

Impact of the Kentucky Education Reform Act on Special Education¹

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- The Kentucky Education Reform Act (KERA) was enacted specifically to redress the inequities in general and special education.
- Findings indicate that KERA had a significant impact on the provision of, and allocation of resources to, special education five years after implementation.
- The identification of special education students increased, with the largest growth occurring in the high incidence disability categories.
- It did not appear that increased special education spending had encroached on general education or that special education administration costs had increased relative to instruction.
- Districts—particularly those with the most revenue growth—appeared to move toward increased placement of special education students in less restrictive settings.

In 1989, the Kentucky Supreme Court ruled that the state's schools were inequitable and inefficient. In response, the state legislature passed the Kentucky Education Reform Act (KERA).² Several purposes of this major reform to the state's elementary and secondary educational system were described at the time. They included rectifying inequities, increased efficiency, and the creation of an educational system in which students would develop their abilities to communicate, think, and function as responsible, purposeful individuals, workers, citizens, and family members. Implementation took the

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² Kentucky Supreme Court Opinion: *Rose v. Council for Better Education, Inc.* 790 SW 2d 186

form of raising and redistributing revenues, restructuring the organization of primary education, raising standards, and including more students in the educational process.

This reform had a direct impact on special education students by requiring that they be included in statewide assessments, and by changing the formula allocating state special education funds to school districts. In addition, KERA indirectly impacted special education. Districts experiencing the greatest increase in revenue were more open to changing all aspects of their educational system, including special education. Also, the reorganization of the first three elementary grades into all-inclusive primary classrooms encouraged the participation of special education students in mainstream settings.

To measure the impact of KERA on special education in the state, we collected data on all 176 school districts in Kentucky for 1989-90 through 1993-94. Since KERA was enacted in mid-1990, the 1989-90 school year represented a pre-reform context. Information for the following four school years enabled us to track the impact of these reforms after implementation. Most of the data used in this study came directly from the Kentucky Department of Education, with additional information from the 1990 U.S. Census of Population and Housing.

To assess the extent of KERA's overall impact on special education, we gathered data and performed analyses that would enable us to answer the following questions:

- Did KERA encourage or discourage the identification of special education students?
- Did it move funds from general education into special education?
- How did it affect the growth of administrative and instructional spending relative to each other?
- Did it change the way special education students were served, i.e., were there changes in the types of settings in which these students were taught, and were these settings more or less restrictive than before?

- To what extent were these changes in special education related to changes in revenues?

Revenue Changes Resulting from KERA

Taking into account the number of students served, real per pupil revenues³ grew by 15% in the first year of the reform and continued to grow at a slower pace over the next four years. This overall rise in revenues was accompanied by substantial changes in revenue distribution patterns. To uncover these patterns, we ranked districts according to their level of per capita income in 1990 and then formed three equal-sized groups—high, medium, and low income groups. A shift in state revenue allocations from richer to poorer districts is evident in the first year of reform. The low income group received a 24% increase in state funds in the first year, while the high income group received a 10% increase. The shift continued, though at a slower rate, through 1994.

Local revenue levels still reflected unequal tax bases, but, in the first year and nearly every year thereafter, poorer districts were able to raise funds at a higher rate (33%) than the mid and high income districts. Poorer districts were, in fact, able to increase local revenues by 75% over the five-year period.

Districts experienced state and local revenue increases from 1989-90 to 1993-94 that ranged from approximately zero to 184%.⁴ Districts were divided into thirds based on the percentage of revenue increase. The third of all districts changing the least, with increases ranging from zero to 24%, were generally richer, larger, and more urban. Another third saw increases ranging from 24% to 36%. The remaining third of districts experienced the largest increases, ranging from 36% to 184%. These districts tended to be poorer, smaller, and predominantly rural.

³ Real revenues were obtained by adjusting actual revenue figures for inflation using the Consumer Price Index (CPI).

⁴Two districts, Pineville Independent and Hickman County, experienced revenue increases of 181% and 184%, respectively. All other districts experienced increases of 105% or less.

Special Education Identification Rates

Another focus of the study was to examine the impact of the allocation changes introduced by KERA on special education identification rates. Prior to KERA, Kentucky used a “resource-based” system. Resource-based systems allocate funds according to the number of staff or the amount of supplies and facilities that are required to educate students with special needs, with these allocations often varying according to the number of children identified in the various categories of disability. Kentucky’s pre-KERA resource-based formula determined funding amounts according to a system in which the number of children in different categories were adjusted by different weights to produce a total number of resource units allowed to each district. One unit corresponded to one full-time teacher. Severe disabilities generated one unit per six students. Milder disabilities generated one unit per 12 students. Speech and language impairments generated only one unit for 60 students.⁵ The number of special education teachers to be hired in each district was determined by the total number of units, with actual funding based on the education and experience of the particular teachers employed. As a statewide cap on the total number of units was in place, districts were funded on a “greatest need,” and then on a first-come, first-served basis. In response to complaints from districts that they were unable to serve all students in need of special education, KERA altered this system.

Through KERA, the state switched to a “pupil weighted” system and removed its special education funding cap. Pupil weighted systems distribute added funds to districts on the basis of the number of special education students identified, with different funding amounts, or weights, applied to different categories of students. Under KERA’s provisions, additional special education funding varied

⁵KRS 157.360 prior to amendments introduced by KERA.

according to the severity of the disability. These weights were chosen to maintain some degree of consistency in per pupil revenues with the previous system during the transition. Students with low incidence (severe) disabilities generated base funding (received by all students) plus a supplement equal to 2.34 times the base funding amount. Students with high incidence (moderate) disabilities received a supplement of 1.17 times the base, and speech and language impaired students received an add-on of .24 times the base.⁶

One hypothesis regarding the impact of this new funding formula is that the removal of the cap on funding would lead to the increased identification of special education students. As expected, there was a significant rise in disability identification rates in the first year of reform, from 11.9% to 12.3%. Identification of high incidence disabilities grew the most over the full five years (from 6.4% to 6.9%, statistically significant), while the low incidence disability rate grew from 1.2% to 1.5% (highly statistically significant), and speech and language identification fell from 4.4% to 4.1% (not statistically significant).

The districts experiencing the greatest increase in state and local revenues (i.e., the top third) increased their special education identification rates the most. The count of students with high incidence disabilities in these districts increased from 7.0% to 8.1% (statistically significant) compared to increases from 6.7% to 7.0% and from 5.8% to 6.1% (both not statistically significant) in the two categories of districts with more static revenues. Identification rates for students with low incidence disabilities also rose more in these districts than in others. Speech and language impairment identification rose in this third of districts but declined in the other two-thirds.

⁶KRS 157.360.

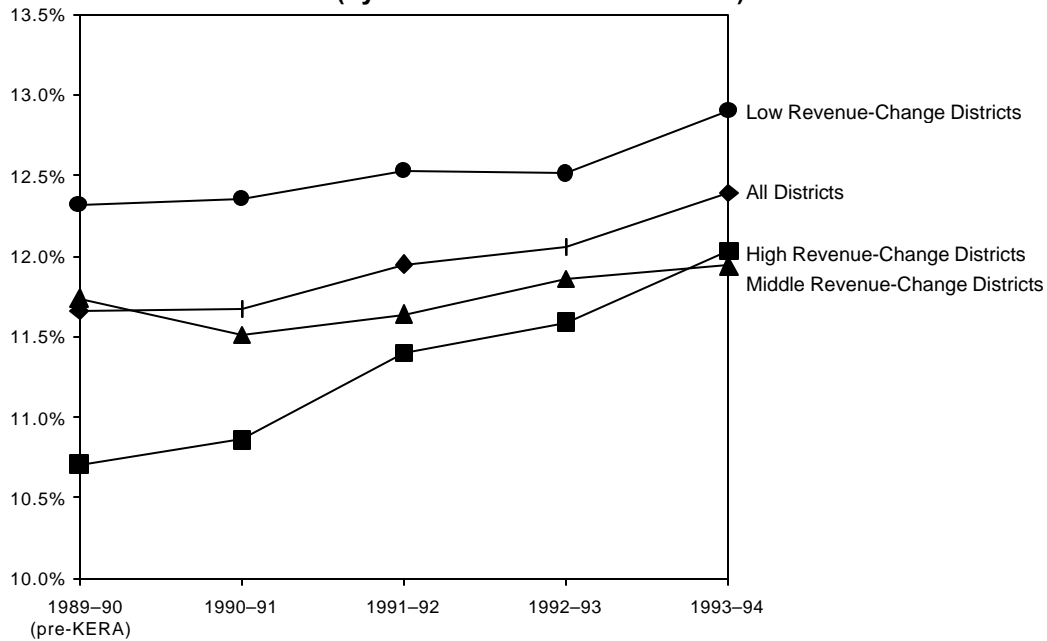
Impact of KERA on Three Additional Areas of Fiscal Policy

We also looked at special education spending patterns to learn the impact of KERA on three additional areas of policy interest related to special education finance: diversion of general education funds into special education (encroachment), administrative versus instructional costs, and the cost implications of moving special education students into less restrictive settings.

Encroachment

Nationwide trends over the last decade have given rise to concerns that spending increases on special education have siphoned off funds from general education, a phenomenon referred to as “encroachment” (Rothstein and Miles, 1995; Parrish, 1996). In order to investigate whether encroachment accompanied KERA, we looked first at the share of certificated salaries devoted to special education, and then at per pupil spending on general versus special education students. To explore this issue of encroachment, we divided the districts into thirds based on the percent change in state and local revenues: high, middle, and low revenue-change districts. In Figure 1, we see that special education consumed a somewhat larger percentage of certificated salary spending as time passed, increasing from 11.7% in 1989-90 to 12.4% in 1993-94. High revenue-change districts rose from 10.7% to 12.0%, whereas low revenue-change districts rose from 12.3% to 12.9%.

**Figure 1:
Percentage of Certificated Salaries Spent on Special Education
(by amount of revenue increase)**



In order to obtain a better understanding of whether special education was encroaching upon general education, we looked at changes in general education spending per pupil served versus changes in special education spending per pupil served.⁷ We found that general education spending on certificated salaries per student rose 8% in the first year of reform, whereas the growth rate for special education certificated salary spending per student was 5%. The overall five-year growth rates were 10% versus 11% for general versus special education. The changes in both categories were statistically significant. The slightly higher overall growth rate for special education was driven primarily by a small growth spurt in special education spending coupled with a cutback in general education spending in the

⁷ Note that our figures for spending per special education pupil are an underestimate of the actual amount spent on these pupils. Our figures represent spending on special education resources per special education pupil. These students benefit from general education resources as well. However, only the changes in, and relative values of, the figures are important to the analysis; therefore the amounts reported are useful.

low revenue-change districts in the 1993-94 school year. Only in these districts was there encroachment with respect to new dollars, and it was only slight.

This finding must be seen in the context of the initial point of departure. Prior to KERA, the high revenue-change districts lagged far behind the others in the amount of spending they devoted to both types of pupils. Their degree of change over the ensuing four years far outstripped that of other districts and was slightly biased in favor of general rather than special education pupils. Overall, encroachment does not appear to have been substantially affected by KERA.

Administration Versus Instruction

We investigated another important fiscal policy issue: the share of special education funding devoted to administration versus instruction. Although the administrative portion grew and the instructional cost portion declined somewhat for special education in the five-year period, we did not find evidence that the shift was significant. Administrative salary costs for special education declined as a percentage of all special education salary costs in the first year of reform, although they rose in 1992-93 and in 1993-94. At the end of the five-year period, they consumed a slightly greater percentage (.57% more) of the special education salary budget than they did initially. Instructional special education salary costs declined accordingly. Again, the high revenue-change districts showed a somewhat greater variation in share, but variations were not statistically significant in any category.

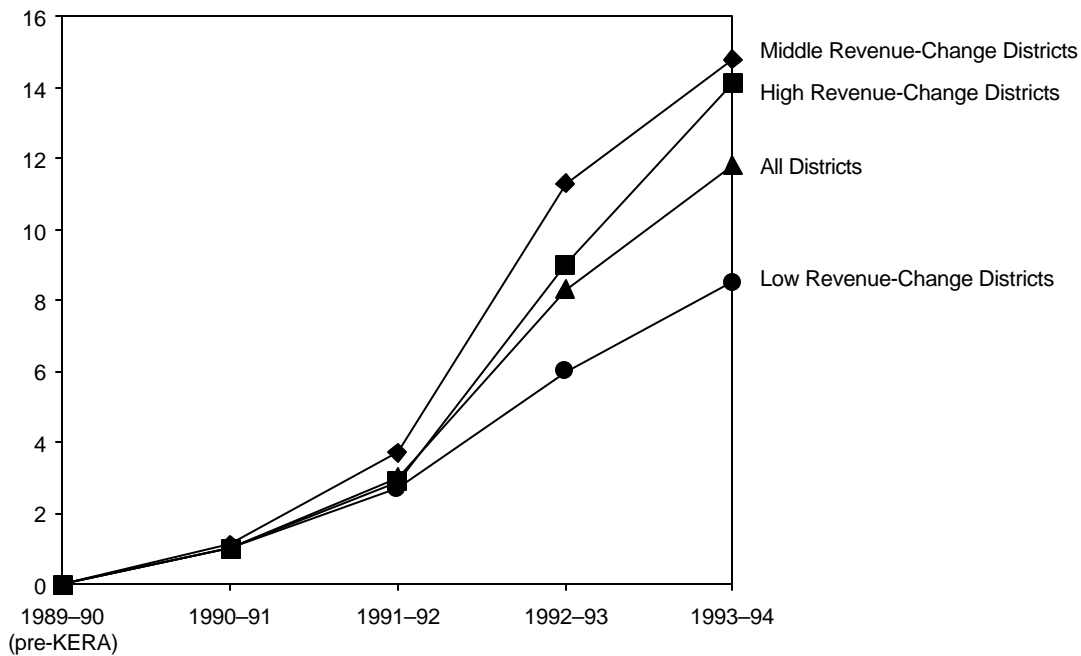
Least Restrictive Environment

Federal law requires that students be educated in the least restrictive environment (LRE) appropriate to their needs. In addition, over the past decade, there has been high interest throughout the country in increasing the amount of contact between special and general education students. In order to assess whether KERA had an impact on LRE in Kentucky, we looked at change over time in the

amount of funds devoted to special education instruction in three different settings: special classrooms (i.e., separate or “self-contained” settings), resource rooms (i.e., pullout programs that allowed for special and general education instruction to be carried out simultaneously in segregated settings), and collaborative settings (i.e., settings in which special and general education teachers collaborated within the general classroom setting). These represented a spectrum of more to less restrictive settings within general schools. (We excluded analyses of external placements or separate schools.)

Figure 2 suggests that progress toward serving students in the LRE was made in Kentucky in the post-KERA years. The percentage of special education certified salary expenditures devoted to special classroom and resource room instruction fell significantly and continuously throughout the five-year period, and the percentage devoted to collaboration rose significantly and continuously from close to zero to 12%. (“Collaboration” as an assignment code was new at the beginning of the decade. Therefore, it is possible that collaborative teaching assignments may have been under-reported initially due to lack of familiarity with the code.) Districts experiencing high and medium amounts of state and local revenue increases showed the most progress. Since these districts devoted fewer resources to special education at the outset, it was perhaps easier for them to move toward collaboration than it was for districts with more established programs.

Figure 2: Percentage of Special Education Instruction Certificated Salaries Spent on Collaborative Instruction (by amount of revenue increase)



Conclusion

It appears from these analyses that KERA had a significant impact on the provision of, and allocation of resources to, special education in Kentucky. Effects were seen on the number of students identified for special education services, on the amount of resources devoted to these students, and on the type of service delivery utilized. KERA was enacted specifically to redress the inequities of the overall educational system, and these existed as much in special education as in general education. Poorer, smaller, more rural districts experienced greater percentage increases in state and local revenues as a result of KERA, and consequently, these districts effected greater changes than others in the level and types of service provided to special education students.

The identification of special education students increased in the five-year period following the passage of KERA, with the largest growth occurring in the high incidence disability categories. The

districts experiencing the greatest state and local revenue growth shifted from lowest percentage of special education students to the highest. Spending on certified personnel serving special education students also rose after the passage of KERA. Districts with the highest percentage increase in state and local revenues experienced the greatest growth in certified salary spending per special education pupil. At the end of the five-year period, this group outspent other types of districts on certified salaries devoted to general education students, but still lagged behind the overall average on salaries devoted to special education pupils, despite moving closer to parity.

We found virtually no evidence of encroachment or increased administrative costs for special education. In addition, districts appeared to move toward increased placement of special education students in less restrictive settings. Districts experiencing the most revenue growth were at the forefront of the movement toward collaborative instructional settings. Significant increases in revenues, particularly to poor, small, rural districts, offered the opportunity to increase the level of resources devoted to special education students, to change the way in which these students were taught by moving them into collaborative (more inclusive) instructional settings, and to move toward greater equality in the treatment of these students across districts.

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