

Performance Audit of Special Education: Funding Formulas and Spending

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Legislative Auditor's conclusion:

State funding for special education does not reflect the variation in student needs or district spending. There are policy options that could help align funding and spending.

Key points

- District funding varies. Some districts receive nearly four times more state funding per student for special education than others.
- The funding formulas do not account for the variation in needs of students. The enrollment cap limits the amount of funding based on the percent of students receiving special education.
- District spending is based on the cost to meet students' individual education programs (IEPs).
- Spending also reflects factors such as the number of students served and availability of local funds.
- On average, school districts spend at least 26% more per student than they receive from state and federal sources. Many use local funds to pay for special education.

School district

In this report, "school district" means both public school districts and charter schools.

Students

In this report, "students" refers to "students who receive special education services" unless the text indicates otherwise.

Two reports on Special Education

The Legislature directed JLARC to review special education funding and service delivery. JLARC staff completed two reports for this study.

- This report addresses the funding formulas and district spending.
- A separate report addresses service delivery and access.

Executive summary

Note: The summary was updated for clarity following publication of the preliminary report. It now includes information about cost multipliers used in other states, as detailed in Part 7.

By law, school districts must provide special education to eligible students with disabilities. The state helps support the additional cost of providing services. State funding is determined using a set of formulas established by the Legislature.

In the 2022-23 school year, the state provided \$1.96 billion in funding to school districts for special education. Another \$393 million came from the federal government, including temporary pandemic relief funding.



The state uses formulas to calculate how much money districts receive

The state funding that school districts receive to educate all students is called the general apportionment. The statutory formula reflects enrollment, staffing, and other resources needed to operate a school. The Office of Superintendent of Public Instruction (OSPI) uses the formula to calculate how much money each district receives for all students.

The Legislature created an additional set of formulas to provide extra funding for students who receive special education. There are three main parts:

1. **The carve out** is redirected from a district's general apportionment funding for the special education program. It does not increase the money available to the district.
2. **Excess cost funding** gives a district more money for special education.
3. **The safety net** reimburses districts for exceptional costs of individual students or a district's community. Districts must apply for safety net funds.

Figure 1: Excess cost funding is the largest portion of state special education funding



Source: OSPI F-196 financial summary database for 2022-23 school year.

District special education funding varies

The general apportionment formula is designed to give more funding to some districts. This includes, for example, districts in regions with a high cost of living and those with more experienced staff. The amount is

often expressed as the amount of money the district receives per student. This is called the general apportionment rate.

OSPI uses an adjusted version of the general apportionment formula to calculate each district's special education funding.

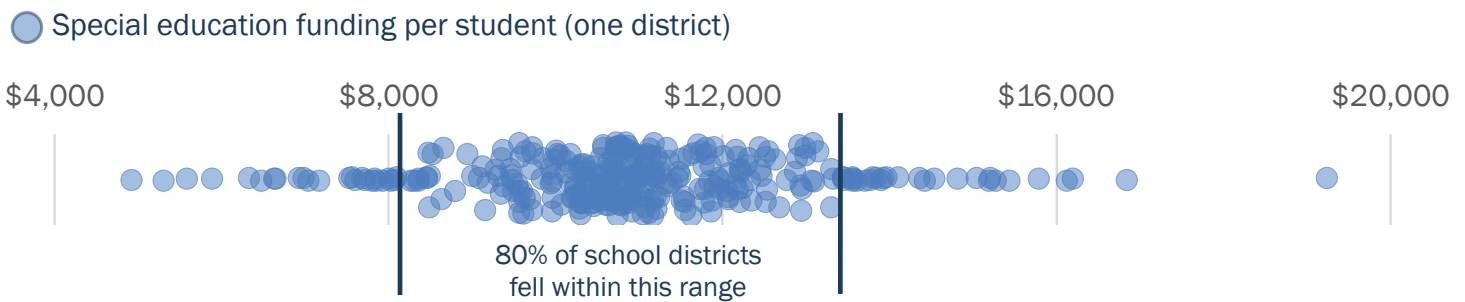
- Two of the three special education formulas are based on the adjusted general apportionment rate.
- Districts with higher general apportionment rates also have higher adjusted rates. They receive more carve out and excess cost funding per student than districts with lower rates.
- Safety net is not tied to the general apportionment formula.

Some districts receive nearly four times more state funding per student for special education than others

Both the carve out and excess cost funding calculations use the adjusted general apportionment rate. This means the variation in general apportionment for cost of living and staff experience carries forward to special education funding.

In the 2022-23 school year, funding for special education ranged from \$4,921 to \$19,241 per student, a variance of about \$14,300. Eighty percent fell between \$8,473 and \$13,312.

Figure 2: Special education funding varied from \$4,921 to \$19,241 per student, per district



Note: Benge, Stehekin, and Shaw Island school districts had no special education students and received \$0. Values are unweighted district averages.

Source: Source: JLARC and American Institutes for Research (AIR) analysis of 2022-23 school district funding.

The special education funding formulas do not account for the variation in needs of students

Some research suggests that districts should receive different amounts of funding according to the needs of students. This means districts with students who have greater needs would receive more money and those whose students have fewer needs would receive less.

In Washington, the set of funding formulas largely reflects the underlying general apportionment formula, which does not account for variation in student needs. For example, the excess cost formula works by multiplying the adjusted general apportionment rate by two factors ("multipliers") set in statute. The multipliers are designed to give districts more money when they serve students in general education classrooms. In practice, however, the two multipliers have a minimal dollar value difference compared to each other. Education finance experts suggest this difference in funding is unlikely to provide a financial incentive for districts to serve students in general education classrooms more often.

In many cases, the special education funding formulas accentuate the underlying differences of general apportionment funding. This means districts with larger adjustments for staff experience or the regional cost of living in their general apportionment receive even more funding for special education.

The special education formulas provide more funding, on average, to larger districts in urban areas with more local property tax revenue. They give less funding to:

- Districts with a higher percentage of students receiving special education.
- Districts with a higher percentage of students experiencing poverty.
- Districts in rural areas.

Other states use multipliers that reflect indicators of student need

Nine other states and the District of Columbia use multipliers that account for differences in student needs and costs. Their multipliers use indicators such as services received, service setting, and other criteria. For example, one state groups students into five different support levels. It uses higher multipliers for students who need more intensive and specialized services. Other states consider how much the general education program is changed or the services a student receives.

In other states, districts receive more funding for students with higher needs and more costly services because the multipliers are higher. Washington is the only state that uses a smaller multiplier when students are served outside the general education classroom (e.g., in a specialized setting).

The enrollment cap limits the amount of excess cost funding based on the percent of students

Statute caps the amount of excess cost funding a school district can receive. The limit is based on the percentage of students who receive special education in the district. School districts do not receive excess cost funding for the percent of students above the enrollment cap.

In the 2022-23 school year:

- The enrollment cap was 13.5%.
- 174 school districts had more than 13.5% of their students receiving special education.
- Without the cap, the districts would have received nearly \$81 million combined.

Some districts were more likely to be affected by the enrollment cap. JLARC's consultant, the American Institutes for Research (AIR), found that the cap disadvantages districts that have more students who need special education or experience poverty. The cap also disproportionately affects small, rural, and less wealthy districts.

Seven states, including Washington, use an enrollment cap. There is no research or evidence that enrollment caps improve appropriate identification of students to receive special education as intended. Instead, research suggests enrollment caps penalize districts with more students in need of services.

Figure 3: Districts do not receive excess cost funding for the percent of students above the enrollment cap



Source: JLARC staff analysis.

District spending is based on the cost to meet students' individual education programs

School districts must provide special education services necessary to implement their students' individual education programs (IEP) regardless of the cost. An IEP details the services and placements that the student needs.

JLARC's consultants suggest that, on average, some disabilities can indicate that a student has higher or lower needs.

Districts that have a higher percentage of students with high needs:

- Dedicate a greater percentage of their spending to special education.
- Spend more per student.
- Exceed their state and federal special education funding by an average of about 22%, even when accounting for other factors such as cost of living and the availability of local funds.

Spending also reflects factors such as the percentage of students who receive special education and availability of local funds

School districts spend state, federal, and local funds to provide special education services to students with disabilities. Districts spend more when they have a higher percentage of students who are receiving services.

- Districts with higher percentages of students dedicated 18.5% of their total spending to special education.
- Districts with a lower percentage of students dedicated 12.7% of their spending to special education.

Local funding and overall resources are indications of a district's capacity to pay for special education services. Some states provide more state special education funding to districts with less ability to raise local funds through levies. Washington's special education formulas do not.

On average, school districts spend at least 26% more per student than they receive from state and federal sources. Many use local funds to pay for special education.

Over the past four years, district special education spending has grown less than general education spending. When adjusted for inflation, district special education spending has remained the same, while general education spending increased \$100 million over this period.

In 2022-23, school districts:

- Received approximately \$2.3 billion for special education from state and federal sources.
- Spent \$2.9 billion on special education.
- Needed at least \$590 million more in funding to equal their spending.

Statewide, districts received \$15,291 and spent \$19,192 per student receiving special education. This is a 26% difference between spending and funding.

Figure 4: Per student special education spending exceeds state and federal funding



Source: AIR analysis of 2022-23 district data. Values are weighted averages.

State law allows school districts to raise local funds to support their schools and students. In interviews with JLARC staff, nearly all of the interviewed districts reported using local dollars to pay for special education.

Legislative Auditor's recommendation

If the Legislature wants to align special education funding with the needs of students and district spending, it should consider changing the current funding approach.

The amount of special education funding and the approach used to provide funds to school districts are policy decisions for the Legislature.

Potential changes to the current formula include:

1. Removing the enrollment cap so the state provides districts with excess cost funding for all students receiving special education services.
2. Adjusting the excess cost multipliers to account for differences in student needs consistent with practices used in other states.

Alternatively, the Legislature could develop a new special education funding approach that is not based on general apportionment funding.

OSPI partially concurs. You can find additional information in the **Recommendations section**.

Committee action to distribute report

On January 9, 2025 this report was approved for distribution by the Joint Legislative Audit and Review Committee. Action to distribute this report does not imply the Committee agrees or disagrees with Legislative Auditor recommendations.