



Special Education Funding

House
K-12 Finance
Work Group

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Background



Special Education State Funding and Enrollment

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- ❖ **State Appropriations 2003-05 Biennium**
 - ▶ Special Education Program \$862 Million
 - ▶ Total State K-12 \$10.6 Billion
 - ▶ Special Education is about 8% of total state K-12 appropriations

- ❖ **Special Education Program Headcount 2002-03 SY**
 - ▶ Birth to Three: 2,500
 - ▶ Ages 3 to 21: 121,800



House Bill 90

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- ❖ In 1971, House Bill 90 was adopted by the Legislature.
- ❖ Bill became the foundation for 28A.155 RCW which ensures that all children with disabilities have the opportunity for an appropriate education at public expense guaranteed to them by the Constitution of this state.



RCW 28A.155.020 States

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- ❖ “The superintendent of public instruction shall require each school district in the state to insure an appropriate educational opportunity for all children with disabilities between the ages of three and twenty-one.”
- ❖ “Children with disabilities are those children in school or out of school who are temporarily or permanently retarded in normal educational processes by reason of physical or mental disability, or by reason of emotional maladjustment, or by reason of their disability, and those children who have specific learning and language disabilities resulting from perceptual-motor disabilities, including problems in visual and auditory perception and integration.”



School Funding II & IIb Rulings

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Special Ed Aspects:

1983

- ❖ Judge Doran ruled the state must fully fund special education programs as part of the state's constitutional duty.

1988

- ❖ Directed that: “If the present formula is to continue as a basis for allocation of funds. . . provisions would have to be made for districts that can establish their programs of special education are underfunded to obtain the supplemental funds necessary to provide the constitutionally mandated program.”
- ❖ Established standards of need for supplemental funding.



Special Education Studies

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- ❖ Studies conducted by the Office of Financial management, the Office of Superintendent of Public Instruction, the Washington State Institute for Public Policy, and JLARC from 1990 to 1995 identified problems with the current formula and recommended changes or identified options for a new funding formula.



1995 JLARC Study

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- ❖ The state Special Education funding formula in 1995
 - ▶ Provided funding to districts based upon the headcount of special education students among the 14 handicap classification categories.
 - ▶ Per student funding was based on category of the student.
 - ▶ Different amount of money for each of the 14 categories based on assumptions about the time spent in special education for each category.
 - ▶ Per student funding incorporated part of the basic education in the special education funding.
 - ▶ Districts could spend the money in the way that made the most sense for the unique service needs of individual children.



The 14 disability categories for funding purposes were based on federal reporting categories.

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› Learning Disabilities	41.0%
› Communication Disorders	17.3%
› Preschool Developmentally Delayed	12.7%
› Health Impairments	9.9%
› Mild Mental Retardation	6.1%
› Behavior Disabilities	5.3%
› Multiple Disabilities	2.9%
› Hearing Impairments	1.8%
› Moderate Mental Retardation	1.2%
› Orthopedic Impairments	1.1%
› Deaf	0.3%
› Visual Impairments	0.2%
› Severe Mental Retardation	0.2%
› Deaf/Blind	<u>0.02%</u>
Total	100.0%



1995 JLARC Study Key Findings

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- ❖ Special education enrollment had increased twice as fast as regular education enrollment over the past 10 years
 - ▶ Average annual enrollment growth over prior 10 years
 - Total K-12 2%
 - Special Education 5%
- ❖ The funding formula gave school districts incentives to choose higher cost special education funding categories.



1995 Legislative Actions

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- ❖ The Legislature responded with a new two-tiered funding formula.
 - ▶ The first tier is an excess cost funding formula that reduced the funding categories from 14 based upon student's handicap condition to 2 categories based upon student age (0–2 and 3–21 years old).
 - ▶ The second tier was supplemental funding to districts via a safety net process.
- ❖ The new funding model provided a per student funding amount based upon the average costs of providing special education services.



1995–96 Special Education Revenue Changes School District Impact Under New Formula

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State Revenue	Number of Districts	State Revenue Impact
Gained	146	\$18.4 Million
Lost **	97	(\$10.5 Million)
Neutral	53	Marginal

** Districts that lost funding could apply for and receive a Maintenance of Effort of State Revenue Award from safety net.



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Current State Special Education Funding Formula



Current State Special Education Funding Formula

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- ❖ **Funding Formula Components**
 - ❖ **Allocation Formula**
 - ❖ **Excess Cost Accounting**
 - ❖ **Safety Net**



Current Special Education Funding Formula

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- ❖ Adopted in 1995
- ❖ Funding is provided only for identified students with current Individualized Education Programs (IEPs).
- ❖ Special education funding is based upon the headcount of eligible students served in a special education program.
- ❖ State special education funding for students aged 3-21 is provided for up to 12.7% of the district's resident FTE population on an excess cost basis.
- ❖ State special education funding for students aged 0-2 is provided for districts that choose to offer this optional program.



Current Special Education Funding Formula

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Formula

Student Age	BEA Funding	Special Ed Funding
0-3	None	BEA X 1.15%
3-4	None	BEA X 93.09%
5-21	Yes	BEA X 93.09%

2003-04 Funding

Student Age	Average BEA	Average Special Ed	Total
0-3	None	\$ 4,520	\$ 4,520
3-4	None	\$ 3,667	\$ 3,667
5-21	\$ 3,982	\$ 3,667	\$ 7,649



Student – Low Cost Individual Communication Disordered

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- ❖ 6 year old with immature speech patterns. Cannot articulate the s, th, p and q sounds.
- ❖ Student receives 15 minutes weekly of direct speech language pathologist (SLP) time. Supervising teacher is also provided regular consultation with the SLP.
- ❖ Estimated annual cost: \$1,000



Student – High Costs Individual

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- ❖ 11 year old health impaired with severe developmental disabilities including microcephaly, severe diffuse spasticity, cognitive deficiency, diabetes. Non-verbal; inconsistent eye gaze. Confined to wheel chair or foam chair. Fed by syringe. Requires transfer in and out of positioning devices by two adults and requires monitoring of fluid intake/output due to her diabetes. Non-verbal student communicates via eye gaze. Self contained setting; 1:1 or 2:1 assistance all day and bus, extended school year, physical therapist and occupational therapist.
- ❖ Total direct cost of student program \$41,686



Recent Legislative Changes

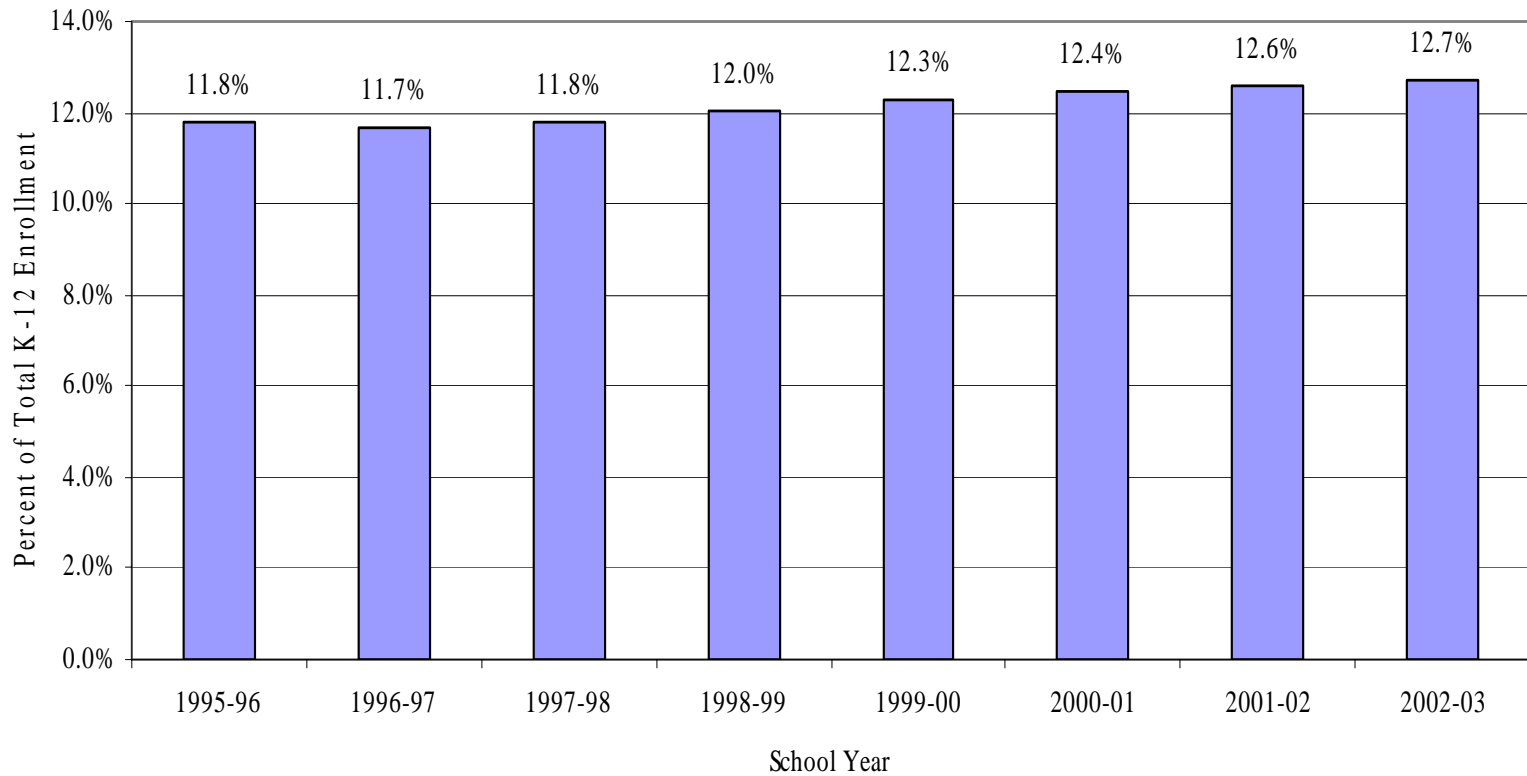
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- ❖ Starting in the 2002-03 school year, the Legislature provided that school districts will receive funding above the 12.7% up to 13.0% from the federal IDEA funding.
- ❖ Starting in the 2003-04 school year the Legislature provided for an integration of federal funds.



Special Education enrollment as a percentage of total K-12 enrollment has been gradually increasing.

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Legislative Changes - 2003-05 Biennium 2003-04 Federal Integration

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- ❖ Legislature did not provide funding for salary increases in the special education funding formula. The 93.09% and 115% are applied against an unenhanced BEA rate that does not reflect any salary or benefit increases for the biennium.
- ❖ Assumption is made that an increase in the district's federal special education funding to the special education program would be adequate to offset the demands of the salary increases.

Basic Ed Rate	2003-04	2004-05 (Projected)
With Increases	\$ 3,982.35	\$ 4,084.20 Est.
Without Increase	3,939.20	3,939.20
Avg. Federal Fund Integration	\$ 43.15	\$ 145.00 Est.



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Excess Costs



Excess Costs

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Definition

- ❖ Excess Costs assumes that special education students as a class receive basic education support to which all students are entitled and that special education revenues are used to fund the excess costs of special education above and beyond the basic education program.

History

- ❖ The “New” funding formula adopted in 1995–96 had the assumption that districts would account for special education costs on an excess costs basis.
- ❖ The 1077 excess cost method was created for the 2000-01 school year for districts applying for safety net.
- ❖ Effective 2001–02 the Legislature required all districts to use the 1077 Excess Costs Accounting method as defined by OSPI.



1077 Excess Cost – Methodology

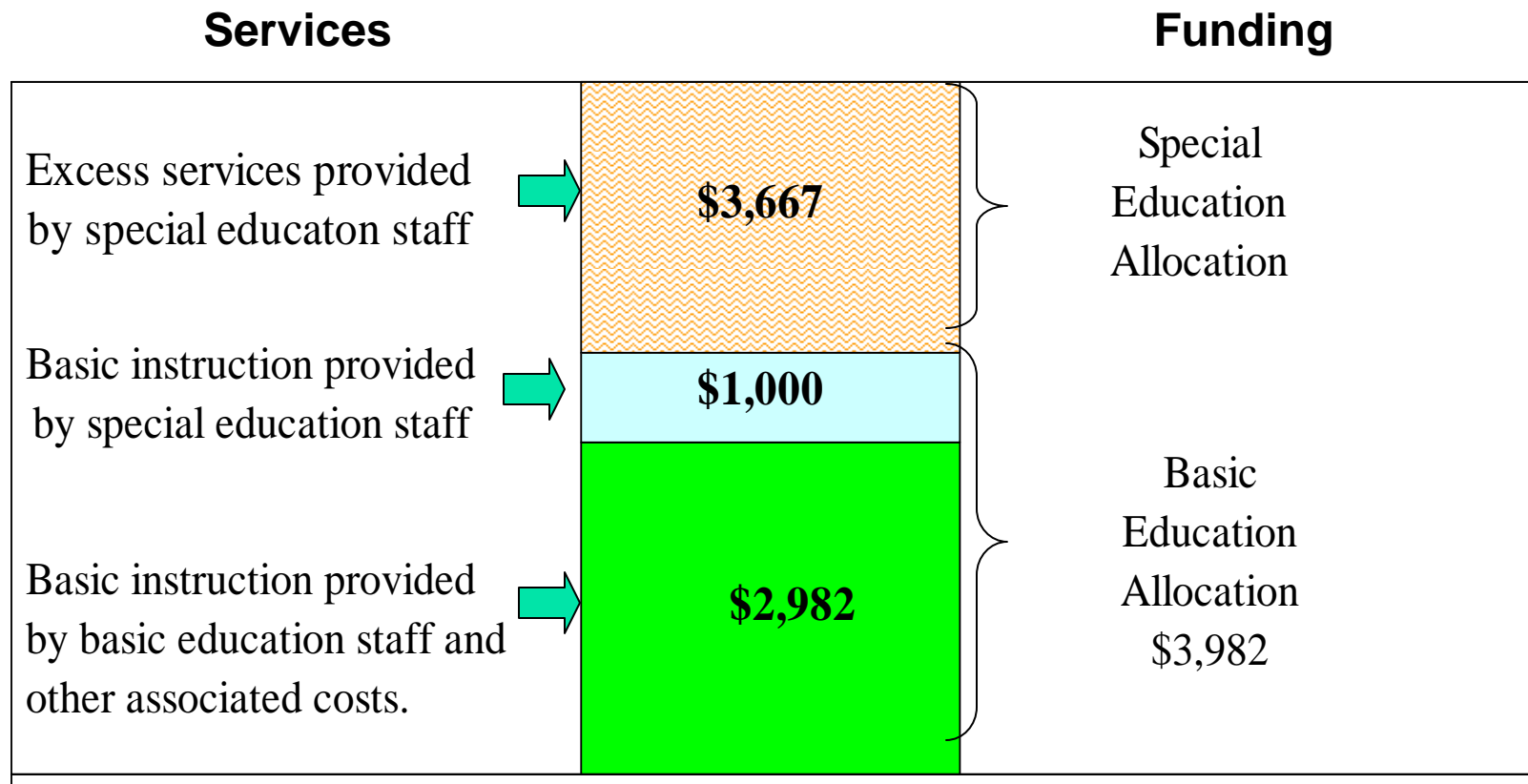
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- ❖ The 1077 method provides a uniform statewide method of allocating basic education support for special education services. This uniformity will permit comparison of school district special education programs and expenditures, and help identify districts in need of state special education safety net funding.
- ❖ Prior to the 2001-02 adoption of the 1077 methodology the districts program expenditures reflect a variety of locally determined accounting methodologies.



What Is Excess Cost?

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Funding for One Special Education Student (\$7,649 total)



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The Safety Net



Special Education Safety Net Committee

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- ❖ Safety Net Oversight Committee first established by section 508 of the 1995–97 biennial operating appropriations act. It continues in budget language only.
- ❖ 12 members appointed by Superintendent of Public Instruction.
 - ▶ Appointees encompass special education program staff and fiscal staff and currently include members from OSPI, the State Auditors Office, three ESDs and six School Districts.
- ❖ Meets 6–8 times a year.



Safety Net – Budget Language

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- ❖ The committee shall consider unmet needs for districts that can convincingly demonstrate that all legitimate expenditures for special education exceed all available revenues from state funding formulas. In the determination of need, the committee shall also consider additional available revenues from federal and local sources.
- ❖ The committee shall then consider the extraordinary high cost needs of one or more individual special education students.
- ❖ Differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards.
- ❖ Prior to 2002-03, a combination of state and federal funds were appropriated for safety net.



Important Safety Net Concepts

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- ❖ Funding is available for districts with demonstrated financial needs beyond the state, federal and local resources for special education.
- ❖ Funding is provided for resident students of a district only.
- ❖ Safety net funding is not an entitlement.
- ❖ Safety net funding is for the excess costs of special education students.
- ❖ Safety net funding is provided for services which are already being provided.
- ❖ Districts must certify that all IEPs are properly formulated.



Safety Net Award — Application Types

- ❖ High Cost Individual Award –HCI– Typically, these are individual students with services that cost above an approximate level of \$16,000 to serve. This award type has been federally funded from the beginning of the Safety Net.

The following state funded award types were discontinued after the 2001–02 school year.

- ❖ Maintenance of State Revenue – MOESR – this provided a hold harmless for districts that were negatively impacted by the funding formula change.
- ❖ Percentage Award – Provided additional funding for districts that reported special education students above the 12.7% threshold.
- ❖ Student Demographic Award – Provided an avenue for districts to apply that could demonstrate fiscal need; however, did not fit one of the other award types.



Safety Net Award Types

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- ❖ Committee decision beginning 2002-03 to discontinue all award types except for High Cost Individuals.
 - ▶ Review of High Cost student IEPs resulted in feedback to districts that helped improve overall district IEPs.
 - ▶ Committee reported difficulty evaluating district philosophy versus student needs as related to Percentage and Demographic awards.
 - High Cost students provided a more objective basis for awards.
 - Awards under the Percentage and Demographic categories were viewed as too subjective.
 - ▶ State funding for safety net discontinued.
 - Historical source of funding for non-HCI awards.
 - Uncertainty about the appropriate use of federal money to continue these awards.
 - ▶ Maintenance of Effort Award was dropped as category by the Legislature.



Safety Net Awards – History

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	MOESR	PERCENTAGE	DEMOGRAPHICS	HCI	Total
95-96	\$ 9,608,375	\$ 0	\$ 0	\$ 430,499	\$ 10,038,874
96-97	7,839,037	38,291	0	214,609	8,091,937
97-98	4,930,662	275,000	1,691,750	597,160	7,494,572
98-99	3,377,608	2,614,387	888,542	1,356,895	8,237,432
99-00	2,396,073	4,461,377	1,160,771	1,794,639	9,812,860
00-01	1,565,435	6,131,521	510,704	4,255,479	12,463,139
01-02	1,429,599	5,386,862	113,936	4,798,946	11,729,343
02-03	N/A	N/A	N/A	11,924,437	11,924,437



Safety Net Awards – History Number of Districts

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	MOESR	PERCENTAGE	DEMOGRAPHICS	HCI		Total
95-96	72	0	0	48		120
96-97	87	0	0	9		96
97-98	60	39	1	23		123
98-99	49	34	2	42		127
99-00	40	35	3	34		112
00-01	39	56	1	53		149
01-02	32	43*	1	54		130
02-03	N/A	N/A	N/A	83		83

*The funding formula changed from up to 12.7% to up to 13% beginning in 2002-03.



Safety Net Application

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- ❖ Step 1 - Districts must demonstrate a financial need on a form referred to as Worksheet A.
- ❖ Step 2 - Once financial need is established on Worksheet A - districts may submit high cost individual applications until all high cost students are submitted or the financial need is exhausted.
- ❖ Districts may submit application regardless of their percentage level of special education enrollment.



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Federal Funding



Federal Formula Funding For Special Education

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- ❖ Idea Part B (ages 3–21).
- ❖ Idea Section 619 (ages 3–5).
- ❖ Funds are provided to districts based upon:
 1. A hold harmless amount based upon 1999 allocations.
 2. The relative population of students within the state.
 3. District poverty.

	IDEA Part B	IDEA Section 619
2003–04	\$ 151,219,473 total \$ 1,234 avg.	\$ 7,072,907 total \$ 568 avg.
2002–03	\$ 122,629,592 total \$ 1,014 avg.	\$ 7,121,429 total \$599 avg.
2001–02	\$ 108,676,390 total \$914 avg.	\$ 7,121,429 total \$ 605 avg.



Federal Sources of Safety Net Funding

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IDEA ages 6-21 and Preschool ages 3-5 Categories; FY 2003-04

\$1,000's	Allowable per Federal Government	State Directs to Safety Net	Remaining
Capacity	\$8,365	\$8,365	\$0
Discretionary	\$9,039	\$2,750	\$6,289
Discretionary from Prior Year	\$0	\$1,758	\$0
Total	\$17,404	\$12,873	\$6,289



Uses of Remaining Federal Discretionary Funding

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<u>Program</u>	<u>Funds</u>	<u>Proviso Source</u>
Transition to Kindergarten	15,000	
Behavior Disabilities Supports	53,472	
Para-educator Training	134,316	
Inclusion	200,000	State
Assistive Technology Center	283,920	
Transition to Job/Living Skills	286,000	Federal/State
Alternate Assessment	353,000	Federal
Family Educator Project	400,000	Federal
Teacher Staff Development	450,147	
Carry forward for 2005 Safety Net	787,046	
Sensory Disability Supports/Center	1,193,779	
Regional Services by ESDs	<u>2,133,268</u>	
Total	6,289,948	



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Fiscal Accountability



State Special Education – Fiscal Accountability

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- ❖ Districts must spend state special education funding in the state special education program. An allowance is made in operating budget for limited contributions to district-wide support based on a district rate calculated by OSPI. (administration, building, utilities, technology etc.)
- ❖ Districts must use a state prescribed excess costs methodology.
- ❖ Federal rules require districts to maintain state and local effort on either an aggregate expenditure basis or a per student expenditure basis.