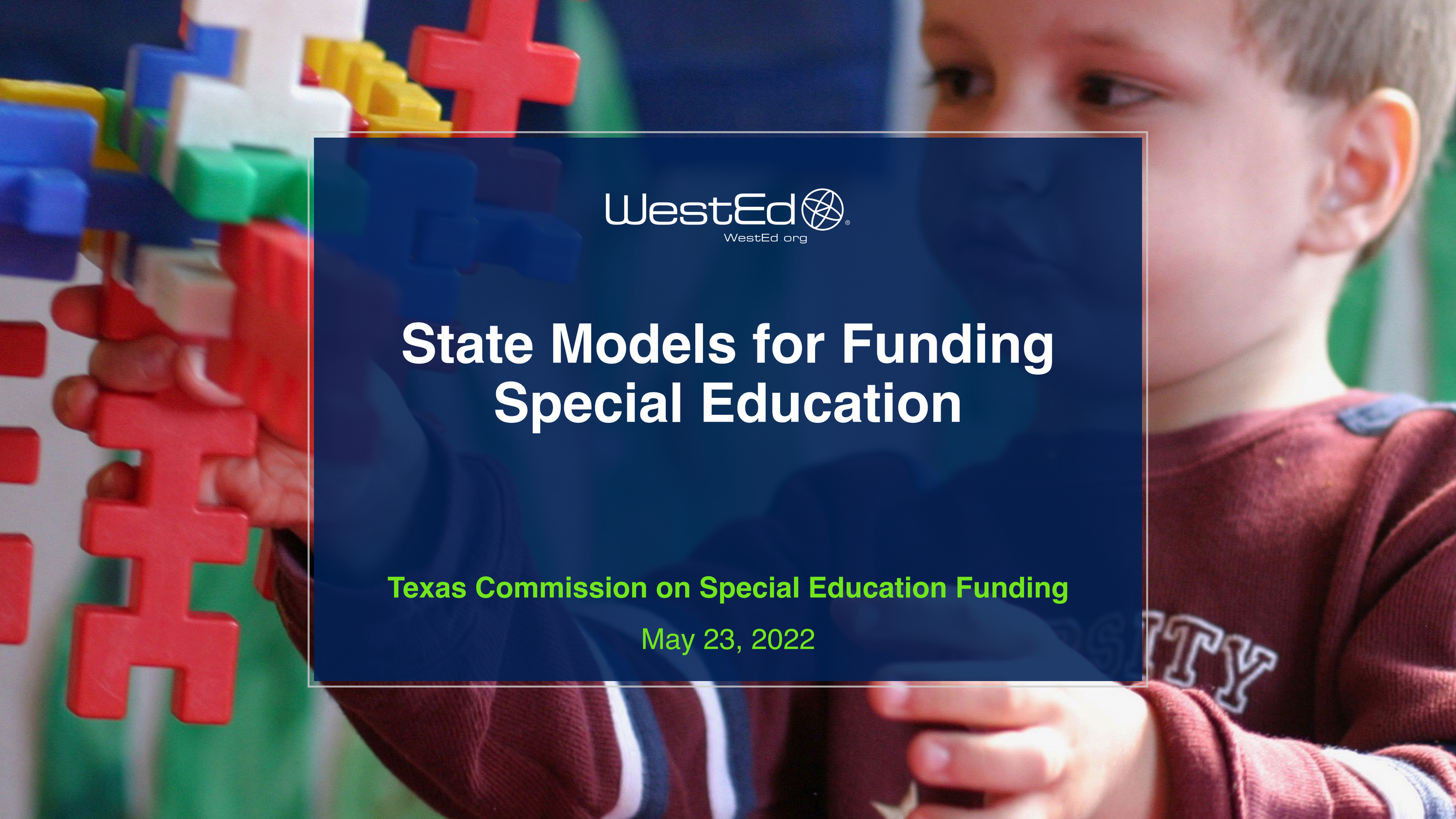

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State Models for Funding Special Education

Texas Commission on Special Education Funding

May 23, 2022

About WestEd

- Public, not-for-profit, joint powers agency
- Over 50 years of service in research, training, and technical assistance
- Work on a range of topics: early childhood, K-12, and higher ed
- Clients include states, school districts, federal agencies, foundations, and IHEs

Introductions

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Objectives

Provide an overview of state special education funding policies and formulas, including considerations for high-cost students with individualized education programs (IEPs).

Understand the potential impact of decisions related to multiple components of a state special education funding formula.

Presentation Plan

- **Grounding Assumptions and Federal Requirements**
- **Education Funding Policy Framework and Key Terminology**
- **Special Education Funding Formulas**
  - Overview
  - Detailed Examples

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Grounding Assumptions

Each local educational agency (LEA) must provide a free and appropriate education to each student with a disability and each state must ensure implementation of IDEA by its LEAs.

Federal special education funding is not and is not intended to be sufficient to fund special education costs. Each state provides special education funding and there is most often a local share as well.

Federal Requirements that Impact State Funding Decisions

Maintenance of State Financial Support IDEA Requirements

- States are required to make available at least the same amount of state financial support from one year to the next for the education of children with disabilities (34 CFR §300.163(a)).
- State financial support refers to funds appropriated through the state budget process, or otherwise made available by the state, for special education and related services to children with disabilities. These funds may be allocated by the state educational agency to LEAs and state-funded schools (such as schools for the deaf).

LEA Maintenance of Effort Requirements

- Any local educational agency (LEA) receiving IDEA Part B funds is obligated to budget and spend at least the same amount of local — or state and local — funds for the education of children with disabilities on a year-to-year basis (34 CFR §300.203).
- If an LEA fails to meet the MOE requirement, the state educational agency (SEA) must repay the U.S. Department of Education and may require repayment from the LEA.

Least Restrictive Environment Requirements (34 CFR §300.114)

(2) Each public agency must ensure that -

(i) To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled; and

(ii) Special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.

LRE Requirements (34 CFR §300.114), cont.

(b) ***Additional requirement - State funding mechanism*** **-**

(1) ***General.***

(i) A State funding mechanism must not result in placements that violate the requirements of paragraph (a) of this section; and

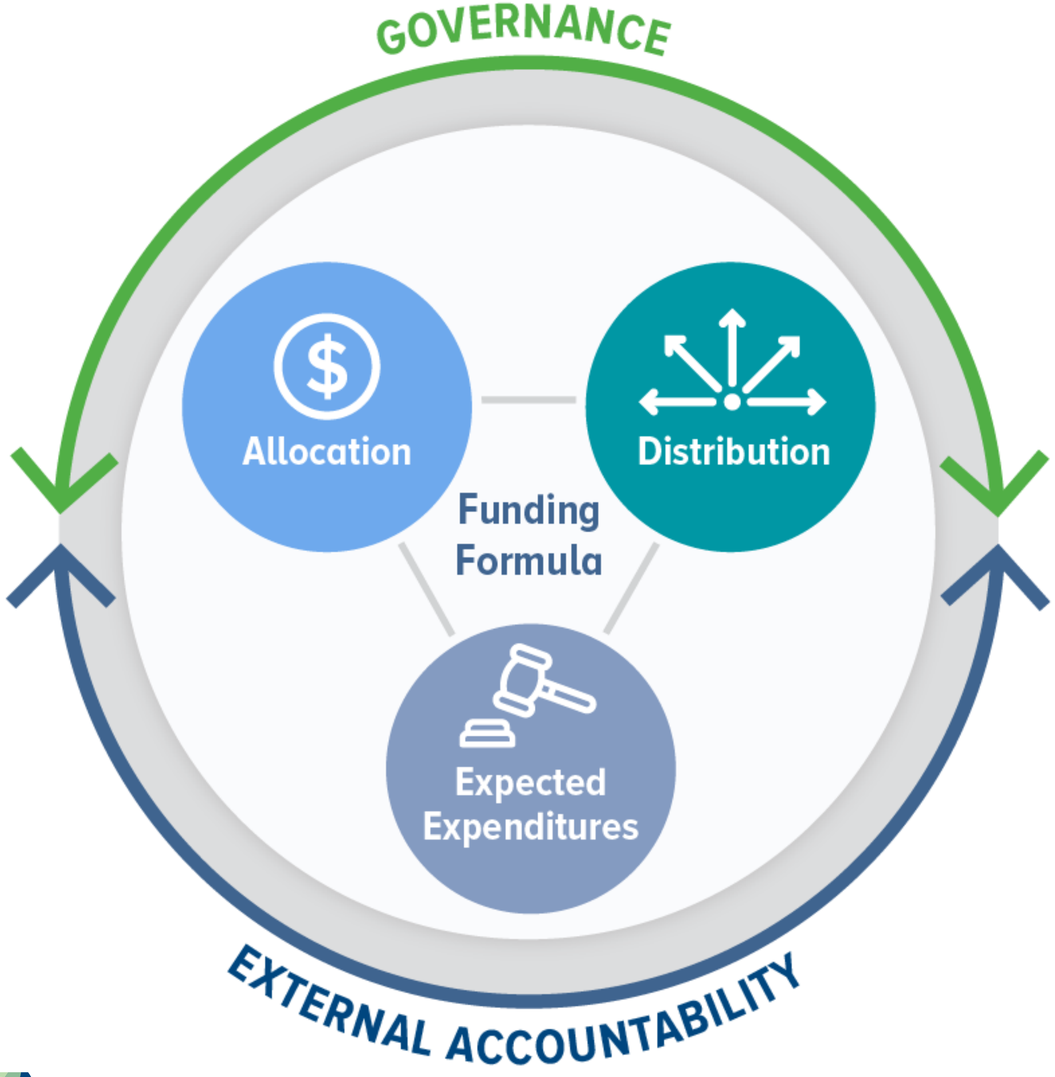
(ii) A State must not use a funding mechanism by which the State distributes funds on the basis of the type of setting in which a child is served that will result in the failure to provide a child with a disability FAPE according to the unique needs of the child, as described in the child's IEP.

Special Education Funding Policymaking Framework

Literature on State Funding Formulas

- **Funding formulas can actualize state priorities**
  - Equity (Corcoran & Evans, 2008; Johnson &Tanner, 2018; Ullrich & Murray, 2017), adequacy…
- **Improve student experiences and outcomes**
  - In general education: Higher test schools, graduation rates, higher wages (Greewald et al., Jackson et al., 2015)
  - In special education: Higher numeracy outcomes, some improved social and emotional development in elementary school students (Willis et al., 2019)
- **And communicate state priorities.**
  - Local control, inclusivity… (Doutre et al., 2021)

Education Funding Policymaking Framework



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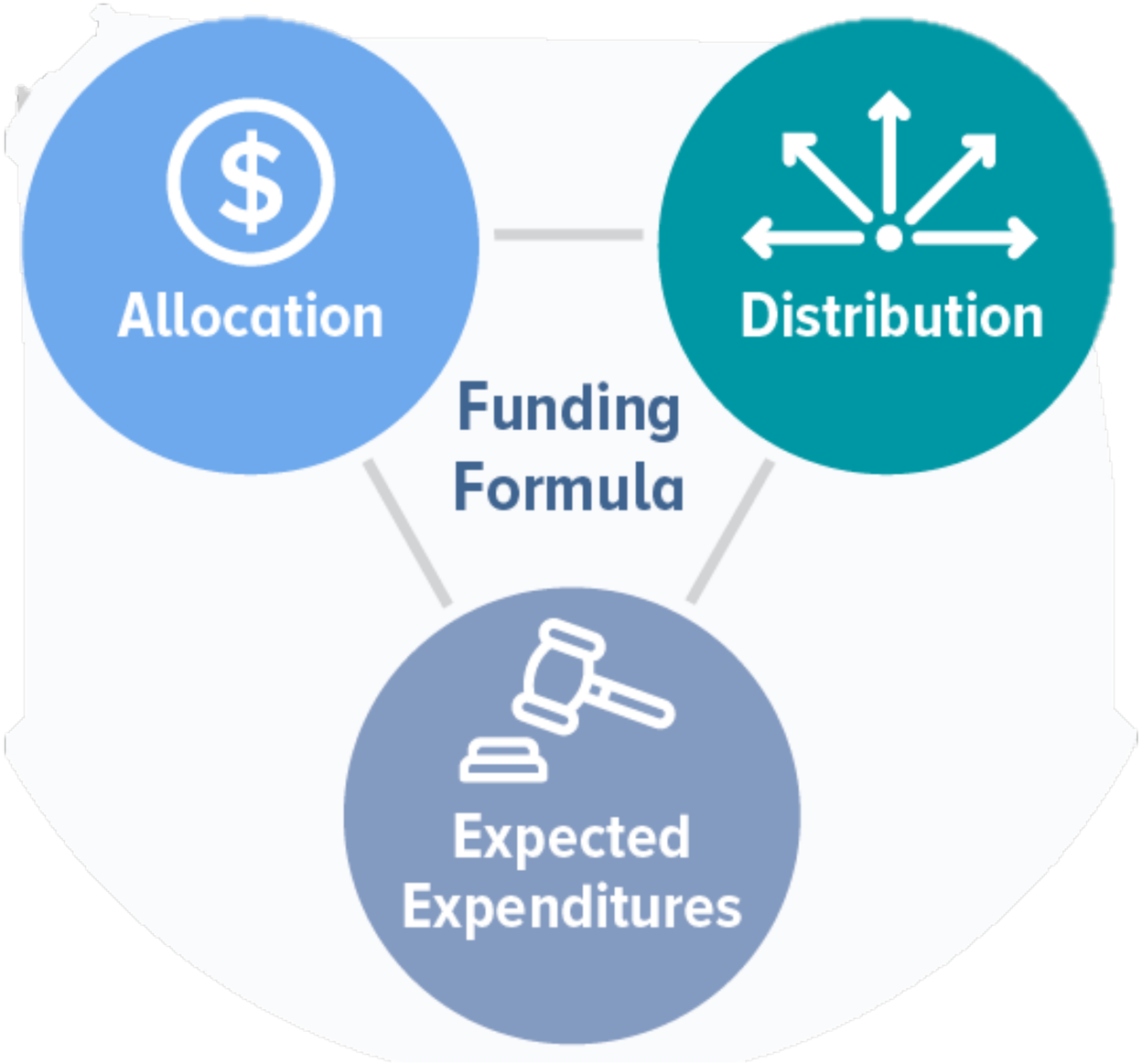


Allocation – how amounts of funding are calculated, the mathematical calculation.

Distribution – how funds are directed to specific local entities.

Expected Expenditures – requirements or restrictions on how funds may be spent.

Allocation Considerations

***Allocation* refers to the process for calculating the amount or proportion of funds provided to an entity (e.g., a school, a district, or an intermediary).**

- Unit counts (most frequently, a count of students).
- Adjusted based on a variety of student (e.g., disability type, English learner status) or community (e.g., property tax revenue, cost-of-living) characteristics and/or other measures intended to create equity and/or stability.
  - Adjustments use data from specific year(s) (e.g., TX cost of education index uses data from 1989-90)
  - More adjustments = more complexity

Allocation Considerations (cont.)

Allocation Approach	States	Total
Child-count	AZ, CO, DE, FL, GA, HI, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, NE, NV, NH, NM, NY, NC, OH, OK, OR, PA, SC, TN, **TX**, UT, VA, WA, WI, WY	35
	AK, AL, CA, CO, HI, ID, IL, LA, MD, MO, MT, NC, ND, NH, NY, OR, PA, SD, UT, WA	
Multiple weights	AK, AZ, GA, IA, IN, KY, MA, ME, NJ, OH, OK, SC, SD, **TX**	16
Census	AK, AL, AR, CA, CT, ID, IL, MT, ND, NJ, RI, WV	12
Reimbursement	KS, MI, MN, NE, WI, WY	6
Hybrid	FL, MS, NV, VT	4

See handout for a summary by state.

Weights	Example	Benefits	Drawbacks/Challenges
Incidence	Categorizing disability categories individually or in groups by frequency/ incidence levels (e.g., KY's low, 2.35; moderate, 1.17; and high, 0.24).	Accessible data	Spectrum of needs/services among high/low incidence
Eligibility (disability) category	Weights for each of the 13 disability categories (SC, VA) Collapsed groups of disability categories (OH)	Accessible data Easy to understand	Spectrum of needs/services among same disability category
Placement	Weights for instructional arrangement (TX)	Accessible data Individualized	Hard to reflect the continuum of placement
Service needs	FL "matrix of service" that determines the overall nature and intensity of service needed; students in levels 1–3 are funded through a census-based, single-weight approach that is part of the foundation; and students in levels 4 and 5 are weighted heavily and funded through a separate, restricted funding stream	Accounts for actual services	Challenging for teachers Difficult to understand

Weighting Examples

Assuming a base amount of $1,000 per student

State	Arizona (11 weights)	Georgia (5 weights)	Iowa (3 weights)
Lowest weight	Mild intellectual, specific learning disability, speech language (.003) = $3	Self-contained learning disabled and speech/language disordered (1.3901) = $1,390	Receiving part of the educational program (includes modifications and adaptations to general education) (0.72) = $720
	Preschool severe delay (3.595) = $3,595	Special education students receiving services is a general education setting) (1.4583) = $1,458	Receiving majority of the educational program (1.21) = $1,210
Highest weight	Multiple disability, severe sensory impairment (7.947) = $7,947	Deaf-blind, profoundly mentally disabled, resourced other health impaired (4.7898) = $4,790	Receiving most or all of educational program (2.74) = $2,740

Weighting Examples (cont.)

Assuming a base amount of $1,000 per student

State	Oklahoma (13 weights)	Pennsylvania (3 weights)
Lowest weight	Speech language impairment (.005) = $5	Cost <$25,000 per year to serve (1.51) = $1,510
	Other health impairment (1.2) = $1,200	Cost $25,000 - $49,999 per year to serve (3.77) = $3,770
Highest weight	Vision impaired and Deaf-blindness (3.8) = $3,800	Cost >$50.000 per year to serve (7.46) = $7,460

Distribution Considerations

***Distribution* refers to where (i.e., the specific entities) the formula directs all or parts of the funds (also not mutually exclusive).**

- To whom state funds flow from the SEA
  - Directly to schools
  - Directly to LEAs (Texas)
  - To intermediary LEAs or ESAs (e.g., Texas Regional Education Service Centers)
  - To a central location (e.g., SEA)

Distribution Considerations Cont.

***Distribution* refers to where (i.e., the specific entities) the formula directs all or parts of the funds (also not mutually exclusive).**

- How funds flow
  - Separate categorical allocation(s)
  - Part of the foundation funding

Expected Expenditure Considerations

***Expected expenditure* refers to the requirements and restrictions that a state sets for the use of funds.**

- Required expenditures (programmatic mandates) make special education unique.
- Restricted expenditures (preserved funding) are common in special education (Smith et al., 2013).

Expected Expenditure Examples in Texas

- At least 55% of the Special Education Allotment **must** be used in the special education program §42.102(h).
- A school district may use only up to 20% of its allotment for students with dyslexia on private provider contracts.

Supplemental Funding for High-Cost Programs for Individual Students

Supplemental Funding for High-Cost Programs

Many states address high cost programs through the funding formula

26 states provide supplemental funding for high-cost programs

- High cost pools vary in funding source, allocation, distribution, and expected expenditure as well
- **Sources:** Federal, state funding (Texas currently uses Federal)

See handout for a summary by state.

State-Funded High Cost Pools

Table 5. Total high-cost pool amount, total number of students with disabilities aged 6–21, and high-cost pool funding per student with disability in the largest states by population (in order of per-student funding), state fiscal year 2018/19

STATE	STATE HIGH-COST POOL	STUDENTS WITH DISABILITIES AGED 6–21	STATE COST POOL FUNDING PER STUDENT
Georgia	$1,551,946	200,450	$7.74
California	$6,000,000	701,812	$8.55
Pennsylvania	$10,862,473	290,896	$37.34
North Carolina	$40,044,718	181,547	$220.58
New York	$1,041,820,000	457,354	$2,277.93

From: Willis, J., Doutre, S. M., Krausen, K., Barrett, T., Ripma, T., & Caparas, R. (2020). California Special Education Funding System Study,[Part 1]: A Descriptive Analysis of Special Education Funding in California. *WestEd*. https://www.wested.org/ca-special-education-funding-system-study/

High Cost Funding Components

- **Allocation**
  - Federal funds restricted to costs above 3x APPE and a maximum state set-aside for high-cost programs
  - Amounts are typically based on per-child costs and require submission of costs or IEP demonstrating high need
  - At least one state bases high-cost funding allocation on required adult to child ratio (AK)
  - Many states have adopted the 3x APPE required for federal funds, criteria range from 2 x APPE to 5 x APPE
  - Most states' high cost funds are capped at a maximum amount, some are not (AK, WA)
  - Some states condition high-cost program payment or reimbursement on non-public placement
- **Distribution:** Many reimburse LEAs for costs after the fact, some provide funding up front. At least one provides reimbursement directly to non-LEA providers (IL)
- **Expected Expenditure:** Most are restricted to actual costs, special education costs, and at least one state has no restriction on the use of funds

State Example: California

- Allocation
  - Allocated proportionally based on available funds actual costs for students in nonpublic placements including licensed children's institutions.
  - $6 million is allocated with $3 million available first for educationally-related mental health services, including out-of-home residential services for students from small SELPAs (ESAs).
  - Reimbursements are for a very small percentage of the cost.
- Distribution
  - To LEAs and ESAs
  - ESAs also facilitate high-cost pools for LEAs, using LEA contributions.
- Expected Expenditure: Funds are restricted to special education costs and provided on a reimbursement basis

Sources: https://www.cde.ca.gov/fg/aa/se/senpslciecp.asp and https://www.cde.ca.gov/fg/fo/profile.asp?id=5096&recID=5096

State Examples

State Example: New York

- High Cost Excess Cost Aid
  - For students for whom the cost, as approved by the commissioner, of appropriate special services or programs exceeds the lesser of $10,000 or 4 times the expense per pupil.
  - Entitled to an additional apportionment for each such child computed by multiplying the district's excess cost aid ratio by the amount by which such cost exceeds 3 times the district's expense per pupil without limits.
  - Restricted to special education costs.
- Private Excess Cost Aid:
  - A district receives Private Excess Cost Aid for pupils with disabilities in in-state and out-of-state private school settings. The aid is computed on a student-by-student basis with districts receiving private excess cost aid for each student.
  - Restricted to private school special education costs.

Sources:
http://www.oms.nysed.gov/stac/schoolage/schoolage_placement_summary/public_excess_cost/ and
http://www.oms.nysed.gov/stac/schoolage/schoolage_placement_summary/private_excess_cost/

State Example: Alaska

- Allocation
  - Districts apply annually for intensive funding by submitting IEPs for students who demonstrate need by means of need of 1:1 or 1:2 adult to child ratio.
- Distribution
  - For each eligible IEP, the district receives $70,000, regardless of the cost of the program.
- Expected Expenditure
  - That $70,000, like all special education funding in Alaska, becomes part of the block grant and use of funds is not restricted.

Source: https://education.alaska.gov/Media/Default/static/covid/AK_SPED_Handbook.pdf

State Example: Georgia

- LEAs with children with disabilities meeting criteria for the Residential and Reintegration Services Grant Program may be eligible to receive partial or total funding (covers only educational costs, related services, and room and board. LEAs that apply for assistance shall assume full responsibility for the funding at the time of submitting an application. Grants are not automatically funded.
- Approval for grant applications is based on the severity of the disabling condition and the availability of funds. Applications are reviewed with priority based on the following:
  - Children with profound and severe disabilities requiring residential services who are wards of the State.
  - Children with profound and severe disabilities requiring reintegration from a residential program.
  - Children with profound disabilities needing residential services.
  - Children with severe disabilities needing residential services.
  - Children with severe or profound disabilities who attend an intensive day treatment program due to location of day program, but would otherwise require a residential program.

Source: https://uat.gadoe.org/Curriculum-Instruction-and-Assessment/Special-Education-Services/Documents/Budget%20and%20Grant/2019%20docs/Submission%20of%20High%20Cost%20and%20Residential%20Reintegration%20Grants.pdf

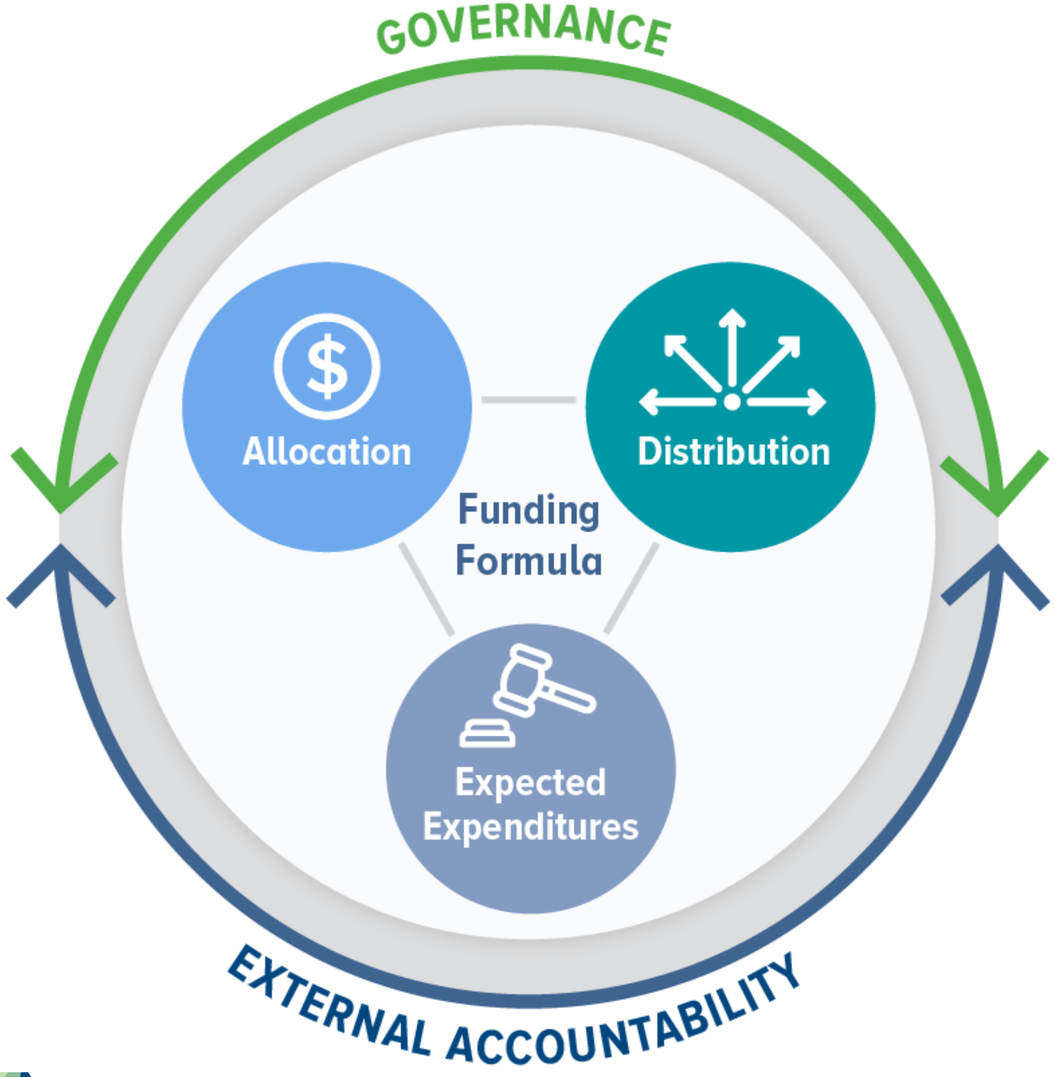
State Example: Washington

- Allocation
  - Safety Net funding is available to Local Education Agencies (LEAs) with a demonstrated capacity for special education funding in excess of state and federal funding otherwise available to the LEA.
  - The individual 2020–21 application threshold was $34,457 (2.3 x APPE), the state reimburses at 100% beyond that threshold, which is reset annually.
  - Districts complete worksheets documenting costs and provide IEPs for each student with a high cost program (high-need).
- Expected Expenditure
- Restricted to allowable costs: personnel, transportation, supplies, out-of-district placement.

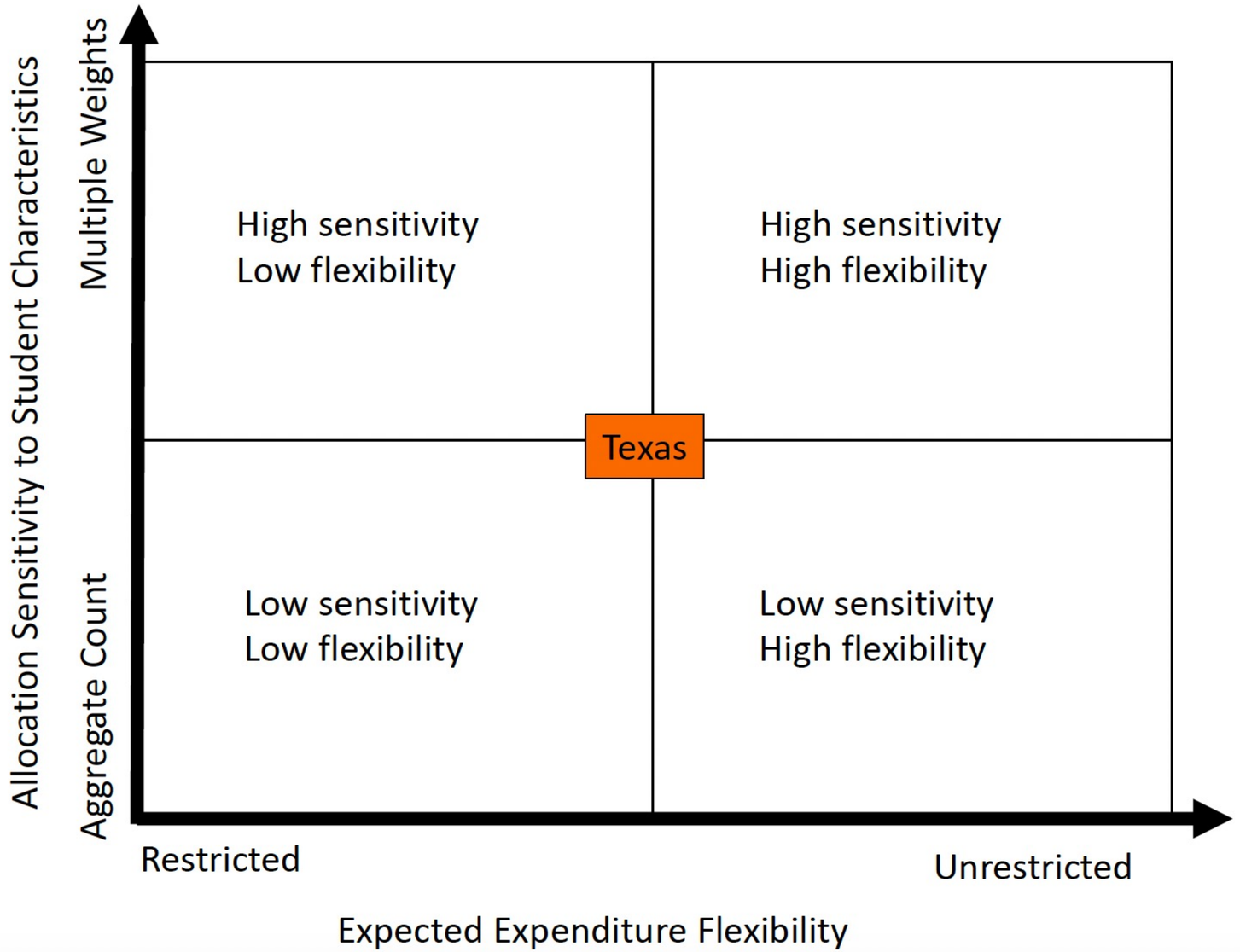
Source: https://www.k12.wa.us/sites/default/files/public/bulletinsmemos/bulletins2020/B087-20-Addendum.pdf

Considerations for Your Commission

Education Funding Policymaking Framework



Visualizing a Funding Formula to Understand Policy Choices



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Questions

Recent State Special Education Funding Studies

- California State Special Education Funding System Study, Part 2: Findings, Implications, and Considerations for Improving Special Education Funding in California, July 2021. https://www.wested.org/ca-special-education-funding-system-study/
- California Special Education Funding System Study, Part 1: A Descriptive Analysis of Special Education Funding in California, October 2020. https://www.wested.org/resources/ca-special-education-funding-system/
- Study of the Individualized Education Program (IEP) Process and the Adequate Funding Level for Students with Disabilities in Maryland, December 2019. https://www.wested.org/resources/study-iep-process-and-adequate-funding-in-maryland/
- Study of Vermont State Funding for Special Education, December 2019. https://legislature.vermont.gov/assets/Legislative-Reports/edu-legislative-report-special-education-funding-study-executive-summary-and-full-report.pdf

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Thank you!

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