Financing (or the Cost of) Special Education

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Education Writers Association

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Center for Special Education Finance (CSEF)

- Funded by the US Department of Education
- Housed at American Institutes for Research (AIR), Palo Alto
- Started in 1992
- Purpose:
  - Measure special education costs/expenditures
  - Conduct special education finance policy analyses
  - Collect and maintain special education finance information
  - Disseminate information on special education costs and fiscal policies
- Questions/join our mailing list: e-mail: csef@air.org
- Website: csef.air.org
Special Education Finance
National Policy Issues

- Rising enrollments
- Increasing costs
- Least restrictive environment
- General education encroachment
- Blended services/funds
- Pre-referral activities
- Accountability
- Full federal funding
Special Education Finance
Reporting Message #1

Very dramatic rise in federal funding will be needed to have much local impact
National Special Education Funding Trends

![Graph showing national special education funding trends from 1991-92 to 2000-01.]
Progress Toward National 40 Percent Target SE Support Over Time
Why federal percentage growth has been slow
Analysis of change from 2000-01 to 2001-02

- Increased federal revenue: $1,347,000,000
  - 27% Increase over prior year
- Additional SE students added: 74,807
- Estimated cost of added students: $857,782,206
- Increased cost from inflation: $765,963,908
- Increased cost of growth: $1,623,746,114
Funding formulas vary considerably in their general orientation as well as in the detailed provisions.

There are five basic types of funding formulas.

In addition, there are multiple types of allocation methods.
Funding Formulas: Across the US in 1999-2000

- Pupil weights: 17 states
- Flat/Census-based: 10 states
- Resource-based: 6 states
- Percentage reimbursement: 6 states
- Variable block grant: 4
- Combination: 5 states
Beware of simple solutions or explanations to complex problems
State funding systems are either “lump sum” or “bounty”

“Bounty” funds are allocated per identified pupil

“Bounty” states identify SE students at higher rates demonstrating the incentive to over-identify SE students

Greene and Forster’s estimates: 1991 = B(10.6), L(10.5); 2000 = B(12.6), L(11.5).
From these data, they conclude (p. 8): “By 2000-01, 390,000 extra students were placed in special education because of the bounty system, resulting in extra spending of over $2.3 billion per year”

But is it even true that states with “bounty” SE funding systems identify at higher rates?
G&F Replication: Special Ed Enrollments under Bounty and Lump-Sum Systems, 1991-2000, with California removed from all calculations

<table>
<thead>
<tr>
<th>Year</th>
<th>Bounty System</th>
<th>Lump-sum System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>10.57%</td>
<td>10.07%</td>
</tr>
<tr>
<td>1992</td>
<td>10.68%</td>
<td>10.60%</td>
</tr>
<tr>
<td>1993</td>
<td>10.71%</td>
<td>11.39%</td>
</tr>
<tr>
<td>1994</td>
<td>10.91%</td>
<td>11.36%</td>
</tr>
<tr>
<td>1995</td>
<td>11.00%</td>
<td>11.62%</td>
</tr>
<tr>
<td>1996</td>
<td>11.24%</td>
<td>11.62%</td>
</tr>
<tr>
<td>1997</td>
<td>11.47%</td>
<td>11.77%</td>
</tr>
<tr>
<td>1998</td>
<td>11.70%</td>
<td>12.13%</td>
</tr>
<tr>
<td>1999</td>
<td>11.96%</td>
<td>12.38%</td>
</tr>
<tr>
<td>2000</td>
<td>12.22%</td>
<td>12.52%</td>
</tr>
</tbody>
</table>

Greene and Forster's estimates: 1991 = B(10.6), L(10.5); 2000 = B(12.6), L(11.5).
In 1999, we completed a survey of state special administrators designed to obtain (See Handouts):

- Descriptions of the mechanisms used by states to fund special education services for school-age children with disabilities and
- State-reported estimates of the total amounts of spending on these services from state, local, and federal funds.
Special Education Finance Reporting Message #3

- Special education spending per student is not skyrocketing.

- In fact, it appears to be slower than spending growth per general education student.
Special Education Expenditure Project (SEEP)

- **What is SEEP?**
  - A national study of special education expenditures
  - The State SEEPs

- **Who is our sponsor?**
  - U.S. Department of Education, Office of Special Education Programs (OSEP)
  - A Congressionally Mandated Study

- **What do they want to know?**
  - Total special education spending
  - How funds are used
  - Relationship to general and total education spending

- **What is the purpose?**
  - Inform Congress & for reauthorization of IDEA
SEEP Surveys

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

SEEP created databases from a sample of

- 10,000 students with disabilities (a center piece for analysis)
- 5,000 special education teachers & related service providers
- 5,000 regular education teachers
- 1,000 schools
- 300 local education agencies.
Total Spending On Students With Disabilities Who Are Eligible For Special Education Services in the U.S., 1999-2000

- Regular Education Spending: $27.3 billion
- Spending on Special Education Students: $50.0 billion
- Spending on Other Special Programs: $1.0 billion
Calculation of Additional Expenditure on a Student With a Disability, 1999-2000

- Components of total expenditure to educate a student with a disability:
  - Regular education expenditure: $4,394
  - Special education expenditure: $8,080
  - Other special programs: $165

- Total expenditure: $12,639

- Difference between expenditure to educate a regular education student and a student with a disability:
  - Additional expenditure attributable to special education: $5,918
  - Expenditure to educate a regular education student with no special needs: $6,556

Total: $12,639
Changes In Special Education Spending Per Pupil Over Time
(68-69, 77-78, 85-86, 99-00)

Per pupil in 1999-2000 dollars  Per pupil in unadjusted dollars
Special Education Expenditure Project

Ratio of Spending Per Special and Regular Education Student Over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968-69</td>
<td>1.92</td>
</tr>
<tr>
<td>1977-78</td>
<td>2.17</td>
</tr>
<tr>
<td>1985-86</td>
<td>2.28</td>
</tr>
<tr>
<td>1999-2000</td>
<td>1.90</td>
</tr>
</tbody>
</table>
Allocation of Special Education Expenditures, 1999-2000

- School-aged programs operated **outside** public schools (11%, $5.3 billion)
- Preschool programs operated **within** public schools (8%, $4.1 billion)
- Preschool programs operated **outside** public schools (1%, $263 million)
- Other instructional programs (homebound & summer) (2%, $912 million)
- Transportation services (7%, $3.7 billion)
- Administration & support services (10%, $5.0 billion)
- School-aged programs operated **within** public schools (61%, $30.7 billion)
Average Expenditure by Category of Disability

<table>
<thead>
<tr>
<th></th>
<th>Avg</th>
<th>SLD</th>
<th>SLI</th>
<th>OHI</th>
<th>ED</th>
<th>OI</th>
<th>MR</th>
<th>HI/D</th>
<th>TBI</th>
<th>AUT</th>
<th>VI/B</th>
<th>MD</th>
<th>NPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>25th %ile</td>
<td>$7,361</td>
<td>$7,095</td>
<td>$7,122</td>
<td>$7,825</td>
<td>$8,272</td>
<td>$9,320</td>
<td>$9,117</td>
<td>$9,277</td>
<td>$8,431</td>
<td>$11,189</td>
<td>$9,794</td>
<td>$12,884</td>
<td>$8,818</td>
</tr>
<tr>
<td>50th %ile</td>
<td>$9,709</td>
<td>$9,195</td>
<td>$8,960</td>
<td>$10,556</td>
<td>$11,265</td>
<td>$12,955</td>
<td>$13,373</td>
<td>$12,280</td>
<td>$12,522</td>
<td>$14,570</td>
<td>$12,478</td>
<td>$18,109</td>
<td>$21,820</td>
</tr>
<tr>
<td>75th %ile</td>
<td>$13,698</td>
<td>$12,106</td>
<td>$10,832</td>
<td>$15,686</td>
<td>$16,084</td>
<td>$18,281</td>
<td>$18,133</td>
<td>$17,212</td>
<td>$19,791</td>
<td>$20,947</td>
<td>$30,170</td>
<td>$24,598</td>
<td>$32,103</td>
</tr>
<tr>
<td>Average</td>
<td>$12,438</td>
<td>$10,558</td>
<td>$10,958</td>
<td>$13,209</td>
<td>$14,150</td>
<td>$14,992</td>
<td>$15,040</td>
<td>$15,995</td>
<td>$16,542</td>
<td>$18,788</td>
<td>$18,811</td>
<td>$20,097</td>
<td>$25,580</td>
</tr>
</tbody>
</table>
Special Education Expenditure Project

Per Pupil Special Education Spending, 1999-2000

- Central office administration of the program: $662
- Special school administration and support: $4,388
- Preschool programs operated within public schools: $7,667
- Preschool programs operated outside public schools: $9,062
- School-aged programs operated within public schools: $5,709
- School-aged programs operated outside public schools: $26,440
- Transportation services: $4,418

$0 $5,000 $10,000 $15,000 $20,000 $25,000 $30,000
Special Education Expenditure Project

Total Expenditure Used to Educate a Student with a Disability Across Districts Classified by the Percentage of Students Eligible for Free and Reduced Price Lunches, 1999-2000

- Lowest Poverty: $12,206
- Second-Lowest Poverty: $11,878
- Second-Highest Poverty: $12,151
- Highest Poverty: $12,705

Cost Adjusted: $13,133

$0 $2,000 $4,000 $6,000 $8,000 $10,000 $12,000 $14,000

Lowest Poverty Second-Lowest Poverty Second-Highest Poverty Highest Poverty

Legend:
- Blue: Actual
- Red: Cost Adjusted
Federal IDEA is the major blueprint for special education policy and law. However, implementation and funding come mostly from states and localities. National averages mask substantial variations in implementation at the state and local level.
State SEEP Studies

- All 50 states were invited to have their own SEEP study
- Expanded samples allow for reporting on individual state expenditures
- States in initial study:
  - Alabama, Delaware, Indiana, Kansas, Missouri, New Jersey, New York, Ohio and Rhode Island
- States/districts in second study:
  - Maryland, Wyoming, Milwaukee Public School District
## Special Education Expenditures Across SEEP States, 1999-2000 (Ages 3-22)

<table>
<thead>
<tr>
<th>State</th>
<th>Special Expenditure per Special Education Student</th>
<th>General Education Expenditure per Special Education Student</th>
<th>Total (Special and General) Education Expenditure per Special Education Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$18,110</td>
<td>$2,991</td>
<td>$21,101</td>
</tr>
<tr>
<td>B</td>
<td>$12,311</td>
<td>$5,215</td>
<td>$17,526</td>
</tr>
<tr>
<td>C</td>
<td>$11,753</td>
<td>$5,747</td>
<td>$17,500</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>$10,198</td>
<td>$5,410</td>
<td>$15,608</td>
</tr>
<tr>
<td>Kansas</td>
<td>$7,511</td>
<td>$3,856</td>
<td>$11,367</td>
</tr>
<tr>
<td>F</td>
<td>$6,540</td>
<td>$4,706</td>
<td>$11,246</td>
</tr>
<tr>
<td>Indiana</td>
<td>$6,466</td>
<td>$4,635</td>
<td>$11,101</td>
</tr>
<tr>
<td>Alabama</td>
<td>$5,459</td>
<td>$4,962</td>
<td>$10,421</td>
</tr>
<tr>
<td>Missouri</td>
<td>$6,013</td>
<td>$4,350</td>
<td>$10,363</td>
</tr>
</tbody>
</table>

* Includes Expenditures for Capital and Transportation
### Ratio of Total Expenditure per Special Education Student (Ages 3-22) vs. per General Education Student (Ages 6-22), Across SEEP States, 1999-2000

<table>
<thead>
<tr>
<th>State</th>
<th>Total (Special and General) Education Expenditure per Special Education Student</th>
<th>Total Education Expenditure per General Education Student*</th>
<th>Ratio of Total Spending on a Special Education Student vs. A General Education Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$21,101</td>
<td>$7,311</td>
<td>2.89</td>
</tr>
<tr>
<td>B</td>
<td>$17,526</td>
<td>$7,869</td>
<td>2.23</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>$15,608</td>
<td>$7,410</td>
<td>2.11</td>
</tr>
<tr>
<td>Kansas</td>
<td>$11,367</td>
<td>$5,933</td>
<td>1.92</td>
</tr>
<tr>
<td>E</td>
<td>$17,500</td>
<td>$9,229</td>
<td>1.90</td>
</tr>
<tr>
<td>Indiana</td>
<td>$11,101</td>
<td>$6,351</td>
<td>1.75</td>
</tr>
<tr>
<td>Missouri</td>
<td>$10,363</td>
<td>$6,303</td>
<td>1.64</td>
</tr>
<tr>
<td>G</td>
<td>$11,246</td>
<td>$6,940</td>
<td>1.62</td>
</tr>
<tr>
<td>Alabama</td>
<td>$10,421</td>
<td>$6,660</td>
<td>1.56</td>
</tr>
</tbody>
</table>

* Does not include supplemental services such as ESL, Title I, and GATE
Special Education Finance Reporting Message #5

- The **cost** of special education (title of this address) is not the same as how much are we **spending** on SE
- Neither are easy to answer, but the cost question is by far more difficult
- Cost is the minimum spending required to provide SE to a specified standard of service
Special Education Finance Reporting Message #6

- Adequacy may be the next major fiscal policy focus for special education
  - What is appropriate?
  - How much is enough?

- This appears to be coming from:
  - Considerable variation in local practice
  - Concerns about rising costs
  - Increased emphasis on outcomes
Determining Special Education Adequacy in Wyoming

Completed December, 2002
Purpose of the Wyoming SEEP Study

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

- 100 percent reimbursement has not resulted in run-away SE identification or spending.

However,

- Wyoming’s SE identification rate is 5 percent higher than the national average
- Spending per student exceeds the national average by over 17 percent.
Summary of Wyoming Findings (Cont.)

Substantial variations in spending and service exist under the current funding system:

- Identification varies from 8 to 29 percent of student enrollment

- Average district spending per SE student ranges from under $6,800 to over $13,000
Defining Adequacy in Wyoming

Recommended Staffing Guidelines, based on 2000-01 Student Population

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

### Recommended Number of FTE Administrative Staff Based on District Size

<table>
<thead>
<tr>
<th>Size</th>
<th>Average Daily Membership</th>
<th>Director, including Assistant Director</th>
<th>Secretarial Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>3,500+</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Medium</td>
<td>1,000-3,499</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Small</td>
<td>550-999</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Very Small</td>
<td>Less than 550</td>
<td>0.8</td>
<td>1</td>
</tr>
</tbody>
</table>
Wyoming SEEP Recommendations

- 100 percent reimbursement approach be replaced with block grant funding based on “adequacy” guidelines
- Special education contingency fund for districts facing extraordinary circumstances
- Enhanced regional services and state support
- That guidelines be used to assess whether districts are adequately meeting the needs of special education students.
Cost of an “Adequate” Education in New York State
Goals of the NY Study

- Estimate the cost of an adequate education
  - Pupil need
  - Scale of operations
  - Prices of comparable inputs

- Product: a cost estimate for each district in NY State
NY Study: Convene Professional Judgment Panels

- Panels of “highly qualified” educators supplied with assumptions regarding
  - Desired student outcomes
  - Student demographics
  - Other context variables

- Panels then asked to
  - Develop instructional programs
  - Specify nature and quantity of resources necessary to provide an opportunity for students to meet the specified outcomes
NY Study: Selecting Panel Members

Two panels each:

- New York City
- Small cities and urban districts
- Suburban districts
- Rural districts
- Special education
NY Study Selecting Panel Members (continued)

Each regular education panel comprised of one each:

- Superintendent
- Elementary school principal
- Middle school principal
- High school principal
- Teacher
- School district business official
- School district special education administrator
NY Study: Special Education Panels

Two special education panels were convened to specify the supplemental resources needed for special education students to meet the specified outcome standard.
NY Study: Stakeholder Panel

- This December, a Stakeholders’ Committee will react
  - Business community
  - Legislators
  - Governor’s office
  - Panel representatives
  - Teachers’ union
  - Other educators
Concluding Thoughts: Desirable special education policy objectives

- Leveling SE enrollment and spending
- More integration, less segregation
- Focus on improved educational outcomes
Concluding Thoughts: Legislative concerns

Major SE Policy Concerns:

- Special education enrollments and costs rising
- Effectiveness of SE programs relatively unknown

One possible cause:
- State reform/accountability efforts often do not anticipate impact on SE
Concluding Thoughts: State Legislative issues

- SE legislative focus seems primarily on cost
- Little is done to help districts control costs
- Limiting state SE spending simply passes on the problem
- Resource guidelines for SE (e.g. as formulated for WY) could help
- Better measures of program effectiveness needed
Concluding Thoughts:
What should be done?

- Develop and focus early interventions
- Fully implement pre-referral interventions
- Establish a state contingency fund for high cost students
- Promote regional cooperation
Concluding Thoughts: What should be done?

- Remove fiscal policies favoring segregation and create incentives for integration
- Allow flexibility in spending
- Develop clear and appropriate criteria for gauging program effectiveness
- Focus SE accountability on student outcomes
Contact Information

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Questions?

Thank you.