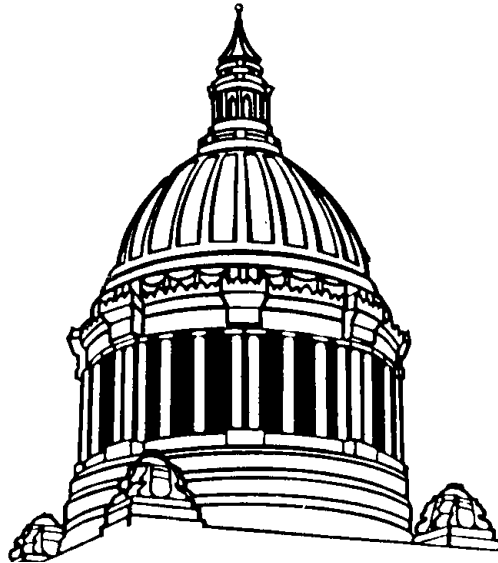


**State of Washington
Joint Legislative Audit and Review Committee (JLARC)**



K-12 Special Education Study

Report 01-11

December 12, 2001

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in alternative formats for persons with disabilities.*

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JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

**K-12 SPECIAL EDUCATION
STUDY**

REPORT 01-11

REPORT DIGEST

DECEMBER 12, 2001



STATE OF WASHINGTON

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**K-12 SPECIAL EDUCATION
BACKGROUND**

Special Education is instruction that is specially designed to meet the unique needs and abilities of students with disabilities. It must be provided at no cost to the students or parents. In addition to instruction, related services may be needed to assist students in benefiting from Special Education. The education provided to each eligible Special Education student must take place under the guidance of an Individualized Education Program (IEP), in the least restrictive environment possible.

In 1995, the Washington State Legislature changed the state's funding formula for Special Education. Fourteen funding categories, based on student disability categories, were reduced to one; a cap was placed on the percentage of Special Education students that would be funded; the funding change was phased in so as to ease the burden on districts that lost revenue; and a Safety Net process was created so that school districts could apply for additional funding if they could convincingly demonstrate financial need due to factors beyond their control. At the same time the funding formula changed, the State Auditor's Office (SAO) was given the responsibility of supporting the Safety Net Oversight Committee that is responsible for determining Safety Net awards.

STUDY MANDATE

This study was mandated in the 2000 Supplemental to the 1999-01 Budget. According to that mandate, this study:

- Evaluates the feasibility of determining individual school districts' need for Safety Net funds;
- Reviews the State Auditor's Special Education Reports (which, in part, have attempted to address funding need by establishing a baseline, or benchmarks, for program costs); and
- Assesses the methodology school districts use to report their Special Education expenditures and to apply for Safety Net awards.

GENERAL CONCLUSION

In Washington State today, information necessary to understand the linkages among Special Education funding, spending, educational services and educational results is largely missing or unavailable from individual school districts, educational service districts, or the Office of the Superintendent of Public Instruction. In addressing the study mandate, this report makes recommendations to fill some of the informational gaps.

SPECIFIC FINDINGS AND CONCLUSIONS

Our analysis found that school districts' expenditures per student are a function of the amount of services students receive and the cost per minute of providing those services. However, available data do not include factors that explain why some students are receiving more service than others or why some services are more costly than others.

One implication of this finding for the Safety Net Oversight Committee is that, for the present, its members must make funding decisions without being able to verify that differences in spending are due to factors beyond the control of the school districts.

Our review of the work of the State Auditor's Office found that its benchmarking efforts have not provided information the Safety Net Oversight Committee could use to determine whether a district's high costs are due to unique student or program characteristics beyond the district's control. JLARC's conclusion is that further spending on these efforts is not warranted and should cease.

In order to establish cost benchmarks for Special Education, it is necessary to know something about the quality of the services being delivered in the districts chosen for benchmarking purposes. At the outset of this study, we found no agreed upon standards for Special Education service delivery from a review of other states and from discussions with national and local experts. Focus groups that participated in this study suggested, however, that there are key regulations that are essential to achieving minimum standards of service for Special Education. These regulations provide some assurance that essential actions occur, processes are in place, and services are delivered to help Special Education students benefit from their education.

We found that the current process for monitoring compliance with regulations, called the Consolidated Program Review, could be an improvement over the preceding monitoring process, but is not up to the task of providing sufficient information about school districts' Special Education programs for any of the following purposes:

- Establishing benchmarks for cost-effective services
- Allowing for fair comparisons of districts' compliance performance
- Providing the foundation for a system of continuous program improvement

Finally, we found that the methodology for reporting school district Special Education expenditures falls within the legislative intent as stated in the Appropriations Act. However, the Office of the

Superintendent of Public Instruction (OSPI) needs to clarify its policy concerning how the amount of Basic Education spending within Special Education is to be

SUMMARY OF RECOMMENDATIONS

1. **The State Auditor's Office should discontinue the Special Education Audit Team.**
2. **OSPI should work with stakeholder groups to evaluate the current monitoring criteria, consider how those criteria might be strengthened to ensure minimum standards of service for Special Education students, and report back to the Legislature and OFM with the results of its evaluation.**
3. **OSPI, with the assistance of stakeholders, should develop options for modifying the Consolidated Program Review to ensure that its findings are reasonably representative of individual districts, allow for a fair comparison of districts, and can be made available on the OSPI website. OSPI should present these options, with accompanying fiscal impacts, in a report to the Legislature and OFM.**
4. **Upon implementation of Recommendation 3 and any follow up actions to strengthen the monitoring process, OSPI should develop options for incorporating program monitoring results into the screening process for Safety Net award applications.**
5. **OSPI should clarify the policy concerning how the amount of Basic Education spending within Special Education is to be determined and calculated.**
6. **OSPI should report information on the full allocation of funds (i.e., both Basic Education and Special Education dollars) to school districts' Special Education programs, and in turn require districts to report the full costs (i.e., expenditures of both Basic Education and Special Education dollars) of their Special Education programs.**

COMMITTEE ADDENDUM:

The Committee approved this addendum to the final report at its December 12, 2001 meeting.

The Joint Legislative Audit and Review committee (JLARC) reinforces the recommendations in its K-12 Special Education Study, especially Recommendations 2 through 6 directed to the Office of the Superintendent of Public Instruction (OSPI), and gives advance notice now that it intends to follow up on these recommendations. The Committee believes that when OSPI implements these recommendations, this will strengthen compliance monitoring to provide useful information to school districts, the public and OSPI, and develop options for improving Washington's special education programs. The Committee requests OSPI to report by July 1, 2002 on the following:

- ▶ A status report on OSPI's implementation of Recommendations 2 through 6;
- ▶ A fiscal analysis of additional impacts, if any, from implementing Recommendation 3;
- ▶ For any recommendation not yet implemented, a time frame for implementation; and
- ▶ Major problems OSPI has encountered in implementing these recommendations.

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K-12 Special Education Study

CHAPTER I: BACKGROUND

WHAT IS SPECIAL EDUCATION?

“Special education is instruction that is specially designed to meet the unique needs and abilities of a student with disabilities. It must be provided at no cost to the student or parent.”¹

In addition to instruction, related services may be needed to assist the student in benefiting from Special Education. Such services may include physical and occupational therapy, and other types of developmental, corrective and supportive services.

The education provided to each eligible Special Education student must take place under the guidance of an Individualized Education Program (IEP), in the least restrictive environment possible.

FUNDING FOR STUDENTS

During the 2000-2001 school year, 118,331 students (ages 3-21) were enrolled in Special Education. They comprised 12.44 percent out of a total of 950,933 student FTEs enrolled that year.

Each Special Education student generated approximately \$8,000 for the school district from a combination of state and federal funds. Approximately \$3,840 came from the Basic Education allocation, with another \$4,160 coming mainly from state and federal sources for Special Education provided on an “excess cost” basis.² The state portion of designated excess cost funding is budgeted at \$840 million for the 2001-03 Biennium, representing 8.5 percent of the state operating budget for public schools. Excess costs are expenditures for specially designed instruction and related services for Special Education students that exceed the amount needed to provide all students with a basic education.

THE SPECIAL EDUCATION FUNDING FORMULA

BRIEF HISTORY

The Special Education funding formula that was in place until 1995 provided different amounts of money for each of 14 disability categories. Several factors led to the replacement of that formula:

- The formula was considered too complex and cumbersome to administer, and required undesirable labeling of students.
- Special Education enrollment was growing over twice the rate of overall K-12 enrollment in the early 1990s.

¹ OSPI, Eighth Annual Report of Special Education in Washington State, December 2000.

² A smaller amount per student, about \$36, comes from Medicaid. Additional funding was also available for these students if they qualified for other programs.

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- A 1988 superior court decision required that a fiscal Safety Net be put in place, but no immediate action was taken.

Several studies, including those by the Office of Financial Management (OFM), the Office of Superintendent of Public Instruction (OSPI), the Washington State Institute for Public Policy (WSIPP), and JLARC, identified problems with that funding formula and recommended changes, or identified options, for a new formula.

Figure 1 on the following page shows the history of Special Education headcount growth over the last decade. Following an initial drop-off in Special Education enrollment and enrollment as a percentage of total K-12 student FTEs after 1995, growth in Special Education has been outpacing the overall growth in the student population during the last four school years.

NEW FORMULA

The new funding formula mandated by the Legislature in the 1995-97 Appropriations Act, as well as in subsequent biennial Appropriations Acts, has only one category of Special Education student, broken down into two age groups, ages 0-2³ and 3-21. Funding for students aged 3-21 was limited to 12.7 percent of the Basic Education FTE enrollment for each district. A four-year transition period was provided for districts with Special Education populations above 12.7 percent. The Appropriations Act for 2001-03 has changed the funding limit to 13 percent of the Basic Education FTE enrollment, beginning in the 2002-03 school year.

SAFETY NET CREATED

At the same time the new formula was put in place, the Legislature created a Special Education Safety Net. Safety Net funds were available for those districts with demonstrated needs for state Special Education funding beyond the amounts provided by the new formula. It was anticipated that smaller school districts would be more likely to apply and qualify for Safety Net monies due to the potentially larger impact that variations in student needs would have on a smaller school district. A Safety Net Oversight Committee was created by the legislative budget provisos to review Safety Net applications and make awards. The committee is appointed by the Superintendent of Public Instruction and consists of staff from OSPI (who are non-voting members), OFM, the State Auditor's Office, and one or more representatives from school districts and educational service districts. OSPI also provides staff support to the committee.

CURRENT SAFETY NET FUNDING AWARD TYPES

- Awards are to be based first on maintaining 1994-95 excess cost allocations. These awards are known as Maintenance of Effort of State Revenues (or MOESR).
- Next, awards are to be based on the number of students above the funded percentage, with districts required to demonstrate that their expenditures for Special Education exceed revenues.

³ School districts have the option, but are not required, to provide Special Education services to children birth to age three. If a district chooses to provide birth to three services, the district must adhere to relevant state and federal regulations. All districts are responsible for providing Special Education to eligible children ages three to twenty-one.

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- The third type of award is for districts whose expenditures exceed revenues due to the presence of one or more high-cost individuals.
- As a last resort, districts may apply for an “Other Factors” category of award if they can show financial need due to factors beyond the district’s control.

Figure 2 on the following page shows Safety Net awards per school year by award types, which have changed over the years. In the 2000-01 school year, \$12 million in general fund state revenues and \$2.75 million in federal revenue was appropriated for Safety Net awards. Approximately \$9.2 million of state revenue was awarded to districts that received MOESR, Percentage, and Other Factors awards. Districts applying for High-Cost Individuals awards, which are funded by federal revenue, received approximately \$4.2 million dollars. Since this award amount exceeded the federal revenues earmarked for High-Cost awards, OSPI was required to expend \$1.5 million of federal funds that are identified for addressing unmet needs of individual Special Education students. The increase in Percentage awards has been occurring at the same time that overall Special Education enrollment in the state has increased (see Figure 1).⁴ MOESR award amounts have gone down, as shown, because they are calculated against 1994-95 excess cost allocations, unadjusted for inflation. See Appendix 3 for historical patterns in Safety Net applications and awards.

Figure 1 – Enrollment Growth in K-12 and Special Education Populations
(1991-2001)

School Year	Total K-12 Enrollment (including Run Start) FTEs	Total Enrollment % Change	Special Ed Enrollment (age 3-21) Head Count	Special Ed Enrollment % Change	Special Ed % of Total Enrollment
91-92	823,040	3.5%	90,302	6.5%	11.0%
92-93	849,759	3.2%	95,605	5.9%	11.3%
93-94	868,646	2.2%	101,108	5.8%	11.6%
94-95	885,609	2.0%	106,757	5.6%	12.1%
95-96	903,453	2.0%	106,666	-0.1%	11.8%
96-97	922,949	2.2%	107,732	1.0%	11.7%
97-98	935,855	1.4%	110,465	2.5%	11.8%
98-99	945,830	1.1%	113,690	2.9%	12.0%
99-00	948,194	0.2%	116,216	2.2%	12.3%
00-01	950,933	0.3%	118,331	1.8%	12.4%

Source: JLARC based on OSPI 2001 data.

⁴ Awards to districts are adjusted if there are audit findings concerning inaccuracies in student costs.

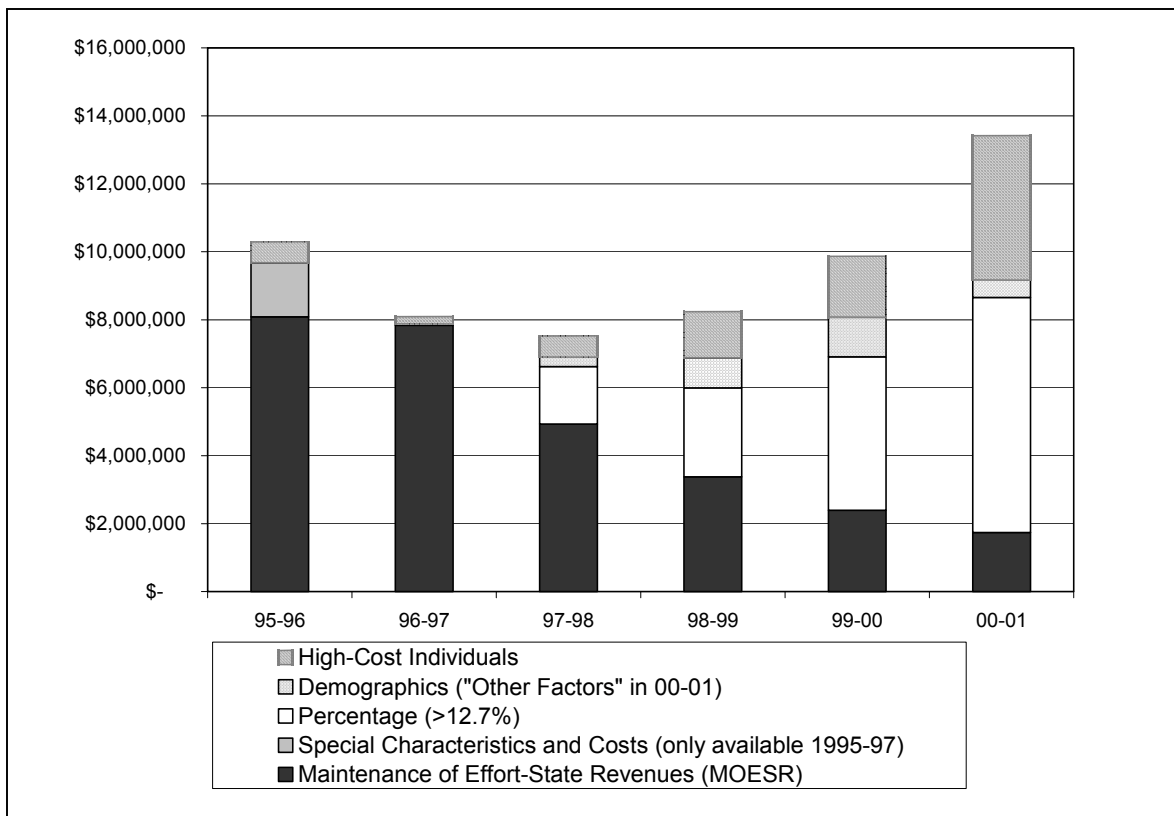
SAFETY NET POLICY

The Legislature has explicitly stated that differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a basis for Safety Net awards. Accordingly, instructions for Safety Net applications say that districts must convincingly demonstrate that their financial need is due to factors beyond the district’s control and is not attributable to district policies or service delivery style. These instructions further state that Safety Net funding is not an entitlement.

As previously indicated, it was anticipated that smaller school districts would be more likely to apply for Safety Net monies due to the potentially larger variations in students and student needs. Consistent with this notion, districts with smaller enrollments of Special Education students (less than 90) have a lower threshold of spending per individual student in order to be approved for High-Cost Individual awards.

It should be noted that within the Safety Net process, there are generally no limits put on the number of staff and staffing expenditures that districts can charge to Special Education. As an example, there is one category of staff, called “pure excess cost,” that includes program administrators, educational staff associates (“ESAs” – including therapists, social workers, nurses and counselors), and classified staff (including aides and clerical staff). All of these staff are involved in the Special Education program, but in some cases (e.g., administrators, social workers, nurses and counselors) they may not be involved in the provision of services

Figure 2 - Changing Patterns in Safety Net Awards



Source: JLARC based on OSPI data.

specified on students' Individualized Education Programs (IEPs). The one limit that is in place pertains to indirect expenditures, which can include district-wide administration and support. Indirect expenditures are limited in dollar amount to the allowable federal percentage plus 1 percent.⁵

EXCESS COST METHODOLOGY

As previously explained, the allocation of Special Education funding on an excess cost basis is intended to provide for specially designed instruction and related services for Special Education students that exceed the amount needed to provide all students with a basic education. The amount of funding districts receive is expected to provide for excess costs, but not to cover the full costs of educating Special Education students. **This is because Special Education students are also Basic Education students, and remain Basic Education students for the entire day.** This point was made clear in the 2001-03 Appropriations Act.⁶ Therefore, it is expected that the full costs of Special Education programs be offset to some degree by the Basic Education dollars that all Special Education students generate. Since the inception of the new funding formula based on excess costs, there has been confusion about how school districts should account for the amount of Basic Education dollars that are supporting the Special Education program.

For districts applying for Safety Net funds beginning in the 2000-01 school year, OSPI prescribed a particular excess cost reporting methodology intended to standardize how Special Education costs are accounted for between Basic Education and Special Education appropriations. In its Appropriations Act for the 2001-03 Biennium, the Legislature has required that all districts, not just Safety Net applicants, report excess costs by this method.

STATE AUDITOR'S INVOLVEMENT

Following the Special Education funding formula change, the Legislature directed and funded the State Auditor's Office (SAO) to form a Special Education (SPED) Audit Team to assist the Safety Net Oversight Committee. Since the 1996-97 school year, and until the 2000-01 school year, this team has examined Special Education programs with high rates of growth, high costs, or other aspects warranting attention from the Safety Net Oversight Committee. Funding for the team has been \$840,000 per biennium.⁷

The legislative directive for the team was expanded in 1998 to include audits of districts in order to establish a baseline, or benchmarks, for Special Education program costs. The Legislature also directed the SAO to report any errors found to be common among the districts audited. In the 2000-01 school year, baseline cost analysis was the primary focus of the work of this team.

⁵ The allowable federal percentage varies by district, ranging from 0% to 10.5%, with a statewide average of 3.2%.

⁶ See ESSB 6153, Sec. 507, (2) (a) (i),(ii) and (iii).

⁷ Since inception, and up to the current fiscal year 2002, budgets for the SPED team have totaled \$2.17 million.

WASHINGTON'S FUNDING FORMULA IN THE NATIONAL CONTEXT

Washington was not alone in deciding to change its funding formula in the 1990s. According to data collected by the Center for Special Education Finance (a research arm of the U.S. Department of Education), over half of all states have reformed the way they fund Special Education over the last six years, and nearly half are currently considering future changes.⁸

Some states have moved away from funding systems that provide school districts with incentives to inappropriately identify students as Special Education eligible. In line with this trend, some states have now adopted what is called "census-based" funding. Under this approach, districts receive funding per student based on total district enrollment of **all** students rather than on Special Education enrollment.⁹ A difference between this approach and Washington's formula is that in Washington each school district receives funding for its Special Education students, up to the 12.7 percent limit, and then has the option of applying for Safety Net funding.

Census-based funding advocates note that this approach may provide maximum operational and spending flexibility to districts, and removes any incentives for over-identifying students as Special Education eligible, because funding is not dependent on the number of Special Education students. Critics of the approach note that it may also create an incentive to under-identify students. They further note that census-based funding does not account for the actual variability that may exist among districts in the numbers of Special Education students and their different levels of need.¹⁰

Washington's funding system, like the census-based systems, was designed to avoid incentives for over-identifying students and at the same time recognize that funding needs might vary among school districts:

- Although Washington's formula is based on Special Education enrollment rather than total district enrollment, funding is currently limited to 12.7 percent, thus providing a disincentive to over-identify students once the 12.7 percent limit has been reached. This does not, however, remove the incentive to identify students up to the limit, nor does it prevent under-identifying. (As previously indicated, this limit goes to 13 percent in the 2002-03 school year.)
- In recognition that the funding formula might not be sufficient for all districts due to circumstances beyond their control, such as their percentage of Special Education students, there is a Safety Net process in place.

⁸ Thomas Parrish, Jennifer Anthony, Amy Merickel and Phil Esra, State Special Education Finance Systems and Expenditures 1999-00 (DRAFT), Center for Special Education Finance, September 2001, p.11.

⁹ Ibid.

¹⁰ Ibid, pp. 11-12.

FOCUS OF THIS STUDY

Although the Safety Net process offers school districts a means to obtain additional funding for Special Education based on financial need, how that need is to be determined is a difficult question to answer.

The 1992 Statewide Taskforce study that laid the groundwork for the current Safety Net process noted that *“district administrative and service philosophies differed substantially among districts.... These differences in service philosophy generate differences in costs of providing programs.”*¹¹

The legislative directive that differences in program costs attributable to district philosophy, service delivery choice or accounting practices are not a basis for Safety Net awards is consistent with the Taskforce’s observation. Nevertheless, it has not been possible for either the Safety Net Oversight Committee or applicant districts to either prove or disprove how philosophy and service delivery choice influence program costs, and thus whether the “need” for Safety Net resources can be objectively determined.

Members of JLARC’s Legislative Advisory Group for this study asked how spending for Special Education can be benchmarked, especially in light of the differing needs of the students served. The mandated focus of this study was to shed light on this issue. Specific tasks within this focus were to:

- Evaluate how to determine individual school districts’ need for Safety Net funds;
- Review the State Auditor’s Special Education Reports (which, in part, have attempted to address funding need by establishing baseline program costs); and
- Assess the adequacy of OSPI’s excess cost methodology, which is used in the Safety Net process for comparing districts’ expenditures.

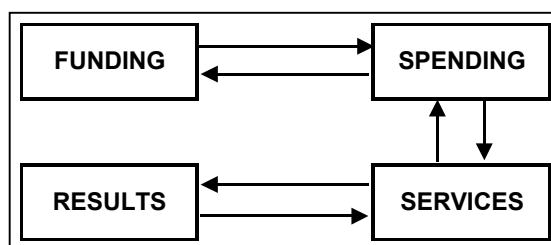
The complete scope and objectives for this study are included in Appendix 1.

¹¹ Report on Special Education – Safety Net, January 1992 (by the Statewide Taskforce on Safety Net, through OSPI), p. 20.

CHAPTER II: INFORMATION FOR OVERSIGHT OF SPECIAL EDUCATION

As a backdrop to the analysis and findings and recommendations in this report, we are presenting in this chapter an overview of the information required for oversight of Special Education. Figure 3 portrays the basic informational areas, and relationships between those areas, that can provide decision-makers with the information they can use to evaluate funding needs and options for programmatic changes.

Figure 3
Feedback Loop Of Information For Oversight Of Special Education



DISCUSSION OF FEEDBACK LOOP

FUNDING

Information about how much money is earmarked for a program, or available from special levies or other sources, can be the starting point in an informational feedback loop. How this funding translates into spending would be the next thing to consider.

SPENDING

Although it may often be the case that spending equates to funding, this is not always true. In the example of Special Education, a district may spend less than the funding that is earmarked for the program, or may find it necessary to supplement funding through other sources.

SERVICES

Next in the feedback loop is services. Decision-makers need to know the kinds of services that are purchased through spending, the variety of service delivery systems that are employed, and in the case of Special Education in particular, the special circumstances, such as student characteristics and educational requirements, that impact service levels and delivery.

RESULTS

Ultimately, information on results helps to show the effectiveness of the spending and the services it produces. We have used the term “results” here because it encompasses a number of possible ways of viewing effectiveness: in terms of outputs, outcomes and performance against standards for compliance with regulations, or legislative intent.

We have called this schematic a feedback loop because the informational needs do not stop with a measurement of results. In most circumstances, results will change over time, and even when results are moving in directions that are desired, there will be variations in the performance of the different entities (in this case, school districts) that are contributing to the overall results.

With knowledge about results, decision-makers can ask questions and learn about what works well or less well, and about the cost-effectiveness of programs. Spending, and its relationship to funding, may help explain why some programs perform differently than others.

WHAT INFORMATION IS AVAILABLE ON SPECIAL EDUCATION PROGRAMS?

FUNDING

The amount of federal funding and state monies in the form of the excess cost allocation is known for each district. What has not been certain, however, is the amount from the Basic Education Allocation that is applied to Special Education. This is because, until the current school year, districts have used a variety of methods of determining what this support should be. Uncertainty about how much of the Basic Education Allocation should be applied to Special Education is also due to confusion over the excess cost definition.

SPENDING

With the requirement now in place that school districts use the same methodology for reporting excess cost expenditures, information on spending may be improved. How comparable the expenditure information will be, however, will depend on whether school districts interpret the new instructions and report their expenditures and personnel in consistent ways, and whether OSPI administers this requirement effectively.

SERVICES

In the area of program services, much is known at the classroom, building and district level about the services and service delivery systems in place. Presently, however, comparable information among districts is limited. For example, the amount of resources consumed by Special Education students, in terms of the relative mix and quantity of services in their IEPs, is not available system-wide. Information about student-to-staff ratios is available, but is reflective of how personnel are reported, which can be different than how they actually work, and may vary by school district.

RESULTS

Over the last three years, OSPI has been recording student outcome information in the form of statistics in such areas as participation in statewide academic assessments, changes in test scores, graduation and dropout rates, and performance after leaving school. Such statistics provide measures of overall system performance trends. On a student-level, however, the most important outcomes may be more individual, involving incremental steps to help students take advantage of the educational opportunities available to them in school. Information about student-level goals, and progress toward them, is currently contained only in individual student files.

Compliance information, which tells whether districts are following state and federal regulations, has been compiled for many years. Although such information focuses more on process than outcomes, it can potentially measure how well districts are operating in a way that promotes positive outcomes for Special Education students.

As will be discussed in more detail in Chapter IV, the compliance information that has been and is currently being collected is not based on enough observations to be used for determining a district's overall compliance, or for making comparisons among districts. Recent changes in the compliance monitoring process, on the part of OSPI, may offer an opportunity to utilize compliance information for comparison purposes and to tie this results information to program costs and services.

SUMMARY COMMENTS

In Washington State today, information necessary to understand the linkages among Special Education funding, spending, educational services and educational results is largely missing or unavailable from individual school districts, educational service districts, or the OSPI. **The absence of this information has been the primary reason why it has been difficult, if not impossible, for the Safety Net Oversight Committee to adequately assess the rationales offered by school districts applying for additional funding through the Special Education Safety Net process.**

JLARC knew early on in this study that the current informational environment would make verification of school districts' needs for Safety Net funding difficult. As part of the JLARC study, we developed approaches to learn how some of these key information gaps could be closed. The next chapter describes the approach we took.

CHAPTER III: STUDY APPROACH

The approach for this study, reflecting input from JLARC's Legislative Advisory Group, assessed how spending for Special Education can be benchmarked, given the differing service requirements of students in Special Education. JLARC's study approach also reflected the following considerations:

- The legislative directive for funding of the Special Education Safety Net states that district philosophy, service delivery choice, or accounting practices cannot be the basis for Safety Net awards.
- The legislative directive also presumes that there is an identifiable baseline of spending adequate to meet minimum standards of service.
- The State Auditor's Special Education Audit Team, beginning in 1998, was given the responsibility of establishing a baseline (or benchmark) for Special Education program costs.

Given JLARC's study directive to evaluate the feasibility of determining Special Education funding need in the context of the Safety Net, we posed the following study questions:

1. Can reliable, comparable cost and service data be gathered?
2. Can districts' costs per student be effectively compared?
3. Is there a source of information available for identifying districts' standards of service?
4. Does the excess cost methodology developed by OSPI satisfy the legislative requirements and generate accurate and relevant information?

In the following sections of this chapter we will discuss why we posed the questions the way we did, what our study efforts were, and what we desired or expected to come from these efforts. The results of our analyses are presented in Chapter IV.

QUESTION 1: CAN RELIABLE, COMPARABLE COST AND SERVICE DATA BE GATHERED?

At the outset of the study we learned that information on district Special Education expenditures and staffing was inconsistent due to differing interpretations and reporting practices among districts. Thus, the issue of data comparability was a key element in the JLARC study. Rather than relying on inconsistent staffing and expenditure information currently reported by districts, we wanted to see if it was possible to collect student, service, and program information from school districts in a reliable manner. By tying this information to actual salary data, we could calculate Special Education expenditures among school districts and individual students in a uniform manner. Additionally, this information would provide student-level expenditure data that is not currently tracked or reported by the school districts.

Our approach to identifying costs for this study is based on a method known as a “Resource Cost Model.” This model has been employed in national studies of Special Education, and was developed to avoid having to rely on traditional accounting data.¹² It focuses on information that can be gathered about students, the jobs and assignments of the school personnel who provide instructional and related services to them, and the costs of those personnel.

JLARC’s cost model is based on Special Education students and the weekly minutes of service specified on each student’s Individualized Education Program (IEP). We started here because students are legally entitled to the minutes of service in their IEPs, and these minutes of service from teachers and other providers were expected to explain the bulk of Special Education costs. In order to identify the costs of IEP minutes, JLARC also had to obtain information on who is providing the services (e.g., teachers and other classified or certificated staff assisting in the classroom), the salaries and benefits of those staff, and the average student-to-staff ratios in the settings where Special Education services are delivered.

Our data collection efforts initially involved identifying the school districts that could provide detailed student, service, and staffing information to JLARC in an electronic format. We found 53 school districts that appeared to be recording this type of information in a database application maintained by the Washington School Information Processing Cooperative (WSIPC).¹³ JLARC then conducted phone interviews with representatives from each of these districts to verify the type of information they were recording, how frequently the data was updated, and whether they would be willing to participate in our study.

Twenty-six districts granted JLARC authorization to access their student and provider data recorded in WSIPC’s Special Education application.¹⁴ These same districts also agreed to participate in a survey of their Special Education teachers, related service providers and business managers to obtain more detailed class resource and program information that is not currently available. In addition to these 26 districts, JLARC also received data from three other districts that do not belong to WSIPC, but record similar information in their own databases. Due to incomplete survey responses, only 15 of the 29 case study districts were included in the more extensive analysis discussed in Chapter IV.

QUESTION 2: CAN DISTRICT COSTS BE EFFECTIVELY COMPARED?

In addition to identifying the level of effort required to gather student, service, and staffing information from districts, JLARC also sought to understand how expenditures compare among districts and individual students. Two components of addressing the cost-comparability question are:

¹² See Jay Chambers, *Measuring Resources in Education: From Accounting to the Resource Cost Model Approach*, National Center for Education Statistics, Working Paper No. 1999-16, June 1999.

¹³ WSIPC is a public cooperative that provides fiscal, human resource and student information management services to school districts. Approximately 276 school districts currently belong to the cooperative.

¹⁴ Student names were replaced with unique identifiers to ensure confidentiality and anonymity.

1. *Do the districts for which per pupil costs are being compared provide a similar quality of service or meet minimum thresholds for service?*
2. *What factors associated with a district's per pupil expenditures in Special Education are within the district's control (e.g., philosophy and service delivery choice) or beyond its control (e.g., student characteristics)?*

This relationship is shown in Figure 4 below.

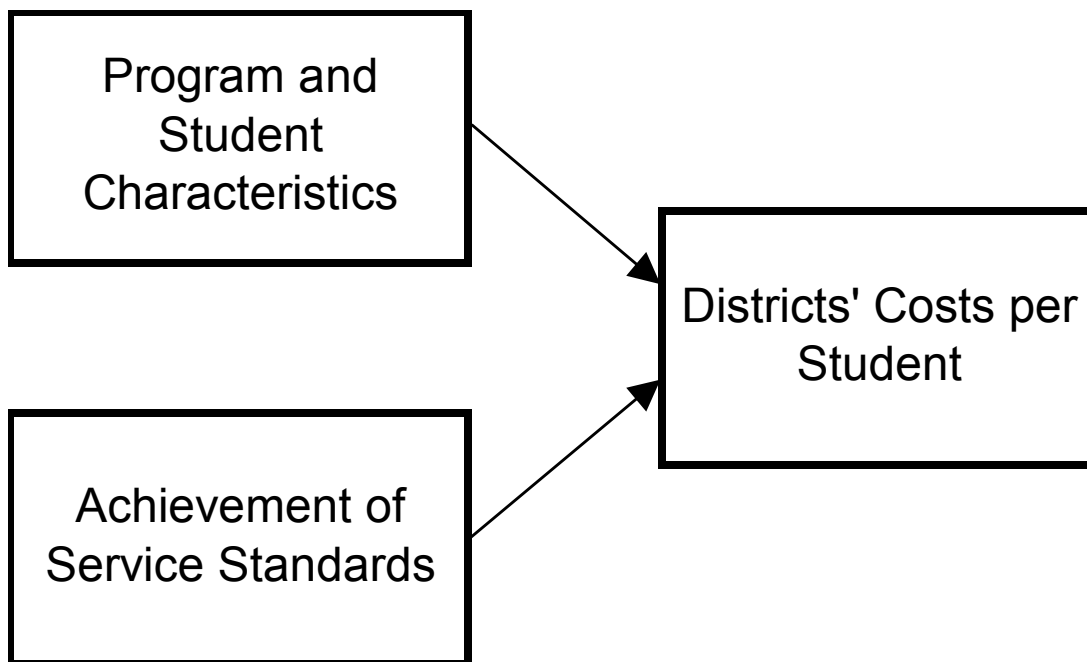
If the costs that are beyond a district's control can be identified with some precision,

- district costs could be adjusted to reflect how they would compare under the same set of circumstances; or,
- districts might use such information when applying for Safety Net funding to show how their unique population of students could be contributing to higher costs.

In order to assess whether variations in Special Education expenditures were due to factors within or outside a district's control, JLARC conducted a statistical analysis which attempted to identify whether variations in costs among students were associated with factors we judged to be relatively *controllable* or *uncontrollable* by a school district. The results of this analysis are discussed in Chapter IV.

Figure 4

Information Needed for a Comparison of Unit Costs



QUESTION 3: ARE THERE STANDARDS OF SERVICE, AND IF NOT, HOW MIGHT THEY BE DEVELOPED?

The purpose of identifying standards of service is to provide a context for cost information. To give an example: if comparable costs per Special Education student were available for all of Washington's 296 school districts, they could be arrayed from high to low. But we would also like to know something about the program elements of the districts' Special Education programs. Without such information there would be an arbitrary element to picking a particular district's (or group of districts') costs as a baseline or benchmark for program costs, especially if the purpose were to decide what is a cost-effective program.

We found no agreed upon program standards for Special Education from a review of other states and from discussions with both national and local experts. Nevertheless, because providing a context for cost information is important for benchmarking, we asked OSPI for assistance in identifying groups with requisite expertise to suggest how a set of standards could be developed. If such a set of standards could be developed, and information about how school districts' performance in relation to the standards were available, we could potentially use this information to provide a context for our comparable student costs. In any event, we hoped to learn whether standards could be developed for purposes of future benchmarking and performance measurement.

JLARC staff met with the Educational Service District Special Education Directors and the Special Education Advisory Council, and later with subcommittees of these groups that were specifically convened to assist us. We later added a subcommittee of the Special Education Coalition, which had also agreed to participate. A list of focus group members is included in Appendix 5.

QUESTION 4: DOES THE EXCESS COST METHODOLOGY FULFILL ITS INTENDED FUNCTION?

Part of the mandate for this study was to evaluate the adequacy of the excess cost methodology. The particular methodology in place now was originally prescribed by OSPI for districts applying for Safety Net awards beginning in the 2000-01 school year, and now is required for excess cost expenditure reporting for all school districts according to a proviso in the 2001-03 Appropriations Act.

In evaluating the excess cost methodology we applied two criteria, stated here as questions:

1. Does the excess cost methodology fall within the definition, and meet the legislative intent, as expressed in the Appropriations Act; and
2. Is the information generated by the methodology accurate and relevant?

We approached this topic by modeling how the methodology works, comparing how it works to legislative criteria, and using information from case study school districts to ascertain if the methodology is generating accurate and relevant data.

CHAPTER IV: STUDY FINDINGS

In Chapter III we discussed the input we received from JLARC's Legislative Advisory Group for this study, how we posed the study's four major questions, what our study efforts were, and what we expected to come from these efforts. The results of our analyses are presented below, where we provide detailed answers to the four questions.

QUESTION 1: CAN RELIABLE, COMPARABLE COST AND SERVICE DATA BE GATHERED?

Our study efforts demonstrate that it would be possible to gather reliable, comparable cost and service data without using expenditure and staffing information currently reported to OSPI. Using the resource cost model approach, we were able to estimate the costs of services among students and school districts for the 15 case study districts involved in our detailed analysis.¹⁵ The information we gathered allowed us to look at how costs vary on the individual student level as well as the district level.

Figure 5 on the next page shows how JLARC's case study students compare to the statewide distribution of disability categories. Additionally, Figure 6 on page 19 illustrates the overall range in Special Education costs per week among JLARC's sample students. For the 9171 students served by the 15 districts in our case studies, Special Education costs per student in a typical week ranged from \$18 to \$3,915. The median cost per student in a typical week was \$128¹⁶ and the average weekly cost per student was \$176.¹⁷ It is important to note that these expenses only relate to the costs of providing Special Education services, which account for less than a third of the time spent in a regular school day for the average student in our study sample. These Special Education expenses do not include any additional costs of providing students with a Basic Education. Moreover, these expenditures are only based on our case study students and would likely vary from the ranges in expenditures among all school districts in the state.

While the data we collected provides some interesting insights into program expenditures, **obtaining this information on a regular basis would be very time and labor intensive.** Calculating per pupil expenditures in a consistent manner requires pulling together records from multiple data sources and asking districts and teachers to track additional information that is not currently measured (e.g., staff to student ratios in the settings where Special Education services are delivered). To obtain reliable, comparable cost and service data from the state's 296 school districts, a significant change in reporting requirements would be necessary. Districts would have to link their student and service records with their fiscal

¹⁵ The information we collected included such things as the type and amount of IEP services students receive each week, the salaries of the teachers, related service providers, and other staff who assist in the delivery of Special Education services, and the indirect staffing, supplies, and other non-employee related costs associated with Special Education programs.

¹⁶ Median cost means that half the students' weekly costs were above \$128 and half were below \$128 per week.

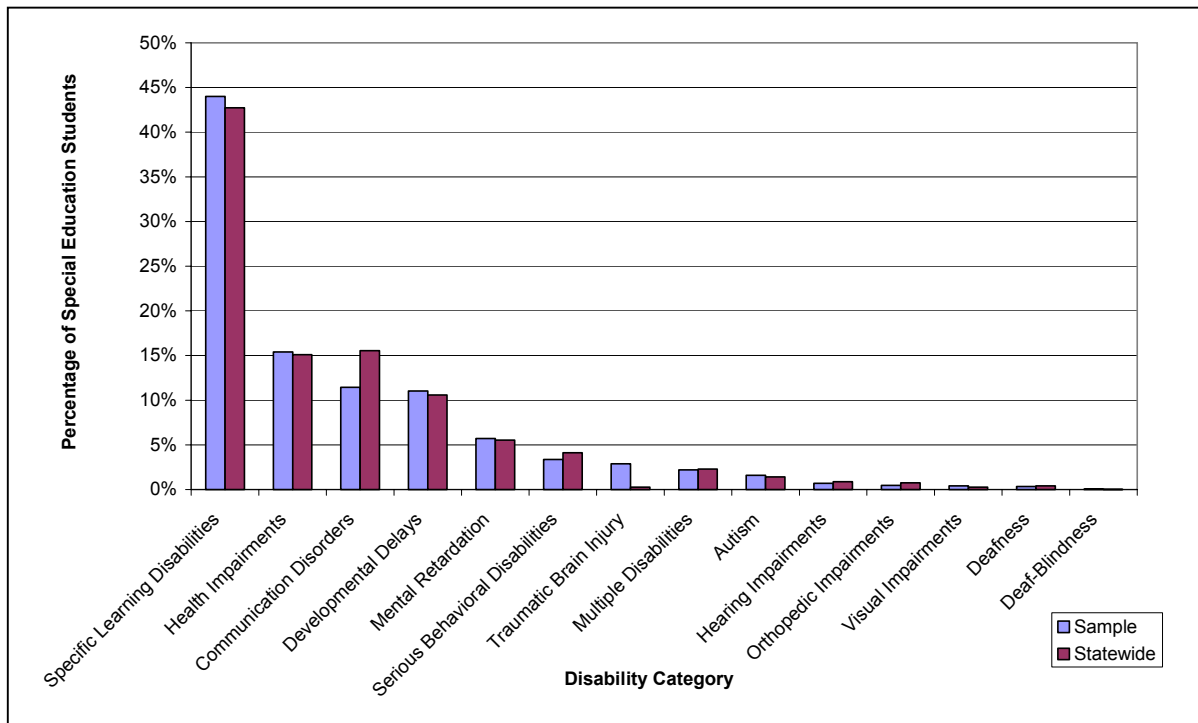
¹⁷ The median Special Education cost per year for a student in our case study districts is \$4,608 and the average cost per year is \$6,336. Funding for these Special Education expenditures comes from state resources (including basic education dollars and excess cost revenue), federal, local, and other resources.

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records,¹⁸ a practice that is not currently used by most if any school districts. The state would also need to implement a training program to ensure that districts are interpreting the new reporting requirements consistently.

Given the time and costs involved with changing reporting requirements, it is important to determine whether the collection of new data would improve decision making and ultimately the distribution of state funds. While the information we gathered from our sample districts provides a fuller picture of the resources used for Special Education than what is currently reported to OSPI, we found that this information alone would not assist the Safety Net Oversight Committee in determining whether districts are in need of additional funds. This information is also not sufficient for establishing cost benchmarks for Special Education. The following section will explain these findings in more detail.

Figure 5 – Distribution of JLARC Case Study Students by Disability Category Compared to Statewide Special Education Population



Source: JLARC cost model based on WSIPC and school district data for May 2001.

¹⁸ Fiscal information includes the staff salaries and other costs related to delivering Special Education services.

Figure 6 – Distribution of Special Education Costs per Student
in a Typical Week
(Includes 9,171 Students in 15 Case Study Districts)

Source: JLARC cost model based on WSIPC and school district data for May 2001.

QUESTION 2: CAN DISTRICT COSTS BE EFFECTIVELY COMPARED?

In order to verify a district's need for additional funding in light of different service delivery practices, the Safety Net Oversight Committee would need to identify whether an applicant district's high costs are due to factors that are beyond the district's control (e.g., the characteristics of students). To evaluate the feasibility of doing this, we conducted a statistical analysis that attempted to identify whether variations in Special Education costs among students and school districts were associated with different variables that we judged to be either controllable or uncontrollable on the part of school districts.

We found that it was not feasible, using existing data and additional data collected for this study, to distinguish whether a district's higher costs are the result of district choices (such as the staff to student ratios and the split between certificated and classified staff) or due to factors beyond a district's control (such as the age and the disabilities of the students).

Our analysis found that expenditures per student are a function of the amount of services a student receives and the cost per minute of providing those services. However, we could not

identify factors that explain *why* some students are receiving more services than others or *why* some services are more costly than others. The variables we considered, which included information currently tracked by the districts and information collected specifically for this study, only explain approximately 35 percent of the variation in student expenditures.

Additionally, there is no clear pattern indicating whether relatively controllable or uncontrollable factors are associated with the amount of variation we could explain. Therefore, with the information available, we cannot determine whether variations in Special Education costs are controllable by school districts. See Appendix 4 for a more detailed explanation of this analysis.

IMPLICATIONS FOR THE SAFETY NET OVERSIGHT COMMITTEE

In light of the fact that existing data do not explain a large percentage of the variations in Special Education expenditures among students and districts, the Safety Net Oversight Committee will continue to lack adequate information to determine whether an applicant district's high costs are due to district policy or practices. Even if the state required more detailed and consistent reporting by districts, it is doubtful that existing information could be used to determine whether a district's relatively high expenditures are a result of factors within or beyond its control. Consequently, the Committee is unable to make adjustments to reflect how district expenditures would compare under the same set of circumstances.

While these findings confirm that the Safety Net Oversight Committee's task remains a very difficult one, it is important to note that applicant school districts have the burden of convincingly demonstrating that their relatively high costs are not due to district philosophy, service delivery choice or accounting practices. Thus, these findings do not change the current situation in which Committee members must exercise judgment without being able to verify that differences in spending are due to factors beyond the control of the school districts.

The 1992 Statewide Taskforce on Safety Net, which laid the groundwork for the current Safety Net process, recommended standards to determine eligibility for Safety Net relief. One proposed standard was that areas of non-compliance with regulations must be reconciled by a school district in order to apply for Safety Net funds. This was to ensure that extraordinary costs were not due to program non-compliance. Currently the Safety Net Oversight Committee does not use monitoring reports for screening districts that apply for Safety Net funds. Information about a district's general compliance with regulations could permit the Safety Net Oversight Committee to screen out districts that are not in compliance with regulations, to require them to provide information about why they are non-compliant, or to explain how their expenditures are tied to coming into compliance

Later in this chapter we discuss the compliance monitoring process for Special Education.

IMPLICATIONS FOR THE STATE AUDITOR'S SPECIAL EDUCATION AUDIT TEAM

Since 1998, the Special Education Audit Team has also attempted to find relationships between student and program characteristics and spending levels to fulfill their mandate for establishing Special Education cost benchmarks.

In its 1998-99 audits, the team assessed whether per pupil expenditures were driven by factors such as the percent of time students spend in the regular education classroom, the average amount of service time students receive, and the average staff workload. In its 1999-2000 audits, the team looked at whether the number of minutes of service time received by a student is related to the student's degree of academic delay. Most recently, in its 2000-2001 audits, the team sought to identify the extent to which factors within a district's control, such as teacher-to-student ratios and staffing caseloads, influence student costs, as reported by school districts. The most recent audit also sought to provide case study information about relative resource consumption, in terms of "platforms" of service delivery that might be used by the Safety Net Oversight Committee for comparing applicant school districts to the case study districts.

In each of these audits, the results were inconclusive from the standpoint of providing information the Safety Net Oversight Committee could use to determine whether districts' high costs are due to factors beyond their control. JLARC's conclusion is that additional efforts of this type are unlikely to bear results that can be used for benchmarking purposes by the Safety Net Oversight Committee.

QUESTION 3: HOW MIGHT STANDARDS OF SERVICE BE DEVELOPED?

As previously discussed in Chapter III, JLARC staff organized focus groups to outline possible standards for an acceptable level of service in Special Education. First, the focus groups suggested that Special Education, and quality programs in particular, do not stand alone without the support of general education. Second, they suggested the idea of a threshold, separating minimum standards of service for Special Education, to which districts should be made accountable, from practices that go beyond them that might further contribute to a quality program. Third, they suggested that standards be measurable and tied to outcomes for Special Education students.

LINK BETWEEN SERVICE QUALITY AND COMPLIANCE WITH REGULATIONS

Later in the process, a fourth theme emerged. This was the view that the minimum standards for service are in fact embedded in the Washington Administrative Code (WAC) for the provision of Special Education services. **The focus groups concluded that there are key WACs that are essential to achieving minimum standards of service for Special Education.** These WACs relate to ensuring that students are appropriately evaluated and served, and that there are measurable goals for student achievement. **While not an outcome itself, compliance with key regulations provides some assurance that essential actions occur, processes are in place, and services are delivered to help Special Education students benefit from their education.** Overall, the WACs that were selected address

IEPs, transition plans, student involvement, professional development, school leadership, district responsibilities, and parent and community involvement.

Such WACs specify, for example, that:

- There is a clear link between student evaluations, the IEPs, and instructional services;
- IEP goals are measurable;
- Students' progress is monitored;
- Students' progress and areas for improvement are shared regularly with parents;
- Teachers modify practices based on students' achievement data; and
- Schools provide a continuum of services and variety of options that meet the needs of the students to fulfill their goals.

A list of all the individual WACs selected by the focus groups is provided in Appendix 6.

The groups also suggested that there are programs and services in addition to those addressed in the WACs that may contribute to achieving positive outcomes for students. However, they stressed that a district should first come into compliance with minimum service standards prior to adding new programs.

CURRENT COMPLIANCE MONITORING

During the course of the JLARC study, OSPI had just begun implementing a new program for compliance monitoring. The program is entitled "Consolidated Program Review" (CPR). This program monitors compliance with 18 "core" elements of Special Education and about 35 associated regulations.¹⁹ Similar to the conclusions reached by JLARC's focus groups, the CPR team had decided that some regulations were more important than others. This was in contrast to the previous monitoring process, conducted under contract with OSPI, that treated 334 individual compliance issues as each having equal weight. When we reviewed the new monitoring process we found substantial overlap between the regulations identified by focus groups as minimum standards of service, and the selected regulations that are monitored by the CPR program.

As part of the new CPR monitoring process, OSPI plans to require corrective action plans from districts that are not in compliance. Districts will have the responsibility of proposing how to come into compliance, which may include providing additional staff training if warranted.

CPR MONITORING IS LIMITED

JLARC staff received comments from school districts that took part in the new CPR process. They reported that CPR was an improvement over the preceding monitoring process, and they considered it to be an attempt to be more substantive and less process oriented.

¹⁹ In addition to Special Education, CPR also monitors for compliance with 15 other federal entitlement programs and five state apportionment programs.

The CPR monitoring process is, however, limited in terms of the number of files reviewed, district staff interviewed and time spent in the districts. Therefore, it is not up to the task of providing sufficient information about how school districts compare with regard to compliance, nor can it be used to establish Special Education cost benchmarks, because the extent of its monitoring is not adequate to generalize findings to the entire district. Districts that were subject to the new monitoring process suggested that they would like to see a more extensive effort to monitor compliance in their districts so that the findings would be more representative of the district as a whole.

CONTINUOUS CYCLE FOR PROGRAM IMPROVEMENT

Currently OSPI does not have an ongoing and systematic program for improving Special Education services that is based upon monitoring. JLARC's focus groups suggested that rigorous compliance monitoring could be the starting point for a structured cycle of ongoing improvement of Special Education because it could:

- Identify common problems within districts' programs.
- Document how these problems have been resolved in other districts.
- Provide information about promising practices that could be shared across the state.

An example of a current problem, cited by all of JLARC's focus groups, was differences in how school districts decide that the instruction being provided to students on their IEPs meets the requirement that it be specially designed instruction (i.e., that its content, methodology or delivery is adapted to address the unique needs of a disabled student). Some school districts have more difficulty in this area than others, and might benefit by changing their practices based on what works in other districts.

The idea of a *cycle* of program improvement is that it would begin with program monitoring. Corrective action plans and targeted training would then be required as warranted. This would be followed by a process to confirm compliance with standards and regulations, with possible sanctions should districts fail to come into compliance without justification. As a means to avoid being out of compliance in the first place, districts could use the monitoring criteria for purposes of self-assessment before being monitored.

JLARC's focus groups suggested that steps to improve a program beyond compliance should be taken incrementally. Once a district completed corrective action plans and provided necessary training to its staff, planning and implementation of additional services to improve quality might then take place. They further suggested that changes should be grounded in empirical studies and best practices that have demonstrated positive results for Special Education students.

MAKING COMPLIANCE INFORMATION MORE ACCESSIBLE

Results from monitoring are public information, but presently, are not published on the Internet or otherwise made widely available. Additionally, the current monitoring results would not be suitable for publication, if the objective were to report or compare districts' performance, because they are based on very limited information.

However, if monitoring were more thorough, it would be possible to provide information on a district's performance and corrective action plans for parents, stakeholders, school districts, OSPI and other interested parties, including the Legislature.

ROLE OF THE STATE AUDITOR'S OFFICE (SAO) IN COMPLIANCE REVIEW

The State Auditor's Office (SAO) has a Special Education (SPED) Audit Team that has been auditing districts since 1996. Funding for this team, which has totaled \$2.17 million since inception,²⁰ comes from the General Fund. The cost of operating this team is \$840,000 per biennium. Since 1998, the districts audited have been those selected for the baseline (or benchmarking) analyses.

The team performs a compliance screen on 5 percent of the files in the districts they choose for benchmarking. This compliance monitoring focuses on four areas:

1. Timeliness: Is the IEP up to date?
2. Match between the evaluation team's recommendations and the IEP
3. Need for Special Education
4. Provision of specially designed instruction

It was initially thought that these four compliance areas reflected the most financial risk, because non-compliance with any one of them could be interpreted as meaning that students were being counted for Special Education funding inappropriately. Of these four areas, however, *timeliness* is the only element that is submitted for financial recovery. A separate SAO audit team, called the K-12 Audit Resolution Team (KART), has responsibility for financial recovery actions. Non-compliance in the other three areas results only in the district being excluded from the benchmarking analysis, but does not preclude districts from applying for and receiving Safety Net funds. In many cases the limited number of files reviewed does not permit generalizing these compliance findings to the entire district.

Since there is more than one SAO team, it is important to distinguish between the role of the SPED team and that of KART. The SPED team was created to support the work of the Safety Net Oversight Committee, whereas KART was established to verify data on transportation, staff mix and enrollment. KART seeks recovery for over-payments to school districts when warranted. Since its creation in 1998, KART has recovered \$2.7 million from all audits completed as of October 2001. Within this amount, recoveries from the Special Education student enrollment audits have been \$1.2 million. The budget for KART, up to the time of this study, has been \$980,000 per biennium.

IMPLICATIONS FOR THIS STUDY

We initially found that there are no established standards for service delivery in Special Education that we could use to tie to, and provide a context for, cost information about school districts' Special Education programs (i.e., for benchmarking purposes). We next found, from working with focus groups and reviewing current state monitoring, that compliance with regulations, while not an outcome itself, provides some assurance that

²⁰ Funding for the Special Education Audit Team was \$486,000 for 1996-97, and has been \$420,000 per fiscal year thereafter.

essential actions occur, processes are in place, and services are delivered to help Special Education students benefit from their education. We therefore had the potential of using existing compliance information together with our cost information. Further review found, however, that existing compliance information, from either OSPI's Consolidated Program Review or the efforts of the Special Education Audit Team, was too limited for this purpose. Prospectively, we found that the Consolidated Program Review, if made more rigorous, could provide an opportunity for using and publishing performance information about districts' compliance with regulations.

QUESTION 4: DOES THE EXCESS COST METHODOLOGY FULFILL ITS INTENDED FUNCTION?

As discussed in the previous chapter, we applied two criteria in evaluating the excess cost methodology:

1. Does the excess cost methodology fall within the definition, and meet the legislative intent, as expressed in the Appropriations Act; and
2. Is the information generated by the methodology accurate and relevant?

We now answer each question in turn.

LEGISLATIVE INTENT

The Appropriations Act states that funding for Special Education is provided on an excess cost basis. The meaning of this is expressed as follows (as paraphrased from the Act):

1. To the extent a school district cannot provide an appropriate education for Special Education students through the general apportionment allocation, it shall provide services through the Special Education excess cost allocation.
2. School districts shall ensure that Special Education students, as a class, receive their full share of the general apportionment allocation.
3. Special Education students are Basic Education students first, and remain Basic Education students for the entire day.

These several statements clarify the principle, which may not have been fully or universally understood at the time of the funding formula change in 1995, that school districts are not intended to fund their Special Education programs solely through the excess cost allocation. For example, if a student is in a self-contained Special Education class for all day, every day, then that student's Special Education is their Basic Education. As such, the Basic Education dollars that the student generates should go toward that student's education within the Special Education class.

The current, prescribed excess cost methodology is designed to satisfy this principle in the following manner:

- The teacher of a Special Education class, having the same student-teacher ratio as the average regular class, should be fully charged to the Basic Education program.
- By the same approach, a Special Education teacher with only half of the students of a regular class should be charged one-half to Basic Education and

one-half to Special Education. This is because the Special Education class has only half the students needed to generate monies for a full teacher's salary and benefits.

- Under this methodology, if there were other staff in the class, such as paraprofessionals assisting the teacher, they should be fully charged to Special Education.

What is described above is one way the methodology should work in practice. It starts with information about how much time, as a percentage of the school day, the Special Education students are outside the regular classroom. The more time a student spends outside of the regular classroom, the more the Basic Education Allocation (BEA) dollars generated by that student are used to pay for the Special Education teacher's salary and benefits. (In actual practice, the calculations of the excess cost methodology involve more general level information, such as total district Special Education enrollments and teacher full time equivalents, rather than the individual information we have used for illustration, but the principle is the same).

HOW ACCURATE AND RELEVANT IS THE INFORMATION GENERATED BY THE METHODOLOGY?

Under the old funding formula, the amount of excess cost and the amount of Basic Education funding for Special Education was identified for each of the 14 funding categories. Thus, it was possible to identify for each school district, based on the mix of its Special Education students, the total amount of state monies allocated for Special Education.

With the change to the new methodology in 1995, there was only one category of student, divided into two age groups, and school districts were expected to continue to use Basic Education funds for Special Education. However, the methodology to be employed was left to the discretion of the school districts. As previously mentioned, this began to change in the 2000-01 school year with OSPI's adoption of the current excess cost methodology for Safety Net applicants.

As a convenience to school districts and the Safety Net process, OSPI chose an existing type of reporting, required of all school districts, to use for calculating students' time in the regular class. This was based on an existing report required by the federal government. OSPI also chose to rely on existing expenditure and personnel reports. A reason for this approach was to avoid imposing additional reporting burdens on school districts. We found several problems with the present methodology:

- It is based on a federal report that requires school districts to report, within percentage ranges, how much time Special Education students spend in the regular classroom. Presumably, when the students are not in the regular classroom they are in Special Education. The problem with this approach is that many school districts emphasize inclusion, providing Special Education instruction and related services in the regular classroom. For these districts, student time spent in Special Education would be underestimated on the federal report because the students do not physically leave the regular education classroom to receive Special Education services.

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- Another problem is that districts interpret the reporting requirements differently. Some follow the instructions literally. Others, instead, make a calculation based on the actual time the students receive Special Education services. The result is that it is difficult for the Safety Net Oversight Committee to know just what is being reported.
- Since districts report student time in regular education classrooms within ranges, it is difficult to know whether the midpoint or some other point within the range should be used for calculating the average time for students in the district.

These problems can be addressed, but OSPI must first resolve the policy issue of whether the excess cost methodology is intended to be based on time in the regular classroom or time receiving Special Education services, and provide school districts with definitions and instructions for how to report this information.

Once this policy issue is resolved, OSPI would be in a position to help mitigate two additional problems:

1. Currently, school districts must make a number of allocations and calculations, charging some Special Education teachers to Basic Education, and then reporting the remaining excess cost expenditures to OSPI. This separate reporting by 296 school districts creates the potential for more inconsistencies in reporting.
2. Throughout the course of this study, people from advocacy groups, professional organizations, school districts and OSPI have voiced concern over a lack of visibility and comparability in Special Education funding and spending. One particular concern was that some school districts might be (or have been) funding their entire Special Education program with the excess cost allocation only, or with only a minimal contribution from the Basic Education Allocation (BEA).

With all school districts required to report student time in a consistent manner, OSPI would be able to make a calculation for each school district, showing the amount of BEA money that the districts should be spending on Special Education, together with the excess cost allocation for Special Education (and any other funding sources for Special Education, such as Medicaid for eligible students). The total from these revenue sources could then be compared to districts' reporting of their full costs of Special Education.

CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS

This section draws upon several parts of our study to make recommendations to help fill in the gaps in the information needs in Special Education, and at the same time address the specific issues that were the mandated focus of this study.

DETERMINING SPECIAL EDUCATION FUNDING NEEDS AND THE CONTINUING ROLE OF SAO'S SPECIAL EDUCATION AUDIT TEAM

We found that the Safety Net Oversight Committee is presently unable, given the kind of information available, to distinguish between factors inside and outside of school districts' control that might explain variations in costs per student. A related finding was that there is not, at present, sufficient and reliable information about whether individual districts are providing an acceptable level of service, in terms of compliance with regulations.

We further found that the benchmarking work being conducted by the State Auditor's Special Education Audit Team, which has become the bulk of its effort, is unlikely to yield the kind of information that the Safety Net Oversight Committee would need.

We recognize that the Audit Team has accumulated expertise in the area of Special Education, and that it provides assistance to the Safety Net Committee on an ad hoc basis. Nevertheless, this kind of assistance does not require the existence of a five-member team, operating year round, at a cost of \$840,000 per biennium. We see the level of direct staff assistance for the Safety Net Committee, how it is provided and how it is funded, to be a separate question that can be addressed, if necessary, as part of the normal agency budget proposal and budget development process.

In light of these findings, we conclude that the role of the Special Education Audit Team in the Safety Net process should be discontinued.

Recommendation 1

Note: After publishing the preliminary report, we learned that a language change in the Appropriations Act for 2001-03 was intended to discontinue the Special Education Audit Team. Nevertheless, the intent of this change was not generally understood, and the Special Education Audit Team is still in existence. Therefore, our recommendation is now directed to the State Auditor to ensure that the legislative intent, as well as the report's recommendation, is carried out.

The State Auditor's Office should discontinue the Special Education Audit Team.

Legislation Required:	No
Fiscal Impact:	The Appropriations Act for the 2001-03 Biennium anticipated that the benchmarking efforts of the State Auditor's Office would cease, and that the resources that had gone into the Special Education Audit Team would be used for additional efforts on the part of the K-12 Audit Resolution Team (KART). The legislative intent was that this change would lead to additional recoveries by KART.
Completion Date:	2002

PROGRAM QUALITY, COMPLIANCE AND CONTINUOUS IMPROVEMENT

A policy option for OSPI to consider is the status of the current monitoring process, whether it should evolve into a process for continuous improvement, and how funding might be provided. Currently, OSPI's Consolidated Program Review is funded entirely out of federal discretionary funds, which could be a continuing option.

Short of expanding the level of existing monitoring efforts, OSPI can capitalize on the work efforts of this study's focus groups, which OSPI helped to initiate.

Recommendation 2

The Office of the Superintendent of Public Instruction should work with stakeholder groups to evaluate the current monitoring criteria, consider how those criteria might be strengthened to ensure minimum standards of service for Special Education students, and report back to the Legislature and Office of Financial Management with the results of its evaluation. This evaluation should include, but not be limited to:

- ***Reconciling the regulations reviewed by the Consolidated Program Review monitoring process and those identified by this study's focus groups as essential to achieving minimum standards for quality education; and***
- ***Continuing to work with existing focus groups to identify and review empirically based best practices to improve outcomes for Special Education students.***

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	June 2002

Working with stakeholders could also assist in the development of a monitoring program that is credible and usable, and could provide a foundation for the development of a continuous improvement process.

OSPI has indicated to the JLARC study team that separating compliance monitoring from a process for continuing improvement might be advisable. Consideration of the policy and operational options for carrying out both functions is something that OSPI can do in cooperation with the Special Education Advisory Council and other stakeholders.

Recommendation 3

OSPI, with the assistance of stakeholders, should develop options for modifying the Consolidated Program Review, and present these options, with accompanying fiscal impacts, in a report to the Legislature and OFM. These options should include, but not be limited to:

- ***Ensuring that the findings from the monitoring process are reasonably representative of individual districts' programs; that they allow for a fair comparison among districts; and that they are made available to the public on the OSPI website;***

- *Developing weights for individual compliance elements, and thresholds for when enough individual instances of non-compliance indicate overall non-compliance for the school district; and*
- *Initiating a systematic and ongoing process for continuous improvement of Special Education programs linked to improvement of educational outcomes for Special Education students.*

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	October 2002

If the monitoring process is strengthened, information about a district's general compliance with regulations could permit the Safety Net Oversight Committee to screen out districts that are not in compliance with regulations, to require them to provide information about why they are noncompliant, or to explain how their expenditures are tied to coming into compliance.

Recommendation 4

Upon implementation of Recommendation 3 and any follow up actions to strengthen the monitoring process, OSPI should develop options for incorporating program monitoring results into the screening process for Safety Net award applications.

Legislation Required:	No (per the Appropriations Act, OSPI must consult with the Office of Financial Management and the fiscal committees of the Legislature prior to revising any standards, procedures or rules)
Fiscal Impact:	None
Completion Date:	Pending implementation of Recommendation 3

ADEQUACY OF THE EXCESS COST METHODOLOGY

We found that the excess cost methodology, currently prescribed for all school districts, falls within the legislative intent as stated in the Appropriations Act. We have noted, however, that the policy needs to be clarified concerning whether school districts are to calculate students' time in the regular classroom or their time receiving Special Education services, which can be and sometimes is two different things.

We also found that the Safety Net Oversight Committee does not have sufficient information to address the statutory requirement that awards should not be approved if a district's high costs are due to district philosophy or service delivery choices. In light of this finding, and our conclusion that funding and spending for Special Education should be made more visible, it is all the more important that OSPI, the Safety Net Oversight Committee, and

individual school districts fulfill the additional statutory requirement that differences in accounting practices are not a basis for Safety Net awards.

Recommendation 5

OSPI and the Safety Net Oversight Committee should clarify the policy concerning how the amount of Basic Education spending within Special Education is to be determined, calculated, accounted for, and made available for the full education of K-12 Special Education students.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	For the 2002-03 school year, and ongoing

Recommendation 6

OSPI should report information on the full allocation of funds (i.e., both Basic Education and Special Education dollars) to school districts' Special Education programs, and in turn require the districts to report the full costs (i.e., expenditures of both Basic Education and Special education dollars) of their Special Education programs.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	For the 2002-03 school year, and ongoing

AGENCY RESPONSES

We have shared the report with the Office of the Superintendent of Public Instruction (OSPI), the State Auditor's Office (SAO), and the Office of Financial Management (OFM) and provided them an opportunity to submit written comments. The written responses from SAO, OSPI, and JLARC's Comments to OSPI's Responses are included as Appendix 2. OFM did not respond.

ACKNOWLEDGEMENTS

We appreciate the assistance provided by the Office of the Superintendent of Public Instruction, the State Auditor's Office, the state's Educational Service Districts and the Legislative Evaluation and Accountability Program. We are also very much indebted to the many school districts that provided program information, participated in our surveys of providers and business managers, and provided us opportunities to visit their schools and programs. The focus groups that spent many sessions assisting this study in the matter of service standards are listed in Appendix 5. We appreciate their hard work and dedication.

Bob Thomas, Stephanie Hoffman, Elizabeth DuBois, Kendra Dahlen and Larry Brubaker of the JLARC staff conducted this study. Tom Sykes, Legislative Auditor, was the project supervisor. JLARC consulted with the Center for Special Education Finance (CSEF) for assistance with designing the study's statistical analysis and interpreting the results. JLARC also contracted with the Washington School Information Processing Cooperative to obtain information from school districts that agreed to participate in this study.

Thomas M. Sykes, Legislative Auditor

On December 12, 2001, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Representative Val Ogden, Chair

COMMITTEE ADDENDUM:

The Committee approved this addendum to the final report at its December 12, 2001 meeting.

The Joint Legislative Audit and Review committee (JLARC) reinforces the recommendations in its K-12 Special Education Study, especially Recommendations 2 through 6 directed to the Office of the Superintendent of Public Instruction (OSPI), and gives advance notice now that it intends to follow up on these recommendations. The Committee believes that when OSPI implements these recommendations, this will strengthen compliance monitoring to provide useful information to school districts, the public and OSPI, and develop options for improving Washington's special education programs. The Committee requests OSPI to report by July 1, 2002 on the following:

- ▶ A status report on OSPI's implementation of Recommendations 2 through 6;
- ▶ A fiscal analysis of additional impacts, if any, from implementing Recommendation 3;
- ▶ For any recommendation not yet implemented, a time frame for implementation; and
- ▶ Major problems OSPI has encountered in implementing these recommendations.

APPENDIX 1 – SCOPE AND OBJECTIVES

SCOPE

This mandated study will focus on the K-12 Special Education Program with particular attention paid to the Safety Net funding process and the Special Education program audits performed by the Office of the State Auditor. The initial phase of the study will be performed in 2000. It will include preliminary site visits and the solicitation of information and suggestions from advisory groups consisting of legislators, key interested parties, and subject area experts. This will assist in the development of a work plan for the second phase, which will take place in 2001. This work plan will encompass the research and analysis required to carry out the study mandate and to address related issues and information needs brought out in the advisory group process.

The study will address the following objectives.

OBJECTIVES

- **Review the findings of the Special Education program audit summary reports prepared by the State Auditor.**
 - In addition to reviewing the work that the State Auditor has performed, this objective may entail conducting follow-up work on specific issues raised and analysis conducted in those reports.
- **Evaluate the adequacy of the excess cost definition for the Special Education program adopted by the Superintendent of Public Instruction.**
 - This will include a review of the legal, statutory and regulatory context for Special Education funding, excess cost accounting, and a review of alternative definitions.
- **Assess the ability to determine individual school districts' Safety Net funding need in light of differing accounting methods in use by school districts.**
 - This will include an assessment of the districts' alternative accounting methods.
- **Evaluate the ability to uniformly determine individual school districts' Safety Net funding need in light of differing service delivery practices.**
 - A survey of such practices within Washington State, including on-site visits of programs in school districts, will provide a context for addressing this issue.

APPENDIX 2 – AGENCY RESPONSES & JLARC’S COMMENTS TO OSPI RESPONSES

- State Auditor’s Office (SAO)
- Office of the Superintendent of Public Instruction (OSPI)
- JLARC’s Comments to OSPI Responses



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JLARC

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
<http://www.sao.wa.gov>

**Washington State Auditor
Brian Sonntag**

Legislative Building
PO Box 40021
Olympia, Washington 98504-0021

October 30, 2001

Representative Gary Alexander
Representative Val Ogden
Co-Chairs
Joint Legislative Audit Review Committee
506 16th Ave SE
Olympia WA 98501-2323

Dear Honorable Members:

I have recently reviewed the Joint Legislative Audit Review Committee's preliminary report on its study of the state's special education program.

First, I would like to compliment Committee staff for the excellent work that was done on this report. The scope, methodology, conclusions and recommendations were thoughtful and well researched. You should be especially pleased with the work of Bob Thomas, the Principal Management Auditor and Supervisor of this project.

During our audits of special education we have gained valuable knowledge and experience. However, we believe that the report's six recommendations chart a more constructive, rational means for ensuring accountability over special education funds and performance. We endorse all of the recommendations and are ready to assist in moving them forward to the extent that would be desired and helpful. This includes providing assistance that may be needed by the state Special Education Safety Net Committee until all of the recommendations are put in place.

In 2001, we made similar recommendations to the Legislature, the Governor and Office of Financial Management relevant to alternative oversight methods for K-12 and special education. I anticipate we will make a separate recommendation to the 2002 Legislature and others on funding we receive to audit certain other specific areas in the state's K-12 education system.

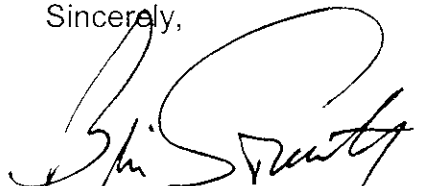


Adoption of the recommendations regarding our K-12 work could reduce the State Auditor's Office General Fund appropriation by \$910,000, assuming that they take effect on June 30, 2002. This money then could be used by the Office of Superintendent of Public Instruction, the Safety Net Committee and others to follow through on recommendations 2 through 6 in the JLARC report. For your information, I am attaching the budget language that outlines all of our K-12 audit responsibilities that are carried out with General Fund money.

We appreciate the Legislature's confidence in our Office and share its commitment to ensuring that public school dollars are spent to benefit all of the state's children, especially those who need special education.

Again, the report is excellent and will be most useful to the further review and discussion of the state's special education program. If you have any questions about our work or recommendations, please contact me at (360) 902-0360.

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR

BS:LL:ml

Attachment

cc : Governor Gary Locke
Terry Bergeson, Superintendent of Public Instruction
Sen. Georgia Gardner, Co-Vice Chair
Sen. Jim Horn, Co-Vice Chair
Sen. Darlene Fairley
Sen. Bob Oke
Sen. Debbie Regala
Sen. Val Stevens
Sen. Pat Thibaudeau
Sen. Joseph Zarelli
Rep. Kathy Haigh
Rep. Fred Jarrett
Rep. Tom Mielke
Rep. Mark Miloscia
Rep. Joyce Mulliken
Rep. Phil Rockefeller
Tom Sykes, Legislative Auditor

Ch. 7 WASHINGTON LAWS, 2001 2nd Sp. Sess.

Appropriation \$ 12,870,000

NEW SECTION. Sec. 122. FOR THE REDISTRICTING COMMISSION

General Fund—State Appropriation (FY 2002) \$ 856,000
 General Fund—State Appropriation (FY 2003) \$ 20,000
 TOTAL APPROPRIATION \$ 876,000

The appropriations in this section are subject to the following conditions and limitations: On January 1, 2003, any unspent portions of this appropriation shall be deposited in the common school construction fund.

***NEW SECTION. Sec. 123. FOR THE STATE AUDITOR**

General Fund—State Appropriation (FY 2002) \$ 1,078,000
 General Fund—State Appropriation (FY 2003) \$ 1,324,000
 State Auditing Services Revolving Account—State
 Appropriation \$ 13,540,000
 TOTAL APPROPRIATION \$ 15,942,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Audits of school districts by the division of municipal corporations shall include findings regarding the accuracy of: (a) Student enrollment data; and (b) the experience and education of the district's certified instructional staff, as reported to the superintendent of public instruction for allocation of state funding.

(2) \$910,000 of the general fund—state appropriation for fiscal year 2002 and \$910,000 of the general fund—state appropriation for fiscal year 2003 are provided solely for staff and related costs to verify the accuracy of reported school district data submitted for state funding purposes; conduct school district program audits of state funded public school programs; establish the specific amount of state funding adjustments whenever audit exceptions occur and the amount is not firmly established in the course of regular public school audits; and to assist the state special education safety net committee when requested.

(3) *\$300,000 of the general fund—state appropriation for fiscal year 2002 and \$300,000 of the general fund—state appropriation for fiscal year 2003 are provided solely for the state auditor to conduct performance audits of three governmental entities as demonstration audits for state and local government agencies. Each audit shall include a financial history and shall identify and review performance measures, benchmarks, quality management practices, and efficiencies achieved. The state auditor may contract for consulting services in completing these audits. The state auditor shall report findings from these audits to the appropriate legislative committees by December 1, 2002.*

*Sec. 123 was partially vetoed. See message at end of chapter.

NEW SECTION. Sec. 124. FOR THE CITIZENS' COMMISSION ON SALARIES FOR ELECTED OFFICIALS

General Fund—State Appropriation (FY 2002) \$ 80,000
 General Fund—State Appropriation (FY 2003) \$ 152,000



SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON OLD CAPITOL BUILDING • PO BOX 47200 • OLYMPIA WA 98504-7200 • <http://www.k12.wa.us>

November 9, 2001

The Honorable Gary Alexander Co-Chair
The Honorable Val Ogden, Co-Chair
Joint Legislative Audit Review Committee
506 16th Avenue SE
Olympia, Washington 98501-2323

RECEIVED
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JLARC

Hi Val & Gary!

Dear Representative Alexander and Representative Ogden:

Thank you for the opportunity to comment on this report. Although I do not endorse the conclusions and recommendations contained in the report, I appreciate the opportunity my office had in assisting the committee staff with data and information. I commend the committee and staff for completing the study and providing information to be considered when setting state special education policies.

As State Superintendent, I am responsible to ensure that all students, including students with disabilities, receive a proper education and that each is given the full opportunity to learn and progress. I concur with the legislature's policy that every student receive a basic education first. For our students who have special education needs the programs and funds provided are in addition to the basic education funds. To clarify this policy, the legislature changed special education funding and accounting for school districts. The Office of Superintendent of Public Instruction (OSPI) has spent considerable resources training school districts across the state on the implementation of these changes.

We now require all districts to account for only special education excess costs in the special education program in a manner prescribed by OSPI. This change was made to help implement the legislative policy that all children are entitled to basic education dollars first and special education (excess costs) dollars second. Because this is the first year for this system wide requirement, it will continue to take school districts and the agency time for the new practices to be implemented consistently in all school districts. I am convinced that continued effort by OSPI and district staff will result in proper reporting and full implementation of the legislative policy. OSPI staff will continue to help districts understand the legislative intent and OSPI reporting models.

Specific responses to the report's recommendations are found below. My staff will be present at your next meeting to respond to your questions.

Sincerely,

Dr. Terry Bergeson
State Superintendent
of Public Instruction

TB:MB:lh

Agency Response:

<u>Recommendation</u>	<u>Agency Position</u>	<u>Comments</u>
Recommendation 1	Concur	<p>We believe that money spent on supplemental auditing services would be better spent if a portion or all of it were directed to financial training activities for the K12 system. OSPI does not have sufficient financial services staff to adequately assist districts with their financial training needs. There would be less need for auditors because of the additional training. It should be noted that the \$910,000 appropriated to the State Auditor, can be used for school district audit activities other than special education.</p>
Recommendation 2	Not Concur	<p>Including “best practice” into federal compliance reviews will substantially INCREASE the scope and liability of compliance concerns for local districts. Program improvement activities are best dealt with outside the context of program compliance. As numerous state and federal studies continue to show, the provision of individually determined applications of “specially designed instruction” cannot be lumped into a “best practices” pool.</p> <p>We do work with stakeholder groups to address special education program needs. The official stakeholder group is the Special Education Advisory Committee. From time to time, other stakeholder groups are formed to meet specific needs. OSPI continues to be willing and anxious to engage our special education stakeholders in improving special education programs and services.</p> <p>In addition, we disagree with the conclusion that what is expected within the recommendation does not have a fiscal impact.</p>
Recommendation 3	Not Concur	<p>The Consolidated Program Review (CPR) process by OSPI involves 18 federal programs, including special education. Therefore, the recommendation of revising the current CPR process has broader implications than just those of special education. Any change to the CPR process would require federal concurrence and must work collaboratively with other federal programs.</p>

Further, posting compliance findings on the website will substantially increase the likelihood of compliance related complaints against districts resulting in increased costs for possible litigation and additional enforcement activities.

Again, program improvement initiatives should be formed and administered outside the context of program compliance. Quality special education programs are a concern of the agency. Recently, a special education unit was created in the curriculum department to help districts improve special education services.

We disagree with the conclusion that what is expected within the recommendation does not have a fiscal impact.

Recommendation 4 Not concur

Recommendation four would unnecessarily complicate the safety net process by comparing a three year cycle (monitoring) with an annual cycle (safety net). In addition, acceptance of this recommendation is contingent upon the acceptance of the prior recommendation.

We disagree with the conclusion that what is expected within the recommendation does not have a fiscal impact.

Recommendation 5 Partially concur

OSPI clarified the policy and assumption of the special education excess cost accounting methodology in response to language in the 2001–03 appropriations act. A considerable effort to train school district and educational service district fiscal staff has also been made. However, this is the first year for system wide implementation of the required accounting methodology and it is recognized that additional training and guidance will be needed to ensure consistent application of the methodology by all school districts.

Recommendation 6 Not concur

The report states that OSPI has complied with legislative intent in implementing the excess cost accounting method. OSPI is confused by this recommendation. Based on legislative policy, OSPI modified the special education program accounting method and implemented the required changes. Accounting for basic education was never questioned and, therefore, it was assumed to be appropriate. If the legislature wants OSPI to implement accounting procedures that capture special education costs including the basic education costs associated with special

The Honorable Gary Alexander
The Honorable Val Ogden
November 14, 2001
Attachment 4

education students, it is likely that a new special education funding method must be designed. In addition, new accounting procedures would need to be created to capture the desired costs. If the legislature wants to fund special education through a different funding model, OSPI will work with the legislature to develop a formula and the law changes needed.

JLARC's COMMENTS TO OSPI's RESPONSES



State of Washington Joint Legislative Audit and Review Committee

LEGISLATIVE AUDITOR
Tom Sykes

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E-mail: neff_ba@leg.wa.gov
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December 12, 2001

JLARC'S COMMENTS TO OSPI'S RESPONSES TO STUDY RECOMMENDATIONS

Parts of the Office of the Superintendent of Public Instruction's responses to study recommendations warrant comment in order to provide necessary clarification. In several instances we are not certain that the recommendations or the analyses that support them were fully understood. JLARC's comments are in *bold italics* following OSPI's comments.

AGENCY RESPONSE:

<u>Recommendation</u>	<u>Agency Position</u>	<u>Comments</u>
Recommendation 1	Concur	<p>We believe that money spent on supplemental auditing services would be better spent if a portion or all of it were directed to financial training activities for the K12 system. OSPI does not have sufficient financial services staff to adequately assist districts with their financial training needs. There would be less need for auditors because of the additional training. It should be noted that the \$910,000 appropriated to the State Auditor, could be used for school district audit activities other than Special Education.</p> <p><i>JLARC Comments: The JLARC study did not evaluate the need for additional financial training activities to be provided by OSPI for the school districts. The report does note, however, that language in the Appropriations Act for 2001-03 was intended to discontinue the Special Education audit team, and that the resources that had gone into the team were to be used for additional efforts on the part of the K-12 Audit Resolution Team in the Office of the State Auditor.</i></p>
Recommendation 2	Not Concur	<p>Including "best practice" into federal compliance reviews will substantially INCREASE the scope and liability of compliance concerns for local districts. Program improvement activities are best dealt with outside the context of program compliance. As numerous state and federal studies continue to show, the provision of individually determined applications of "specially</p>

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JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

December 12, 2001
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designed instruction” cannot be lumped into a “best practices” pool.

JLARC Comments: *The OSPI response does not address the key part of JLARC’S recommendation, which is to reconcile regulations that are currently included as part of monitoring with similar regulations that were identified by JLARC’s focus groups as essential to providing a minimum level of service to Special Education students.*

The consensus of the focus groups was that Special Education programs should be in compliance with existing regulations, meeting the minimum standards of service, before embarking on additional new programs and services that are based upon best practices and empirical studies. Compliance with essential regulations should decrease not increase liability concerns for local school districts. Compliance review can take place within a strengthened monitoring process. As discussed in the report, neither JLARC nor the study’s focus groups recommended including best practices within federal compliance review. We are concerned that OSPI’s response presumes that they know the results of an evaluation without their having conducted one.

Further, the recommendation makes no assertion that individually determined applications of specially designed instruction “be lumped into a ‘best practices’ pool.”

We do work with stakeholder groups to address *Special Education* program needs. The official stakeholder group is the Special Education Advisory Committee. From time to time, other stakeholder groups are formed to meet specific needs. OSPI continues to be willing and anxious to engage our Special Education stakeholders in improving Special Education programs and services.

In addition, we disagree with the conclusion that what is expected within the recommendation does not have a fiscal impact.

JLARC Comments: *The report lists no fiscal impact for this recommendation because evaluating how to strengthen a core function of OSPI’s Special Education program is a management responsibility, should be a priority, and should be part of the agency’s normal, day-to-day operations as currently funded.*

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Recommendation 3 Not Concur

The Consolidated Program Review (CPR) process by OSPI involves 18 federal programs, including Special Education. Therefore, the recommendation of revising the current CPR process has broader implications than just those of Special Education. Any change to the CPR process would require federal concurrence and must work collaboratively with other federal programs.

JLARC Comments: *The possibility that modifying the CPR process to make it meaningful might have broader implications and would require federal concurrence does not mean the process should remain as it is, with all the weaknesses that are outlined in the JLARC report, or that OSPI should not develop options for improvement.*

Further, posting compliance findings on the website will substantially increase the likelihood of compliance related complaints against districts resulting in increased costs for possible litigation and additional enforcement activities.

JLARC Comments: *The intent of improving the compliance process and holding districts and OSPI accountable is to improve school districts' Special Education programs to ensure that minimum standards for service are provided to Special Education students. Improvement in programs should have the potential to reduce rather than to increase complaints. In any event, compliance information is already public information. JLARC is recommending that OSPI conduct compliance monitoring in a manner that is of value to the school districts, the public, and to OSPI, and to make improvements in the availability of compliance information to increase accountability.*

Again, program improvement initiatives should be formed and administered outside the context of program compliance. Quality Special Education programs are a concern of the agency. Recently, a Special Education unit was created in the curriculum department to help districts improve Special Education services.

JLARC Comments: *The report mentions that an improvement program can begin with bringing districts into compliance, but leaves open the issue of how best to build upon the cycle of compliance monitoring to support ongoing efforts toward program improvements. Again, the OSPI*

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JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

December 12, 2001

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response presumes that they know the results of studying options without their having conducted a study of such options.

We disagree with the conclusion that what is expected within the recommendation does not have a fiscal impact.

JLARC Comments: *The report lists no fiscal impact for this recommendation with regard to studying options for improvement because focusing on improvement should be an ongoing management responsibility. Recommendation 3 specifies, however, that options for modifying the CPR process should be submitted to the Legislature and OFM with accompanying fiscal impacts, in the event there would be fiscal impacts.*

Recommendation 4 Not concur

Recommendation four would unnecessarily complicate the safety net process by comparing a three-year cycle (monitoring) with an annual cycle (safety net). In addition, acceptance of this recommendation is contingent upon the acceptance of the prior recommendation.

We disagree with the conclusion that what is expected within the recommendation does not have a fiscal impact.

JLARC Comments: *This response does not substantiate why or how the recommendation would unnecessarily complicate the Safety Net process, or why it would have a fiscal impact. Under a three-year cycle, with the second year devoted to corrective actions, information about compliance would at most be one year old.*

Examination of a district's general compliance with regulations could permit the Safety Net Oversight Committee to screen out districts that are not in compliance with regulations, to require them to provide information about why they are noncompliant, or to explain how their expenditures are tied to coming into compliance.

It should be noted that in addition to JLARC and the 1992 Statewide Taskforce on Safety Net, the U.S. Department of Education's Office of Special Education Programs, in its 1998 review of Washington State, concluded that the Safety Net process would be improved if it were coordinated with OSPI's compliance verification system.

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JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

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Recommendation 5 Partially concur OSPI clarified the policy and assumption of the Special Education excess cost accounting methodology in response to language in the 2001–03 appropriations act. A considerable effort to train school district and educational service district fiscal staff has also been made. However, this is the first year for system wide implementation of the required accounting methodology and it is recognized that additional training and guidance will be needed to ensure consistent application of the methodology by all school districts.

JLARC Comments: *We assume that the reason for partial concurrence is that OSPI feels that Recommendation 5 has been carried out. The JLARC finding that led to this recommendation is based on current information that OSPI’s policy is unclear, and that there is widespread confusion among school districts, and even within the Safety Net Oversight Committee, over what the policy is, the rationale for the policy, and what school districts should be reporting (i.e., the amount of time students spend in the regular education classroom or the amount of time students are receiving Special Education services). We look forward to learning about OSPI’s continuing efforts to further clarify its policy.*

Recommendation 6 Not concur The report states that OSPI has complied with legislative intent in implementing the excess cost accounting method. OSPI is confused by this recommendation. Based on legislative policy, OSPI modified the Special Education program accounting method and implemented the required changes. Accounting for basic education was never questioned and, therefore, it was assumed to be appropriate. If the legislature wants OSPI to implement accounting procedures that capture Special Education costs including the basic education costs associated with Special Education students, it is likely that a new Special Education funding method must be designed. In addition, new accounting procedures would need to be created to capture the desired costs. If the legislature wants to fund Special Education through a different funding model, OSPI will work with the legislature to develop a formula and the law changes needed.

JLARC Comments: *As indicated in the report (see page 27), throughout the course of this study, people from advocacy groups, professional organizations, school districts and OSPI (including OSPI top management) have voiced concern over*

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JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

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a lack of visibility and comparability in Special Education funding and spending. One particular concern was that some school districts might be (or have been) funding their entire Special Education program with the excess cost allocation only, or with only a minimal contribution from the Basic Education Allocation. Currently, OSPI only requires school districts to report their excess costs, not the full costs of their Special Education programs (including expenditures of both Basic Education and Special Education dollars).

With regard to accounting procedures, the excess cost accounting methodology now prescribed for all school districts includes calculations for how school districts should identify the percentage of teachers within the Special Education program to charge to Basic Education. Recommendation 6 would require no additional accounting procedures because the necessary calculation has already been established. Reporting this information would not require a new funding method.

APPENDIX 3 – SUMMARY OF SAFETY NET APPLICATIONS AND AWARDS

SUMMARY OF SAFETY NET APPLICATIONS AND AWARDS^a						
1995-2001						
# of Applications by Type: ^b	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
MOESR	90	88	60	49	42	40
Percentage	N/A	N/A	40	50	48	64
Special Characteristics & Costs/Demographics/Other Factors ^c	84	20 ^d	3	3	3	3
High-Cost Individuals	119	see note d	35	57	53	63
Total # of Applications	293	108	138	159	146	170
# of Applications Approved ^e	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
MOESR	75	87	60	49	42	40
Percentage	N/A	N/A	39	34	37	55
Special Characteristics & Costs/Demographics/Other Factors	3	9	1	2	3	1
High-Cost Individuals	61	see note d	23	42	38	53
Total # Awards	139	96	123	127	120	149
Overall Approval Rate	47%	89%	89%	80%	82%	88%

Notes

^a Data Source: For 1995-96, Washington State Institute for Public Policy, "Washington's Special Education Safety Net: A Final Report of the 1995-96 Safety Net Process". For 1996-2001, JLARC based on OSPI data.

^b A single application may be counted more than once if it was revised and resubmitted.

^c Special Characteristics & Costs Awards were granted in 1995-96 through 96-97 school years; Demographics Awards were granted in 1997-98 through 99-00 school years; Other Factors Awards began in 00-01 school year.

^d For 1996-97, the number of high cost individual applications and awards are included with the special characteristics and costs applications and awards.

^e Applications may be approved for the full or partial amount of the applicant's request.

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SAFETY NET AWARDS -- ACTUAL AMOUNT PAID TO DISTRICTS ^a						
1995-2001						
Award Type	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
MOESR	\$8,082,375	\$7,837,399	\$4,930,660	\$3,377,608	\$2,393,806	\$1,739,497
Percentage	-	-	1,691,750	2,614,387	4,518,636	6,917,229
Special Characteristics & Costs/Demographics/Other Factors ^b	1,590,600	38,291	275,000	888,542	1,160,771	510,704
High-Cost Individuals	613,326	214,609	626,099	1,356,895	1,794,639	4,249,141
Total Amt Awarded	10,286,301	8,090,299	7,523,509	8,237,432	9,867,852	13,416,571
General Fund- State Appropriation	14,600,000	15,850,000	12,000,000	12,000,000	12,000,000	12,000,000
General Fund- Federal Appropriation ^c	2,250,000	2,250,000	2,250,000	2,250,000	2,750,000	2,750,000
Balance in State Funds	4,927,025	7,974,310	5,102,590	5,119,463	3,926,787	2,832,570
Balance in Federal Funds ^d	1,636,674	2,035,391	1,623,901	893,105	955,361	(1,499,141)

Notes:

^a Data Source: JLARC based on OSPI data.

^b Special Characteristics & Costs Awards were granted in 1995-96 through 96-97 school years; Demographics Awards were granted in 1997-98 through 99-00 school years; Other Factors Awards began in 00-01 school year.

^c General Fund-Federal appropriation is for entire biennium. The amounts presented here are divided equally between the two years in each of the biennia.

^d If amount of High Cost Individuals awards exceeds the general fund- federal appropriation, OSPI is required to expend all available federal discretionary funds to meet this need.

APPENDIX 4 – DISTRICT AND STUDENT-LEVEL REGRESSION ANALYSES

OVERVIEW

School districts may apply for Safety Net funds if they report spending more for services to Special Education students than the amount of Special Education revenue received. State law authorizing Safety Net funding specifies that funds should not be awarded to a district if high Special Education costs are a result of district philosophy, service delivery choices, or accounting practices. Our observation of the deliberations of the Safety Net Oversight Committee is that it does not have sufficient information available to allow it to make informed judgment as to whether a district's high costs are attributable to district policies or practices. The purpose of this analysis is to assess whether information that is currently being collected by school districts, enhanced by some information **not** currently collected, would allow for the Safety Net Oversight Committee to make an informed judgment concerning whether high Special Education costs in an applicant district are due to factors within or outside of a district's control.

The approach used to make this assessment was to identify to what extent variations in expenditures per student (among individual students) and average expenditures per student (among school districts) are statistically associated with factors that are within or outside of the control of a school district. We conducted a series of linear regressions using data on student characteristics, school district demographics, staffing characteristics, and program characteristics as independent variables, with expenditures per student (at the student level), and average expenditures per student (at the district level) as dependent variables.

JLARC consulted with the Center for Special Education Finance (CSEF) for assistance with designing the study methodology and interpreting the results. CSEF is part of the John C. Flanagan Research Center at the American Institutes for Research (AIR), Palo Alto, California. CSEF is supported through a cooperative agreement with the U.S. Department of Education, Office of Special Education Programs. Jay Chambers, Ph.D., and Tom Parrish, Ed.D., co-directors of the Education and Public Sector Finance Group of AIR, and Cheryl Graczewski, Research Scientist for AIR, provided assistance to JLARC staff.

THE JLARC "COST MODEL"

In order to conduct the analysis, JLARC constructed a cost model that estimates the costs of Special Education service for individual students within 15 school district case studies, and average cost per student within each district. Costs of service for individual students were estimated based on the number of minutes of service on that student's IEP, multiplied by the cost per minute for that service. The number of IEP minutes for each student was based on data from the Washington School Information Processing Cooperative (WSIPC). Cost per minute was estimated using data obtained through WSPIC and surveys of Special Education

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providers on the numbers and types of staff serving each student, and the cost of each staff person from data provided by school districts to OSPI and the Legislature. In addition to these “core costs” of service associated with IEP minutes, non-core costs (such as administration, clerical support, travel, and supplies) were identified from information provided by school district business managers.

There are two reasons why JLARC constructed the cost model to estimate the costs of Special Education service rather than using information reported by school districts to OSPI. First, there are differences in the way school districts account for their costs of Special Education services, which makes the comparability of costs suspect. Second, information reported by school districts to OSPI does not allow for identification of the cost of serving individual students.

DATA USED AND ITS LIMITATIONS

The dependent variables used in the analysis were student cost per week (at the student level) and average cost per student per week (at the district level). This data was generated by the cost model.

Data for the independent variables in the analysis were collected from a variety of sources. Information on individual student characteristics (e.g., disability category, IEP minutes) was collected from the Special Education application within the WSIPC database. Information on the types and numbers of staff providing IEP services to individual students was collected by a JLARC survey of Special Education providers. Information on the costs of individual staff was provided through school district staffing reports provided to the Office of Superintendent of Public Instruction (OSPI), and the Legislature. Information on other district costs of Special Education (e.g., non-IEP-related costs) was provided from a JLARC survey of school district business managers. Other information on school district characteristics (e.g., district wealth and percent of students eligible for free and reduced price meals, was provided by OSPI, and NCES geographic index information was provided by the American Institutes for Research.

JLARC categorized each of the independent variables used in the analysis into one of four categories. These categories were arrayed by our assessment of the relative amount of control a school district has over the variables in each category. We assumed that a district has relatively little control over student and district characteristics, and relatively more control over staff and program characteristics. The categories used were:

Relatively Uncontrollable	<i>Student characteristics</i> (e.g., disability category)
	<i>District characteristics</i> (e.g., district size, district average wealth)
Relatively Controllable	<i>Staff characteristics</i> (e.g., LEAP staff mix)
	<i>Program characteristics</i> (e.g., pupil/teacher ratio)

The following two tables identify each of the independent variables considered in the analyses, classified within each of the four categories.

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Table 1 -- Independent Variables Used -- District Level Analysis

<p>Student Characteristics</p> <p>Percent students in Kindergarten and Pre-Kindergarten</p> <p>Percent students in Elementary</p> <p>Percent Students in Middle/Junior School</p> <p>Percent Students in High School</p> <p>Percent students in Disability Category 1</p> <p>Percent students in Disability Category 2</p> <p>Percent students in Disability Category 3</p> <p>Percent students in Disability Category 4</p> <p>Percent students in Disability Category 5</p> <p>Percent students in Disability Category 6</p> <p>Percent students in Disability Category 7</p> <p>Percent students in Disability Category 8</p> <p>Percent students in Disability Category 9</p> <p>Percent students in Disability Category 10</p> <p>Percent students in Disability Category 11</p> <p>Percent students in Disability Category 12</p> <p>Percent students in Disability Category 13</p> <p>Percent students in Disability Category 14</p> <p>Proportion Low Incidence Plus Autism</p> <p>Proportion PK, K, or Elementary</p> <p>Proportion Middle or High</p> <p>Percent of Students over 12.7 Cap</p> <p>Proportion of students receiving free/reduced lunch</p> <p>Percent of white students of total students</p>	<p>Staff Characteristics</p> <p>Teacher Average Salary and Benefits</p> <p>ESA Average Salary and Benefits</p> <p>Aide Average Salary and Benefits</p> <p>Teacher Load Factor 1 (Cost per minute of service based on the full day of the provider/cost per minute based on teaching time only)</p> <p>Teacher Load Factor 2 (Total Teacher Hours/Teaching Hours)</p> <p>LEAP Staff Mix 1 -- BEA/Index BEA</p> <p>LEAP Staff Mix 2 -- Program. 21 and 24 index</p>
<p>District Characteristics</p> <p>District Wealth (Assessed valuation per student)</p> <p>District Size</p> <p>NCES Geographic Index</p> <p>NCES Inflation Index</p> <p>Urban or Large Town, Rural or Small Town</p> <p># of Special Education Students</p>	<p>Program Characteristics</p> <p>Average Minutes/Student per week</p> <p>All Special Education Time/Instructional</p> <p>Special Education Time</p> <p>Average Student/Core Provider Ratio</p> <p>Average Student/Core Other Staff Ratio</p> <p>Average Student/All Core Staff Ratio</p>

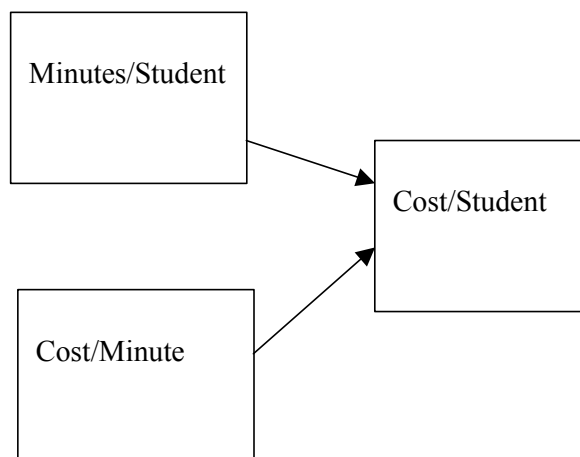
Table 2
Independent Variables Used - Student Level Analysis

<p>Student Characteristics</p> <p>Disability Category 1 Disability Category 2 Disability Category 3 Disability Category 4 Disability Category 5 Disability Category 6 Disability Category 7 Disability Category 8 Disability Category 9 Disability Category 10 Disability Category 11 Disability Category 12 Disability Category 13 Disability Category 14 Disability Category Other Is Student White? Pre-K or K Elementary Middle or Junior High In Meal Program</p>	<p>District Characteristics</p> <p>District 1 District 2 District 3 District 4 District 5 District 6 District 7 District 8 District 9 District 10 District 11 District 12 District 13 District 14 District 15</p> <p><i>Note: The district itself was used as a dummy variable in the student-level analysis, since this variable captures the combined effects of the individual district variables (e.g., district wealth, district size) used in the district-level analysis.</i></p>
<p>Staff Characteristics</p> <p><i>Note: The district itself was used as a dummy variable in the student-level analysis, since this variable captures the combined effects of the staff characteristics variables (e.g., LEAP staff mix) used in the district level analysis.</i></p>	<p>Program Characteristics</p> <p>Main Provider Student/Staff Ratio Main and Other Student/Staff Ratio</p>

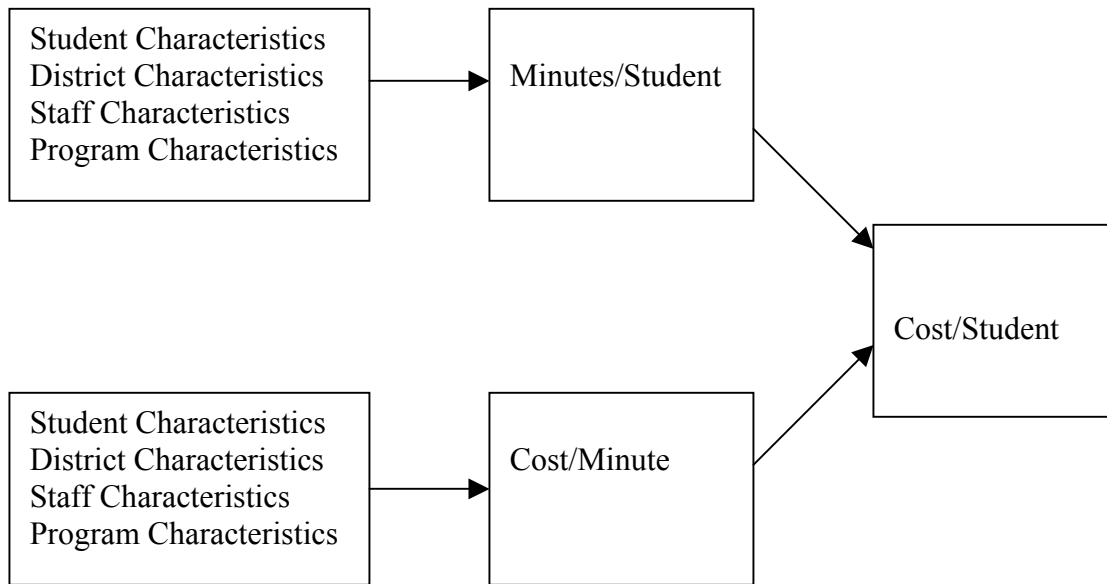
A major limitation of the data collected is that we were only able to collect everything we requested from 15 school districts (representing over 9,000 Special Education students). The small number of cases limits the utility of the statistical analysis that can be conducted, particularly at the district-level.

ANALYTICAL MODEL

Our model assumes that cost per Special Education student per week (at the student-level) and average cost per student per week (at the district level) are a function of the number of IEP minutes for each student, and the cost of each minute, as illustrated by the diagram at right. In fact, we calculated costs for each student by multiplying IEP minutes for each student by the cost of each minute of service. Therefore, the basic relationship portrayed in our model (costs per student are a function of minutes



per student and cost per minute) is true by definition (an identity relationship). While minutes per student and cost per minute explain variations in cost per student by definition in our model they do nothing to explain whether variations in minutes of service and cost per minute are due to factors that are controllable by a school district. Therefore, the question is whether other variables measuring student, district, staffing, or program characteristics are associated with variations in minutes per student and/or cost per minute, and thereby cost per student. And if so, whether an assessment can be made as to whether variations in costs are associated with factors that are within, or outside of, a district's control. Therefore, the analytical model is expanded as represented below.



DETAILS OF THE ANALYSES

The variables used in the district and student-level analyses are listed in Tables 1 and 2. All non-dummy variables in both analyses were enumerated in their natural logs. Natural logs were used on the advice of JLARC's consultants, and allow for the identification of the proportional impact of each independent variable on changes in the dependent variable.

DISTRICT LEVEL ANALYSIS

There were only 14 school districts with sufficient data for our district-level analysis. We weighted the cases by the number of Special Education students in each district, in order to avoid small districts having undue influence on the results.

Before testing which independent variables were associated with variations in average cost per minute and average minutes per student, we ran regressions to see the extent to which the independent variables used were associated with variations in average cost per student. We were able to find different combinations of independent variables that explained substantially all of the variation in average cost per student. We assume this is because of the small number of cases available for the district-level analysis, and that therefore, this level of analysis is not useful.

We attempted to address the problem of small sample size by conducting a series of multiple regressions with the number of independent variables limited to three in any model. First, we categorized each of our independent variables into one of four groups: student characteristics, district characteristics, staff characteristics, and program characteristics. For each of the four groups, we selected the three variables that had the highest bivariate correlation with the dependent variable to use as independent variables in a multiple regression with the dependent variable. Some categorical variables with multiple categories (e.g., handicapping condition, and grade level) were collapsed into two categories. We used this approach (four groups of three independent variables) in separate regressions with each of the following dependent variables; average cost/student, average minutes per student, average cost/minute. Selected statistics from the results of the district level regressions are provided in Table 3. Our interpretation of the results is provided in a later section.

STUDENT-LEVEL ANALYSIS

We used the same theoretical model with the student level analysis (i.e., expenditures per week for each student were a function of minutes per service and cost per minute). We attempted to identify independent variables that were associated with the dependent variables, cost per student per week, cost per minute, and minutes per student. We quantified all non-dummy variables in their natural logs. With over 9,000 records for the student level analysis, we did not weight the cases, and were able to use a range of independent variables in the regression models, instead of limiting the number of independent variables to three, as with the district level analysis. We believe the results of the student level analysis to be more reliable than the district level analysis, in that the statistical procedures were not constrained by a small number of records. However, given that the 9,000 plus students covered by the student level analysis represent only 15 school districts, the results cannot be generalized across all school districts in Washington.

RESULTS AND OUR INTERPRETATION OF THE RESULTS

DISTRICT LEVEL

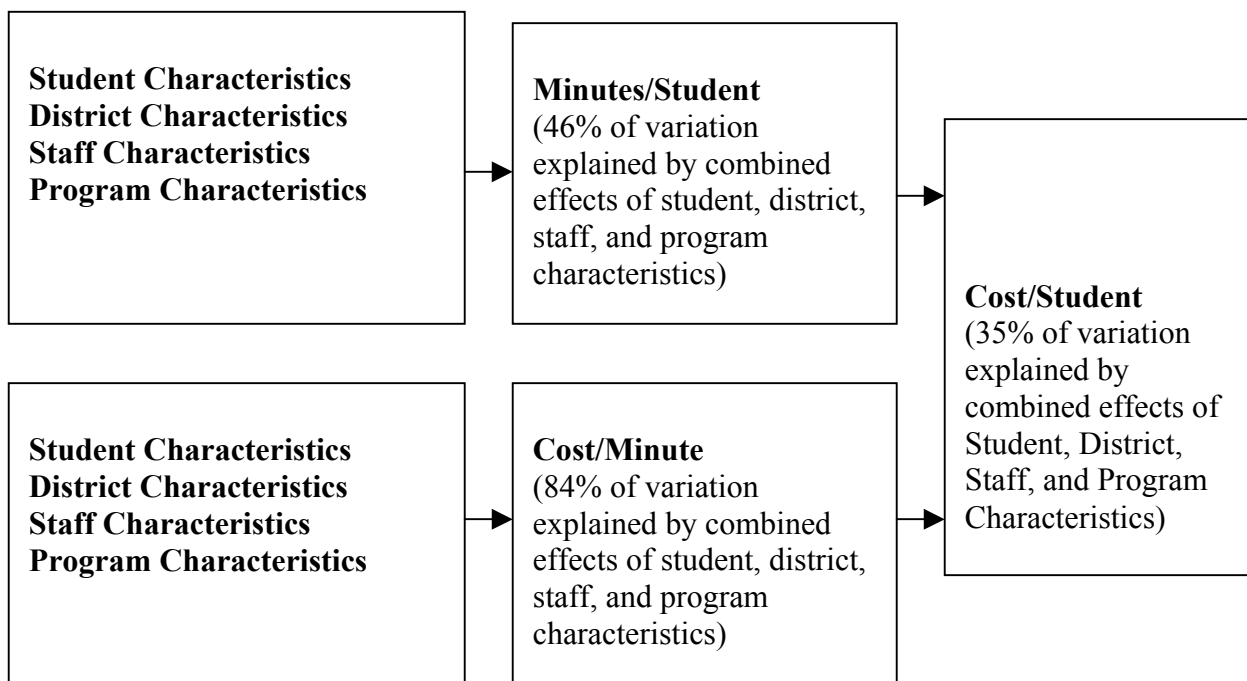
We conclude there were an insufficient number of cases to produce meaningful results at the district level. While we tried several different procedures to address the problem of a small number of cases, *the limitations of the district level analysis are such that any apparent relationships found in the data may be random and do not allow one to make any conclusions concerning the question of whether variations in district costs are due to factors within or outside the control of a school district.*

One observation we make from the analysis is that while we originally expected to see a strong relationship between the student/staff ratio and costs per student, the magnitude of the relationship was smaller than we expected. It appears that while a high student/staff ratio is associated with lower cost per minute, it is also associated with higher minutes of service (i.e., some districts appear to offer more minutes of service in relatively larger classes, while others offer fewer minutes in relatively smaller classes). Therefore, the student/staff ratio does not have the degree of association with variations in cost per student that we would have expected.

STUDENT LEVEL

At the student level, the independent variables representing *student, district, staff, and program characteristics* generated an R square of .35 when regressed against the dependent variable, *cost per student*, meaning that the combined effects of all the independent variables left 65 percent of the variation in cost per student unexplained. This suggests that while cost per student is a function of minutes per week and cost per minute, the independent variables do not explain the majority of the variation in either minutes of service, cost per minute, or both.

In fact, we found that while the independent variables representing *student, district, staff, and program characteristics* generated an R square of .84 with the dependent variable *cost per minute*, the same group of independent variables only generated an R square of .46 with the dependent variable *minutes per week*. While variations in *student, district, staff, and program characteristics* explain 84 percent of the variation in *cost per minute* and 46 percent of the variation in *minutes per student*, they also leave unexplained 16 percent of the variation in *cost per minute* and 54 percent of the variation in *minutes per student*. Therefore, the same independent variables explain only 35 percent of the variation in *cost per student*. The following diagram illustrate these results:



Looking at the relative weight of each of the independent variables in explaining changes in the dependent variable, student/staff ratio is most strongly associated with variations in cost/minute. The larger the class size, the lower the cost per minute. However, as we noted in the district-level analysis, the student/staff ratio is also associated with minutes/week. The larger the class size, the more minutes per week a student receives. Therefore,

student/staff ratio is not a particularly strong predictor of cost/student. While smaller classes are associated with higher costs per minute, they are also associated with fewer minutes of service.

In order for us to conclude that variations in cost per student were largely due to factors that are beyond a district's control, we would want to see a high proportion of variation in cost per student explained by our independent variables, and that the subset of independent variables (e.g., disability category) judged to be largely outside of the control of the district explain much of the variation. In order for us to conclude that variations in expenditures per student were largely a function of school district policies or practices, we would want to see a high proportion of the variation in cost per student explained by our independent variables, and that much of the variation is explained by variables (e.g., student/staff ratio) that are largely within the control of the district.

In fact, neither condition was true. We were unable to find variables that were associated with more than 35 percent of the variation in cost per student. Additionally, there was no clear dominance of either the relatively controllable or uncontrollable variables in explaining the amount of variation in expenditures per student that was explained.

CONCLUSION

In our review of the activities of the Safety Net Oversight Committee, we have observed that the Committee does not have sufficient information available to it when making Safety Net awards that addresses the statutory requirement that awards should not be approved if a district's high costs are due to district philosophy or service delivery choices. Using data that are currently available from a variety of sources, as well as data we collected by surveying teachers and school districts, we attempted to assess whether such information could provide guidance to the Safety Net Oversight Committee in complying with this statutory requirement. Our analysis suggests that currently collected data (enhanced by teacher and school district survey information collected for this study) is insufficient to address the question of what causes a district's higher costs for providing its Special Education program.

Other states around the nation are also trying to answer the questions posed in our study regarding factors that influence Special Education expenditures. A national study currently being conducted by the Center for Special Education Finance is testing whether a combination of unique student characteristics helps to explain variations in student expenditures. The characteristics measured in this study are known as the Functional Abilities Index and include such things as the student's thinking and reasoning abilities and behavior and social skills. These types of measures are not currently reported in Washington State.

It will be important to monitor the progress of the Center's study as well as other on-going national studies to see if they succeed in identifying factors that are strongly associated with costs and whether those factors are a result of district choices or forces outside their control.

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Table 3 -- District Level Analysis

	Independent Variables	Standardized Beta	R Square	Dependent Variable
Relatively Uncontrollable	Student Characteristics <ul style="list-style-type: none"> • % Special Ed. Students > 12.7 • % PK, K, or E • % Low Incidence + Autism 	.754 .096 .710	.96	Average Cost/Student
	District Characteristics <ul style="list-style-type: none"> • District Average Wealth • NCES Geographic Index • District Size 	-.299 .495 .417	.394	
	Staff Characteristics <ul style="list-style-type: none"> • LEAP Staff Mix 1 • ESA Average Salary • Aide Average Salary 	.149 .337 -.457	.346	
	Program Characteristics <ul style="list-style-type: none"> • % Non-Core Costs • Teacher Load Factor 2 • Student/Core Staff Ratio 	.429 -.285 -.252	.300	
Relatively Controllable	Student Characteristics <ul style="list-style-type: none"> • # Special Ed. Students • % PK, K, or E • % Low Incidence + Autism 	-.466 .773 .145	.578	Average Cost/Minute
	District Characteristics <ul style="list-style-type: none"> • District Size • NCES Geographic Index • NCES Inflation Index 	-.477 .467 -.060	.21	
	Staff Characteristics <ul style="list-style-type: none"> • ESA Average Salary • Aide Average Salary • LEAP Staff Mix 1 	-.132 -.039 .393	.14	
	Program Characteristics <ul style="list-style-type: none"> • Teacher Load Factor 1 • % Non-Core Costs • Student/Core Staff Ratio 	.005 .321 -.699	.73	

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Table 3 -- District Level Analysis

	Independent Variables	Standardized Beta	R Square	Dependent Variable
Relatively Uncontrollable	Student Characteristics		.611	Average Minutes/Student
	<ul style="list-style-type: none"> • % PK, K, or E • % Low Incidence + Autism • % Special Ed. Students 	-.740 -.120 .622		
	District Characteristics			
Relatively Controllable	<ul style="list-style-type: none"> • # Special Ed. Students • NCES Inflation Index • District Average Wealth 	.319 .136 .040	.155	
	Staff Characteristics			
	<ul style="list-style-type: none"> • LEAP Staff Mix 2 • ESA Average Salary • Aide Average Salary 	-.382 .156 -.382		
	Program Characteristics			
<ul style="list-style-type: none"> • % Non-Core Costs • Student/Core Staff Ratio • Teacher Load Factor 1 	-.196 .669 .087	.608		

Table 4 – Student Level Analysis

	Independent Variables	Standardized Beta	R Square	Dependent Variable
	Disability Category 12	-.444	.352	Student Cost per Week
	Main & Other Student/Staff Ratio	-.368		
	Disability Category 5	-.179		
	Disability Category 14	-.205		
	Disability Category 7	.153		
	Disability Category 6	.116		
			
	Disability Category 12	-.392	.460	Minutes per Week
	Main & Other Student/Staff Ratio	.241		
	Disability Category 14	-.220		
	Disability Category 6	.159		
	Disability Category 7	.157		
	School District 1	-.124		
	School District 2	-.116		
			
	Main & Other Student/Staff Ratio	-.800	.843	Cost per Minute
	Disability Category 12	.133		
	Disability Category 14	.117		
	Disability Category 1	.072		
	School District 3	-.026		
		

APPENDIX 5 – FOCUS GROUPS

EDUCATIONAL SERVICE DISTRICT REPRESENTATIVES

Educational Service District 101

Kathy Christiansen, Former Director, Center for Support Programs,
Special Education Staff Development and Technical Assistance

Puget Sound Educational Service District 121

Dr. Mick Moore, Executive Director, Special Services

North Central ESD 171

Betsy Minor-Reid, Special Services Coordinator

WASHINGTON STATE SPECIAL EDUCATION ADVISORY COUNCIL (SEAC) REPRESENTATIVES

Dr. Susan Dineen, Focus Group Chair, Washington Association of School Administrators,
Special Education Component

Janet Gonzalez, Parent and Advocate

Heather Hebdon, Parent Training Institute

Gary Mann, Deaf Access Washington

Lance Morehouse, Family Educator Partnership Project

Pat Revell, School Nurses Association of Washington

Barbara Tompkins, Washington Education Association

WASHINGTON STATE SPECIAL EDUCATION COALITION (SEC) REPRESENTATIVES

Pauletta King, General Classroom Teacher, Olympia School District

Cecile Lindquist, University Affiliates Program, University of Washington

Keith Mars, Immediate Past President, Washington State School Psychologists

Mary McKnew, LLD, WSSEC President

Julie Moore, Special Education Teacher, Central Kitsap School District

Renee Nowak, Association of Trainers of Special Education Personnel

Christie Perkins, WSSEC Public Policy Chair

Donna Obermeyer, WSSEC Parent and Community Relations Representative

Betty Schwieterman, Washington Protection and Advocacy System

APPENDIX 6 – MINIMUM STANDARDS FOR SERVICE DELIVERY

Note: Recommendation 2 of this report directs OSPI to work with stakeholder groups to reconcile the regulations monitored by Consolidated Program Review with the minimum standards for service delivery as suggested by focus groups. As a result, these suggested standards may change.

I. STANDARDS AND EXPECTATIONS FOR IEP'S, STUDENT INVOLVEMENT, TEACHING, AND SCHOOL SERVICES

IEPS: INDIVIDUALIZED EDUCATION PROGRAMS

- The evaluation clearly identifies needs of child. WAC 392-172-108(2)
- There is a clear link between student evaluation, the IEP, and instructional activities. WAC 392-172-160(4)(a)(iii) and 392-172-160(1)(c)
- The programs provided are specially designed instruction. WAC 392-172-045(4)(a)
- The evaluations and IEPs are timely. WAC 392-172-156 and 392-172-182
- The IEP goals are measurable. WAC 392-172-160(g)(i)(b) and 392-172-57700
- Student placement evaluation and selection is conducted at least annually for each student. WAC 392-172-180

IEPS: TRANSITION PLANS

- Transition plans are in place for students 14 and above. The plans are:
 - Outcome oriented for supporting movement from school to post-school activities, including post-secondary education, vocational training, integrated employment (including supported employment), continuing education, adult services, and independent living and community participation. Plans are updated annually WAC 392-172-045(i) 392-172-160 (h-k) (A)(B)(h)
 - Based on the student's needs, preferences and interests, and provides the training and services needed to achieve defined goals. WAC 392-172-045 (ii)(iii a-e)
 - Developed with the participation of parents, students and service providers. WAC 392-172-166
- The students progress is monitored to determine if the student will achieve established goals by the end of the year. WAC 392-172-160 (A)(B)(h)

STUDENT INVOLVEMENT

- Student progress and areas for improvement are shared regularly, and at least as often as parents are informed of non-disabled student's progress. WAC 392-172-15700-15705 and 392-172-160 (g)(i)(ii)

SPECIAL ED TEACHERS

- Are qualified to provide specially designed instruction WAC 392-172-200(6), 202 and 392-172-045(4)(iii)
- Can interpret the instructional implications of evaluation results WAC 392-172-153

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- Design instruction so that needs and services are clear to students and parents. Monitor and evaluate student progress on all IEP goals and objectives
WAC 392-172-045(4)(iii)
- Modify practices based on student achievement data
WAC 392-172-156

SCHOOL SERVICES

- Schools provide a continuum of services and variety of options that meet the needs of students.
WAC 392-172-174 and 045
- Schools have an outcome-oriented process in place to promote transitions from: birth to three, pre to school age, and high school to post secondary environments. WAC 392-172-166,176 and 045(j)(k)(l)

II. SCHOOL DISTRICT RESPONSIBILITIES

- Parents and students are provided with information about mediation services
WAC 392-172-310 thru WAC 392-172-317
- School leadership has facilitated the development of local district policies and procedures for the provision of special ed services. (LEA App)
- In an IEP process the school representative is knowledgeable about the availability of resources to the school district. WAC 392 -172-153(c)
- School leadership has established procedural safeguards and they are provided to parents.
WAC 392-172-300
- School leadership complies with maintenance of effort requirements.
WAC 392-172- 610

III. SUPPORTIVE LEARNING ENVIRONMENT

- Students are educated in the least restrictive environment. WAC 392-172-172

IV. PARENT/COMMUNITY INVOLVEMENT

- Parents are notified and included as part of the evaluation team and IEP process. WAC 392-172-153 and 15700-15705
- Complaint procedures are in place and parents and other interested individuals have been notified about procedures. Information is provided in statewide conferences as well as in training sessions provided by educational service districts (WAC 392-172-324-348)
- Dispute resolution procedures are in place and parents are informed of mediation services.
WAC 392-172-310-317
- Complaints are investigated and corrective actions are taken when necessary to resolve complaints. WAC 392-172-324
- Parents participate in mediation and conflict/resolution training opportunities WAC 392-172-328
- Parents receive information regarding procedural safeguards in a manner that the parents need. WAC 392-170-307

V. PROFESSIONAL DEVELOPMENT

- The district has policies and procedures to ensure that qualified staff are recruited and available so that services appropriate to the unique needs of the child are provided if not underway.
- The district has implemented procedures for acquiring and disseminating significant information from education research and adopted promising educational practices developed through these projects. (CPR #9 and WACS 392-172-561,200(6),-202)

