

# the CSEF resource

Center for Special Education Finance

Winter 1999-2000

## New York State Changes Special Education Funding

by Thomas B. Parrish

After several years of considering census-based funding,<sup>1</sup> New York has instead made major modifications to its long-standing special education finance formula—a student weighting system based on placement.<sup>2</sup> Added to this prior system are a number of innovative components. As described by the State Director of Special Education, Lawrence Gloeckler, “these changes have been made to promote the placement of students with disabilities in less restrictive settings and to comply with the requirements of the federal Individuals with Disabilities Education Act (IDEA)” (Gloeckler, 1999).

### New LRE Placement Incentive

Of particular interest is additional support for “students with disabilities who receive special education programs or services 60 percent or more of the school day and are provided such services in the general education setting by qualified personnel” (Gloeckler, 1999). Under the prior formula, all students who were determined to require 60 percent or more of the school day in a special

class were eligible to generate a special services weighting of 1.7 times the base funding amount—from \$5,081 for a low wealth district to \$1,563 for a high wealth district for the 1999-2000 school year (New York State Education Department, 1999). Even though placement “in a special day class” was specified under the old provisions, the Department had ruled that special education students receiving direct services from qualified special education personnel for 60 percent or more of the school day in a general education class could also qualify for this supplemental aid. However, this less restrictive approach to qualifying for the 1.7 funding weight was not commonly used (see table on page 7).

In addition, New York school districts have historically relied much more on restrictive placements than their counterparts across the nation. For example, according to the New York State Education Department, during the 1997-98 school year, 34.8 percent of school-age students with disabilities spent 60 percent or more of their school day in separate classrooms as compared to the national average of

21.4 percent (for 1996-1997).

Although New York opted to retain its placement-based funding formula,<sup>3</sup> it countered concerns of possible fiscal incentives for more restrictive placements by including a fiscal incentive for providing intensive services to students within the general classroom. The new formula provides an additional .5 funding weight, beyond the base 1.7, for “those students with disabilities who receive special education programs or services 60 percent or more of the school day and are provided such services in the general education setting by qualified personnel” (Gloeckler, 1999).

These provisions will stay in place through the 2001-02 school year, at which time they will “sunset.” In the meantime, the Commissioner of Education must submit a report comparing the aid available for children placed in separate and integrated settings to the costs of providing services in these two different settings. This information will assist in determining modifications to the state’s special education funding formula beyond the 2001-02 school year. The New York State

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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 refunded to continue to meet these information needs and to conduct the first comprehensive, nationally representative study of special education spending in more than a decade.

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## Special Education—At What Cost to General Education?

by Thomas B. Parrish

Questions about the impact of rising costs of special education on general education programming are among the most contentious issues faced by the public education community today. In “Irreconcilable Differences? Defining the Rising Conflict Between Regular and Special Education,” Meredith and Underwood (1995) raise the issue of resource competition between these two groups of students as a major concern. They conclude that “the cost of educating disabled students...is threatening our ability to educate nondisabled students in many districts and, therefore, is placing the entire public education edifice potentially at risk.”

In Vermont, the Blue Ribbon Commission on Special Education Costs, set up by the Legislature in 1998, concluded that “the cost of special education is rising at a rate that Vermont cannot sustain...cost-containment must become a system-wide priority.”

In California, the Governor currently faces claims against the state from school districts for \$1.9 billion for insufficiently funding special education. As described by the *Los Angeles Times* (1999, November 1), “finding ways to pay for special education services has become a crisis in many school districts as numbers of qualified students have increased. Since 1990, when Riverside County schools first sued, the population of special education students has almost doubled statewide.”

Similarly, Wisconsin’s recent *Evaluation of Special Education Funding* (1999) reports rising special education costs of nearly 37 percent between 1992-93 and 1997-98 and special education enrollments

growing by 19 percent in relation to public school enrollment increases of just over 6 percent.

These developments seem to support the findings of Rothstein and Miles (1995) in their well-publicized report, *Where’s the Money Gone?*

**“...the contention that higher special education spending eroded general education budgets is not borne out by either of these two studies.”**

Analyzing nine school districts between 1967 and 1991, they found that expenditures going to general education had dropped from 80 percent to 59 percent, while the share going to special education had climbed from 4 percent to 17 percent. In a similar analysis of spending in New York, Lankford and Wyckoff (1999) found that the share of resources spent on general education teaching fell from 53 percent in 1979-80 to 49 percent in 1992-93, while the share of resources spent on special education more than doubled—from 5 to 11 percent.

### Understanding the Problem

Based on the above, the evidence supporting concerns about rising special education costs and their deleterious effects on general education seems irrefutable. However, before considering possible policy interventions, a better understanding of these expenditure trends is in order. First, the findings of Rothstein and Miles (1995) and Lankford and Wyckoff (1999) track changes in special education vis à vis general education spending from a time close to the passage of the federal Individuals with Disabilities Education Act (IDEA) in 1975

well into the future (12 to 24 years).

At the time IDEA was passed, it was widely acknowledged that this landmark legislation was needed because many students with disabilities were unserved or underserved.

IDEA represents a monumental national commitment to provide “free and appropriate public education” to all students with disabilities. No one doubted at the time, or should have been surprised later, that this national commitment required considerable additional investments in public education.

Despite the magnitude of this commitment, however, the contention that higher special education spending eroded general education budgets is not borne out by either of these two studies. To the contrary, Rothstein and Miles report that real spending per general education student (factoring out special education dollars) *actually rose* at an average annual rate of about 1 percent over this 25 year period. Lankford and Wyckoff also find gains in real spending for general education students. It is especially important to point out that these real gains in general education spending occurred despite the fact that the most costly-to-educate students were increasingly being pulled out of general education to receive customized instruction in special education.

In subsequent analyses, Rothstein (1997) revisited these nine districts

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## At What Cost *(continued from page 2)*

to track resource allocation patterns across general and special education from 1991 to 1996—a period sufficiently distanced from the initiation of the IDEA to ensure that he was not simply capturing costs associated with previously unserved or underserved students. For this time period, he reports that special education's share of total spending rose by only 1.2 percent (from 17.8 to 19 percent).

Although this growth is considerably more modest than prior years when the IDEA was still being fully implemented, it raises the question of why this growth continues. In considering appropriate policy interventions, it is important to understand the extent to which it is a function of rising special education enrollments or simply growing expenditures on a fixed set of students.

Although we do not really know the national expenditures on special education or the extent to which they have been rising over time,<sup>1</sup> the evidence cited above suggests that changes are occurring. The magnitude of these changes and the extent to which they are due to increasing special education enrollments as opposed to increasing expenditures on individual special education students are critical factors in considering alternative policy interventions.

In attempting to distinguish between these two factors, Lankford and Wyckoff (1999) found that in New York (excluding New York City) 90 percent of rising special education expenditures were due to rising enrollments and only 10 percent to increasing expenditures per student. However, for New York City, they found almost an opposite pattern with only 15 percent of rising costs attributable to changes in special education enrollments.

In the Wisconsin study, all increases in special education spending were found to be due to rising special education enrollments, with special education expenditures per student actually growing at a slower rate than those for general education students (15 percent compared to 18 percent). In the California lawsuit described above, the major factor cited as driving increased special education expenditures is a doubling of the statewide special education enrollment from 1990 to the present.

Nationally, special education as a percentage of total K-12 enrollments has continued to rise virtually every year since national data were first collected in 1976-77 (see table on page 6). Over the decade 1987-88 to 1996-97, the proportion of school-age children in special education has increased by about 19 percent.

### Possible Policy Interventions

It is tempting to make special education the “whipping boy” in response to concern over rising costs. However, as much of the growing expenditures on special education seem attributable to continuously rising identification rates, it is insufficient to look to special education alone for the solution. For the most part, only those students not making appropriate progress in general education are referred to special education for supplemental services. To understand why special education is growing, we need a better understanding of why growing numbers of children are not finding success within general education.

To the extent that state and local officials continue to raise the bar for student achievement and heighten the sanctions for school failure, the more tempting it becomes for general educators to refer students for individualized treatment through special education. As described by Meredith

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## RESOURCES AND PUBLICATIONS

### Coming Soon...

#### **Adjusting Special Education Aid for Severity Under Census-Based Funding: A Case Study in California**

*Thomas Parrish, Michael Gerber, Daniel Kaleba, and Leslie Brock*

This paper examines the incidence of disabilities, in particular “severe and/or high cost” disabilities, across local education areas and in relationship to special education funding reforms. In 1997, California’s special education funding formula changed from a resource-based to a census-based model. The new model distributes funds to special education local plan areas (SELPAs) based on the principle of a fixed amount per student in average daily attendance, as opposed to the prior system which provided funding based on units of placement. It funds districts as if incidence rates for students with disabilities are approximately the same across SELPAs. This study found that the incidence of students with severe and/or high cost disabilities are *not* randomly distributed throughout the state. The research team created a “severity service multiplier” to adjust the new funding formula accordingly. The cost of full implementation of the severity service multiplier for the first year was \$57 million, which represents about 1.5 percent of the state’s supplemental special education funding. This paper will be published as part of CSEF’s State Analysis Series early next year. The complete study report can be accessed online at <http://www.lao.ca.gov/>

### Special Education Finance Bibliography

We recently updated CSEF’s online bibliography in content and format. In its redesigned form, users can access publications—from 1993 to the present—that address such topics as special education policy reform, funding formulas, fiscal implications of inclusion, special education cost analysis, equity and judicial issues, integration of special and general education, and general education finance. We have also added two new sections—international special education finance and early and prereferral intervention. Each citation is linked to its annotation, and, where possible, to the publication or ERIC reference.

### **CSEF Launches Redesigned Web Site**

We are pleased to announce our new Web site—redesigned to better serve your information needs. We hope you will enjoy the site’s improved interface, featuring easier navigation and accessibility to a broad spectrum of visitors.

Also new to the Web site are direct links to fiscal provisions of IDEA 1997. Instead of having to scroll through the entire set of IDEA regulations, you can find those regulations that have fiscal relevance by using one of two tables of contents: a sequenced list of fiscally relevant regulations and a topical table of contents linked to relevant regulations. You can access these fiscal regulations from the “Links” and “What’s New” sections of our Web site.

We encourage you to visit our site and to send us any feedback on how we might better serve your needs.

➔ <http://csef.air.org>



### **Funding General and Special Education in the 21<sup>st</sup> Century**

Margaret Goertz

Decisions by state courts, legislatures, and boards of education have expanded states’ responsibility for education from one of ensuring equal access to educational revenues to one of ensuring that all students, including students with disabilities, have access to an adequate education as defined by their state content standards. The major school finance challenges facing policymakers in the 21<sup>st</sup> Century are determining the scope and cost of programs and services needed to help all students meet high academic standards, raising and allocating sufficient resources in an equitable way, and developing more creative and flexible ways of using general and special education funds, while guaranteeing that all children, particularly those with disabilities, receive appropriate services. This article can be found in the *Journal of Special Education Leadership*, 12 (1).

## CSEF News

### Policy Partners Work Together

Special education costs and related finance issues are important concerns for policymakers beyond the world of special education. School administrators, boards of education, state legislators and governors are critically interested in special education as it relates to the cost of general education and to the increasingly diverse education needs of students across the nation. To infuse special education issues in all areas of educational decisionmaking, OSEP recently established The Policymaker Partnership for Implementing IDEA (PMP). The PMP is housed at the National Association of State Directors of Special Education (NASDSE). Its mission is to increase the capacity of policymakers to act as informed change agents in the pursuit of improving educational outcomes for students with disabilities.

CSEF's mission is similar to PMP's: to provide policymakers at all levels with accurate, up-to-date information to guide decisions about special education and related services and thereby improve outcomes for students with disabilities. To capitalize on these

synergies, CSEF is now working with PMP and its partner organizations to share information, facilitate communication and linkages, and collaborate on projects of mutual interest. To these ends, Tom Parrish participated at a PMP Partner Retreat last summer, where he invited partners to support and participate in the Special Education Expenditure Project (SEEP), and to facilitate CSEF's work by linking Web sites and keeping partners abreast of CSEF/SEEP activities and needs. As a result of this increased communication, NASDSE and NCSL, with support from CSEF, are sponsoring a state survey on special education funding (see article below). We hope that further collaboration will maximize the efficiency and effectiveness of our collective work.

To learn more about PMP and its partner organizations, please visit its Web site at <http://ideapolicy.org>.

### Invitation to States Sparks Interest

CSEF is currently conducting the Special Education Expenditure Project (SEEP) to determine special education costs across the nation. Although all 50 states will participate in SEEP, the sample for any one state will be too small to allow state-level inferences. Therefore, CSEF has provided all states an opportunity for extended participation in the project by over-sampling districts and schools to obtain special education expenditure information unique to the state. States participating in this expanded manner will receive data representative of their own state, which they will be able to compare with data compiled for other comparable states and districts. At publication, it appears that 8 or 9 states will be contracting for supplemental studies, creating a formidable task that is sure to heighten the value of the national SEEP study. (Please see the Perspective column to learn more about the SEEP data collection.)

#### How to order CSEF publications

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<http://csef.air.org>

with Adobe Acrobat Reader at no cost. You may also obtain an annotated list of CSEF products and an order form by calling the CSEF phone line at 650-843-8136, or e-mail us at [csef@air.org](mailto:csef@air.org).

### Updating Data on State Special Education Funding Systems

Issues relating to special education expenditures and funding provisions have become increasingly prominent in state policy debates. Accordingly, states are particularly interested in the special education fiscal policies of other states. To provide assistance in this regard, the National Association of State Directors of Special Education (NASDSE) has collaborated with the National Conference of State Legislatures (NCSL) through the Policymaker Partnership (PMP), with assistance from CSEF, to collect and disseminate up-to-date information on state special education finance systems.

Information from the last funding survey, conducted five years ago, was published in a CSEF report entitled *State Special Education Finance Systems, 1994-1995*. The report resulting from the 1999-2000 survey will include updated tables characterizing each state's funding program, a description of each state's special education finance system, summary information about state policies in special education funding, and data on state special education expenditures and revenues to the extent they are available. The survey will be conducted this winter, and the report will be available online upon completion.

## Feature

### At What Cost?

(continued from page 3)

and Underwood (1995), “current state fiscal legislation is increasingly encouraging an educational ecosystem in which the regular and special education communities become direct competitors for an increasingly narrow resource base.”

The reaction of some states to rising special education expenditures is simply to cap state aid for special education. At the same time, they may be adopting statewide accountability measures that single out low-performing students, inadvertently driving them into special education. For example, Wisconsin found that while special education costs increased 37 percent from 1992-93 through 1997-98, federal support for

these programs increased only 30 percent, and state support increased a paltry 6 percent (Wisconsin Department of Public Instruction, 1999).

Despite Vermont’s rising costs, the Blue Ribbon Commission concluded that it still “supports the strategic

*“To understand why special education is growing we need a better understanding of why growing numbers of children are not finding success within general education.”*

direction laid out a decade ago,” through the adoption of Act 230. This

1990 law prescribed “‘educational support systems to catch and remedy learning problems early on’ and reduce referral to the more costly special education system. ‘We really can’t reduce special education costs unless there are alternative support services for kids’” (Gram, 1999).

In addition, there is no doubt that special education expenditures per eligible student are also increasing in some districts, and perhaps nationally. It may be that more children are arriving in the public schools with a need for more complex interventions. In response to this relatively small number of high-cost children, Meredith and Underwood (1995) express concern over an increasing failure to amortize these special education costs. State and federal funding mechanisms need to provide differential funding for these extraordinarily high-cost cases. Otherwise, “the risk of random, devastating expenditures striking a particular school budget increases.”

In summary, in considering rising special education expenditures and their impact on general education programs, the wisdom of the cartoon character Pogo may apply: “We have met the enemy and it is us.” As general educators, we cannot increasingly refer students with diverse learning needs to special education and then look with alarm as this segment of the school budget rises. As state policymakers, we need to support programs that attempt to assist students *prior* to their referral to more costly special education interventions, especially in light of ever-increasing student standards and high-stakes accountability. We also need to target supplementary special education aid to districts serving students with extraordinarily high-cost needs. At the same time, it is essential to begin bridging the gap between general and special education programs and providers to more fully address the educational needs of all children. ■

### Special Education Enrollments in the United States: 1976-77 – 1996-97

Years	Total Public and Private Enrollment K-12	Total % of SE to Public and Private Enrollment
76-77	49,484,000	7.40
77-78	48,717,000	7.70
78-79	47,636,000	8.16
79-80	46,645,000	8.59
80-81	46,249,000	8.96
81-82	45,544,000	9.22
82-83	45,166,000	9.42
83-84	44,967,000	9.56
84-85	44,908,000	9.61
85-86	44,979,000	9.60
86-87	45,205,000	9.68
87-88	45,488,000	9.76
88-89	45,430,000	9.97
89-90	45,898,000	10.47
90-91	46,488,000	10.46
91-92	47,246,000	10.54
92-93	48,191,000	10.59
93-94	48,947,000	10.96
94-95	49,826,000	11.15
95-96	50,776,000	11.43
96-97	51,683,000	11.58

Sources: Data in this table are from the U.S. Department of Education, Office of Special Education Programs Data Analysis System (DANS); except for the public and private school enrollment counts for 1987-88 to 1996-97, which are from the National Center for Education Statistics.

<sup>1</sup>See article in this issue about CSEF’s current national Special Education Expenditure Project (SEEP). For References, see page 7.

## New York

(continued from page 1)

## A New York State Comparison of Special Education Aid Per Pupil in Segregated and Integrated Placements for School Year 2000-01

District Type <sup>1</sup> :	Low Wealth	High Wealth
Formula Aid Per Weighted Pupil	\$5,081	\$1,563
Aid for a Student with 60% Time in Special Day Class	\$8,537	\$2,625
Aid for a Student with 60% Time in Integrated Setting, Receiving Direct Services by Qualified Special Education Personnel	\$11,077	\$3,406

<sup>1</sup>Three intermediate wealth ranges of districts are omitted. Only the low and high wealth categories are shown as examples.

Education Department and CSEF are currently discussing the feasibility of producing these data in conjunction with the national Special Education Expenditure Project CSEF is conducting this year (see related article on page 8).

### Other Innovations

Other noteworthy aspects of New York's new special education law include:

- providing interventions and supports for students prior to referral for special education services,
- ensuring that students with disabilities are involved and progress in the general education curriculum, and
- requiring districts with significant disproportionate placements in special education based on race and ethnicity to take corrective action.

The legislation also calls for the State Education Department to identify school districts with high rates of identification for students with disabilities, low rates of declassification, and high rates of separate or disproportionate identification of students with disabilities based on race.

### Promising Implications

The additional funding weight for students served in integrated settings

makes New York one of the first states to not only specifically acknowledge general education placements in a weighted funding formula, but to actually provide fiscal incentives for such placements in relation to the more restrictive special day classrooms. Such provisions suggest that weighted funding formulas based on placement need not foster restrictive settings, and indeed may provide a potent mechanism for encouraging relocation of special education students to general education classrooms. ■

<sup>1</sup>For a discussion of census-based funding see: Kaleba, D., 1998-99; Parrish, T.B., 1994; Parrish, T.B., 1996; and Parrish, et al., 1997.

<sup>2</sup>For a discussion of the New York funding system, as well as analysis of the reforms being considered at that time, see Parrish, 1998.

<sup>3</sup>IDEA 1997 now mandates that "if the State uses a funding mechanism that distributes State funds on the basis of the type of setting where a child is served, the funding mechanism may not result in placements that violate" the LRE requirement. If such policies and procedures are not in place, "the State will revise the funding mechanism as soon as feasible to ensure that the mechanism does not result in placements that violate [LRE]" (IDEA Regulation 300.130(b)).

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by Phil Esra and Jay Chambers

The amount of attention given to special education continues to grow. In fact, special education expenditures were a key item on the agenda for last winter's meeting of the National Governors' Association. As special education enrollments and costs increase, policymakers, educators, and the general public have expressed a need for accurate information about how funds are used and the ways general education services are affected.

As a result, the U.S. Department of Education, Office of Special Education Programs, has funded CSEF to conduct a national Special Education Expenditure Project (SEEP). This project is now underway, with drafts of the data collection instruments and procedures currently under review by the Office of Management and Budget. On the eve of such a massive undertaking, it is important to understand why this study is so essential and what challenges we will face in conducting it.

Special education enrollments are not merely expanding. The last decade has brought significant change in the way services are delivered as well. The most visible shifts have been in serving more special education students in general education classrooms and in neighborhood schools. These shifts have resulted in substantial changes in the delivery of special education services. To understand special education today, we must learn about the extent of these shifts in the provision of services and how they impact the cost and very nature of special education.

Clearly, much has changed since the last study of special education

expenditures, conducted in 1985-86 by Decision Resources Corporation (DRC) (Moore, et al., 1988). SEEP will not only update the information gleaned from that study, but break critical new ground as well. The DRC study used a sample of 60 school districts, gathering expenditure information on alternative modes of service delivery.

SEEP differs from the DRC study in that it will also collect data from samples of schools, teachers, and students. The SEEP national sample will include approximately 200 districts, 50 intermediate education

units, and more than 800 schools. The study will collect precise, detailed information about how special education services are delivered within specific types of schools categorized by grade level (elementary, middle, and high schools), school type (general versus special education), and types of children served (e.g., high versus low poverty).

This much larger sample will allow us to capture the diversity of ways services are provided across the country and in different policy contexts. It also permits us to include districts from all 50 states. We will be able to draw conclusions about differences in special education policies as they relate to district size and fiscal capacity, and we will be able to measure the impact of differences in

state funding formulas and policies on resource allocation.

Moreover, SEEP will ask selected special education teachers to draw samples of special education students from their classes and caseloads, and to report on the mix and severity of their disabilities and the resources used to serve them. These data will help determine variations in spending associated with student disability, need, and functional ability.

Our biggest challenge is to obtain cooperation and participation at all levels. This project is complex and ambitious, seeking detailed information from the state level down to the student level from thousands of individuals and organizations. A high level of interest among the states to obtain more information about special education spending will help us meet this challenge. In fact, some states will be adding resources to the national study to expand their state sample of districts to obtain state-representative data.

It has been reported that special education costs are "skyrocketing" (U.S. News and World Report, 1993), but the reality is that we do not really know what we are spending as a nation on special education, nor do we have good information on how these expenditures have changed over time. About one-half the states report that they do not know how much is being spent on special education within their states, and less than one-third of the states say they can report such information with a "high degree of confidence" (Parrish, et al., 1997). The last national special education expenditure study is now almost 15 years old (Moore, et al., 1988). SEEP is a formidable undertaking, but the potential value of the data is immense. We at CSEF look forward to working in collaboration with federal, state and local decisionmakers to use these data to answer important policy questions about special education funding, and to inform future special education policy. ■

For more detailed information about the study design, sample, and data collection instruments, visit the SEEP Web site at: [www.seep.org](http://www.seep.org).

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