



Financing (or the Cost of) Special Education

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Education Writers Association

Nashville – October 25, 2003

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

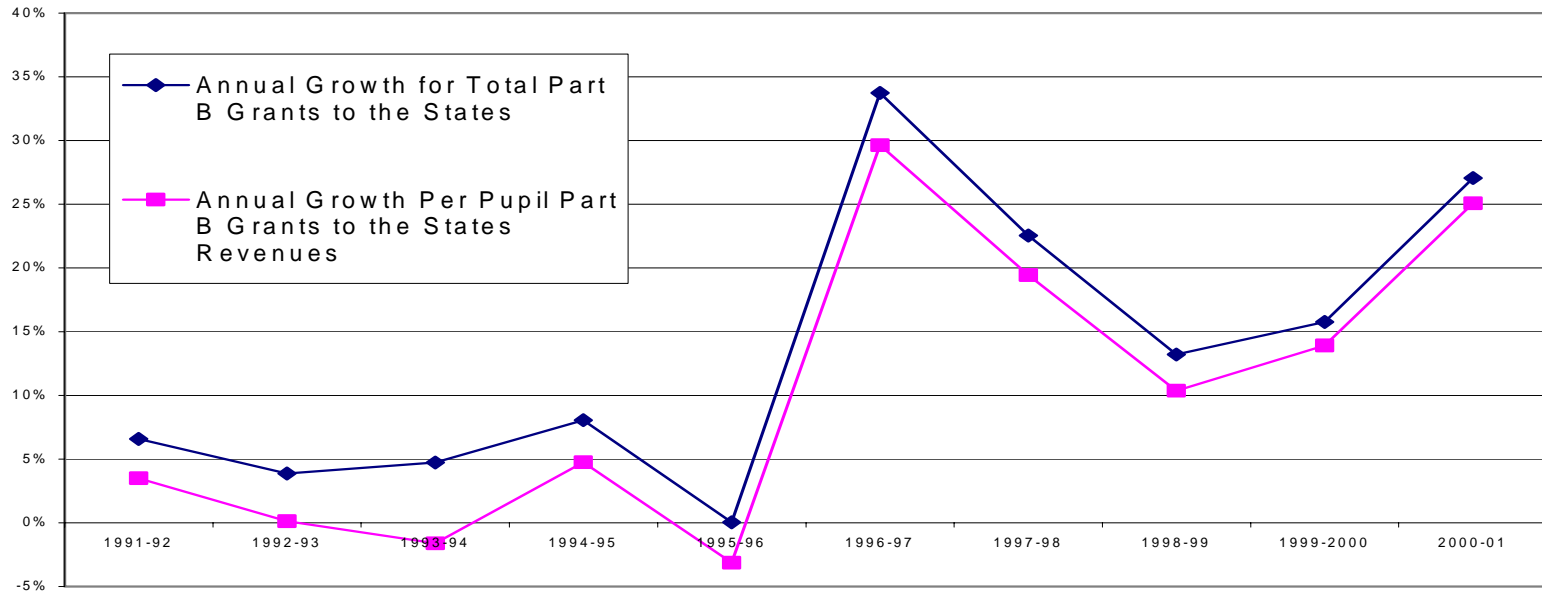
National Policy Issues

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

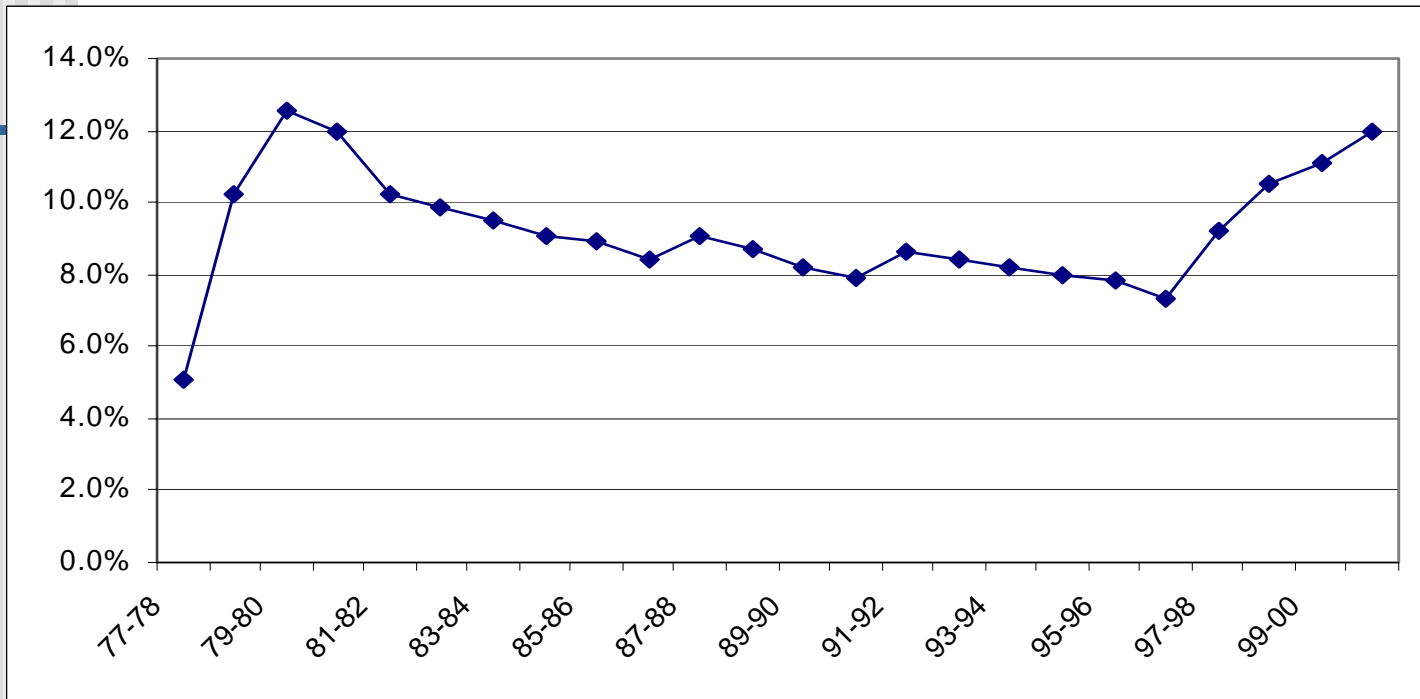
Special Education Finance Reporting Message #1

Very dramatic rise in federal funding will be needed to have much local impact

National Special Education Funding Trends



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**

Special Education Finance

State Funding Formulas

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

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

Special Education Finance Reporting Message #2

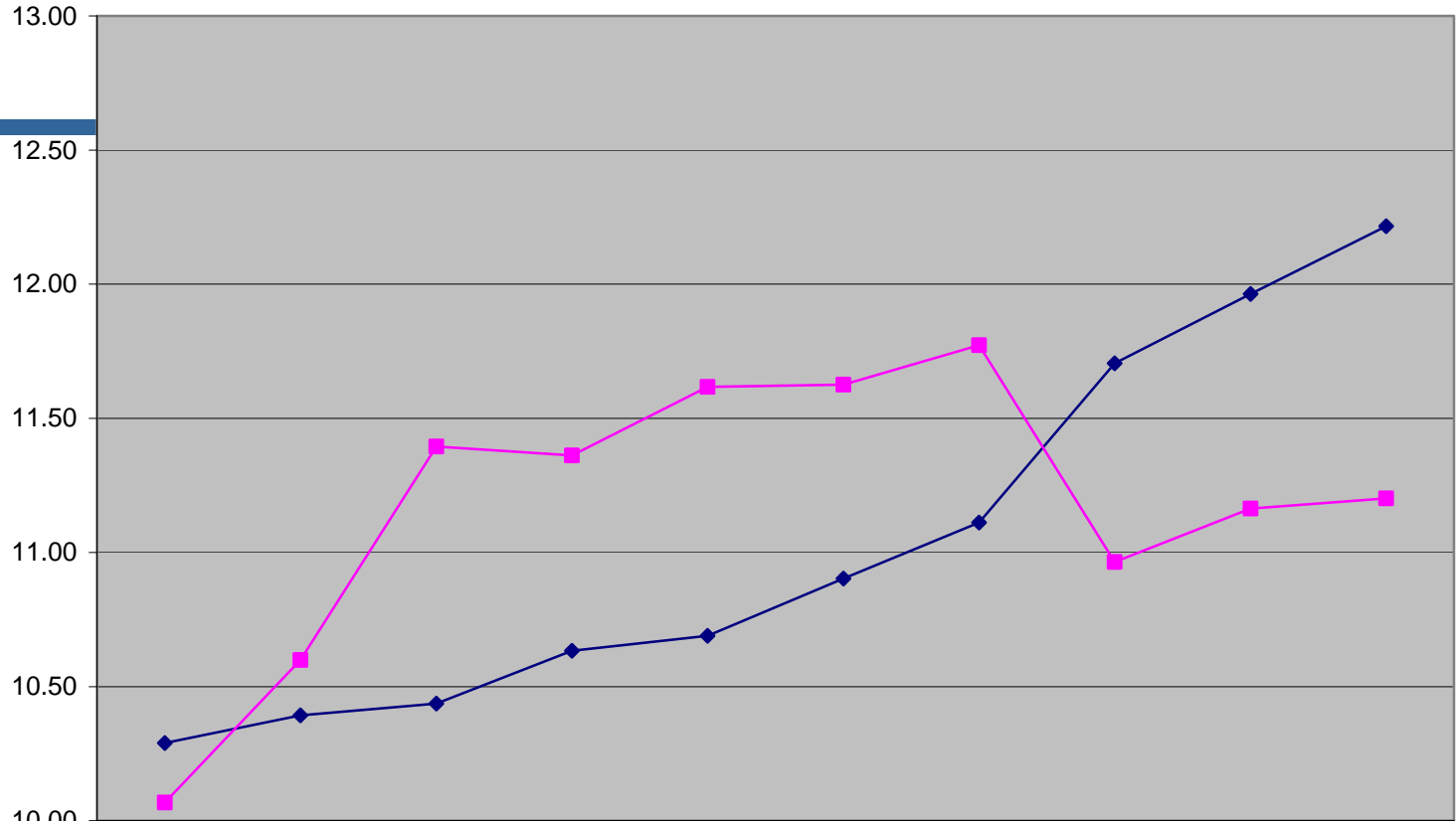
Beware of simple solutions
or explanations to complex
problems

Greene and Forster Report Manhattan Institute for Policy Research – 12/02

- 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

G&F Replication: Special Ed Enrollments under Bounty and Lump-Sum Systems, 1991-2000

Total SE enrollments for states within each system (population-weighted)



◆ Bounty System	10.29	10.39	10.44	10.63	10.69	10.90	11.11	11.70	11.96	12.22
■ Lump-sum System	10.07	10.60	11.39	11.36	11.62	11.62	11.77	10.96	11.16	11.20

Greene and Forster's estimates: 1991 = B(10.6), L(10.5); 2000 = B(12.6), L(11.5).^{Year}

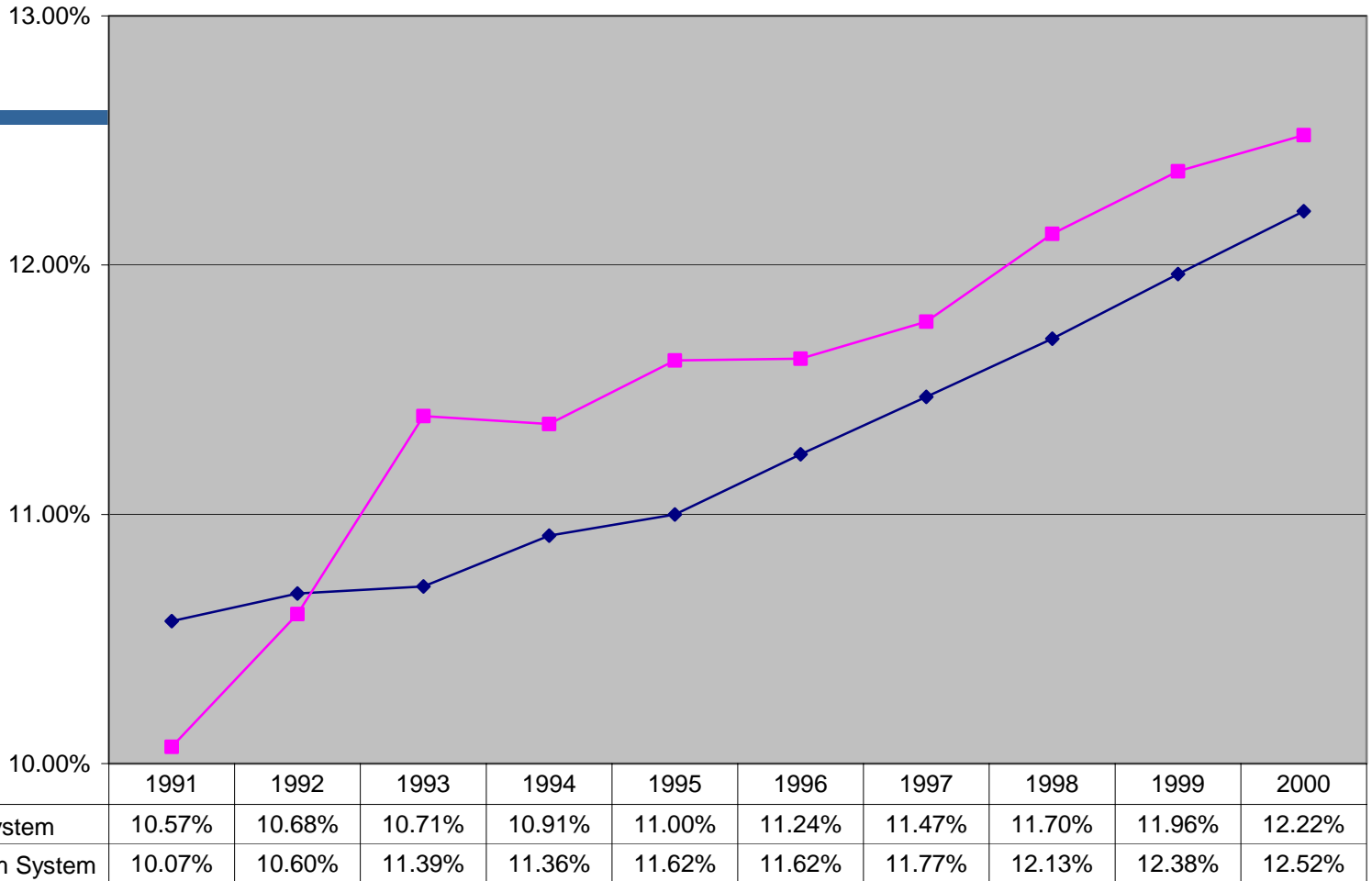
◆ Bounty System ■ Lump-sum System

Greene and Forster Report Manhattan Institute for Policy Research – 12/02

- 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

Total SE enrollments for states within each system (population-weighted)



Greene and Forster's estimates: 1991 = B(10.6), L(10.5); 2000 = B(12.6), L(11.5).

◆ Bounty System ■ Lump-sum System

State Special Education Finance Systems and Expenditures Report

- 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*

Special Education Expenditure Project

SEEP Surveys

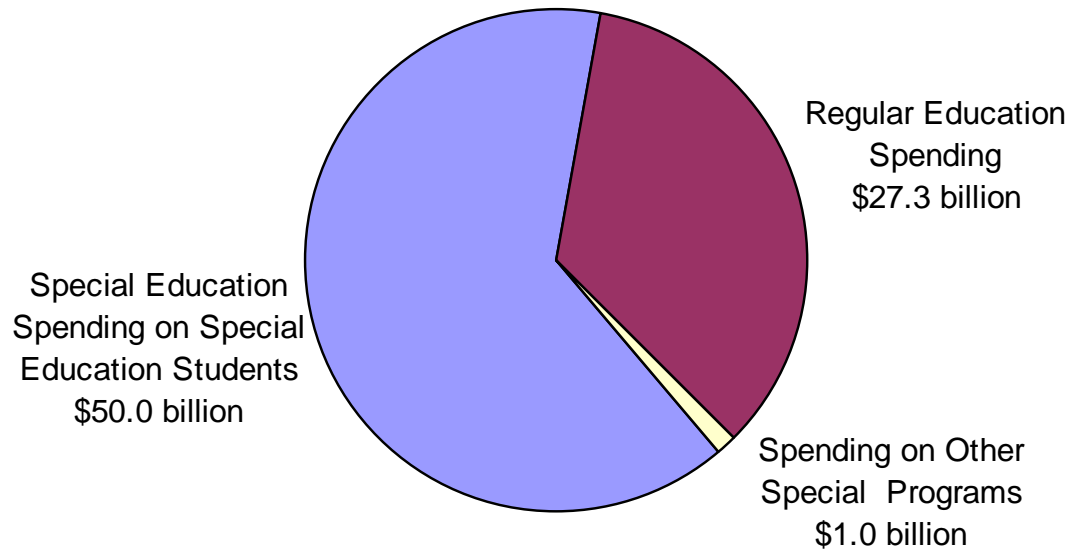
SEEP included 23 different surveys to collect data at the state, district, and school levels.

SEEP created databases from a sample of

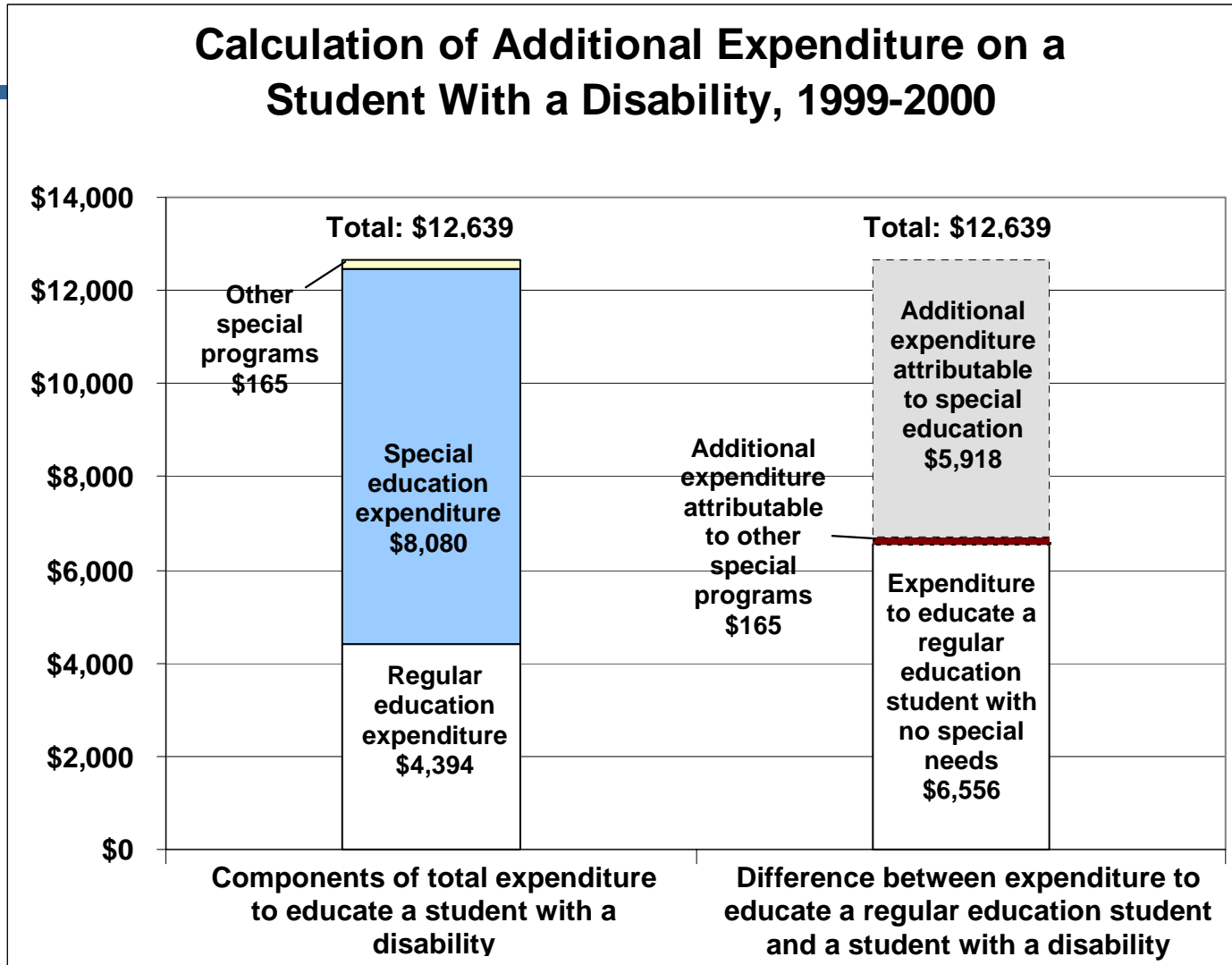
- 10,000 students with disabilities (a center piece for analysis)
- 5,000 special education teachers & related service providers
- 5,000 regular education teachers
- 1,000 schools
- 300 local education agencies.

Special Education Expenditure Project

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

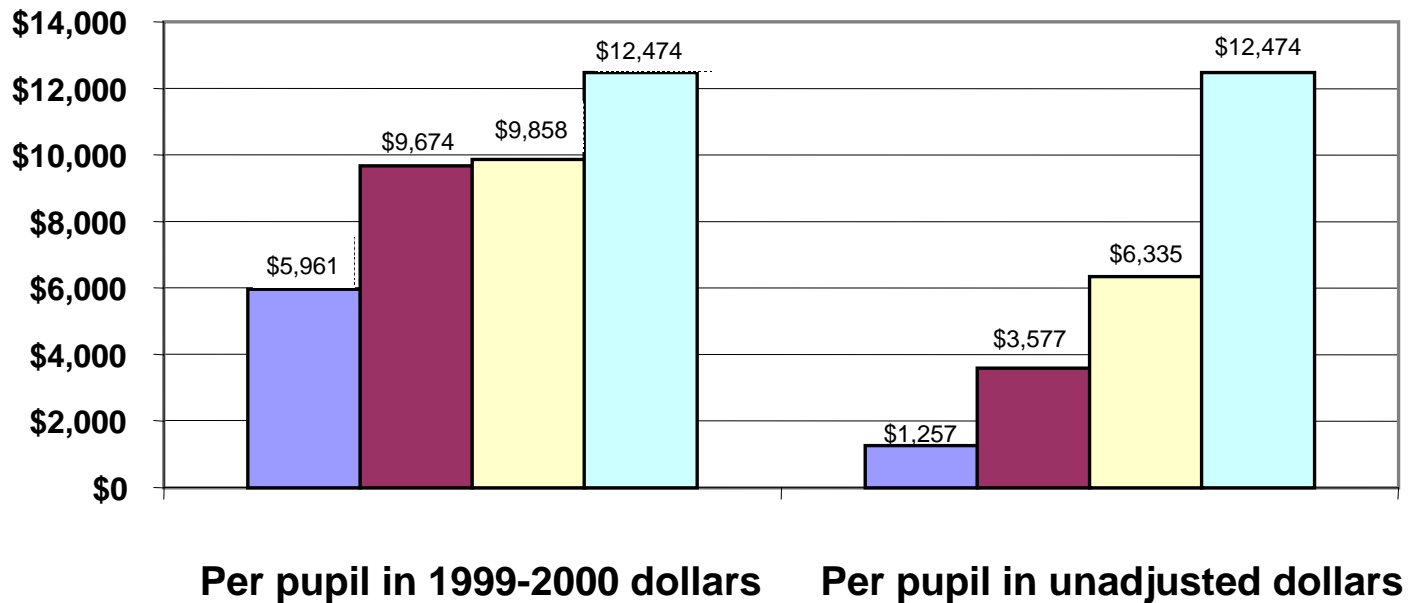


Special Education Expenditure Project



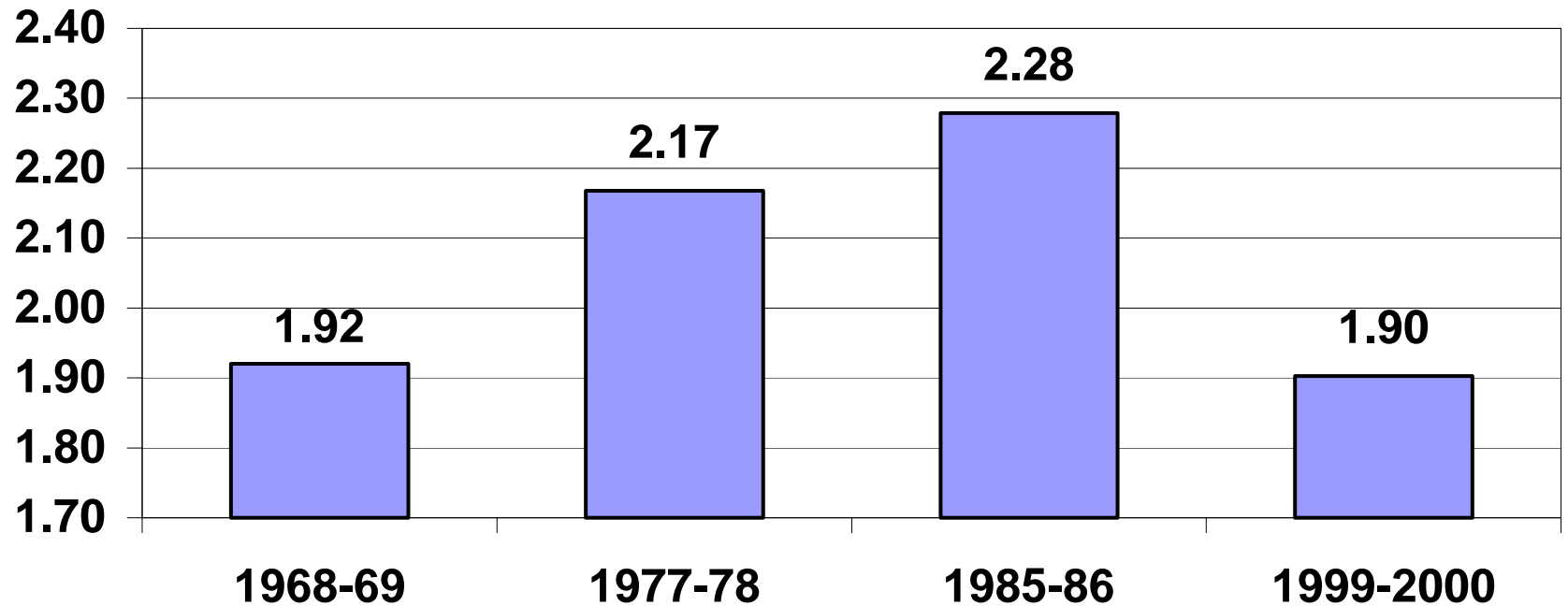
Special Education Expenditure Project

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



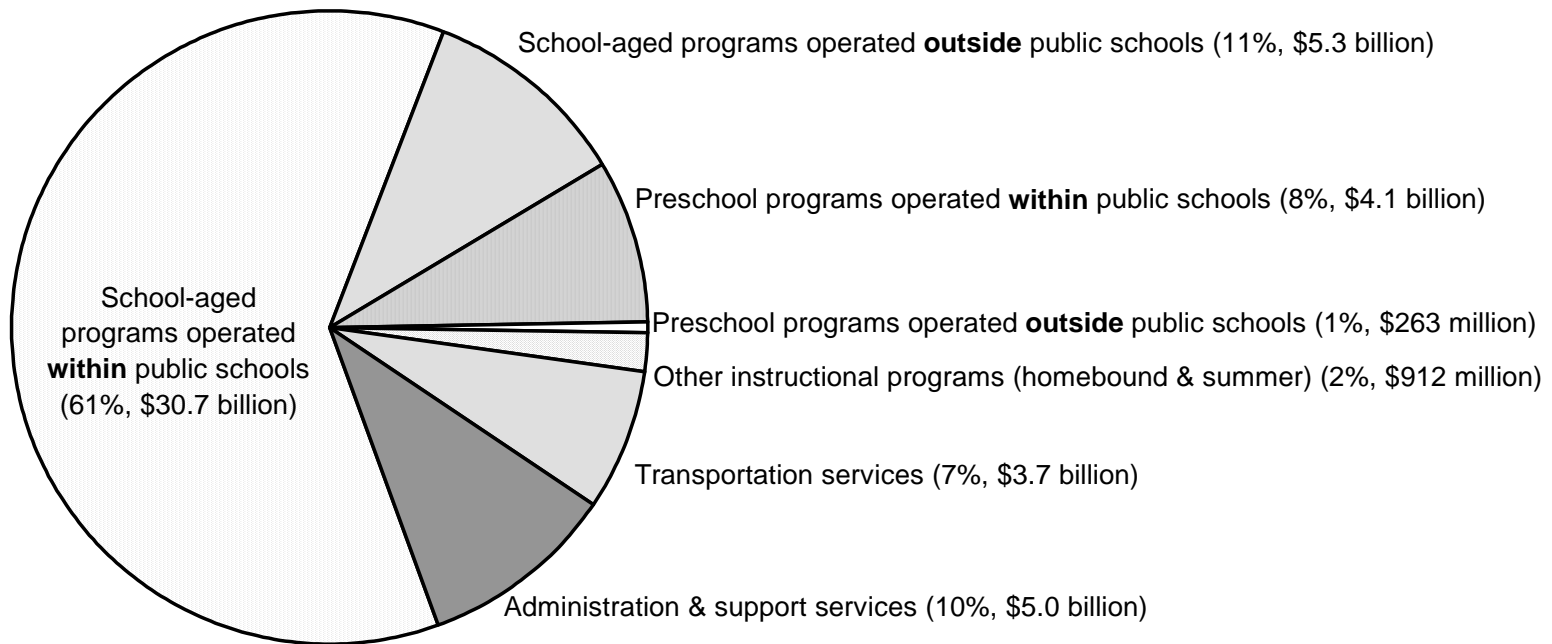
Special Education Expenditure Project

Ratio of Spending Per Special and Regular Education Student Over Time



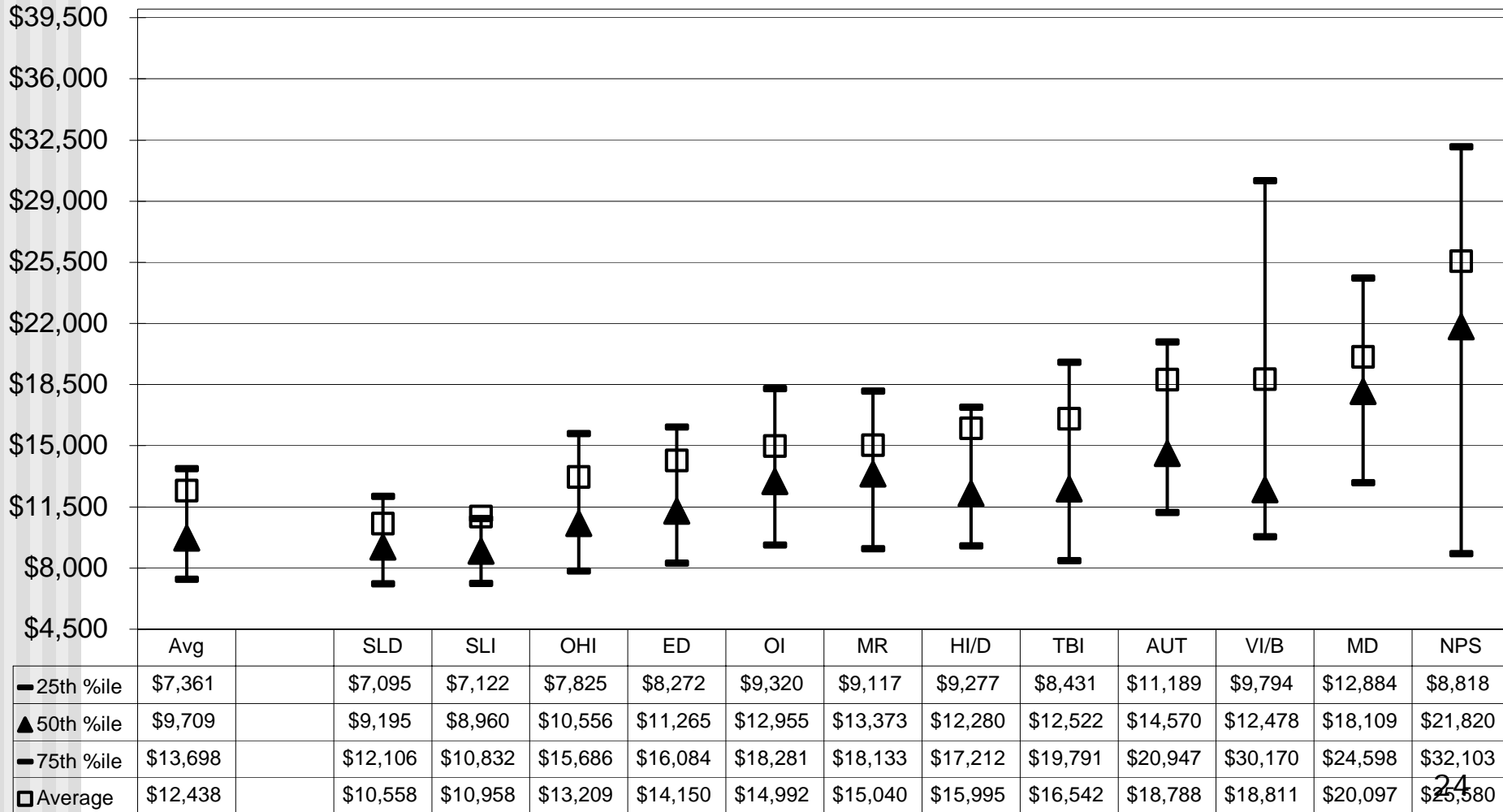
Special Education Expenditure Project

Allocation of Special Education Expenditures, 1999-2000



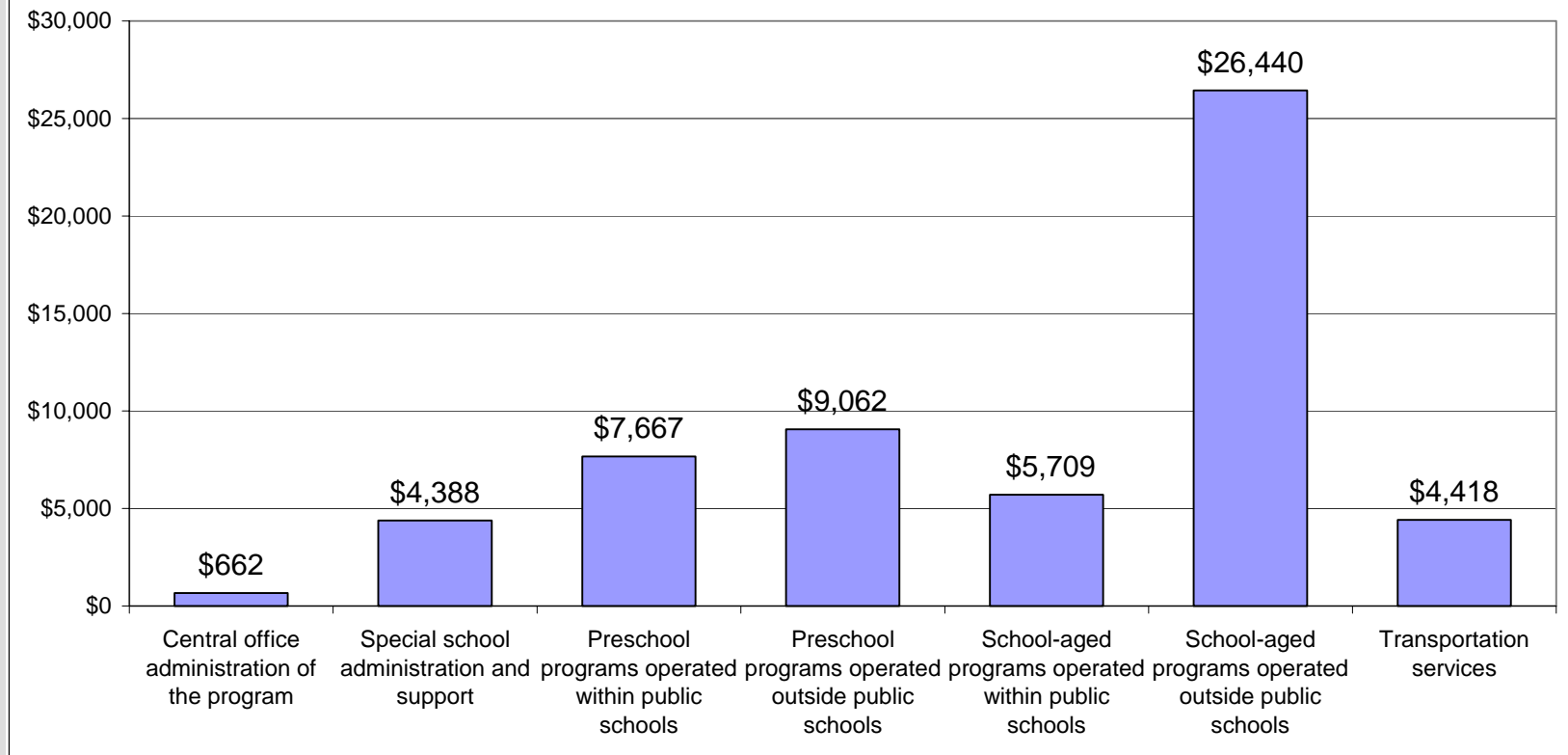
Special Education Expenditure Project

Average Expenditure by Category of Disability



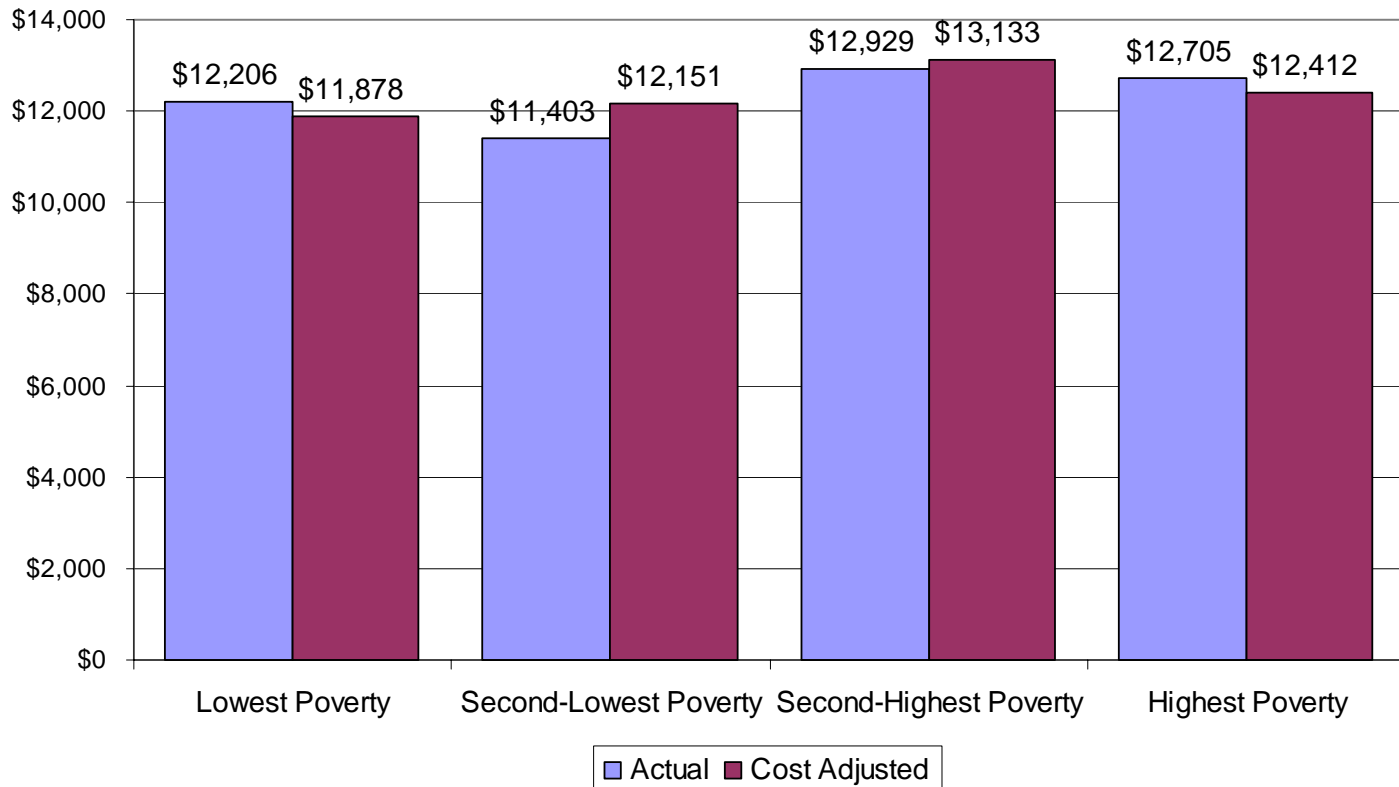
Special Education Expenditure Project

Per Pupil Special Education Spending, 1999-2000



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**



Special Education Finance Reporting Message #4

- 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)

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

* 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

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

* 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

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

Defining Adequacy in Wyoming

Recommended Number of FTE Administrative Staff Based on District Size

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

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.



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and



Management Analysis & Planning, Inc.

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.