

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

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.

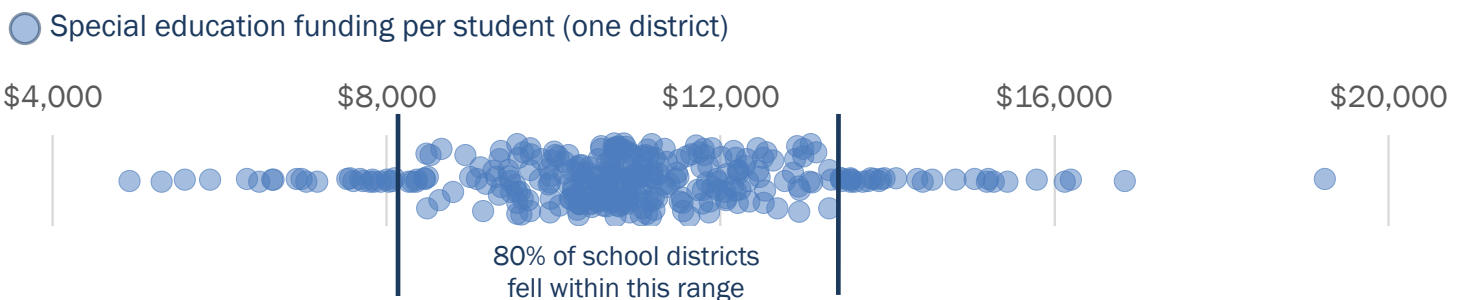
- Two of the three special education formulas are based on the adjusted general apportionment rate.
- Districts with higher general apportionment rates also have higher adjusted rates. They receive more carve out and excess cost funding per student than districts with lower rates.
- Safety net is not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

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 recommendations

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.

You can find additional information in the **Recommendations section**.

Part 1.

Funding approach

The Washington Constitution identifies the state's "paramount duty" as providing funding for the education of all children in the state. This includes funding for special education.

Washington uses formulas to set the amount of state funding each district receives for all students. The amount varies.

The Legislature created a set of formulas that dictate how state funds are shared among school districts. The Office of Superintendent of Public Instruction (OSPI) calculates and allocates the funding based on statutory direction and state budgets.

The state gives school districts education funding called **general apportionment**. Districts receive general apportionment funds for all students, whether or not they receive special education services.

- OSPI allocates the funding to districts.
- Districts decide how to use the funds to educate their students.

The general apportionment formula reflects enrollment, staffing, and other resources needed to operate a school. The Legislature designed the formula to give some districts more funding than others. This accounts for differences in the costs of hiring and retaining staff for basic education. Two adjustments make up most of the difference between districts: the regional cost of living and the experience of district teachers.

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

- It is shown as an amount per student (the "adjusted general apportionment rate"). There is no expectation that a specific amount will be spent to educate any individual student.
- The adjusted general apportionment rate does not include factors such as Running Start and technical training.
- It does reflect staff salaries, benefits, and materials, supplies, and operating costs.

Appendix C includes more information about the general apportionment and adjusted general apportionment rates.

Figure 5: The amount of state funding per student ("adjusted general apportionment rate") varies

	Lowest amount	Average	Highest amount	Difference between lowest and highest
Amount per student	\$8,339	\$9,603	\$12,578	\$4,239

Source: JLARC analysis of 2022-23 OSPI apportionment data.

Districts also receive funds for special education. The largest share comes from state appropriations.

Special education is instruction designed to meet the unique needs of an eligible student who has a disability. School districts must provide and pay for special education services regardless of the cost. They cannot charge a student's family. Services vary widely from physical, speech, or occupational therapy to specialized services provided outside the district or state.

School districts receive funding for special education from state, federal, and local sources. In the 2022-23 school year districts received:

- \$1.96 billion from state sources.
- \$393 million from federal sources.

Federal funding in the 2021-22 and 2022-23 school years included temporary pandemic relief funding. Special education was an allowable use of these funds. Of the \$393 million, districts received approximately \$117 million to address learning loss for all students. OSPI reports that its accounting systems are not designed to identify how much of these funds were spent on the special education program.

The amount districts raise in local funding varies. Charter schools cannot raise local funds.

A set of formulas determines the amount of state funds districts receive to pay for special education

The Legislature established a set of allocation formulas to provide special education funding to school districts. It has three parts:

School district

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

This study includes 295 school districts and 17 charter schools in the 2022-23 school year. Tribal compact schools were not part of the study mandate.

Students

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

This report focuses on the funding school districts receive to support special education for students ages three to 21.

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.

The three parts use factors such as the number of students, their age, and how often they receive services in general education classrooms to calculate funds. Funding is allocated to districts for the entire special education program. It is not connected to the needs of individual students, except for some safety net awards.

Of the \$1.96 billion in funding from state sources in 2022-23, the carve out accounted for \$318 million statewide, or 16%. Excess cost funding accounted for 75% and the safety net was 9%.

The Legislature has updated the formula several times in recent years to provide additional funding to school districts. The most recent changes were in 2024. A full list of changes is in [Appendix B](#).

Figure 6: The excess cost funding makes up the majority of special education funding



Source: AIR analysis of 2022-23 OSPI district funding data.

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

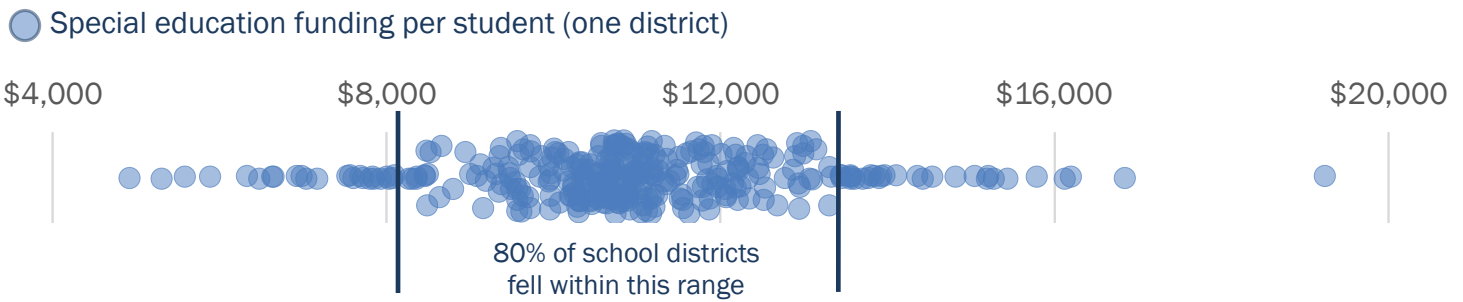
Both the carve out and excess cost funding calculations use the adjusted general apportionment rate. This means the variation in general apportionment for cost of living and staff experience carries forward to special education funding. However, special education funding varies more than the adjusted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

In the 2022-23 school year:

- The adjusted general apportionment rate varied from \$8,339 to \$12,578 per student, a variance of about \$4,200.
- The amount each district received for special education varied from \$4,921 to \$19,241 per student, a variance of about \$14,300.

The districts at the highest end of the range received nearly four times more special education funding per student than those at the lowest end. However, 80% received between \$8,473 and \$13,312.

Figure 7: Special education funding varied from \$4,921 per student to \$19,241 per student



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

Source: JLARC and AIR analysis of 2022-23 district funding.

Districts that receive higher general apportionment funding also receive more special education funding per student

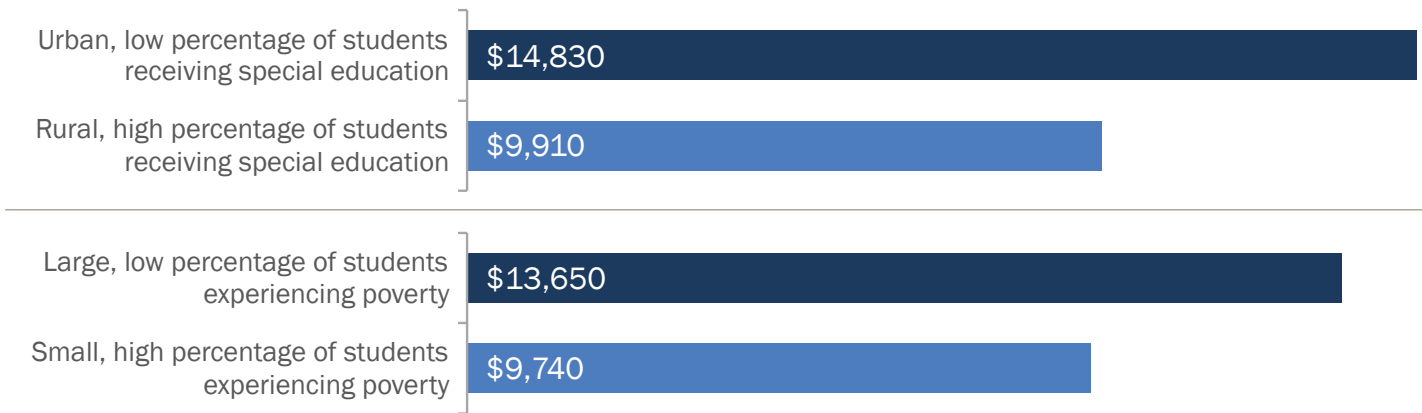
Some research suggests that variation in special education funding should align with the needs of students. That is, districts with students who have greater needs should receive more money and those with fewer needs would receive less. However, Washington's set of special education funding formulas largely reflects the underlying general apportionment formula. The excess cost multipliers and carve out do not account for differences in student needs.

The variation in state special education funding is compounded when considering district characteristics such as size, location, local property tax revenue, and the percentage of students experiencing poverty. For example:

- Urban districts with fewer students in special education receive an average of \$4,920 more per student than those in rural areas with higher percentages of students in special education.
- High enrollment districts with fewer students in poverty receive an average of \$3,910 more than small districts with more students experiencing poverty.

For additional detailed analysis about how specific district characteristics affect special education funding, see [Appendix D](#).

Figure 8: Districts that are located in urban areas or are larger (i.e., higher enrollment) receive more special education funding



Note: Large and small are based on top and bottom quartile of district enrollment.

Source: AIR analysis of 2022-23 school district funding.

Part 2.

Carve out

Carve out (16%)

Per Legislative direction, OSPI redirects a percentage of each district's general apportionment funding to support special education. **This is called the carve out.**

The carve out does not change a district's overall amount of funding. Instead, it determines how much of a district's general apportionment funding will be moved to the special education program to help provide those students with their education.

In general, the carve out amount is calculated by multiplying the total general apportionment amount for students receiving special education by the carve out rate. When students spend more time in general education classrooms, the carve out formula provides less funding for special education.

- Each district has a unique carve out rate.
- The rate is based on the number of students in the district who receive special education services, their age, and how often they are served in general education settings.
- In the 2022-23 school year, the carve out rate varied significantly from a low of 8% to a high of 34%.

A simplified example is shown below; a detailed example is in **Appendix C**.

Example 1. Carve out calculation

A district receives \$100,000 in general apportionment for students receiving special education. Its carve out rate is 20%.

- \$80,000 remains in general apportionment to support students' education.
- \$20,000 is redirected to the special education program.

Carve out funding reflects variation in general apportionment funding and does not account for differences in student needs

The carve out reflects the variation in the general apportionment formula (e.g., from cost of living). It does not reflect variation in student needs. Districts with a higher general apportionment rate per student will receive more carve out funds.

For example, districts with more students and resources overall, those in cities, and those with fewer students experiencing poverty all had more funding redirected to the special education program per student. Put another way, districts that benefit from cost of living adjustments to the general apportionment formula also tend to receive more carve out funds.

A simplified example is shown below; a detailed example is in [Appendix C](#).

Example 2. Effect of higher adjusted general apportionment rate on carve out funding

District A has a higher general apportionment rate. This means it also has a higher adjusted general apportionment rate than District B. They are otherwise identical (e.g., same number of students, same carve-out rate).

The formula redirects \$20,000 more to the special education program in District A.

District	A	B
A. Adjusted general apportionment rate	\$10,500	\$9,500
B. Students enrolled in special education	100	100
C. General apportionment total (A*B)	\$1,050,000	\$950,000
D. Carve out percentage	20%	20%
E. Carve out amount (C*D)	\$210,000	\$190,000

Part 3.

Excess cost

Excess cost (75%)

The state provides school districts with additional funding "in excess" of what is provided for all students. The additional funds are to support the extra costs of special education. **This is called excess cost funding.**

In general, the formula works by multiplying the amount the district receives per student by a factor set in statute. The factors are called multipliers.

- The multiplier for students not yet in kindergarten was 1.15 in the 2022-23 school year.
- There are two multipliers for students in kindergarten through age 21. These are commonly referred to as tiered multipliers because they provide different amounts of funding based on where students spend their day. For the 2022-23 school year, the multipliers were:
 - 1.0075 for students who spent more than 80% of their time in general education classrooms.
 - 0.995 for students who spent less than 80% of their time in general education classrooms.

Washington is the only state that uses a smaller multiplier when students are served in a setting outside the general education classroom.

A simplified example is shown below; a detailed example is in **Appendix C**.

Example 3. Excess cost calculation

A district has 16 students that receive special education. Eight students spend at least 80% of their time in general education classrooms, and the other eight do not.

District	Time spent in general education classroom	
	At least 80%	Less than 80%
A. Adjusted general apportionment rate	\$9,500	\$9,500
B. Students eligible for services	8	8
C. Multiplier	1.0075	0.995
D. Excess cost funding amount (A*B*C)	\$76,570	\$75,620

Funding from the tiered multipliers is added together. The district receives \$152,190 in excess cost funding.

Excess cost multipliers amplify the funding differences across districts

The excess cost multipliers are applied to the district's adjusted general apportionment rate. All other things being equal, districts with higher rates, such as those with higher cost of living adjustments, receive more excess cost funding.

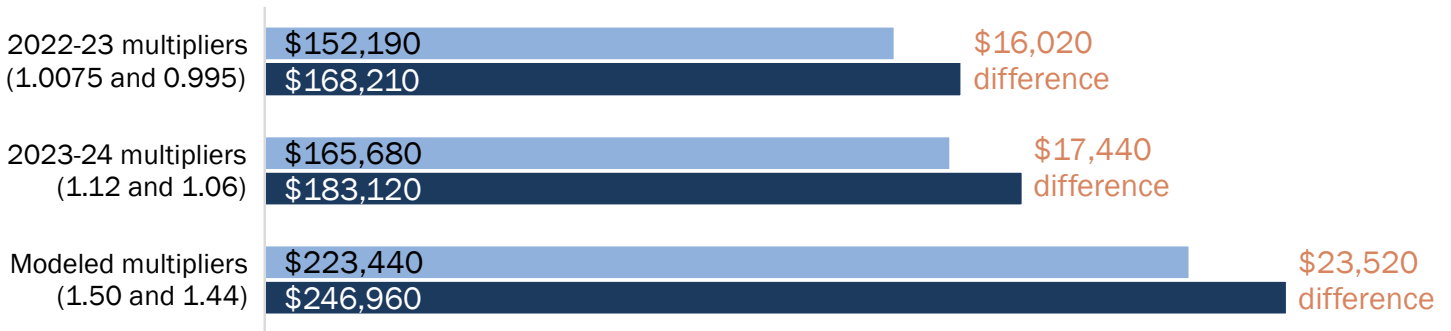
For example, if another district was like the one used in Example 3 (e.g., 16 students with 8 spending at least 80% of their time in general education classrooms versus other placements) and had a higher adjusted general apportionment rate of \$10,500, it would receive \$168,210 in total excess cost funding.

For the 2023-24 school year, the Legislature increased funding to school districts by raising the multipliers to 1.12 and 1.06. Raising the multipliers would further amplify the variation between districts in terms of real dollars. Continuing the examples above:

- With multipliers of 1.12 and 1.06, the school district with an adjusted general apportionment rate of \$9,500 would receive a total of \$165,680 in excess cost funding. A district with a rate of \$10,500 would receive \$183,120.
- If the multipliers were raised to 1.50 and 1.44, respectively, the districts would receive \$223,440 and \$246,960.

Figure 9: Increasing the multiplier amplifies the variation between school districts that have different adjusted general apportionment rate

Adjusted general apportionment rate: ■ District A: \$9,500 ■ District B: \$10,500



Source: JLARC staff analysis.

The excess cost multipliers provide little additional incentive to serve students in general education classrooms

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, as shown in Example 3. JLARC's consultants suggest this difference in funding is unlikely to provide a financial incentive for districts to serve students in general education classrooms more often.

As noted in Part 2, the carve out shifts less money to special education when students are served in general education classrooms. This offsets some of the additional funding from the multiplier.

In interviews with JLARC staff, school district finance professionals suggested the service setting did not materially affect the overall amount of funding received. Some noted they were unaware that the multipliers and carve out changed when students were served in different settings. This also suggests it is unlikely the tiered multiplier is acting as an incentive for school districts to serve students in certain settings. Districts spend more when students have greater needs even though the excess cost funding does not account for differences in student need.

Enrollment cap limits excess cost funding

Statute caps the amount of excess cost funding a district can receive based on the percentage of district students who receive special education services. This is called the enrollment cap.

For example, in the 2022-23 school year, the enrollment cap was 13.5%:

- If the percent of a district's students receiving special education was 13.5% or less, it received excess cost funding for all students.
- If the percent was higher than the cap, the district received excess cost funding for 13.5% of students.

A simplified example is shown below; a detailed example is in [Appendix C](#).

Example 4. Enrollment cap calculation

Example 3 showed a district with 16 students receiving special education and excess cost funding of \$152,190. The amount could change with the enrollment cap, depending on total enrollment at the school district.

	Scenario 1: Below cap	Scenario 2: Above cap
A. Excess cost funding	\$152,190	\$152,190
B. Total enrollment	145	100
C. Students receiving special education	16	16
D. Percent of students receiving special education	11%	16%
E. Percentage points above cap	n/a	2.5
F. Funding above cap ((A/D)*E%)	n/a	\$23,780
G. Excess cost funding amount (A-F)	\$152,190	\$128,410

The enrollment cap penalizes districts that have a higher percentage of students who receive special education

In the 2022-23 school year, 174 districts had more than 13.5% of students receiving special education. This means that 174 districts did not receive excess cost funding for the additional students above the cap. In that school year, the total funding not awarded to districts above the cap was nearly \$81 million.

Some districts are more likely than others to be affected by the funding restriction that stems from the enrollment cap. Analysis by JLARC's consultant shows that this includes:

- Districts with the lowest enrollment overall (i.e. small district).
- Districts with less local property tax revenue.
- Districts with more students receiving special education services.
- Districts in a rural location.
- Districts with more students experiencing poverty.

Part 7 provides more information from research on enrollment caps and their effects in other states.

Figure 10: The cap disproportionately affects some districts

Districts with... Amount lost per student due to cap

The least enrollment overall (i.e. small district)	\$2,055
The least property tax revenue per student receiving special education	\$2,582
The most students receiving special education	\$1,695
A rural location	\$1,278
The most students experiencing poverty	\$1,207

Note: Most and least indicate the top or bottom 25% of districts in each category.

Source: AIR analysis of 2022-23 district data.

Part 4. Safety net

Safety Net (9%)

The state safety net provides additional funding to districts with exceptional costs. Safety net funding is not guaranteed. Districts must apply each year and demonstrate that their expenditures exceed funding from state and federal sources. Funding is provided at the end of the school year.

There are two types of safety net funding:

1. High needs individuals.
2. Community impact.

The safety net for high needs individuals addresses the extraordinary costs for an individual student

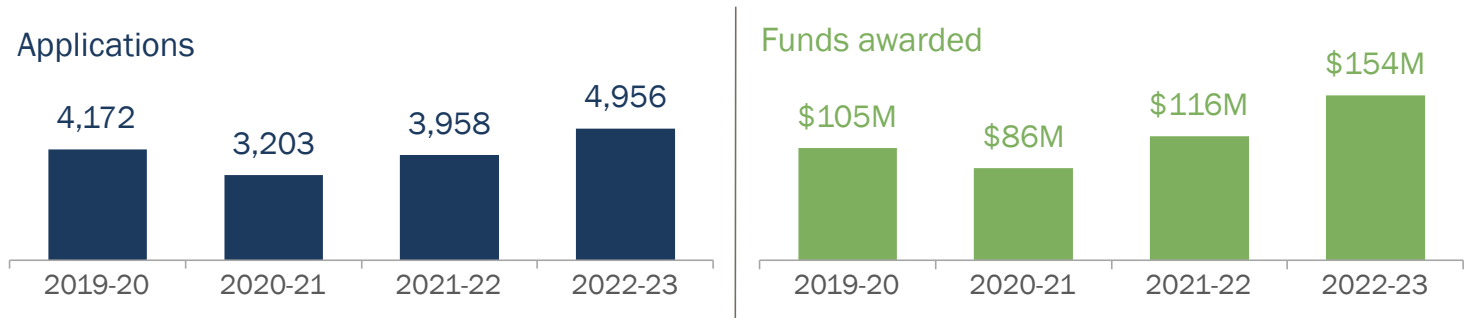
School districts must show that the expenses were necessary to implement the student's individual education program (IEP). An IEP is unique to each student. It sets goals, identifies needed services, and specifies where the services will be provided. For example, the district may need to hire a paraeducator to work with the student, contract for specialized services, or pay for the student to be served at a facility out of state.

To apply, districts must show that the expenditures for that student exceed a statutory threshold. In the 2022-23 school year, the threshold was 2.3 times the average funding per student statewide. This meant a district needed to spend \$37,599 for a high needs student before additional expenses were reimbursable. Only the

amount above the threshold is reimbursable. For example, if a district spent \$50,000, it could receive reimbursement for \$12,401.

In 2022-23, 139 districts received high needs safety net funds for just under 5,000 students. Both safety net applications and funds awarded increased in recent years. While it is not guaranteed, the Legislature has fully funded the safety net in recent years.

Figure 11: Applications and awards for high needs safety funds have increased



Source: OSPI safety net application summaries.

The community impact safety net is intended for districts with disproportionate and extraordinary costs associated with their community

Districts can apply when factors outside their control result in a large number of families with students in need of special education in their community. Community factors may include proximity to a military base, group home, or regional hospital. To be eligible for community impact, districts must exceed the enrollment cap and demonstrate exceptional community costs.

In 2022-23, 15 school districts received community impact safety net awards. These districts all had a percentage of students receiving special education that was above the enrollment cap. **Appendix C** includes more information about safety net funding.

Safety net increases funding variation across districts

Districts that apply for and receive safety net funds for high needs students tend to be districts that receive more per student from the underlying general apportionment formula. For example, larger districts, those in urban and suburban areas, and those with higher property tax revenue receive more safety net funding. These characteristics are also those that would lead to a higher adjusted general apportionment rate, more funding from excess cost multipliers, and more carve out funds.

In interviews with JLARC staff, school district business officers reported mixed experiences with the safety net. In general, larger districts reported more familiarity with the process than smaller districts. Some smaller districts suggested they applied as needed, but others noted that the process was uncertain and labor intensive. Given their limited staff and resources, some chose not to apply. Overall, districts reported

frustrations with the safety net process. They noted that since it is a reimbursement program and that awards are not made until the end of the school year, it is not possible to budget for safety net funding.

More information about the safety net is in [Appendix C](#).

Part 5.

District spending

JLARC staff contracted with education finance experts to analyze school district special education spending.

- The consultants collected and analyzed expenditures from 295 school districts and charter schools (99.7% of students) between the 2019-20 and 2022-23 school years.
- The level of detail in this analysis from district accounting systems provides a more accurate account of school district spending than exists from other sources.
- The numbers presented below are estimates because the sample does not include every school district and student.
- School districts spend state, federal, and local funds to provide special education services to students with disabilities.

This is the first such analysis of statewide detailed transaction data. More information about the methodology is in [Appendix A](#).

Adjusted for inflation, special education spending has remained stable since 2019-20

Spending for both general education and special education grew from the 2019-20 school year through the 2022-23 school year. However, when adjusted for inflation, special education spending remained stable while general education spending increased by about \$100 million.

Figure 12: Adjusted for inflation, special education spending has grown less than general education spending over the past four years

	Not adjusted for inflation		Adjusted for inflation	
	General education	Special education	General education	Special education
2019-20 spending	\$14.6 billion	\$2.5 billion	\$16.7 billion	\$2.9 billion
2022-23 spending	\$16.8 billion	\$2.9 billion	\$16.8 billion	\$2.9 billion
Difference	\$2.2 billion	\$400 million	\$100 million	\$0

	Not adjusted for inflation		Adjusted for inflation	
	General education	Special education	General education	Special education
Percent difference	15%	16%	1%	0%

Source: AIR analysis of school district spending.

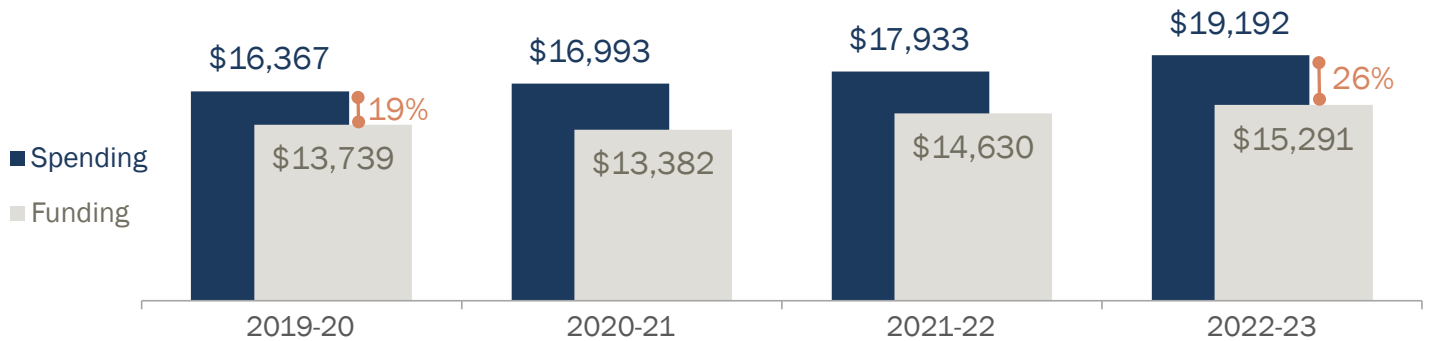
In the 2022-23 school year, per-student special education spending was 2.06 times greater than general education spending. This indicates that, on average, districts spent just over twice as much on a student receiving special education as they spent on a student not receiving special education. This relationship is consistent with recent national estimates suggesting that districts in Washington are not spending relatively more on special education compared to districts in other states.

School districts spent at least 26% more for special education than they received from state and federal sources

Over the past four years, school districts spent more than they received from state and federal funding sources, including safety net awards. In the 2022-23 school year alone, spending exceeded state and federal funding by at least \$590 million.

On a per-student basis, spending exceeded funding by 19% in the 2019-20 school year. The difference was at least 26% in the 2022-23 school year, an increase of 7 percentage points. In dollar terms, the difference between funding and spending has grown from about \$2,600 per student to \$3,900 per student.

Figure 13: The average gap between all special education funding and spending per student increased to 26% in the 2022-23 school year



Note: Values are weighted averages.

Source: AIR analysis of school district spending.

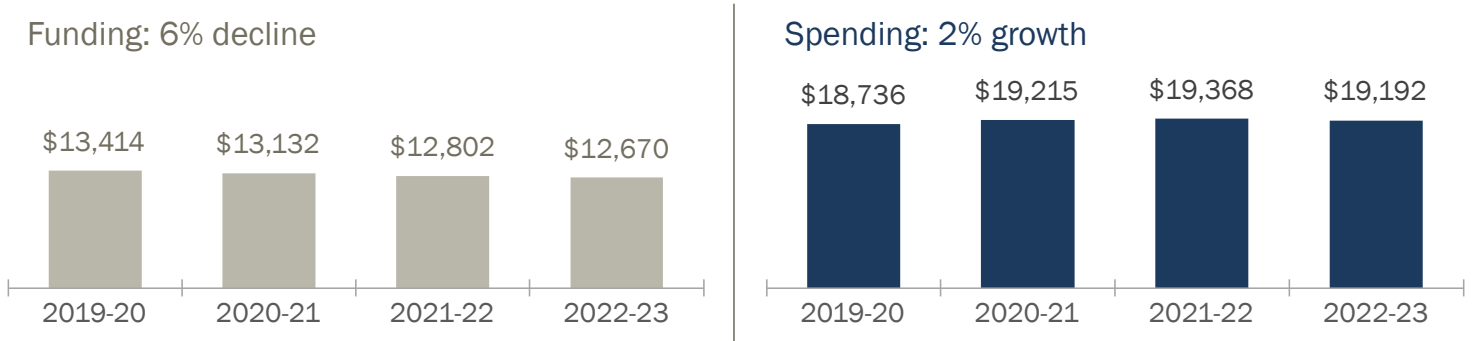
When adjusted for inflation, per-student funding declined, and spending remained stable

Both funding and spending per student grew overall. However, when adjusted for inflation:

- Funding declined 6%, despite increases in state funding since the 2019-20 school year.
- Spending remained stable, increasing 2%.

These trends mean that districts continue to spend more for special education than they receive.

Figure 14: Adjusted for inflation, average state funding per student fell relative to spending



Note: Values are weighted averages.

Source: AIR analysis of state funding and school district spending, adjusted for inflation.

Districts can use local funds to provide special education

State law allows school districts to levy local property taxes to support public schools by "enriching" the state's statutory program of basic education. The statutory program includes special education. Charter schools cannot raise funds through levies.

Districts can use enrichment levy funds to enhance their education offerings. For example, they might use local funds to reduce staffing ratios, offer additional programs, or fund extracurricular activities. In interviews with JLARC staff, nearly all school district finance professionals reported using levy funds for special education.

Before a district can propose a levy to voters, it must submit a spending plan to OSPI for review. In 2023, OSPI reported that 285 of 295 districts had a levy approved.

District accounting systems capture special education expenditures

Districts use a common set of accounting codes developed by OSPI to record expenditures. These expenditures are subject to audits by the State Auditor's Office (SAO) at least once every three years.

JLARC's consultants analyzed individual transactions and found that the accounting codes capture most special education spending. They found about \$14.8 million in transactions that were likely for special education expenses but categorized under a different accounting code. Total spending was \$2.9 billion.

Part 6.

Spending variation

School districts must provide special education services to eligible students. The services are individualized to help students access their education. The amount districts spend to meet students' needs varies considerably. The two metrics below are commonly used to compare spending across districts.

- **Percent of district spending.** In the 2022-23 school year, districts spent between 0.5% and 21.8% of their budgets on special education.
- **Per-student spending.** In the 2022-23 school year, districts spent between \$2,716 and \$41,134 per student for special education.

School districts also differ in the amount that their spending exceeds their funding from state and federal sources. On average, district spending was at least 26% more than funding. However, some districts spent over 50% more than they received, and others had funding that met or exceeded their spending. Unspent funds are returned to the state.

On average, districts in cities dedicate a larger portion of their spending to special education. They also spend more per student receiving special education compared to districts in rural areas.

Districts spend more when their students have greater needs

School districts provide special education to students with different needs and disabilities. Disabilities can be an indication of a student's needs. This means that students with certain disabilities, on average, are likely to have higher or lower needs. JLARC's experts categorize disabilities in the following ways based on their experience and national research:

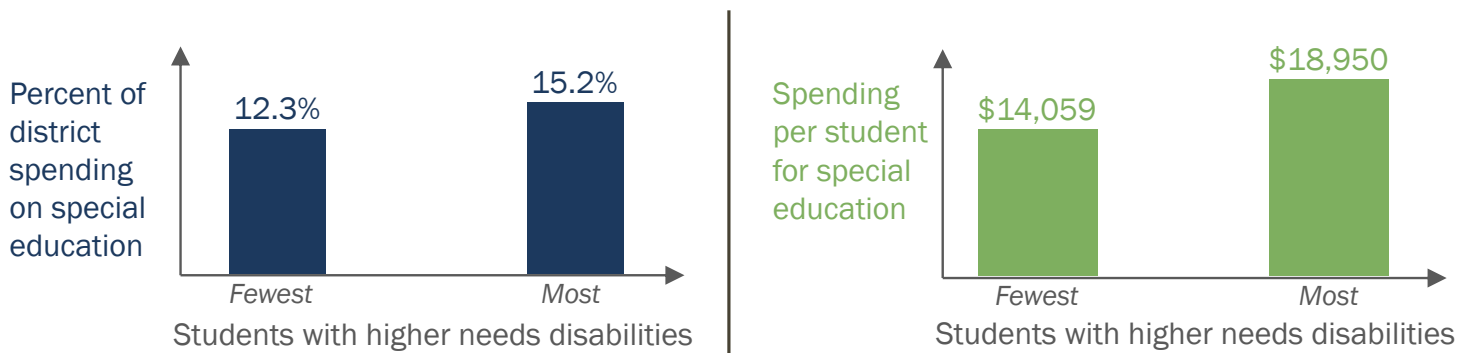
- **Lower needs disability:** Specific learning disabilities (e.g., dyslexia, dyscalculia), intellectual disabilities, other health impairment, and speech and language impairment.
- **Higher needs disability:** Autism, deafness, blindness, hearing impairment, multiple disabilities, orthopedic impairments, traumatic brain injury, visual impairment, and emotional disturbance.

Districts that have a greater percentage of students with disabilities classified as higher needs:

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

In contrast, districts with the fewest high need students had funding that met or exceeded their spending. This suggests that districts spend more when their students have greater needs, and this is because of student need rather than a district's ability or preference to spend more.

Figure 15: Districts that have students with higher needs disabilities spend more



Note: Fewest represents districts at the 10th percentile. Most represents districts at the 90th percentile. Difference represents the difference in predictions from the regression models for districts at the 10th and 90th percentiles. All reported differences were statistically significant. .

Source: AIR regression analysis of 2022-23 school district spending.

Districts spend more when they have a higher percentage of students receiving special education, even though funding is capped

In Washington, the percentage of students receiving special education varies across school districts. Three districts have no students, others served as many as 36% during the 2022-23 school year. For districts with more than 13.5%, excess cost funding was capped.

Although funding is limited based on the percent of students receiving special education, districts spend more when they have more students receiving services. For example, districts with the highest percentages of students receiving special education devoted 18.5% of their spending to special education. In comparison, districts with the lowest percentages of students receiving special education used 12.7% of their spending.

Districts with access to more financial resources spent more on special education

Local funding and overall spending are indicators of a district's capacity to pay for special education services. Some states' special education funding formulas account for a district's ability to raise funds locally. These states provide more state special education funding to districts with less ability to raise local funds. Washington's special education formulas do not.

However, districts in Washington spend more when they have more financial resources:

- Districts with the least local funding spend about \$16,100 per student for special education.
- Districts with the highest local funding spend about \$19,200 per student.
- Districts that spend more on all students overall also spend almost \$9,800 more on special education per student.

Districts with a larger percentage of students experiencing poverty spent less

School districts with more students experiencing poverty dedicated less of their overall spending to special education and spent less per student. For example, districts with higher percentages of students in poverty spent about \$2,200 less per student than districts with fewer students in poverty.

In contrast, research suggests that districts with more students in poverty may need to spend more to ensure similar educational opportunities. In Washington, these districts may spend less because they have less access to other resources such as local funding.

Districts with more students experiencing poverty also have a smaller difference between their funding and spending. For example, districts with the most students experiencing poverty exceed their funding by about 7%. Conversely, districts with fewer students in poverty exceeded their funding by 17%. One explanation is that districts with fewer students in poverty are able to spend more because they can raise additional funding through local sources.

Part 7.

Policy options

Federal law requires states to provide special education services to eligible students. While states can decide how to fund the services, the law requires that they generally maintain a consistent level of fiscal support year-to-year. States use different approaches to funding special education and no two states have an identical funding system. Education finance experts note that there is no agreed-upon "best" funding system.

Enrollment caps are unlikely to prevent overidentification of students for special education

States enact enrollment caps to discourage districts from identifying students for special education when they do not need the services. However, there is no research or evidence showing that caps improve appropriate identification or prevent overidentification. For example, AIR's research in Washington suggests that districts identify the students because of their needs rather than an attempt to receive more funding. Identification has trended upward for districts both below and above the cap.

Instead, research suggests that enrollment caps penalize districts with a larger share of their student population eligible for services. For example, research on North Carolina's enrollment cap found that it reinforces existing inequities across districts and requires districts to spend more local revenue on special education. Other research has found that caps disadvantage districts with more students experiencing poverty, which also tend to have more students in special education. These findings are consistent with how the cap works in Washington (**Part 3**).

Seven states, including Washington, have an enrollment cap

Seven states, including Washington, have an enrollment cap that limits special education funding. Washington's cap is the highest at 16% for the 2023-24 school year.

States use other options besides limiting funding when districts reach an enrollment cap. For example, Oregon and Maine reduce their multipliers for students above the cap. Maine then increases the multiplier for very small districts. North Carolina funds students up to the cap, and then provides additional dollars based on average teacher salaries.

Removing the cap could benefit disadvantaged districts but there may be unintended impacts to other funding

Washington's enrollment cap disproportionately affects districts with greater needs. These tend to be districts with more students in need of services, more students experiencing poverty, and those in districts with lower wealth. Smaller, rural districts are most likely to be above the cap. If Washington were to remove the cap, these are the types of districts that would receive more funding.

There could be unintended effects from removing the enrollment cap in Washington. For example, without a cap, some districts would no longer qualify for community impact safety net because exceeding the cap is an eligibility requirement.

There is little research on the effects of removing a cap in other states. Texas is the only state to have recently removed a cap. The state implemented an 8.5% cap in 2004 and removed it in 2017 after investigation by the U.S. Department of Education. However, there have not yet been systematic studies to evaluate how identification or costs have changed without an enrollment cap.

Unlike other states, Washington's multipliers do not account for students' needs

As described in Part 3, Washington uses two multipliers to provide excess cost funding to school districts. The multipliers are based on the amount of time students spend in general education classrooms.

Washington's two multipliers generate a very small difference in funding compared to each other, which means they effectively operate as a single multiplier. In general, a single multiplier assumes the cost of providing services is the same for all students. By design, this offsets a larger share of spending for some students and a smaller share for others. This may result in an inefficient distribution of funds. A single multiplier does not account for differences in need or the cost of services.

Ten other states use multipliers that account for differences in student needs and costs. Nevada uses two multipliers, while nine states use three or more. The multipliers reflect services received, disability type, service setting, and other criteria. For example, Georgia has four multipliers based on disabilities and a fifth for students who receive services in general education classrooms.

Generally, grouping students by disability and setting is a proxy for how much student needs drive costs. The multipliers scale up for more costly groups. This is the opposite of Washington's approach of scaling down

based on service setting.

In other states, districts receive more funding for students with higher needs and more costly services because the multipliers are higher. This is consistent with research that suggests students served outside the general education setting likely have greater and more costly needs. 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).

Increasing funding for education could lead to more students receiving special education

There is some evidence in Washington and nationally that increasing special education funding could result in more students receiving special education services. In Washington, AIR's research suggests that when Washington increased multipliers between 2017 and 2020, there was a small, but statistically significant, increase in the proportion of students receiving special education. This was before the introduction of the tiered multipliers. AIR could not evaluate the impact of the tiered multipliers on special education identification because the changes occurred too recently, and the timing coincided with the pandemic. This makes it challenging to make definitive statements about how increasing the multipliers in the future will affect the number of students receiving special education in Washington.

National research provides some evidence on the relationship between special education funding systems and students receiving special education. Some research suggests that the funding mechanism can affect the number of students receiving services. For example, states that provide funding based on the anticipated percentage of students receiving special education have lower special education enrollment compared to states that fund per student. Others have found that cost reimbursement incentivizes more evaluations.

There is another body of research that suggests the amount of funding can affect whether students are identified for special education. For example, some argue that lower special education funding leads districts to limit costs by identifying fewer students for services. This is particularly true in districts with less general apportionment or local funds. More recent research suggests that the overall level of education funding can influence how many students are identified for special education. As funding increases, the number of students receiving special education also rises.

Recommendation

The Legislative Auditor makes one recommendation.

Recommendation #1:

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. Adjust 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.

Legislation Required: Yes

Fiscal Impact: Likely, depending on the Legislature's policy decisions.

Current Recommendation Status

JLARC staff follow up on the status of Legislative Auditor recommendations to agencies and the Legislature for four years. The most recent responses from agencies and status of the recommendations in this report can be viewed on our [Legislative Auditor Recommendations page](#).

Appendices

[Appendix A: Study-specific methods](#) | [Appendix B: Funding formula changes](#) | [Appendix C: Funding formula calculations](#) | [Appendix D: AIR funding analysis](#) | [Appendix E: Applicable statutes](#) | [Appendix F: Study questions & methods](#) | [Appendix G: Audit authority](#)

Appendix A: Study-specific methods

Interviews and focus groups

JLARC staff conducted interviews and focus groups with finance professionals from educational service districts (ESDs) and school districts. We first interviewed finance directors from all nine educational service districts to gather information about district funding and accounting practices. Then, we conducted virtual focus groups with school district business officers from six of the nine ESD regions. More than 150 business

officers participated in these meetings. In addition, districts in two ESDs provided written feedback. Districts in one ESD declined to participate. In total, the ESD regions we received responses from represent about 68% of school districts.

Expert consulting

JLARC staff contracted with the American Institutes for Research (AIR) to analyze special education funding and spending. AIR conducted:

- Descriptive statistical analyses to profile how the state's special education funding formulas allocate funding to districts and the interaction of the formula's components.
- Regression-based school finance methods to assess how much the distribution of funds varies among the state's school districts with respect to differences in student need, composition, and district characteristics.

AIR collected state and federal special education revenues and state general apportionment allocations from OSPI's F-196 financial summary database, apportionment reports, and safety net summary files. Revenue data varied by year, with 303 districts available in 2016-17 and 311 in 2022-23. Additional supplementary data on district characteristics and students was retrieved from OSPI, the U.S. Census Bureau, and the U.S. Dept. of Education.

For the spending analysis, AIR partnered with Allovue/PowerSchool to collect and tabulate district-level expenditure data. Allovue/PowerSchool used natural language processing to categorize expenditures based on their program codes and text notes. The known transactions were then used to classify transactions from other, non-special education program codes to estimate additional special education expenditures. Expenditure data collection included 278 districts that are members of WSIPC and 17 non-WSIPC districts. Together, the data captured 99.7% of K-12 students statewide with a total of 295 school districts and charter schools.

The district-level funding and spending data is available for download as an [Excel file](#).

Appendix B: Funding formula changes

The Legislature has changed the set of funding formulas in recent years to provide additional state funding to school districts.

As the table below shows, since 2016, the Legislature has made several changes to the excess cost multipliers. Between 2016 and 2019, the Legislature increased the multipliers for students in kindergarten through age 21 on two separate occasions. Beginning in 2020, this multiplier was split into two tiers. Tier 1 is for students who spend more than 80% of their time in general education classrooms, while Tier 2 is for students who do not. These multipliers along with the multiplier for children not yet in kindergarten were increased in for the 2023-24 school year.

The Legislature has raised the enrollment cap twice since 2016, most recently for the 2023-24 school year.

The safety net threshold was lowered for the 2023-24 school year. In addition, the Legislature created two different thresholds based on district enrollment. For districts with less than 1,000 students overall, the threshold is 2.0. All other districts must meet a threshold of 2.2.

Figure 16: Funding formula components have changed in recent years

School year	Excess cost multiplier (K-21 students)	Excess cost multiplier (Pre-K students)	Enrollment cap	Safety net threshold
2023-24	Tier 1: 1.12 Tier 2: 1.06	1.2	16%	Under 1,000 students: 2.0 Over 1,000 students: 2.2
2022-23	Tier 1: 1.0075 Tier 2: 0.995	1.15	13.5%	2.3
2021-22	Tier 1: 1.0075 Tier 2: 0.995	1.15	13.5%	2.3
2020-21	Tier 1: 1.0075 Tier 2: 0.995	1.15	13.5%	2.3
2019-20	0.995	1.15	13.5%	2.3
2018-19	0.9609	1.15	13.5%	2.7
2017-18	0.9309	1.15	13.5%	2.7
2016-17	0.9309	1.15	12.7%	2.7

Notes: Safety net threshold is expressed as a multiple of the average per pupil expenditure (APPE) statewide. For example, 2.3 means the nominal value of the threshold is 2.3 times the APPE.

Source: JLARC staff analysis of state statute and operating budgets.

Appendix C: Funding formula calculations

The sections below contain the calculations for the adjusted general apportionment rate, carve out, excess cost funding, and the safety net.

Adjusted general apportionment rate

The state's general apportionment rate per student includes many factors such as salaries, benefits, professional development, and materials, supplies, and operating costs. It is often referred to as the BEA rate.

The adjusted general apportionment rate is slightly lower than the general apportionment rate. It does not include some of these factors, such as Running Start, or alternative learning, career and technical education, and administration. It is still affected by regional cost of living and staff experience factor adjustments. The adjustments are in statute. This rate is often referred to as the special education BEA rate.

Carve out process and calculation

The carve out arose in response to JLARC's 2006 **Special Education Excess Cost Accounting and Reporting Requirements** report recommendations. It was designed to ensure students received their full share of general apportionment funding, and to simplify accounting procedures by shifting processes from districts to OSPI. The Legislature directs OSPI to implement the carve out in the biennial operating budget. It is not included in codified statutes.

The process to determine a district's carve out percentage includes three steps.

Step 1: Districts collect and report annual enrollment data as part of a federal reporting process. The data includes the number of students receiving special education (enrollment), their age (ages 6-11 or 11-21), and how often they were served in the general education classroom.

Step 2: OSPI receives the data and calculates a percentage of time students are served in general education classrooms. The calculation includes applying predetermined weights to the number of students in a specific category to determine the full time equivalent (FTE) status of students.

Carve out calculation weights are based on age and time in the general education classroom. This is commonly known as least restrictive environment or LRE.

- 80% or more time in general education classroom (ages 5-11): 0.92
- 80% or more time in general education classroom (ages 12-21): 0.87
- 40-79% time in general education classroom: 0.64
- 0-39% time in general education classroom: 0.13

OSPI calculates the student FTE by multiplying the number of students in each category by the weight.

- $FTE = LRE\ weight * Number\ of\ students\ in\ LRE\ category.$
- *Add FTEs together.*

Next, OSPI uses the FTE to calculate the percent of time spent in general education settings and the carve out percentage.

- $Percent\ in\ general\ education\ setting = FTE / Total\ students.$
- $Carve\ out\ percentage = 100\% - Percent\ in\ general\ education\ setting.$

Step 3: OSPI uses the carve out percentage to shift a portion of a district's general apportionment funding for students receiving special education to the special education program. They use the following calculation.

- $\text{Special education enrollment} * \text{Adjusted general apportionment rate} = \text{General apportionment total (for students receiving special education)}$.
- $\text{General apportionment total} / (1 + \text{Indirect rate}) = \text{General apportionment}$
- $\text{General apportionment instruction} * \text{Carve out percentage} = \text{Carve out funding}$.

"Indirect" means costs not directly related to instruction.

Excess cost and enrollment cap calculation

Step 1: Districts report special education and general education enrollment to OSPI.

Step 2: OSPI calculates the funding from excess cost multipliers using the following formula.

- $\text{K-21 Special education enrollment} * (\text{Adjusted general apportionment rate} * \text{Multiplier} - \text{Federal funds integration rate}) = \text{Excess cost funding}$.

Step 3: OSPI calculates the district's enrollment percentage and whether a district is above the enrollment cap.

- $\text{K-21 Special education enrollment} / \text{Total enrollment} = \text{Enrollment percent}$.
- $\text{Enrollment percent} - \text{Enrollment cap} = \text{Percent over cap}$.

Step 4: OSPI calculates the amount of funding above the enrollment cap.

- $(\text{Excess cost funding} / \text{Enrollment percent}) * \text{Percent over cap} = \text{Funding above enrollment cap}$.

Step 5: OSPI calculates the funding allocation from excess cost multipliers.

- $\text{Excess cost funding} - \text{Funding above enrollment cap} = \text{Total excess cost allocation}$.

Safety net process

The process of applying for the safety net includes key requirements and a specific timeline.

Application requirements:

- School districts must demonstrate that their existing funding from state and federal sources is less than their special education expenditures. This is commonly referred to as demonstrating capacity.
- For High Need Individual (HNI) applications, districts must submit eligible student individual education programs (IEP) and complete forms that show the costs of the services required in the IEP. They must then show that the cost of services exceeds the threshold of 2.0 or 2.2 times the average per pupil expenditure (Part 4).

- For Community Impact (CI), districts must exceed the state enrollment cap and demonstrate that their need for additional funding is due to a factor in the community beyond their control.
- Districts cannot receive both HNI and CI funds for the same student.

Applications for HNI and CI are both reviewed by the Special Education State Oversight Committee that includes representatives from OSPI, educational service districts, and school districts. The general timeline is described below.

- November: OSPI publishes safety net information.
- December – March: OSPI provides training and technical assistance to school districts.
- March: High needs applications are due.
- May: High needs application updates, new students, and CI applications are due.
- June – August: The Committee votes on conditional and final awards. OSPI sends award letters in August.
- December: OSPI uses final year-end data to confirm district capacity for awards.

The table below shows the safety net threshold, applications, and award amounts. The table also shows the year that is used to calculate the threshold amount. OSPI uses the average per pupil expenditure from two years prior to calculate the nominal amount of spending districts must exceed before expenses are eligible for reimbursement. This means that significant changes to the average amount of funding will affect the nominal value of the safety net threshold two years later. For example, the Legislature increased funding overall in the 2018-19 school year and two years later the nominal value of the safety net threshold increased by nearly \$5,000 despite the same safety net threshold.

Figure 17: Safety net thresholds, applications, and award amounts

School year	HNI threshold amount	HNI threshold	APPE year for threshold	HNI applications	HNI award amount	CI applications	CI award amount
2022-23	\$37,599	2.3	20-21	4,956	\$153,898,255	16	\$11,953,334
2021-22	\$35,067	2.3	19-20	3,958	\$115,617,132	16	\$6,286,752
2020-21	\$34,457	2.3	18-19	3,203	\$86,121,681	14	\$4,999,030
2019-20	\$29,707	2.3	17-18	4,172	\$104,665,563	12	\$4,562,403
2018-19	\$31,761	2.7	16-17	3,557	\$75,708,736	10	\$2,687,293
2017-18	\$30,316	2.7	15-16	3,016	\$56,024,914	21	\$1,932,316
2016-17	\$28,436	2.7	14-15	2,772	\$47,561,232	8	\$2,081,713

Note: APPE is the average per pupil expenditure.

Source: JLARC staff analysis of state statute and operating budgets.

Appendix D: AIR funding analysis

Funding variation can be associated with specific district characteristics. Districts that receive the most from regionalization and experience factors—large, urban, wealthier districts—also gain proportionally more from the special education formula. This includes safety net funds.

AIR analyzed systematic patterns in how funding differs based on the number of students and other district characteristics. In addition to the descriptive analysis of funding data, AIR conducted regressions to estimate the amount by which district characteristics impact per-student funding.

The regression analysis found that rural areas receive less per student while small districts receive less than large districts and medium-sized districts. The difference is mainly due to small districts receiving less excess cost funding.

AIR’s regression analysis of district characteristic effects on state funding found that rural areas receive \$408 less in state funding per student while small districts receive \$852 less than medium-sized districts and \$1,278 less than large districts. In other words, a district that is small and rural would receive almost \$1,700 fewer dollars per student than a large, urban district, all else being equal. The difference in total revenue is attributed to medium and large districts receiving more excess cost dollars because of the differences in underlying general apportionment rate.

High and moderate poverty districts also receive less funding per student, \$770 and \$337 respectively. The difference is larger for excess cost funds than the carve out where the multipliers are applied to each district’s general apportionment rate without accounting for students who experience poverty. A large district with low poverty would receive about \$3,913 more per student than a small, high-poverty district.

Regression analysis

Regression analysis is a statistical technique that estimates the quantitative relationships between multiple factors (independent variables) and a particular outcome (dependent variable). For example, regression analysis can measure how specific district characteristics such as location affect an outcome like funding. When there are many factors that can affect an outcome, this technique can take into consideration the other factors.

Figure 18: Student and district characteristics associated with different amounts of per student state funding in school year 2022-23

		Smallest	Largest	Difference
Size	Enrollment FTE	\$9,654	\$13,007	\$3,352
	Locale	<u>Rural</u> \$10,827	<u>Urban</u> \$12,751	\$1,924
Students	Percent of students receiving special education	\$14,427	\$10,832	(\$3,596)
	Students experiencing poverty	\$13,438	\$10,214	(\$3,224)
Other characteristics	Percent of students identifying as white	\$13,289	\$10,496	(\$2,794)
	Availability of local funds	\$10,081	\$13,600	\$3,520
	Non-special education revenue per student	\$11,668	\$10,410	(\$1,256)

Notes: Funding is the combined per-student funding from revenue code 4121 and 3121. Availability of local funds is measured by local property tax wealth. Smallest and largest refer to the bottom 25% and top 25% of each category.

Source: AIR analysis of school district funding.

Appendix E: Applicable statutes

This report reflects statute as documented in the following chapters during the study period.

Statutory program of basic education

RCW 28A.150.200

RCW 28A.150.220

Free and appropriate education for children with disabilities

RCW 28A.155.010

Superintendent of public instruction's duty and authority

RCW 28A.155.090

General apportionment

RCW 28A.150.260

Excess cost funding and enrollment cap

RCW 28A.150.390

Services through special excess cost aid programs—apportionment—allocations from state excess funds

RCW 28A.155.050

Safety net funding

RCW 28A.150.392

Local revenues—enrichment of program of basic education

RCW 28A.150.276

Levy authority

RCW 84.52.053

Appendix F: Study questions

This study aimed to answer the following questions, which were presented to JLARC in September 2023 ([view here](#)).

Identifying, evaluating, and serving students with disabilities

1. What processes are used to identify, evaluate, and serve students with disabilities?
 - a. What factors, including funding, affect identification, evaluation timelines, and the education settings where students with disabilities are served?
 - b. To what extent do evaluation timelines and the settings where students are served vary by district, disability, and demographics, including race or ethnicity?
2. Are the school districts and state following best practices to serve students in inclusive education settings?

Special education funding

1. How does each component of the state funding formula influence the amount of funding districts receive for special education?
 - a. Does the funding formula equitably distribute state funding across districts?
 - b. What non-state funds are used to provide special education services?
2. How have recent changes to the funding formula affected the state funding districts receive?
 - a. What factors might be considered when adjusting the funding formula in the future?
3. How does Washington's funding approach compare to other states?
 - a. How do the state funding formula components compare to those used in other states?
 - b. What role do enrollment caps play in other states' funding formulas?

Special education accounting and reporting

1. What processes are used to ensure school districts appropriately account for and report the use of basic and special education allocations?
 - a. What portion of basic education allocations are directed to special education?
2. What changes has OSPI made since JLARC's 2006 **Special Education Excess Cost Accounting and Reporting Requirements** report?

Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.

- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

Appendix G: Audit Authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

JLARC members on publication date

Senators

Bob Hasegawa

Liz Lovelett

Mark Mullet, Chair

Ann Rivers

Representatives

Emily Alvarado

Stephanie Barnard

April Berg

Jake Fey

Jesse Salomon

Keith Goehner

Shelly Short

Stephanie McClintock

Lynda Wilson, Secretary

Ed Orcutt, Vice Chair

Keith Wagoner

Gerry Pollet, Assistant Secretary