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# **Special Education Funding In Oregon: An Assessment of Current Practice with Preliminary Recommendations**

August 7, 2007

*Submitted to:*  
Office of Student Learning and Partnerships  
Oregon Department of Education

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## **Executive Summary**

The purpose of this study is to provide an independent assessment of the state's special education finance provisions. Because of this, included recommendation topics should be considered as areas possibly meriting further attention rather than a specific design for change. Developing more specific recommendations would require a fairly broad-based consensus from a group of stakeholders that have carefully considered alternative courses of action. Such a group generally includes state, regional and district administrators, parents, representatives of the legislative branch, and service providers. We see the current study as a precursor to possible more intense and broader deliberation.

To provide some context, special education identification rates in Oregon are, and have been historically, very close to the national average. On another important measure summarizing special education practice in the state, in 2005 over 70 percent of all students in special education in Oregon spent less than 20 percent of the school day outside regular education classrooms. Thus, Oregon is well above the national average on this measure of the degree to which federal least restrictive placement provisions are in place.

In terms of the levels of resources invested in special education, Oregon seems somewhat below the national average. Overall, state and federal special education revenues (\$499 million) supported 93 percent of special education spending (\$538 million) in 2003-04.

Regarding the state's special education funding system, an important strength of its single-weight special education funding formula is that it is simple and straightforward. Nearly 90 percent of state special education funding is distributed through this mechanism. Additional strengths are that the funding amounts are fairly predictable that the funding system easy to maintain with a low reporting burden. Other strengths are no fiscal incentives to identify students into one category of disability over another or to assign them to one form of placement over another.

A primary concern with the current formula is that the overall degree of statewide support for special education spending cited above shows considerable variation in districts across the state. While half of special education students statewide were enrolled in districts in which special education expenditures exceed revenues by over \$500 per special education student, about 20 percent of special education students were in districts in which the reverse was true – special education revenues exceeded expenditures by more than \$500 per student. The fact that less than 30 percent of K-12 special education students are in districts with a reasonably close alignment between revenues and spending (e.g., less than \$500 differential on a per student basis) suggests that adjustments to the formula may be needed.

The recommendations in this report are organized more around topical areas rather than specific directions for change.

- **Special education revenue to expenditure differentials.** Several possible modifications to the current formula are discussed in the report that would bring the differences cited

above into tighter alignment. Further improvement in this area, however, would likely require a fairly substantial change in the way the state currently funds special education. The degree to which state policy makers consider this important would seem connected to concerns regarding variations in the provision of special education services being provided throughout the state and the degree to which these variations align with differences in student need.

- **Variations in service across the state.** The concerns raised in regard to service variations heard in conjunction with this study seem supported by the revenue and expenditure variations per special education student noted above. Currently, however, actual service variations are hard to measure. While the state is commended for collecting, compiling, and disseminating data on aggregate measures of the specific services received by special education students in districts across the state in the form of a CD to public agencies, concerns have been expressed about comparability in reporting these service data. It is also noted that they are not data elements required by the federal government, which is an important consideration regarding the reporting burdens commonly expressed by special education service providers. However, it seems important for agencies to look at these data to better understand and consider what they are providing (or not providing) in relation to other districts throughout the state, and for the state to be able to examine these data. We believe that necessary steps to ensure more comparable reporting of service data throughout the state should be considered.
- **Multiple layers of regional oversight and administration.** Simplification of the state's system of regional special education service provision may be in order. One possible approach would be for a redefined set of core services for Regional Program to be funded separately by the state with most other regional and ESD special education services being provided on a fee-for-service basis. This would greatly simplify the existing system, should clearly convey district responsibility for the students they enroll, would allow districts to purchase regional and other cooperative services to the extent they consider them cost effective, and would provide a more coherent and unified picture in regard to the overall statewide need for special education support.
- **Update the funding model for regional service provision.** Perhaps more than any single factor, the striking growth in the population of students with autism over the past several years is driving the need for reconsideration of state's system of regional provision. In addition, as the increase in the number of students with autism is even greater at the national level than what has occurred in Oregon, continued growth within the state may be forthcoming.

In conclusion, as the purpose of this report has been to provide an initial assessment of special education funding in Oregon, the recommendation topics above should be considered as areas possibly meriting further attention rather than a specific design for change.

## **Study Purpose and Overview**

In the fall of 2006, the Oregon Department of Education (ODE) contracted with Drs. Tom Parrish and Jenifer Harr from the Center for Special Education Finance of the American Institutes for Research (AIR) to perform an initial assessment of and provide feedback on Oregon's special education funding formula. As the purpose of this study was to provide an independent assessment rather than working with a broad array of stakeholders to reach consensus on specific reform provisions, the recommendation topics included in this report should be considered as areas possibly meriting further attention rather than a specific design for change.

Developing specific recommendations requires a fairly broad-based consensus from a group of stakeholders that have carefully considered alternative courses of action. Such a group generally includes state, regional and district administrators, parents, representatives of the legislative branch, and service providers. While such a group by design has varying perspectives and consequently may find it difficult to reach complete consensus as to specific recommendations, it has been our experience that it can often reach full agreement or sufficient agreement. Because the recommendations resulting from such processes have been broadly discussed and considered across a diverse group of interested parties, they have a much better chance of leading to legislative change.

We see the current study as a precursor to possible more intense and broader deliberation. It is for others to decide whether the issues raised in this report are of sufficient concern to warrant further consideration. Short of more in-depth, broad-based discussion, we realize that a number of the areas delineated in this report may not have the political capital needed to evolve into legislative change.

To initiate this study, Dr. Parrish was the keynote speaker and led several sessions at the Fall ODE Special Education Administrator Conference held October 12, 2006 in Eugene where he interacted with session participants. In a subsequent trip to the state on January 11 and 12, 2007, Dr. Parrish attended and received considerable feedback regarding special education funding and provision in Oregon from members of several important special education advisory groups to the ODE.<sup>1</sup> To supplement advisory group discussions and in developing recommendations, AIR drew upon existing data for Oregon and the nation, as well as other research and reports relating to issues of special education services, funding, efficacy, and equity. While these methods are sufficient to provide the initial assessment called for in this study, broader process of public input and discussion is needed to produce more specific recommendations. Thus, the recommendations in this report should be considered as areas possibly meriting further attention rather than a specific recipe for change.

We also worked with ODE staff to identify and gain access to available data. These include special education funding and expenditures, counts of special education personnel, and

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<sup>1</sup>These are the State Special Education Directors Advisory Council, the Business Managers from local education authorities and Education Service Districts, and the State Special Education Finance Advisory Group.

characteristics of the student population (e.g., total enrollment, counts by disability and placement, counts of students receiving various special education services, poverty).<sup>2</sup> We examined variations in special education funding and expenditures in relation to the student characteristics, and explored such possible relationships as the special education funding received by districts and the types of students they serve (e.g., severity). We also analyzed national data, such as the Individuals with Disabilities Education Act (IDEA) data from the U.S. Department of Education which provides comparative benchmarks.

This report is divided into four sections. The first provides an overview of the state's special education funding formula, including identification and placement trends in the state. The next section summarizes some primary issues raised by interested and affected parties from across the state during the several statewide meetings assembled for this study.. This is followed by state and national analyses, and concludes with a summary of observations and a discussion of topics for possible further consideration.

Also relevant to this report is the fact that the research team for this study simultaneously examined issues relating to the effectiveness and efficiency of the state's Early Intervention/Early Childhood Special Education and Regional Programs. As a number of the issues regarding these programs overlap at least partially with possible concerns about overall special education funding in the state, some of the observations contained in this report are informed by findings from this second study, which is expected to be released at approximately the same time as this report. Because the second report specifically addresses issues in regard to birth through age five funding, we will largely limit the discussion in this report to the K-12 special education funding system.

As this second study also directly examines issues pertaining to the state's regional programs, which provide services for students with low incidence disabilities, more detailed analyses of these services will be provided in that report. Regional program provision will be discussed in the current report only from a more macro perspective.

## **Overview of Oregon's Special Education Funding Formula**

Public education funding amounts in Oregon are based on average daily membership (ADM) counts of students in each district. Under this approach of allocating state funds, special education students receive twice the per pupil funding provided for a non-special education student. According to a report issued by the state's Legislative Revenue Office (June, 2006), this "double weighting reflects a national study in 1988 that showed districts were on average spending about twice the norm for services to special education students" (p. 5).

In addition, two major adjustments may be applied to the amount of funds special education students generate. First, districts must receive approval from the Oregon Department of Education (ODE) to qualify more than 11 percent of its students for the special education weight. This is referred to as the 11 percent cap waiver, and students above the cap who are waived under a complex process generate a partial funding weight as opposed to the full weight of 2.0

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<sup>2</sup> Much of the special education data analyzed for this report was derived from the Oregon Special Education Census Data, Multi-Year Database (MYDB), 1996-2005. Version 8.1, Fall 2006.

for students falling under the cap. In 2003-04, districts applying for waived students generated an average weight of 1.36 for these students, with this amount ranging from an average of 1.1 to 1.9. Second, the state has a High Cost Disabilities fund for reimbursing districts when the State School Fund (SSF) expenditures for a given child are in excess of \$30,000 for the fiscal year. The total statewide allocation for this purpose is currently set at \$18 million per year. If approved claims for High Cost Disabilities funds exceed this set allocation, all such claims are prorated accordingly.

Placed within a national context, Oregon's basic approach to special education funding falls within the category of state formulas referred to as "pupil weights" – the most common approach to special education funding across the states. At the same time, the Oregon approach to weighted special education funding (i.e., with special education students receiving twice the funding weight of a non-special education student) is somewhat unique. Most states using weighted student formulas apply multiple weights within the broad category of special education students, rather than the single weight used by Oregon. In these states, special education students receive different weights distinguished by such attributes as primary special education category of disability, varying categories of special education placement, or some combination of the two.

As examples, a student identified with a Specific Learning Disability might be weighted for funding purposes at 1.5, while a student identified as having Mental Retardation might be given a weight of 2.5. This type of differentiation is designed to reflect the differing costs found on average for different categories of disability. Similarly, a state might differentiate funding based on primary category of placement. Under this approach, a student in a resource room placement would likely have a lower weight than a student spending the full day in a self-contained special education class to reflect the differential costs generally associated with these types of placement.

Caps on the percentage of students allowed to be claimed for special education funding, such as the 11 percent cap in Oregon, are common. Most states have explicit ceilings of this type or other more implicit ways of placing limits on special education funding. These funding caps are generally viewed as being useful in controlling special education spending at the state level, as well as discouraging special education identification in excess of a certain percentage. The 11 percent cap in Oregon is among the lowest found across the states, and is well below the statewide average of 13 percent of the ADM identified for special education in 2005-06.<sup>3</sup>

High cost special education disability funding is also commonly found across the states. Each state differs somewhat as to exactly how districts are able to qualify for claims under such programs, but all serve as a form of local insurance designed to assist districts faced with unusually high special education expenses.

### ***Special Education Identification and Placement Trends in Oregon***

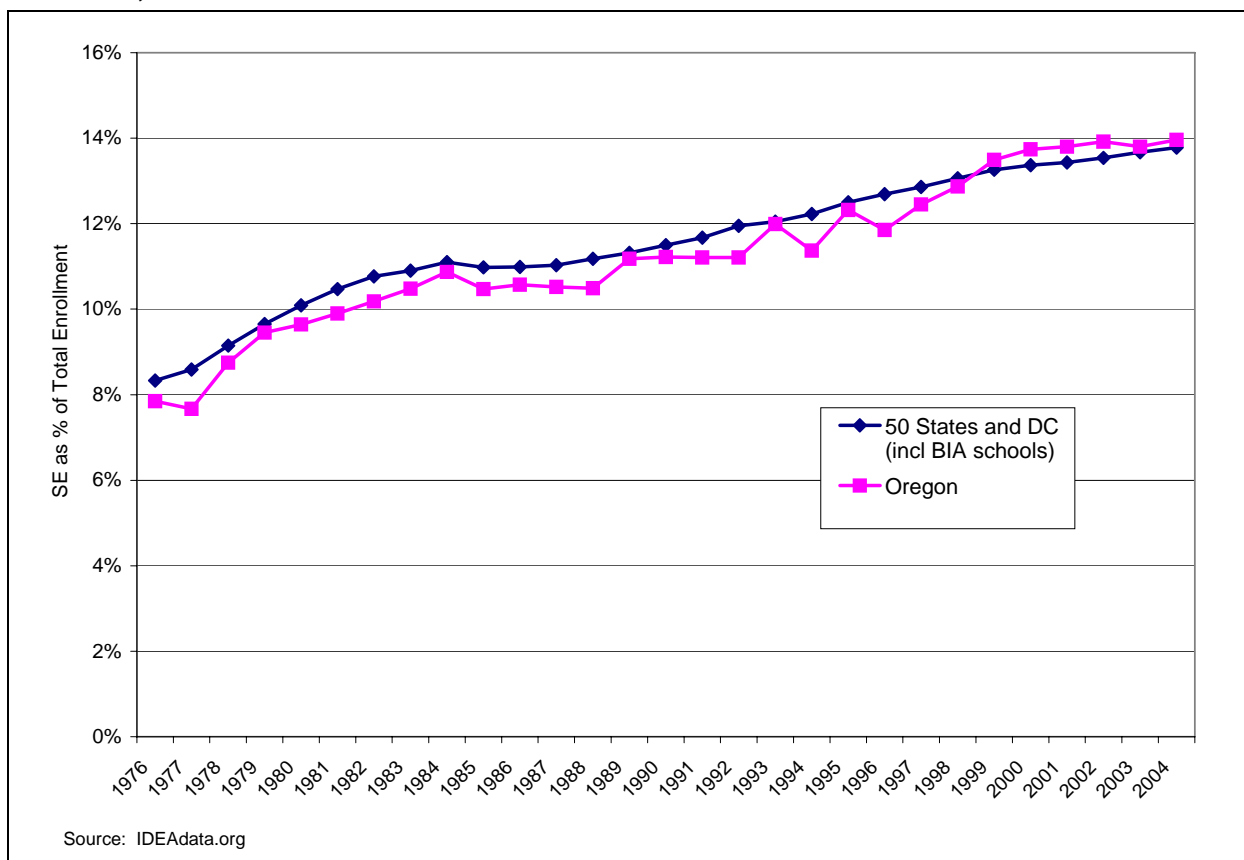
To provide a contextual overview for considering special education funding, it is useful to view special education identification and placement patterns in Oregon as compared to the nation.

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<sup>3</sup> This percentage is based on special education students ages 5-21. Considering special education students ages 0-21, identification as a percentage of the ADM increases to 15 percent.

Exhibit 1 below shows that special education identification rates in Oregon are, and have been historically, very close to the national average.<sup>4</sup> As is true for the nation, identification rates of special education students ages 3 – 21 have shown a very steady and remarkably consistent pattern of growth since the enactment of the federal Individuals with Disabilities Education Act (IDEA) over 30 years ago. At the time of the passage of this landmark legislation providing a free and public education (FAPE) to children with disabilities across the nation, approximately eight percent of all students were identified as eligible for special education services. Currently, that number is approaching 14 percent in Oregon and across the nation.

**Exhibit 1. Special Education Students ages 3-21 as a Percentage of Total Enrollment, Oregon and the Nation, 1976 – 2004**



This trend over time raise questions about possible fiscal incentives associated with the identification of children in special education. Such concerns have led a number of states to move to “census-based” funding, which purposely removes all connection between the special education funding a district receives and the percentage of students identified for special education.

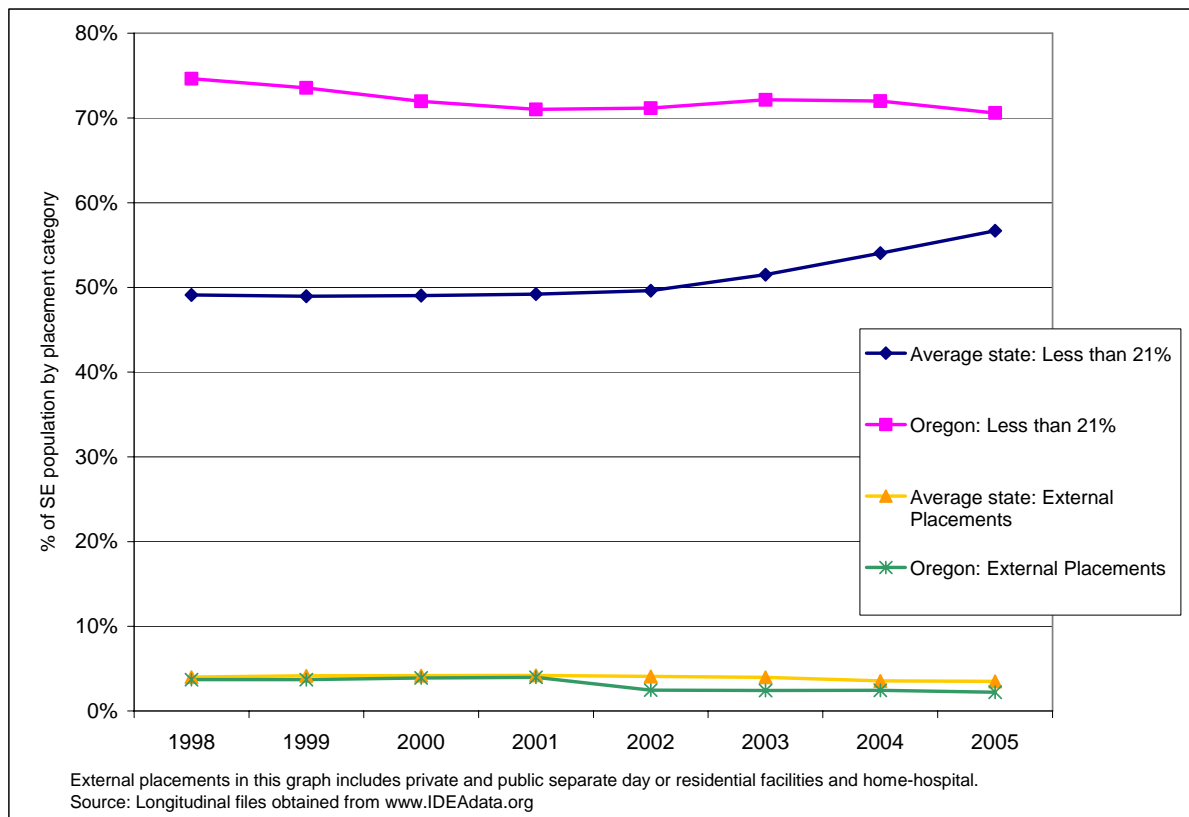
<sup>4</sup> This exhibit shows special education population ages 3-21 as a percentage of the public school enrollment of students in pre-kindergarten through 12th grade. These percentages are different from others presented in this report, due to different age groups used (e.g., 5 -21).

Over the past several decades, census-based funding systems have become fairly prevalent, particularly in some the larger states. For example, Pennsylvania, Massachusetts, and California have census-based special education financing systems. The 1997 reauthorization of the IDEA also initiated the transition of federal special education funding under IDEA Part B to census-based allocations. The amount of special education funding a district (or state under the IDEA) receives under a census-based approach to special education allocations is based primarily on the total enrollment of all students in a district (or school-aged children residing in a state) rather than the characteristics of students identified as eligible for special education services. Under a pure census-based system, two districts with a total enrollment (e.g., general and special education students) of 10,000 would receive the exact same special education revenues, and a district of 20,000 students would receive twice as much.

Another important measure summarizing special education practice is the educational setting in which students are served, particularly in light of the federal requirement of serving special education students in the least restrictive environment (LRE) appropriate to their needs. While some special education students may have no exposure to general education programming, it is expected that most students will have ample access to general education with their non-disabled peers. Placement data reflecting the percentage time spent in general education classes provide an important measure as to the extent to which LRE is implemented in a state, and is also helpful in determining whether state funding formulas may conflict with this principle.

As shown in Exhibit 2, in 2005, over 70 percent of all students in special education in Oregon spent less than 20 percent of the school day outside regular education classrooms (the least restrictive federal placement reported). Although the percentage of special education students served in this highly integrated setting has been gradually growing across the nation over the past several years, Oregon is still well above the national average of somewhat less than 60 percent. While this relatively high degree of integration in Oregon may or may not be related to its flat funding weight, one clear advantage of such an approach is that there is no obvious fiscal incentive to place a student in a more restrictive setting than is appropriate to the needs of the child.

**Exhibit 2. Percentage of Special Education Students (ages 6 - 21) Spending Less than 20% Outside Regular Education Classrooms and Those in External Placements, Oregon and the Average State, 1998 - 2005**



### **Adequacy of Provision**

In addition to whether Oregon’s funding formula contains incentives for increased special education identification or for placement in more restrictive settings, funding adequacy is also of interest. Are the levels of special education support in Oregon sufficient to meet the requirements established for special education through federal and state law? As the primary provisions governing special education come from federal law, one might expect some comparable provision across the states.

One source for comparing what is spent on special education in Oregon in relation to what is spent on the average special education student across the nation comes from a national special education expenditure study (Chambers et al., 2002). For 1999-2000, this study estimated a special education spending per student of \$8,080. This can be compared to the average special education expenditure estimated by ODE for Oregon of \$7,814 for 2003-04. However, these two estimates of spending are not completely comparable as Oregon costs are somewhat different than the nation and inflation also affects these two estimates. Even when adjusting for geographic cost differences and inflation, however, we still observe a deficit in average special education spending in Oregon and the nation. The SEEP estimate inflated to 2003-04 is \$8,882; while a comparable estimate for Oregon (actual spending adjusted for geographic cost

differences) is \$8,104. This provides one indicator of the relative sufficiency of special education provision in Oregon compared to what is spent nationally.

Beyond this, we can approximate current levels of special education provision with the ratios of special education students to key categories of special education providers in Oregon as compared to the nation. As special education provision relies to a very large degree on the quantities of human resources, the number of special education students per special education teacher, aide, and related service provider constitute a very strong basis for comparing special education provision levels in one jurisdiction in relation to another. Although this type of approach provides a less complete estimate of spending than that produced through SEEP, it has the advantage of allowing comparisons across states.

Exhibit 3 shows that the number of special education students per special education teacher in 2004-05 is much higher in Oregon (22.1) than what is found across all 50 states on average (16.0). This number is derived by dividing the total number of students in special education in the state by the total number of special education teachers, irrespective of whether they receive services or not from special education teachers.<sup>5</sup> Not only is the number of special education students per teacher much higher than the national average, Oregon is tied with Indiana as having the highest across the 50 states and DC on this measure (not shown in Exhibit 3).

**Exhibit 3. Number of Special Education Students per FTE Special Education Staff, 2004-05 (based on total special education enrollment)** <sup><1></sup>

	SE Teachers	SE Teacher Aides (including interpreters)	Related Service Staff
50 States & DC Unweighted	16.0	18.7	39.8
50 States & DC Weighted	15.1	17.0	30.1
Oregon	22.1	13.1	36.9

<sup>1</sup> These ratios were calculated from IDEA personnel and child count data. Source of information: [www.ideadata.org](http://www.ideadata.org); Child Count (ages 3-21) and Personnel FTE Counts from the Annual Report to Congress on the Implementation of the Individuals with Disabilities, 2003.

Note: The higher numbers in Oregon implies that the state has fewer SE teachers in relation to the nation.

The second and third columns of Exhibit 3 show similar information for special education aides and service providers. Unlike special education teachers, Oregon shows ratios of students per service provider that is lower than the national average. This may be a result of the apparent greater degree of inclusion in Oregon, as indicated by the placement data shown above, which may place somewhat less reliance on teachers and a greater reliance on instructional aides.

Given that Oregon shows lower levels of intensity of special education service provision as measured by special education student to teacher ratios, but higher levels of intensity on the other two categories of special education personnel, how can we best compare an estimate of overall special education service provision to the nation? One approach for combining these three measures is to apply standard salary compensation data to these counts of personnel. These

<sup>5</sup> All special education students are included in this estimate, including those who may not be receiving services from special education teachers (e.g., students who receive services from related service providers only, e.g., speech therapy).

salary amounts can then be combined across all categories and divided by the number of special education students in each state to derive an estimate of state special education personnel spending per student, which can be converted into an index for comparing provision across states.

The results of constructing this index for each state are shown in Appendix A where Oregon ranks in the bottom third of spending across the 50 states and the District of Columbia. Although clearly below the national average, based on this indicator of average special education spending per student, Oregon is shown to be quite comparable to its immediate neighbors of Washington, Idaho, California, Montana, and Nevada. Thus, while Oregon appears lower than the average state on this measure of special education provision per student, it appears similar to average provision in the western coastal region.

**State Special Education Revenues in Relation to Expenditures**

State and federal special education revenues (\$499 million) supported 93 percent of special education spending (\$538 million) in 2003-04, as shown in Exhibit 4. However, this overall degree of support of special education spending does not apply uniformly in districts across the state. While half of special education students statewide were enrolled in districts in which special education expenditures exceed revenues by over \$500 per special education student, about 20 percent of special education students were in districts in which the reverse was true – special education revenues exceeded expenditures by more than \$500 per student. This raises questions about the efficiency of the overall allocation system in directing special education funds to districts where they are most needed. The fact that less than 30 percent of K-12 special education students are in districts with a reasonably close alignment between revenues and spending (e.g., less than \$500 differential on a per student basis) suggests that adjustments to the formula may be needed.

**Exhibit 4. Oregon Special Education Expenditures in Relation to Revenues, 2003-04**

Districts in which Exp Exceed Rev by \$500 per SE Student	<b>48</b> (24% of Districts) (50% of SE students)
Districts in which Rev Exceed Exp by \$500 per SE Student	<b>73</b> (37% of Districts) (20% of SE students)
Other Districts	<b>77</b> (37% of Districts) (29% of SE students)

\* Three districts not included in these percentages as they had no special education students in 2003-04.

**Summary of Issues from Stakeholders**

As mentioned, two half day meetings were held in January of this year in Oregon to provide a short briefing about the objectives of this study and to solicit feedback from those present regarding major special education finance issues in the state. To assure that we heard from all in

attendance, we asked each participant to describe briefly what worked well within the context of the current state special education funding system, and any major concerns he or she had. Across both meetings approximately 80 attended including district and ESD special education directors and superintendents, directors of regional programs, and others with an interest in statewide and local special education fiscal policies. A broad range of issues evolved from these meetings. However, the most comments seemed to focus on local differences in special education spending in relation to revenue, variations in provision across the state, district/ESD relations, the concern of rising costs and potential cuts in revenues for children served by the Regional Programs, and changes at the local level as a result of the state Mental Health Initiative. These major topics as well as others that were raised are briefly described below.

### ***Special Education Revenue versus Expenditure Differentials***

While many respondents did not include this as among the topics they chose to discuss, others expressed serious concerns. Perhaps the major theme was concerns about supplemental high cost revenues going to districts not fully spending their base revenues on special education. At the same time, however, one participant said it was unclear how much of these seeming discrepancies were simply due to differences in accounting and reporting practices. Another respondent expressed the opinion that many special education directors in Oregon have no idea how their special education revenues are being spent by the district. A third respondent noted the tension between the desire for flexibility and the need for accountability. A superintendent present at one of the meetings said that disparities between revenues and expenditures should not be a concern because “all superintendents would agree that these formulas were meant to be revenue, rather than expenditure, based.” The point seemed to be that the formula was designed as a basis for determining revenues overall rather than an attempt to be prescriptive as to how funds should be spent.

However, another respondent said that the fact that their special education expenditures substantially exceeded their revenues was a considerable problem for them. The respondent noted that while their special education funding is growing their costs are increasing more. As one cause of these rising costs, he cited a 27 percentage increase in children with autism in his district over the last year.

This growth in the number of special education children with autism is not unusual for the state. Between 2004-05 and 2005-06, 29 districts showed growth in the rate of children with autism of 27 percent or higher. For the two-year span of 2003-04 to 2005-06, the growth in students with autism in the ten largest districts in the state ranged from 19 to 32 percent, with a statewide average of 28 percent. Over the past seven years, the percentage increase in the number of students with autism skyrocketed by nearly 150 percent in Oregon, and more than 250 percent nationwide.

### ***Variations in Service Provision***

Substantial variation in the ways in which special education dollars are used among districts was noted, as well as considerable variation in the services available to special education students across the state. More specifically, concern was expressed about possible service disparities between urban and rural districts.

Concern about a lack of consistency in high quality special education practice throughout the state was regularly emphasized. These variations were partly attributed to fiscal flexibility (i.e., special education revenues are not required to be spent on special education services in Oregon) and to varying local attitudes toward special education. The inability of more remote areas to secure the expertise they need to provide required services also contributed to variations. One respondent said that even with added dollars, she could not provide the services her students need due to a shortage of specialists in her area of the state.

### **ESD Service Provision**

The issue of the rising number and increasing cost of low incidence students seems to have exacerbated tensions in district/regional service provider relations. Many of the services for low incidence students are provided to districts by regional programs operated by Education Service Districts (ESDs).<sup>6</sup> While the ESDs are faced with rising caseloads and more complex student needs, they are facing mounting pressures from local districts to reduce the cost of these services at the same time. One ESD respondent said a major challenge is how to provide high quality services to his districts that are not overly costly.

### **Regional Program Support**

A number of respondents expressed concerns about the growing number of students in generally severe and/low cognitive categories of disability, such as autism. One special education director said the number of “move-ins” with these conditions was sky rocketing.

Although one of the superintendents reported, from his perspective, that the needs of these students were addressed well (but expressed greater concern about more mainstream special education students), several respondents called for bolstered support for regional programs. The regional programs, from some participants’ views, have been set up to do the best possible job of recruiting, retaining, and using the specialists needed throughout the state. Stressing the importance of regional programs, one ESD Director who represents small districts said the districts could not afford to hire specialists for the few low incidence students they had.

### **Single Weight**

While a few respondents indicated interest in trying to distinguish between high-cost special education students and all others through differential weights, the predominant opinion seemed to favor the single weight concept. There seemed to be considerable concern about possible incentives to place students into high-cost categories with multiple weights. One respondent said, “The single weight is simple, and I like it simple.”

### **11 Percent Cap**

There seemed to be some differences of opinion about the desirability of raising this cap to be more reflective of the reality that the statewide special education identification rate has now exceeded 13 percent. While some argued that it needs to be increased, others said that a

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<sup>6</sup> One ESD program is operated by a large school district.

committee had recently studied this issue and made a recommendation to keep the cap at 11 percent. While the majority of districts are over this limit (and more than half above the statewide average), most respondents seemed in agreement that raising the cap may send the wrong message. However, one respondent said he would like to better understand the arguments for and against raising the 11 percent cap. In addition, one ESD respondent remarked that the cap is an issue because all of her districts – who are over 11 percent – need to prepare waiver paperwork each year. Another respondent argued that the cap should be raised, noting that some districts are now at 30 percent.

### **Children’s System Change Initiative**

A theme heard in both meetings was state’s Children’s System Change Initiative that passed during fall of 2005. Meeting participants referenced a report done by Portland State University on this general topic, which the study team obtained and reviewed. In summary, the intent of this initiative was to move away from residential placements for mental health and foster care cases and to return these children to their families to be served by their local communities. While meeting participants reported that special education enrollments in residential placements and non-public schools had not declined, there was a clear sense among the groups that more children with Emotional Disturbance (ED) were being relocated into local communities.

In an attempt to quantify the impact of these changes, we explored Oregon’s multi-year special education census database to see if we could detect substantial changes in the number of “severe” (and especially ED) children residing in local communities throughout the state over time. Using the last three years of the most current data we have for this purpose (2003-04 to 2005-06), these trends were not obvious. In fact, the percentage of the ADM identified with Emotional Disturbance (ED) statewide stayed the same over this three-year period. However, when examining educational placements, we observe a decrease of more than a 50 percentage points in the proportion of students with ED of all ages served in external settings, from 21.6 percent in 1999-2000 to 10.4 percent in 2005-06.<sup>7</sup> This suggests, that while the percentage of the population identified with ED has remained largely the same, their educational placements have shifted to more mainstream settings. As of the completion of this study, the Governor had issued an executive order that all agencies including school districts and ESDs meet to solve the issues related to this initiative.

### **Other issues**

- One respondent mentioned the fiscal burden of increased accountability activities. With expectations of higher outcomes, services are more intensive and therefore costly, and more time is needed to account for and report student results, which further strains resources.
- The loss of high quality paraprofessionals was also raised as an issue. NCLB requires these paraprofessionals to be “highly qualified,” which means that many have returned to school for further training. However, because there is no commensurate increase in compensation, they sometimes leave the profession, resulting in a real loss to special education kids.

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<sup>7</sup> For the purpose of this analysis, external settings are defined as private or public separate or residential facilities.

- District buy-in and commitment for special education was expressed as a concern by some of the ESD Directors at the meetings. One director cited a comment from a member district superintendent where the ESD operates a self-contained program at one of the district's schools. Even though the children in this class are from the district in which this school is located, the superintendent told the director, "While we enjoy housing your students at our school, if we have class size reduction needs or growth among our regular students, we may need to ask you to move."
- One respondent says that with special education growth, instructional space has become an issue for them.

## Findings from State Data

To further investigate the issues above, as well as those raised through prior reports and discussions with ODE staff, we conducted selected analyses of Oregon state data. We further used these results to assess the formula against general school finance principles of adequacy, equity and efficiency. Some of the findings resulting from these analyses are summarized below.

### ***Special education revenue (state and federal) versus expenditure differentials***

As shown in Exhibit 4 above, state and federal special education revenues available to Oregon districts often do not match what they are spending on special education. Moreover, this would not be expected. Actual spending will almost always be different than the projections of need on which revenues are based. However, the differences often appear quite pronounced in Oregon with substantial revenue supplements per special education student in some districts compared to substantial deficits in others. The fact that the deficits are much more predominant in the large districts of the state and the surpluses more common in small districts likely contributes to contention around this issue.

In addition, because concerns about special education revenues exceeding the cost of serving special education students are generally seldom heard across the states, this finding in Oregon appears quite different from the common experience and perception. Much more commonly heard are concerns that special education costs are rising much faster than revenues, and as a result that special education is woefully under-funded. As a result, data that show substantial supplemental revenues in some districts in Oregon seem striking.

At the same time, there is the legitimate question of the degree to which special education revenues should be expected to align with expenditures. For example, one way to ensure that special education revenues do not exceed special education spending is to require that money specifically designated for special education be spent on these types of services. Such fiscal specifications vary across the states. As shown in Exhibit 5 below, in response to a national survey, 20 states in 1999-2000 reported such provisions.<sup>8</sup> However, the fact that 30 states – including Oregon – did not report such requirements suggests that a high degree of alignment between special education revenues and expenditures is not necessarily expected in the majority of states.

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<sup>8</sup> Based on responses to the CSEF 1999-2000 state systems funding survey.

**Exhibit 5. 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: Parrish et al. (2003)

On the one hand, one can argue that if resources are allocated for a specific purpose, they should be used accordingly (which is a typical premise of categorical funding). Such sentiments may be particularly strong in areas like special education. On the other hand, there is often a desire for flexibility at the local level in determining how revenues should be used to best meet the needs of all students.

Data on total special education revenues (state and federal) and spending across districts will help us better understand these questions within the context of Oregon. The range of the lowest to highest revenues per special education student across districts runs from \$2,742 to \$16,071 in 2003-04, a spread that is surprisingly large given the relatively straightforward and consistent way that special education is primarily funded (i.e., the basic formula that provides a funding weight of two for special education students up to 11 percent receive a funding weight of two, which constituted an estimated 90 percent of state special education revenues in 2003-04).<sup>9</sup> While the districts at both of these extremes are quite small, limiting the analysis to districts with 100 special education students or more still results in special education revenues per student that range from \$4,357 to \$9,567. With this degree of variation, it seems important to compare the higher versus lower revenue districts to understand the extent to which these may be tied to factors that possibly affect the quantity and quality of services received by special education students across the state.

Exhibit 6 below provides averages on some key variables for the lower and upper halves of Oregon districts as ordered by total special education revenues per special education student. Sorting districts into high and low revenues per special education student allows us to observe the characteristics of higher versus lower special education revenue districts. For example, are high special education revenues correlated with the percentage of students in poverty or district size?

Answers to these kinds of questions can inform deliberations of whether the formula should be adjusted for systematic cost factors, such as poverty. It also will be important to couple these analyses with the characteristics of the special education students being served and the levels of

<sup>9</sup> Derived from a 2003-04 data file obtained from the ODE; total state and federal special education revenues (including ESD special education revenues) divided by the total special education count.

services being provided. If some districts are spending considerably more than their revenues, is this because the students they serve are consistently more severe, because they provide more services than other districts with comparable students, or because the cost of providing comparable services is higher in some regions of the state?

**Exhibit 6. All Districts in Oregon Sorted by Average Special Education Revenues per Special Education Student, 2003-04**<sup><1></sup>

	Revenues per SE Student	Exp per SE Student	Difference btw Exp and Rev in \$ (%)	% Special Education	% Poverty*	Avg # SE Students
A	B	C	D	E	F	G
Lowest	\$6,003	\$5,751	\$252 (-4%)	16%	46%	327
Highest	\$8,522	\$8,169	\$353 (-4%)	12%	44%	379

<sup><1></sup> Revenues include state base, cap waivers, high cost, and federal IDEA funds.

\* Poverty in for 2005-06 school year; the average for each category is unweighted.

Interestingly, in Exhibit 6, we see special education revenues that exceed expenditures by a nearly identical four percent for both sets of districts. It can also be observed that they are also fairly comparable in terms of poverty and the size of their special education population. However, the lowest revenue districts identify a substantially higher percentage of their students as special education (16 percent) in relation to those districts receiving the highest revenues per special education student (12 percent). One reason for this is that the lower identifying districts are more likely to receive the full additional weight for a much larger percentage of the students they identify and perhaps are able to make high cost claims for a higher percentage of their students as with fewer identified they may be more severe and higher cost on average.

As an alternative basis for viewing high versus low special education revenue districts, Exhibit 7 divides all districts into two categories by size (i.e., districts with less than 930 as opposed to districts with 930 or more special education students).<sup>10</sup> While each of these two categories of districts contains a similar number of special education students (~ 34,000), the first category contains a much larger number of districts due to their smaller special education enrollments (i.e., 179 districts versus 16 districts in the second category).

<sup>10</sup> This threshold was generated by sorting the districts by ascending special education enrollment, and then dividing the total special education (n = 68,802) by two to obtain districts above and below the special education distribution. The total special education population in each district category is nearly the same.

**Exhibit 7. All Districts in Oregon Sorted by Count of Special Education Students, 2003-04**

	Rev per SE Stu*	Exp per SE Stu	Difference	% Spec Ed	% Poverty**	Avg # SE Stu
A	B	C	D	E	F	G
Districts with < 930 SE students	\$7,244	\$6,854	\$390	14%	48%	191
Districts with > 930 SE students	\$7,387	\$8,071	\$(684)	13%	41%	2,161

\* Revenues include state base, cap waivers, high cost , and federal IDEA funds.

\*\* Poverty in for 2005-06 school year; the average for each category is unweighted.

It is interesting that the average revenues per special education student in the largest districts are only somewhat greater than in the smaller district category (\$7,387 vs. \$7,244). However, the average expenditure difference between these two types of districts is quite substantial, at over \$1,200 per special education student. This results in an average excess revenue amount per special education student of nearly \$400 in the smallest districts. By contrast, the largest districts show average special education spending per student that is nearly \$700 per special education student greater than their revenue. This exhibit illustrates that while not uniformly true, the state’s smallest districts appear to be at clear special education funding advantage in relation to the state’s larger districts.

Exhibit 8 examines special education expenditure and revenue variations by region. These are aggregated up from district-level data to indicate any possible geographic trends. These data include all K-12 non-regional program special education activity within each region.

**Exhibit 8. Variations in Special Education Revenues and Expenditures per Special Education Student by Region, 2003-04 (sorted by highest to lowest expenditure per student)<sup><1></sup>**

Region	SE Exp per SE Stu	SE Rev per SE Stu	SE Rev Less Exp per Stu	Percent Poverty <2>	% Special Education	Percent "Severe" <4>	% Stu Rec 1 or More Rel Svs <3>	% SE Stu 80% Time or More in Reg Classes <3>
A	B	C	D	E	F	G	H	I
Columbia	\$9,521	\$7,872	\$(1,649)	38%	12.6%	36%	40%	75%
Northwest	\$8,157	\$7,447	\$(711)	35%	12.5%	36%	29%	70%
Cascade	\$7,325	\$6,993	\$(332)	45%	14.2%	33%	28%	73%
Willamette	\$7,204	\$6,834	\$(369)	49%	13.0%	36%	28%	72%
Lane	\$6,992	\$6,816	\$(176)	44%	15.4%	26%	28%	54%
Southern	\$6,775	\$7,373	\$598	51%	12.5%	28%	26%	65%
Central	\$6,583	\$6,660	\$77	53%	13.6%	27%	16%	74%
Eastern	\$5,919	\$6,398	\$479	54%	13.4%	26%	28%	80%
<b>STATE AVG</b>	<b>\$7,820</b>	<b>\$7,260</b>	<b>\$(560)</b>	<b>42%</b>	<b>13.1%</b>	<b>33%</b>	<b>29%</b>	<b>71%</b>

<1> For this exhibit, district-level revenues (base, cap waivers, high cost, and IDEA funds) and expenditures were aggregated to the regional level. These figures do not include regional program revenues and expenditures.

<2> Poverty in for 2005-06 school year; the average for each region is unweighted.

<3> These percentages are based on data for the 2005-06 school year.

<4> "Severe" is defined as the percentage of special education students who are not identified with specific learning disability or speech/language impairment.

Generally, expenditures per student are highest for districts in the northwest regions of the state (Column B), including Columbia, Northwest, Cascade and Willamette. Spending per student declines for districts in the southern coastal area (Lane and Southern), and is at its lowest in eastern region districts (Central and Eastern). Differences in special education spending per special education student at the extremes are substantial, with districts in the Columbia region (\$9,521) spending 61 percent more on average than those in the Eastern Region (\$5,919).

The pattern of average revenues per student is fairly similar to the expenditures pattern, with the primary exception being districts in the Southern region, whose revenues are more similar to the regions in the Northwest. Revenue disparities, i.e., spending in excess of available revenues, show a very similar pattern as overall revenues, with districts in the Southern region being an outlier in that they show relatively high revenues per student but do not show a deficit in revenues in relation to spending. The disparity in revenues over spending per student are even more pronounced than revenues overall with the difference between the average in the greatest deficit region and the average in the greatest surplus region being over \$2,200 per student (a minus \$1,649 compared to a positive \$479).

Another interesting element shown in Exhibit 9 is that the highest revenue and spending regions also are on average show the lowest poverty in the state. Although poverty is not always positively correlated to levels of special education service provision, it is sometimes considered the best readily available proxy indicator of student need, as indicated by its use as the secondary factor for adjusting federal special education funds under the IDEA. It also has the advantage, unlike other measures such as the percentage of students identified for special education services, as being a measure that appears unambiguously beyond district control.

In Exhibit 8, poverty generally appears inversely correlated with the percentage of students in "severe" categories of disability when considering all students in categories other than Specific Learning Disability and Speech Language Impairment as "severe." (Although this method of differentiating among "severe" and "non-severe" students is overly simplistic, it is likely as good as any for illustrative purposes.)

It is also interesting to note that as poverty increases and more students are identified for special education, the number of students receiving at least one related service declines. However, this may largely be driven by the Columbia Region which clearly is at the extreme. While there may be data reporting issues associated with the number of services provided, we nonetheless consider this to be a very important variable in terms of understanding equity and adequacy of special education service provision across the state. Accordingly, we have elected to report the data as they are reported. This percentage appears quite different in the in the two regions at the extreme on this measure. While 40 percent of all special education students in the Columbia region are reported as receive at least one related service, this is true for only 16 percent of students in the Central region. According to the data, the districts in the Lane region are also less likely to provide at least one related service than many of their peers. It is also interesting to note

that although the Lane region appears at the low end of “severity,” students in these districts are far less likely spend the vast majority of their time in general education classes.

Exhibit 9 provides some insights into how areas of the state fare under the primary provisions of the state’s special education funding formula. Column B shows the percentage of all special education students in the state located in districts by region. By far, the most students are located in districts in the Columbia region (27 percent) and the least in the eastern regions (Central and Eastern). As expected, the Basic Allocation (a double funding weight for all special education students up to 11 percent) is allocated in relatively close alignment with the percentage of special education students by region. Also as expected, the 11 percent cap waiver allocation favors regions with higher average special education identification rates, with districts in the Lane region being the biggest beneficiaries, given that with only 10 percent of the state special education’s students they receive 19 percent of state 11 percent cap funding.

**Exhibit 9. Variations in Percent Share of Special Education Students and State Special Education Revenues by Region, 2003-04**

Region	Percent of State SE Pop	Percent of Basic Alloc Rec'd	Percent of 11% Cap Alloc Rec'd	Percent of High Cost Alloc Rec'd	Percent of Tot SE Rev Rec'd
A	B	C	D	E	F
Columbia	27%	28%	31%	41%	29%
Northwest	16%	17%	14%	14%	17%
Willamette	14%	14%	11%	15%	13%
Southern	12%	13%	4%	7%	12%
Lane	10%	9%	19%	6%	10%
Cascade	9%	8%	14%	10%	9%
Central	6%	6%	4%	6%	5%
Eastern	5%	5%	3%	0%	5%

The High Cost Disabilities fund allocations disproportionately go to districts in the Columbia region. Enrolling 27 percent of the state’s special education students, they receive 41 percent of all High Cost funds allocated in 2003-04. As the special education identification rate is lower in Columbia in relation to the statewide average, it appears that districts in this region are identifying fewer, but more severe, students. While Columbia and two other regions have the highest percentage of “severe” students (36 percent) using our simple definition from above, the other regions’ shares of the total High Cost Disabilities fund amount to around 15 percent each.

In reviewing these data, however, it is important to keep in mind the relative size of these various state special education funding sources. Comprising nearly 90 percent of all state special education funds, the Basic Allocation is clearly predominant in determining the amount of state special education funding a district receives (Exhibit 10). The cap waiver allocation provides less than 7 percent, with High Cost funds providing less than four percent. It is important to keep in mind the relatively small percentages of overall state special education funding coming from

these supplemental processes when considering the policies that govern them, as discussed below.

**Exhibit 10: Percentage Share of State Special Education Revenues by Source, 2003-04**

<b>State SE Revenues</b>	<b>Total Revenues</b>	<b>% Share</b>
Basic Allocation	\$294,088,701	89.8%
11 % Waiver	\$21,467,801	6.6%
High Cost Funds	\$11,993,975	3.7%
<b>Total</b>	<b>\$327,550,477</b>	<b>100%</b>

### **11 Percent Funding Cap**

By our calculations, of the 191 districts in Oregon showing at least one student enrolled in special education in 2005-06, only 33 show special education enrollments at 11 percent or less (considering students ages 5-21). This represents about 17 percent of the districts in the state. However, because these districts at 11 percent special education enrollment or less tend to be smaller than average, they represent 12 percent of the state's total K-12 school enrollment. As well, the national and state average percentages of students in special education have not been around 11 percent since the late 1980s, so in many ways this target percentage is tied to an era of special education provision that is long past.

Under the waiver process, special education students in excess of the allowable 11 percent can be counted under certain conditions for full or partial weights. Given this, arguably the 11 percent does not really constitute a cap, but rather a point of demarcation between full funding for all as opposed to full and partial funding for some special education students. While many students over the "cap" are allowed for funding purposes, the amount of funding for these students drops substantially (at an estimated statewide average supplemental weight of 0.36 as opposed to 1.0 for special education students below the 11 percent cap.) Given this, the language of "cap" may be somewhat antiquated.

On the other hand, relatively few concerns regarding the 11 percent cap were expressed at the two stakeholders meetings. As it does not appear to be a major point of contention, there may be little need to change it. One sentiment expressed was that raising the cap would send the wrong message, presumably about the need to keep rising special education enrollments in some reasonable check. At the same time, a change in the way the current system is described might be considered as it appears out of date and as the number of waivers granted clearly makes it a two-step process rather than a meaningful cap and a waiver.

The current system fully acknowledges special education students up to 11 percent and then provides somewhat discounted funding, based on certain criteria, for many other students who fall into a second tier of funding. Whether it would make more sense to change the description of the system as a two-step calculation rather than a cap and a waiver may be worth considering, or may not be sufficiently important at this time to worry about.

In terms of alternatives, if the state is concerned about rising percentages of students in special education, a census based system for special education funding might be considered, as briefly described at the beginning of this report. However, it does not appear that there is a perceived need for such a major change at this time.

A less extreme alternative is to establish more explicit fiscal disincentives for higher rates of identification through a multi-tiered process. As an example, this could provide a full additional weight for special education students up to 11 percent, have something like a .75 supplement up to 13 percent, decline to .5 up to 15 percent, and then decline even further, or perhaps fall to zero for students identified beyond this.

### ***High Cost Disability Funds***

As mentioned above, high cost disability grant provisions as a component of state special education funding formulas are commonly found among states. They are especially important in the cases of small districts and state formulas that do not differentiate funding among special education students, as is true in Oregon with just one special education weight that is applied equally. At less than four percent, a relatively small percentage of total special education revenues in Oregon is allocated based on this high cost mechanism.

One concern in regard to the provision of these high cost funds is that there are often insufficient funds in this account to fully meet these high cost claims due to the funding threshold set by the state. For example, approved claims in 2003-04 were only funded at 70 percent. On the one hand, given the high threshold (\$30,000) and the effort needed to file these claims, one might argue for full reimbursement. On the other hand, 100 percent reimbursement is generally not recommended, as that may discourage local efforts to resist requests for unreasonable levels of service. Rather than have these funds be prorated by default in accordance with a threshold set by the state, the state may want to consider a higher level of guarantee, with the remaining offset by a local share. As an example, keeping the current threshold of \$30,000 for eligibility, all expenditures exceeding that amount up to \$40,000 per student might be reimbursed at a rate of 80 percent and recalibrated to 90 percent for that amount of the claim that is in excess of \$40,000. This kind of step approach would allow a local share that is more predictable, and increasing the percentage as the total cost of the student rises would provide greater levels of fiscal support in very high cost situations.

Another way to free up resources to fully fund this program (once a pre-specified local share is established) would be to impose the similar requirements from the 11 percent cap waiver provision, whereby districts are ineligible for supplemental revenues if their base revenues exceed spending. The rationale for this mixed application of this requirement – applying it to one, but not the other - is unclear.

Continuing the practice of counting ESD expenditures on behalf of the district in these calculations and not ESD revenues is still a question. According to an ODE special education

finance technical assistance document<sup>11</sup>, this point has already been broadly debated by the committee, so it may not be useful to further raise the debate here. It would seem that counting ESD expenditures but not revenues related to the district would make it easier to qualify for supplemental special education revenues raising questions about equity of treatment among districts. The operative point seems to be how easy, or difficult, it should be to qualify for these supplemental funds and the extent to which all districts are being treated equitably under current provisions.

### ***Variations in Service Provision***

Variations in special education service provision were raised as a major concern by the stakeholders attending the meetings described above. Some contended that services offered in some areas of the state were much less likely to be found in others, and that the quality of provision was not uniform or guaranteed statewide. As mentioned above, the comments at these meetings seemed to link these variations to the fiscal flexibility mentioned above (i.e., that state special education revenues do not necessarily need to be spent on special education services), varying local attitudes toward special education, and the inability of districts in some areas of the state to secure the expertise needed to provide required services.

The multi-year special education census database includes variables for recording related services provided to special education students by individual district. This type of information could provide a very important basis for measuring possible service variations across the state. Despite the fact that related service reporting is optional, extensive data are found in these fields. When these data are analyzed by region, considerable variation in service levels is shown which seems to support the concerns stated above.

On the other hand, these data may not be fully comparable due to lack of full or consistent implementation. In their current form, they seem to provide clear evidence of substantial service disparities. However, if these data can not be fairly compared due to differing reporting practices by localities, perhaps they should be dropped from the database as in their current form they have the potential for raising substantial concerns.

From a differing point of view, if it is believed that uniform recording of student-level service information is possible to allow examination of variations in service provision across the state, perhaps fuller implementation should be pursued. The ability to measure, document, and report the degree to which various special education services are being reported across the state would seem important from an adequacy as well as an equity perspective.

As an alternative to the service data, Exhibit 11 explores possible service variations as reflected by the number of special education students to special education teachers and instructional aides. While variation is observed, it appears within a reasonable range. While there are 33.6 special education students per special education teacher in the Eastern region and only 25.6 students per teacher in the Central region, this degree of variation may be reasonable and balanced by

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<sup>11</sup>This document is at: <http://www.ode.state.or.us/data/schoolanddistrict/funding/sped/fundingqa.doc>

variations in local circumstances. Some districts may employ differing mixes of teachers in relation to instructional aides, which may be affected by such policies as the degree to which special education services are provided in mainstream classrooms.

**Exhibit 11. Number of Special Education Student per SE Teacher and Aide by Region, 2005-06**

	Cascade	Central	Columbia	Eastern	Lane	Northwest	Southern	Willamette	Statewide
SE Stu/SE Tchr	27.6	25.6	29.2	33.6	31.9	26.6	30.2	29.3	29.1
SE Stu/SE Aide	18.3	15.8	18.4	11.7	22.5	15.0	18.0	12.8	16.2

NOTE: The data above reflect the total number of special education students divided by total staff, aggregated up from the district. They do not reflect class size or teacher or aide caseload as some special education students do not receive direct services from a special education teacher or aide. Nor do they include any ESD or regional personnel that may be providing services.

Examining these figures in relation to educational placements may provide some clarity, as well as raises additional questions. For example, Eastern has the largest number of special education students per teacher and the lowest number of students per aide, which seems in line with the resource needs of providing services in inclusive settings. With the highest percentage of special education students spending more than 80 percent of the day in the regular education classroom, this region appears to be using fewer teachers and more aides to provide services in inclusive settings. Lane, on the other hand, has the second largest number of students per teacher and per aide, but only half of their students are in this inclusive setting (the lowest statewide).

Differences may also be reflective of varying use of instructional versus related service staff. For example, while the Central region shows the most favorable ratio of special education students per special education teacher, the percentage of special education students in this region receiving some of the key therapies show above are among the lowest among regions across the state. Trade-offs of instructional time in lieu of therapy time appears more suspect and raises questions about comparability of services, but may reflect the reality of scarce therapy resources, especially in certain areas of the state.

### ***ESD/District Tensions***

While ESD/district tensions came up as one of the predominant themes at the stakeholder meetings, it is not clear to what extent the issues are with the ESD structure per se, or more specifically pertain to ESDs that house Regional and/or Early Intervention/Early Childhood Special Education (EI/ECSE) programs. If the latter, they may largely be tied to overall concerns that regional funding has not increased in accord with the rising counts of students served by these programs.

However, we are aware that the multi-tiered education provision system in Oregon has been reviewed periodically and appears to be an issue of recurring discussion in the Legislature. It is our understanding that the last study of this question was conducted by the Gibson Consulting Group and is described in a report submitted to the state in September of 2006. In short, they conclude that “the ESDs play an important role in contributing to public education in the state, and the services they provide allow the state’s education system to operate more efficiently” (Gibson Group, 2006:1).

While it is clearly beyond the scope of the present study to analyze the efficacy of the state’s system of ESDs, from the perspective of special education (which we understand to be perhaps the largest responsibility of the ESDs), we believe the conclusion reached by the Gibson Group may warrant further examination. While we agree with the general tenet of the Gibson Group that some form of regionalization is needed in regard to special education services for all age groups, does the state require as many layers of regional provision as it now has in place? In short, how many levels of regional provision are needed and how many regional subdivisions are most appropriate in a state the size and geography of Oregon? Drawing on data presented by the Gibson Group (2006, Exhibit 2 on page 10), we derived the information shown in Exhibit 13.

**Exhibit 13: Varying Levels of Regional Provision Across Six States**

STATES	OR	IA	IN	NM	TX	WA
# ESDs	20	15	9	9	20	9
# Districts	199	365	262	51	1,039	301
Enrollment	558,873	483,104	647,700	328,111	4,521,043	1,032,856
Avg Dist Size	2,808	1,324	2,472	6,434	4,351	3,431
Sq Miles	98,208	56,276	35,890	121,365	261,914	66,582
Dist/ESD	10	24	29	6	52	33
Enr/ESD	27,944	32,207	71,967	36,457	226,052	114,762
Sq Miles/ESD	4,910	3,752	3,988	13,485	13,096	7,398

Source: Gibson Group, 2006.

In making an argument for efficiencies associated with regionalization, the Gibson Group spends relatively little discussion (if any) on the fact that Oregon has 20 ESDs set within a system of nine regional providers for low incidence services. In addition to the question of the need for multiple layers of regionalization, the data below seem to suggest that something closer to nine regions would align better to what the Gibson Group cites in their report as efficient than the current number of 20. The only other state shown in Exhibit 14 with 20 regions is Texas, with a student population that is around eight times that of Oregon and is the second largest state in terms of square miles (while Oregon is the 20<sup>th</sup> largest).

A final concern in the context of this study is the potential divisiveness the state’s current system of multiple regional structures may cause in making a more rational and coherent case to the Legislature about the state’s special education needs. If the Legislature must entertain separate pleas for support across multiple special education agencies, i.e., regions, areas, ESDs, and districts, it is likely very difficult for them to respond. It may be easier for legislators to look to local districts as having the primary responsibility for educating students in special education and therefore as being the most logical entity to which to direct special education support. The degree of regional overlay to district-level support may need to be simplified and the required funding for the system overall more logically linked.

## Summary of Observations and Recommendation Topics

The purpose of this study was to review Oregon's K-12 special education funding system and to provide recommendations for improvements as deemed warranted. The recommendations contained in this report are from the study team, and do not necessarily reflect comments raised at the stakeholder meetings assembled for this project.

At the same time, while the findings from this study can be informed by a number of sources, e.g., extant state data and reports, as much input as possible was elicited from those in attendance at the meetings. There is no single answer to the question of the best set of special education fiscal policies for a state.

What will work best in Oregon is dependent on the state's overall objectives for public education and their relationship to special education services, as well as prior practice and the history of education policy in the state. In addition, to be effective, special education fiscal policy must fit well within the context of the state's overall K-12 public education finance system. In most cases, there are parts of the current special education funding system that seem to work well from the perspective of a broad range of affected parties. Given the usual difficulty of making substantial change in education fiscal policy, it is generally best to leave components of the formula alone that are seen locally as working well, and to focus on the most problematic issues. When studies like this are commissioned, it is almost always because there are questions regarding one or more components to the current formula. We believe it best to attempt to identify and to focus on these, largely leaving the other parts substantially alone, lest today's solutions become tomorrow's problems.

It is with this spirit that we summarize some of the strengths and concerns observed through the course of this study in regard to Oregon's system of special education funding. These are followed by some recommendation topics. The recommendations in this report are considered more topical than specific because they are virtually all political determinations rather than unambiguously needed changes. These kinds of politically determined recommendations can only be fully resolved by a committee of special education stakeholders from Oregon representing a broad range of interests in the state. While groups were convened to inform the study team on the perceived strengths and weaknesses with special education funding, no attempt was made to reach any consensus regarding how these questions might be resolved. This is the next step that will be needed, if it is determined that any of the issues and potential recommendations are of sufficient interest or concern to warrant serious future pursuit.

### **Funding Formula Strengths**

A clear advantage of the Oregon single-weight special education funding formula is that it is simple and straightforward. Nearly 90 percent of state special education funding is distributed through this mechanism. Additional strengths associated with such a straightforward system is that it is easily understood, treats districts the same for special education purposes (and is in that sense, equitable), is reliable, and is easy to maintain with a low reporting burden. Other cited

strengths are that there are no fiscal incentives to identify students into one category of disability over another (e.g., due to higher funding for higher cost categories of disability), or for one form of placement over another. Of course, one might argue that some of these cited advantages are actually shortcomings, in that higher cost disability categories *should* be funded at a higher rate than others, and that higher-cost placements and services *should* receive more funding.

There is a long standing debate about the relative merits of alternative approaches of allocating special education funds (e.g., varying student funding amounts based on special education students' categories of disability or types of service received).<sup>12</sup> In short, however, the stakeholder meetings convened for this project generally seemed to consider the single-weight base special education funding model employed by the state to be superior to such alternatives as census-based or percent reimbursement.

Another important advantage associated with the state's single weight system is its flexibility. Whereas with some approaches to special education funding, the amount of money received is clearly related to certain practices (e.g., more money for higher cost and often more restrictive placements, or funds allocated on the basis of the number of special education teachers hired), there is a great deal of flexibility with the state's approach to special education funding. There is discretion to favor such things as purchasing additional technology over additional staff, or to hire more instructional aides and fewer teachers, if these things are locally determined as more efficient.

A key determination in regard to flexibility is that state special education funds in Oregon need not be spent on special education. This may be contentious if the concerns of possible substantial variations in special education service provision across the state are borne out. On the other hand, these funds may be indirectly supporting special education in the form of pre-referral services prior to special education eligibility determination. It may also be argued that the best way to bolster special education is to shore up general education, so in this sense it is possible that districts spending less on special education services than they are receiving in special education revenues could be an effective means for reserving special education referrals only for students who clearly need them. However, the argument that this is what is largely occurring in Oregon may be challenged by the data shown in Exhibit 9, which suggests no clear relationship between special education revenue surpluses and the percentage of students identified for special education.

An advantage to the high cost funding component of the formula is the basic concept that underlies it. Stakeholders seemed to believe, and the research team agrees, that some form of high cost risk pool is good policy for the state. Such insurance provisions provide protection for districts against extraordinarily high special education costs that may hit some districts harder than others that might occur in a given year.

Such provisions are especially important in states with special education funding systems that have limited or no basis in cost and vary little across the state. While this type of system features some of the advantages cited above, it has the limitations of being only weakly connected to variations in special education need, or cost. Therefore, it is especially important to allow some

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<sup>12</sup> See Parrish et al., 2003

safety valve when these excess costs have the potential of being especially onerous for a single district.

Some form of a high cost risk pool is also especially important in sparsely populated states with many small districts. Small units of provision are especially vulnerable to the disproportionate fiscal impact that can result from one or two unusually high cost special education students.

### ***Funding Formula Concerns***

Concerns with the current system of K-12 special education funding are the considerable misalignment between revenues and expenditures per student; indications of substantial variations in special education service provision across the state; multiple layers of regional oversight and administration; substantial growth in the state's population of children with autism; and the growing number of children with emotional disturbance returning to their home communities and school districts without accompanying funding or technical support and assistance. Each of these areas of concern has been discussed above, and recommendation topics concerning each are discussed below.

### ***Recommendation Topics***

As mentioned, this section is organized more around topical areas rather than specific recommendations for change. After reviewing Oregon special education data and holding the stakeholder meetings, we believe the areas below may warrant further consideration by the state.

#### **Misalignment between special education revenues and expenditures per student**

The degree of variation in revenues and spending for special education in Oregon is fairly extreme. As noted above, less than 30 percent of the state's special education students are enrolled in districts in which the disparity between special education spending and revenues falls within the \$1,000 band of either \$500 per student under or \$500 over. The fact that this disproportionately affects the largest districts of the state is also a concern. They appear clearly to be disadvantaged by the current funding mechanism.

One possible recommendation is to disregard the disparities based on the premise that the formula is designed as a basis for allocating revenues rather than a prescription for expenditures. As the state does not require special education revenues to be spent on special education services clearly no existing provisions are being violated based on these disparities.

However, there may be some cause for concern given the variations in the levels of service provided to special education students across the state. In addition, as special education expenditure information gains increasing attention, these data give the impression that special education services in Oregon are more than amply funded, and that no additional support is needed. If true, this seems problematic in the face of substantially rising high need and high cost populations such as students with autism and students with ED emerging and returning to local communities, as well as the fairly substantial funding disparities seen in the state's largest districts. This picture of surplus funding also likely causes difficulties for supporting the case for more funding for the state's Regional Programs.

A minor change that might be enacted to partially address these concerns is prohibiting districts from receiving additional funds through waivers and the high cost fund if they already show special education surpluses. Some restrictions of this type are already in place in regard to the 11 percent cap waivers, but are not extended to the allocation of High Cost Disability funds. In both cases, the more balanced approach of including relevant ESD special education revenues as well as expenditures on behalf of the district should be included in these calculations.

Other possible approaches to easing these disparities would be to factor in cost-of-education indices in establishing funding levels for individual districts. Such indices would acknowledge the higher cost of providing education services in certain areas of the state such as urban centers. Both these measures would likely provide relief to the largest districts of the state realizing the greatest disparities between special education funding and spending.

Applying a multi-tiered approach to the 11 percent cap allocation that would continue full funding up to 11 percent of identified students and then provides a diminishing percentage support for as the percentages of students increase might further deflate revenues in the higher identifying districts, which would also help the revenue disparity problem somewhat and may also further discourage unusually high rates of special education identification.

Last, it is possible that the state could consider a more cost-based approach to funding. This would require eliminating the single weight altogether and moving toward a formula like percent reimbursement, or perhaps some other form of resource-based provision. In both cases, district special education funding would be much more closely linked with what is actually being provided, and therefore what is being spent. Of course, there are also disadvantages associated with each of these alternatives which should be more fully discussed if such a substantial change in Oregon's approach to special education funding were to be seriously considered.

In short, the magnitude of the special education revenue to expenditure differentials observed throughout the state seems to constitute the greatest source of concern in regard to the system overall. While special education funding in some areas of the state appear more than sufficient to meet locally defined needs, other areas are clearly under funded in relation to current spending. A deeper investigation of the underlying causes of these variations seems warranted as does further consideration of whether fairly substantial changes in the way special education is funded in Oregon are needed. Apart from the relative slight modifications in policy described above, for special education revenues and expenditures to be brought more tightly in alignment would likely require a fairly substantial change in the way the state currently funds special education. Determining whether there is sufficient political capital to entertain such changes and what policy alternatives policy makers in Oregon would be willing recommend would require the type of in-depth stakeholder deliberation described at the onset of this report.

#### **Variations in the provision of special education services**

Concerns regarding service variations were clearly expressed by both advisory groups and appear substantiated by the service data for 2005-06 in the state's multi-year special education census database. The state is commended for collecting, compiling, and disseminating these data (with instructions and appropriate caveats regarding its use and confidentiality) in the form of a

CD to public agencies. As noted in the instructions, “We believe the real value of these data is looking at trends of your agency over time with aggregate groups.” However, if it is important for agencies to look at these data to better understand and consider what they are providing (or not providing) in relation to other districts throughout the state, it also seems important for the state to examine these data and perhaps to publish the findings.

Perhaps the best way to demonstrate the importance of these data is to use them as a basis for setting service benchmarks for the state. These could indicate a reasonable range regarding the percentage of students commonly receiving certain services across the state and other indicators of special education resource levels (i.e., the average number of students to per special education teacher, related service provider, and instructional aide). The state might produce reports from these data showing where individual districts and collections of districts stand in relation to these benchmarks, which could also be used as a basis for discussing and perhaps acting on substantial variations where observed. Comparative data on the services being provided to special education students will enhance the state’s understanding about the degree of consistency in special education provision across the state.

A more extreme approach to encouraging more comparable levels of special education provision across the state would be the development of a funding system that is more closely linked to measures of actual service provision in local entities. As described earlier, a cost-based funding approach has sufficient disadvantages as well as advantages, and would require substantially more consideration than can be given within the confines of this report.

#### **Multiple layers of regional oversight and administration**

It may be time for the state to consider simplification of the state’s system of regional special education service provision. One possible approach would be for a redefined set of core services for Regional Program to be funded separately by the state, with most other regional and ESD special education services being provided on a fee-for-service basis.

That is, state funds for a clearly and consistently defined set of core special education services would go directly to the Regional Program, with all other special education funding going directly to districts. This would allow them to purchase services, as needed. This would reinforce the fact that they are the entities with overall responsibility for ensuring appropriate provision for the special education students they enroll, with the benchmarks for expected provision providing public scrutiny and accountability in regard to the services actually being provided.

This would greatly simplify the existing system, should clearly convey district responsibility for the students they enroll, would allow them to purchase regional and other cooperative services to the extent they consider them cost effective, and would provide a more coherent and unified picture in regard to an overall statewide appeal for special education support.

#### **Substantial growth in the state’s population of children with autism and an outdated funding model for regional service provision**

Perhaps more than any single factor, the striking growth in the population of students with autism over the past several years is driving the need for reconsideration of state’s system of

regional provision. Although the growth in this population in Oregon is considerable, the increase at the national level is substantially greater (as reported earlier in this report). Thus, it may be reasonable to expect the substantial growth in the number of students identified with autism in Oregon to continue, at least into the immediate future. Specific recommendations regarding the funding implications of these changes and the current Regional program funding model are presented more fully in a report on regional service provision, which is being released at about the same time as this report specifically pertaining to special education funding.

## **Conclusion**

This study attempts to assess and provide feedback on Oregon's special education funding formula. It was conducted through interviews, stakeholder meetings, review of prior reports, and analyses of state and federal data. It is also based on the knowledge of the research team about the history and context of special education finance policy across the nation. As mentioned above, the recommendations in this report should be considered as areas possibly meriting further attention rather than a specific design for change.

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## Appendix A: Index of Estimated SE Personnel Spending per Student, 50 States and DC, 2004-05

	2004-05	Index
1	New York	2.18
2	Hawaii	1.80
3	Vermont	1.63
4	New Hampshire	1.51
5	New Jersey	1.40
6	Rhode Island	1.33
7	Minnesota	1.29
8	Virginia	1.24
9	New Mexico	1.23
10	Kansas	1.17
11	Louisiana	1.12
12	Illinois	1.12
13	Iowa	1.12
14	Maine	1.08
15	Arizona	1.08
16	Maryland	1.07
17	Connecticut	1.07
18	Delaware	1.03
19	Wyoming	1.02
20	Pennsylvania	1.01
21	South Dakota	1.01
22	North Dakota	1.01
23	Massachusetts	0.99
24	Wisconsin	0.98
25	Colorado	0.97
26	Georgia	0.93
27	Alabama	0.89
28	Nevada	0.87
29	North Carolina	0.86
30	Florida	0.86
31	Kentucky	0.86
32	Missouri	0.84
33	Texas	0.82
34	West Virginia	0.82
35	Oregon	0.81
36	Michigan	0.81
37	Washington	0.81
38	Mississippi	0.81
39	California	0.79
40	Nebraska	0.79
41	Arkansas	0.79
42	Alaska	0.79
43	Ohio	0.78
44	Montana	0.74
45	District of Columbia	0.74
46	Tennessee	0.73
47	Utah	0.71
48	Indiana	0.70
49	Idaho	0.69
50	Oklahoma	0.68
51	South Carolina	0.64

Note: Teacher salary data from [http://nces.ed.gov/programs/digest/d05/tables/dt05\\_077.asp](http://nces.ed.gov/programs/digest/d05/tables/dt05_077.asp) (Table 77. Estimated average annual salary of teachers in public elementary and secondary schools, by state or jurisdiction: Selected years, 1969-70 through 2004-05). Teacher's salary in 2004-05 is \$47,750. Special education teacher aide salary/benefits is \$11,086 - about 24% of a special education teacher salary in 1999-2000 (unpublished SEEP data). This simulation uses 24% of \$47,750 for the aide's salary (\$11,460). Salary is multiplied by the number of providers, and divided by the number of SE students in each state.