLD	\$5,574	\$4,865	55.7%	51.4%
SLI	\$2,659	\$3,286	26.3%	20.6%
SED	\$17,579	\$8,251	3.1%	8.6%
OHI	\$7,510	\$9,751	0.01%	2.2%

\* Cost simulation model from the California “Study of Incidence of Disabilities”

\*\* Data from 1985–86 adjusted to 1996–97 dollars (Moore et al., 1988)

\*\*\* Federal data combine the California disability categories of “deaf” and “hard of hearing”

## Analysis of High Cost Students

The purpose of this analysis was to develop a uniform set of procedures for measuring variations in the intensity of services received by students across California. We constructed a model that compared the number of students receiving special education services to the number of special education personnel providing these services. The analysis drew from two primary data sources:

- *California Special Education Management Information System (CASEMIS)*—data on disability, placement, related services received, SELPA of residence, demographics, and residential status
- *Special Education Personnel Data Report*—data on numbers of teachers, administrators, and other certificated staff providing special education services

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Tom Parrish, CSEF Director, led this study, as well as its companion study, “Study of Nonpublic Schools and Agencies.” Both reports are available via the Internet on the California Legislative Analyst’s Office Web page: <http://www.lao.ca.gov/>

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Using these data, we calculated standardized costs for all of the instructional services and placements coded in CASEMIS. We also uniformly applied multipliers to reflect nonpersonnel and administrative costs. Consistent with the standardized approach and because we did not have data on length or intensity of service, students receiving speech in rural SELPAs would show the same

**“...an adjustment should not simply reward SELPAs that have spent a lot of money in the past or to necessarily encourage them to spend a lot in the future.”**

By aggregating individual program and service costs, we were able to calculate a unique total cost for each special education

SELPA expenditures. We used services provided, rather than expenses incurred, as the basis for estimating student costs. The research team and the Advisory Committee considered it essential that an adjustment should not simply reward SELPAs that have spent a lot of money in the past or to necessarily encourage them to spend a lot in the future.

**Adjustment Recommended**

Based on the finding that severe and/or high cost students are not randomly distributed throughout the state, it was recommended that California adjust its funding formula to account for differences in the distribution of “high cost” students. The suggested adjustment was based on the relative percentage and the total costs of serving high cost special education students in each SELPA.

We created a “severity service multiplier” for each SELPA in the state based on the characteristics and services received by special education students. This recommendation was approved by the California Legislature and enacted into law in September 1998.

**Table 2 – Estimated California Average Program Cost Per Student for a Sample of Services and Placements**

Services and Placements	Program Cost Including Administration
Language & Speech	\$1,334
Physical Therapy	\$1,096
Special Day Class (HH)	\$14,701
Special Day Class (MR)	\$9,355

standardized service cost estimate as that applied to students in urban SELPAs. Table 2 shows the student costs for a sample of California special education placements and services.

student in California. We were able to analyze variations in the distribution based on these individuals’ cost estimates.

It is important to note that these calculations are not based on

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## RESOURCES AND PUBLICATIONS

### ■ **Special Education Finance Bibliography**

*Martin S. Leshin and Jean M. Wolman*

CSEF recently published an annotated bibliography of current literature on key issues related to special education finance—an update of our 1993 bibliography. The topics covered include: (1) special education policy and reform at the federal, state and local levels; (2) funding formulas: incentives for placements and delivery systems; (3) fiscal implications of inclusion; (4) special education cost analysis; (5) equity and judicial issues; (6) integration of special education with other categorical programs and general education; and (7) general education finance. The bibliography is available on our website. Each citation is linked to its annotation and, where possible, to the complete publication or an ERIC reference.

### ■ **The Patterns of Services Provided to Students with Disabilities**

*Jay G. Chambers*

This paper examines the patterns of variation in services delivered to students with disabilities in relation to student characteristics, and illustrates how student needs relate to patterns of service and expenditure. The study uses data on a sample of individual students to better understand the diversity of student needs and the associated patterns of expenditures. It examines student needs in terms of the resources required to meet them, explores the implications of service configurations on the costs of providing services to different types of students, and indicates future directions of policy and research.

### ■ **What Can We Learn from State Data Systems about the Cost of Special Education? A Case Study of Ohio**

*Jay G. Chambers and Jean M. Wolman*

Using datasets provided by the Ohio Department of Education, this paper explores what can be learned from state data systems about spending on special education. It focuses on methodological issues that must be addressed in determining special education costs and describes the kinds of data and data systems needed to address these issues. Using Ohio as a case study, the remainder of the paper evaluates the potential for using databases developed by state departments of education for estimating expenditures

of special education services. It suggests that data of the kind available in Ohio can shed light on sources of variation in per pupil expenditures for different categories of special education students. However, few states maintain databases that can provide accurate, comparable estimates of special education expenditures at the state or federal level.

### ■ **CSEF staff edit new book: Funding Special Education**

*Thomas B. Parrish, Jay G. Chambers and  
Cassandra M. Guarino, editors*

The American Education Finance Association (AEFA) released its 1998 yearbook this past November, devoted to a range of issues in special education fiscal policy. CSEF staff edited the volume and, along with other experts in the field, contributed several chapters.

*Funding Special Education* addresses changes in special education finance in the past few decades; assesses the status of existing funding systems and reform measures through case studies of Pennsylvania, New York State and New York City; and provides projections and recommendations for new developments in the field.

For order information call Corwin Press, Inc. at (805) 499-9774, or order online at [www.sagepub.com](http://www.sagepub.com) (order number DB800-6624-5).

### ■ **Funding of Special Education in the United States and England and Wales**

*Thomas B. Parrish and Tony Bowers*

This chapter will appear in the upcoming book from Routledge Press entitled, *Special Education and School Reform in the United States and Britain*. The authors examine the key policy concerns facing the United States and England and Wales in the area of special education finance. They find that while the methods of identifying special needs students and the degree of entitlements they are provided vary significantly between the two systems, they are both grappling with issues of controlling growth, making distinctions between categories of students and the levels of services to which they are entitled, and the need to foster greater trust between service providers and parents.

## New National Study

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underway, in collaboration with OSEP and a team of expert advisors.

### What is SEEP's Purpose?

The SEEP will address a variety of research questions about how federal, state, and local funds are used to support programs and services for students with disabilities. It will pay special attention to the impact of fiscal provisions enacted under the 1997 reauthorization of the Individuals with Disabilities Education Act (IDEA), such as new fiscal requirements regarding placement in the least restrictive environment (LRE), increased requirements for mediation in dispute resolution, and increased flexibility to blend funds for schoolwide programs.

In addition to determining the total and per pupil amounts spent on special education and related services throughout the U.S., the study will increase understanding of overall patterns of allocating resources to students with disabilities. It will explore the fiscal relationship between special and general education programs, the effectiveness of the distribution of Part B preschool funds to local education agencies, and other directed research questions.

For the first time in almost 15 years, a nationally representative sample of states and school districts will provide comprehensive and comparable data on special education expenditures. These data will in turn provide up-to-date answers to key research questions and meet pressing

information needs of special educators and policymakers across the nation. In addition to the SEEP's random sample of approximately 250 school districts and intermediate educational units, all states will be offered the opportunity to include additional school districts or schools in order to obtain additional data representative of their state. In addition, opportunities to improve local capacity to collect and utilize such data will be provided to all participating school districts and states. [See page 2: "An Invitation to States."]

### What is CSEF's Role?

The SEEP is being conducted by CSEF staff. In addition, the Center will provide an outlet for the synthesis and dissemination of SEEP findings, with an emphasis on their policy implications. The Center will also have a longer term research agenda, as well as conducting ad hoc analyses in response to inquiries by OSEP. Last, but not least, CSEF will continue to share research findings and provide technical support related to fiscal policies for funding programs and services for children and youth with disabilities. CSEF will continue its comprehensive dissemination program, issuing a biannual newsletter, policy briefs, and research papers both online and in print.

Specific topics to be addressed by CSEF and SEEP over the next few years include:

- Alternative state funding formula provisions
- Use of federal funds to support school improvement and reform programs
- Resource allocation strategies for improving achievement
- Use of special education funds for schoolwide reform and improvement
- How funds retained at the state and local levels for administrative purposes are used
- How districts and schools make decisions about resource allocation
- State and district sub-allocations of federal special education funds
- Preschool special education costs and fiscal policies

### Who is CSEF/SEEP?

**Dr. Thomas B. Parrish and Dr. Jay G. Chambers, co-directors of CSEF since 1992, will direct CSEF and SEEP, respectively. They have collaborated for almost two decades on studies related to school and special education finance and policy. They will direct a staff of experienced researchers, with support from a Technical Work Group and a team of well known consultants in special education finance and policy. The projects will operate under the auspices of AIR's Education and Public Sector Finance (EPSF) Group, which Drs. Chambers and Parrish co-direct.**

Perspective

What are the Costs of Special Education?

by Thomas Parrish

Every day we hear new claims regarding the costs of special education. We read that costs are “skyrocketing” (U.S. News and World Report, 1993) and that special education is eating into general education revenues (Rothstein and Miles, 1997). The actual patterns of cost, however, are not as clear as these claims suggest.

A requirement of the states to report special education expenditures was dropped over 10 years ago out of concern for the accuracy of the data. These concerns were confirmed when, in response to a CSEF survey, only half the states said they could estimate special education expenditures, and only half of those said they could do so with a “high degree of confidence.”

The good news is that after nearly a 15-year hiatus we are about to embark on another national special

education expenditure study (see cover story on SEEP). At best, however, this new information will be available in about 18 months. What can we say *now* about special education spending?

The last national study (Moore, et al., 1988) estimated total expenditures for the average special education student to be 2.3 times that of the average general education student. In terms of total national cost, the number of special education students has grown from 7.5 percent of public and private school enrollments in the fall of 1977 to 11.6 percent in 1996.

This percentage has grown gradually but steadily and consistently since the passage of IDEA. The majority of this growth has been enrollment of children with specific learning disabilities, which added more children over

the past decade than all of the other disabilities combined. Overall, since under-identification of special education students was clearly an issue in 1997, much of this growth was expected.

However, the fact that special education enrollments have continued to increase virtually every year since 1977 is a growing concern.

As special education enrollments rise, so do costs. While the federal government and a number of states have adopted new approaches to funding special education which have removed fiscal incentives for added identification, other factors appear to contribute to increasing special education enrollments. Rising enrollments, coupled with state efforts to control expenditures, appear to be increasing the local share of special education costs (Parrish, et al., 1997). Although the federal contribution has risen considerably over the past several years, it is estimated to constitute less than 10 percent of total special education spending. Thus, a considerable increase in the federal share would be needed to provide much local relief.

The expenditure study now underway will hopefully shed considerable insight into the current costs of special education, as well as changes in cost over time.

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