



Washington State  
Institute for  
Public Policy

**Legislative  
Budget  
Committee**



***SPECIAL EDUCATION  
FISCAL STUDY:***

***Final Report***

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*with*  
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***January 1995***

On January 19, 1995, this report was approved by the Legislative Budget Committee and its distribution authorized.

Representative Jean Silver, Chair  
**LBC Report #95-3**

## Acknowledgments

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In addition to this report, ***Student Outcomes in Special Education: A Review and Study Options*** is available from the Institute.

Four additional working papers on this project are also available:

- ***Outcomes in Special Education: What We Know and How We Could Know More***
- ***A Review of Federal and State Laws Addressing The Education of Children with Disabilities: An Executive Summary***
- ***A Review of Current State Law Governing the Education of Children with Disabilities***
- ***A Review of Federal Law Addressing the Education of Children with Disabilities***

*National Data on Special Education Finance Models*, November 1994, is available from the Office of the Superintendent of Public Instruction.

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# Special Education Fiscal Study: *Final Report*

## EXECUTIVE SUMMARY

The Washington Legislature directed the Legislative Budget Committee and the Washington State Institute for Public Policy to study the current Washington State special education funding formula and to report on the results of this examination. The current funding formula has been in place since the early 1980s. This study seeks to determine the changes over the last decade in the special education population and program effects of the current formula through an examination of: 1) Washington State trends, 2) local school district practices, 3) federal and state legal requirements, and 4) other states' special education funding formulas.

### Washington State Findings:

1. Special education is legally considered a part of basic education and must be fully funded.
2. The drivers of the current funding formula are:
  - Special education **enrollment** in each school district.
  - **14 disability categories**, each with a different funding amount.
  - **Staff mix** (education and experience of special education staff).
3. Special education enrollment has increased **twice as fast** as regular education enrollment over the last 10 years.
  - Special education students are now 11.1 percent of the K-12 population with an enrollment of 101,108 students in 1993-94.
  - The terms of entitlement to special education are locally controlled within broad state definitions for eligibility.
4. Inherent in the funding formula may be an incentive to choose more costly special education funding categories. Over the past 10 years, several higher cost categories have increased:
  - *Health Impaired* (9,966 students): 22 percent annual average growth; the increase is due to a large number of students identified with Attention Deficit Hyperactivity Disorder.
  - *Preschool* (12,780 students): 14 percent annual average growth; the increase is due to an active child find effort and more school districts serving children from birth up to age 3.
  - *Multiple Disability* (2,959 students): 10 percent annual average growth; reasons for an increase are difficult to pinpoint.

5. Differences exist between the state's assumptions for the allocation formula and actual services provided by school districts.

- The total average hours of special education services based on school district Individualized Education Programs (IEPs) are lower than the hours the funding formula generates.
- The districts employ a lower number of certificated staff, and a higher number of classified staff, than the formula generates.

6. Student gains (education outcomes) are difficult to determine for special education students.

- IEPs do not document student benefits and progress.

### **Findings From Other States:**

Several states have changed to special education formulas that allocate funds based on a percent of total enrollment in each school district, rather than an actual count of special education enrollment, to manage increasing costs. These states also allow special education funds to be spent on students who are not in special education, but who need remedial assistance.

### **Implications for Special Education Funding:**

Reflecting the findings of this study, Washington's current special education formula **could be changed** by:

- Making it simpler.
- Removing the link between funding and the number of special education students.
- Removing incentives for school districts to choose high cost funding categories.
- Providing incentives to help some students before they need special education.
- Developing accountability measures to assess student benefits and progress.

Based on the findings of this study and recent experiences of other states, **two alternatives** for legislative consideration could include:

1. Developing a formula to allocate funds for special education students based on a percent of total district enrollment.
2. Developing a formula to allocate funds for special needs students--special education students and learning assistance program (LAP) students--based on a percent of total district enrollment.

Either of these two alternatives **could** include these features:

- Safety nets for high cost students and federal maintenance of effort concerns.
- An excess cost model.
- Collapsing categories for funding purposes.
- Use of special education funds for early intervention non-special education services.
- Cost factors related to individual school districts.

# ***SPECIAL EDUCATION FISCAL STUDY: FINAL REPORT***

## **I. Purpose of the 1994 Special Education Fiscal Study**

### **Introduction:**

The Washington State Legislature, in the 1994 Supplemental Appropriations Act, directed the Legislative Budget Committee and the Washington State Institute for Public Policy to study the special education fiscal formula and to report on the results of this examination. The current formula has not changed since the early 1980s, and the assumptions underlying it may be outdated with respect to the:

- Types of children served.
- Amount of time children spend in special education.
- Staffing patterns in school districts.

This study of the special education fiscal formula examines:

- Changes that have occurred in the special education system and population over time.
- The validity of the current formula's assumptions and whether the formula has any inherent unintended program effects.
- Cost issues in special education not dealt with in the current funding formula.
- Information from other states.

From the study findings, goals and alternative funding possibilities are provided for legislative consideration.

## II. Background

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### A. What is Special Education?

In 1993-94, Washington State allocated funds for special education services to 101,108 students who ranged from infants to 21-year-olds.<sup>1</sup> Special education students represented 11.1 percent of the K-12 population.<sup>2</sup> State resources for direct special education services are approximately 11 percent of the K-12 state budget.

**The Washington Supreme Court has required the Legislature to define basic education and then fully fund that defined program.<sup>3</sup> Special education is considered legally a part of the definition of the basic education program.<sup>4</sup>**

Federal regulations under the Individuals with Disabilities Education Act (IDEA) of 1990<sup>5</sup> and state statutes govern special education for children with disabilities.<sup>6</sup> Federal laws and regulations established a process framework for states to follow in identifying and serving children with disabilities. State laws and regulations define the disability categories and how state funds will be allocated.<sup>7</sup>

Once a child becomes a focus of concern, then under federal law a child has to be assessed by a multidisciplinary team (MDT) to determine eligibility for special education. A child must meet the eligibility criteria of one of 14 disability categories (see *Table 1*).<sup>8</sup> These categories are identified by the federal regulations, but each state describes the definitions and eligibility criteria for each category. In some cases, these criteria are quite

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<sup>1</sup> Services for birth up to age 3 are optional.

<sup>2</sup> The percent is slightly inflated because it includes a headcount of infancy to kindergarten served in special education, but does not include a comparable preschool age group from the total K-12 population.

<sup>3</sup> *Seattle School District v. State of Washington*, Case No. 53950 (Wash. Super. Ct. 1977), aff'd in part., 90 Wash. 2d 476, 585 p.2d 71 (1978).

<sup>4</sup> *Seattle School District v. State of Washington*, Thurston County Superior Court Case No. 81-2-1713-1 (1983).

<sup>5</sup> Federal law under Section 504 of The Rehabilitation Act of 1973 also addresses children with disabilities. It prohibits discrimination on the basis of disability in school systems and other entities. See p. 19 of *A Review of Federal Law Addressing the Education of Children with Disabilities*, Susan Mielke, Washington State Institute for Public Policy, for a more in depth description.

<sup>6</sup> Chapters 28A.150.390 and 29A.155 RCW and state rules Chapter 392-171 WAC.

<sup>7</sup> The Washington State Institute for Public Policy has prepared three documents that summarize current federal and state law governing the education of children with disabilities.

<sup>8</sup> See Appendix A for Washington State's definitions of each of the categories.

broad and reflect local school district discretion in determining in which category a child will be placed.

The adverse educational impact and need for special education and related services must also be documented in determining a child's eligibility. These decisions are also left to local school district determination. Once eligible, a child must receive a free and appropriate education (FAPE). The school and parents develop an individualized education program (IEP) for the child which outlines instructional goals and the amount of time needed for special education services.

**Table 1**

<b>14 Disability Categories in Washington's Special Education Funding Formula* (1993-94)</b>	
<b>Category</b>	<b>Percent of Total Special Education Enrollment</b>
Learning Disabilities	41.0%
Communication Disorders	17.3%
Preschool Developmentally Delayed	12.7%
Health Impairments	9.9%
Mild Mental Retardation	6.1%
Behavior Disabilities	5.3%
Multiple Disabilities (Multihandicapped)	2.9%
Hearing Impairments	1.8%
Moderate Mental Retardation	1.2%
Orthopedic Impairments	1.1%
Deaf	0.3%
Visual Impairments	0.2%
Severe Mental Retardation	0.2%
Deaf/Blind	0.02%

**N = (101,108)**

\* *The federal government includes separate categories for autism and traumatic brain injury which Washington State places under "health impairments" for funding purposes.*

As part of the IEP, the parents and school staff decide how and where a child will receive special education services in the federally required "least restrictive environment" possible for the child. Placement can include: services in the classroom, a resource room, a self-contained room (used for greater amounts of time than a resource room), a day treatment facility, a community placement, and sometimes a residential facility or private school. The debate among advocates and school staff over the appropriateness of inclusion (i.e., allowing a special education student to participate in a regular education classroom to the greatest extent possible) for all special education students has increased.<sup>9</sup> Parents have certain procedural rights to ensure that they have been notified and agree to the special education identification, evaluation, and placement or provision of services.

Through the MDT and IEP processes, special education services are designed for each eligible child based upon his/her unique needs and abilities. The actual costs for each child reflects the placement, amount of time, and services identified on the IEP. The amount of time in special education services will vary from occasional monitoring of a child's progress to full-time placement in special education services. Some of the more common services are: instruction, physical education, behavioral intervention, communication disorder services, physical and occupational therapy, audiology services, vocational education, orientation and mobility therapy, and psychological services.

## **B. How Has Washington's Special Education System Changed?**

Changes have occurred in the following areas in special education *over the last 10 years*:

### **Federal Changes:**

- ***Services to Preschool (Age 3-5):*** A federal grants program was created in 1986 to provide incentives to states to serve preschool-aged children. Federal planning money was also made available to states for serving children from birth to age 3.
- ***Criteria for Eligibility:*** Under federal law, *separate categories for autism and traumatic brain injury* were created in 1990 which the state defines under its health-impaired category. The state criteria for eligibility in each of the 14 categories of disability have remained the same.
- ***Transition Services Requirement:*** States are also required to develop postsecondary transition services for special education students. These services are designed within an outcome-oriented process which promotes movement from school to post-school activities, such as work, housing, post-secondary education, and independent living.

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<sup>9</sup> Fuchs, Douglas and Lynn Fuchs, "Inclusive Schools Movement and the Radicalization of Special Education Reform," *Exceptional Children*, v. 60, no. 4, pp. 294-309.

- **Assistive Technology Requirement:** States are required to provide assistive technology (e.g., special computers to help nonverbal children communicate) for a child if it is needed to provide a free, appropriate public education.

### **Changes in State Patterns:**

- **Services to Infants and Toddlers:** A number of Washington school districts are serving this population, although it is *not mandated* by federal or state law.
- **Attention Deficit Hyperactivity Disorder:** The educational needs of children with Attention Deficit Hyperactivity Disorder (ADHD)<sup>10</sup> have received increased notice.
- **Students Require More Intensive Services:** Teachers and administrators believe that some students today have more severe needs which require more intensive services provided at schools, such as tube feedings and new strategies to deal with increasingly violent behaviors.
- **Due Process Hearings:** Parental dissatisfaction with IEP processes or decisions has resulted in twice the number of due process hearings. In 1993-94, 72 due process hearings were conducted, compared to 36 in 1985-86.

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<sup>10</sup> ADHD is a developmental disorder characterized by inappropriate degrees of inattention, overactivity, and impulsivity. It can result in academic underachievement, conduct problems, and low self-esteem.

### III. Study Methodology and Data

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This study examines:

- Trends in special education enrollment and reasons for the trends.
- The legal parameters surrounding special education.
- Washington special education funding.
- Trends in other states' special education funding formulas.
- High cost issues.

The study team<sup>11</sup> conducted interviews and read 1,450 student records in 16 districts and one Educational Service District (ESD) Special Education Services Cooperative. The districts were selected based on size, geographic location, and percent of special education students. While the districts were not chosen randomly, they reflect the state and do represent 25 percent of the state's special education student population. *See Table 2*

The number of hours of special education services from each student's IEP were obtained from 26 school districts with data available on their computer systems. These districts represent 32 percent of the state's special education population. In each of these 26 districts, the amount of IEP time for all students in special education was compared to the average amount of time assumed in the state special education formula.

Substantial information was obtained through the Office of the Superintendent of Public Instruction (OSPI) from financial and program reports on revenues, expenditures, enrollment, placement, services, and use of federal funds for high-cost students. Additional information was gathered from local school districts on high cost students, district philosophy on how students are classified, and how they are served. In a parallel effort, OSPI engaged a national consultant to review the experiences of other states that have recently changed or are changing their special education fiscal formulas.

OSPI convened a statewide task force of advocates, school district and ESD special education directors, and business officers to review the national and state study findings and conclusions. *(See Appendix B for a list of task force members.)*

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<sup>11</sup> Staff from the Washington State Institute for Public Policy, the Legislative Budget Committee, and legislative fiscal committees.

**Table 2**  
**School Districts in**  
**Special Education Fiscal Study**

District	K-12 Population 1993-1994 <sup>1,2</sup>	Special Education Population 1993-1994 <sup>1,3</sup>	Percent Special Education
Auburn	11,399	857	7.5%
Bethel	13,387	1,391	10.4%
Ephrata	2,065	278	13.5%
ESD 112 Coop	9,444	1,193	12.6%
Federal Way	19,634	2,034	10.4%
Kennewick	12,855	1,185	9.2%
Kent	23,623	2,555	10.8%
Longview	7,498	1,286	17.1%
Mercer Island	3,461	263	7.6%
Mukilteo	11,884	1,044	8.8%
Pasco	7,309	728	10.0%
Port Angeles	5,070	573	11.3%
Snohomish	7,880	876	11.1%
Spokane	31,218	3,021	9.7%
Tacoma	31,191	4,358	14.0%
Vancouver	18,329	2,242	12.2%
Yakima	13,218	1,472	11.1%
<b>Sample Total</b>	<b>229,465</b>	<b>25,356</b>	<b>11.1%</b>
<b>State Total</b>	<b>909,528</b>	<b>101,108</b>	<b>11.1%</b>

<sup>1</sup> Average annual headcount.

<sup>2</sup> K-12 population does not include preschool or younger children.

<sup>3</sup> District numbers reflect resident students who receive special education services within their own district.

## IV. Study Findings

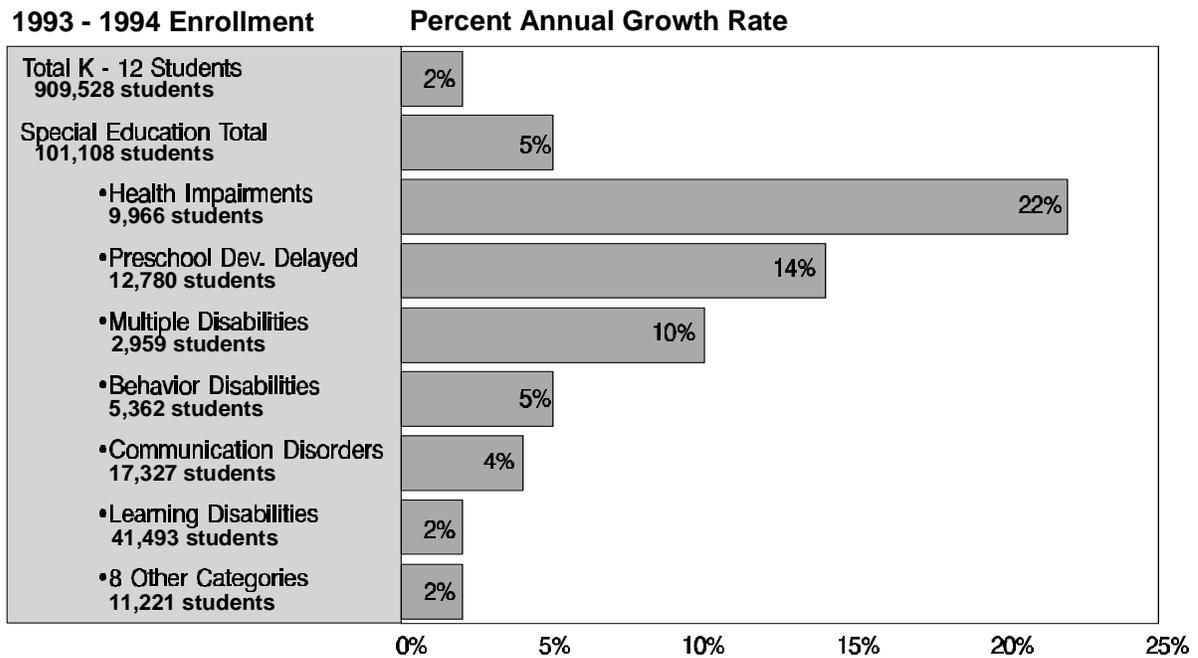
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### A. Changes in the Special Education Population From 1985-86 to 1993-94:

Major statewide trends:

- Washington's special education population grew an average of 5 percent each year compared to a 2 percent yearly growth in the K-12 population over the last 10 years. See *Chart 1*
- The three fastest growing categories are: Health Impairments at 22 percent each year, Preschool Developmentally Delayed at 14 percent each year, and Multiple Disabilities at 10 percent each year.

**Chart 1**  
**Growth in Regular and Special Education:**  
**Average Annual Growth Over Last 10 Years**



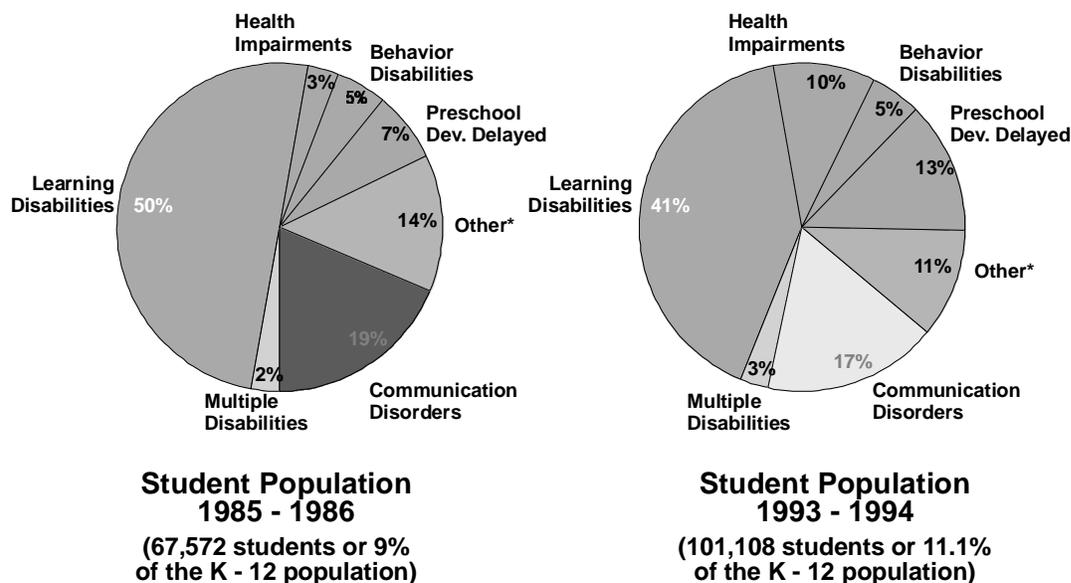
K - 12 population is based on the annual average headcount.  
 Special Education includes preschool handicapped and is based on the annual average headcount.

WSIPP, January 1995

- The total special education population has increased from **9 percent** (67,572) of the K-12 population<sup>12</sup> in 1985-86 to **11.1 percent** (101,108 students) of the K-12 population in 1993-94.<sup>13</sup> See Chart 2
- The disability categories that contain physically disabled children (excluding Multiple Disabilities) have small numbers of students and are not fast growing categories, with the exception of Hearing Impairments, which has had a 14 percent average annual growth rate.
- Several categories of disability have also shifted from 1985-86 to 1993-94:
  - Learning Disabilities decreased from 51 percent to 41 percent of special education students.
  - Health Impairments increased from 3 percent to 10 percent.
  - Preschool Developmentally Delayed increased from 7 percent to 13 percent of the total special education student population.

**Chart 2**

## Washington State Special Education Changes in Category Distributions



\* "Other" combines the eight remaining categories.  
Source: OSPI.

WSIPP, January 1995

<sup>12</sup> Preschool age and younger are counted in the special education population, but not in the K-12 population.

<sup>13</sup> The Office of Financial Management forecasting division projects that by 1996-97 the percent of special education enrollment will be **12.6 percent** using the October headcount.

## B. Why Did These Population Changes Occur?

From information through district interviews and student record reviews, the study team can explain why some changes occurred in the following disability categories:

- **Learning Disabled Students:** This category continues to contain the largest population of students (41,493). The decrease in percent of learning disabled students may be attributed to a funding formula disincentive put in place in 1984, decreasing funding whenever more than 4 percent of a district's enrollment is identified as learning disabled. It is also possible to put a child with a specific learning disability into another category, such as Health Impaired.
- **Health Impaired Students:** The increase in the number of children in the Health Impairments category may be attributed to a growing awareness among parents and school district staff of children with Attention Deficit Hyperactivity Disorder (ADHD) who may be eligible for special services. In our review of student records, many letters from doctors and school forms signed by doctors diagnosed children with ADHD. Upon receipt of a doctor's letter, schools had to document whether the child's condition caused an educational impact.

In our field review of 805 records, 59 percent of the Health Impaired students were diagnosed with ADHD. The percent of Health Impaired students with an ADHD diagnosis ranged from 32 percent to 80 percent in individual districts. Much of this difference can be explained by local district philosophy about what strategy to use to help ADHD children and how frequently physicians in an area were diagnosing children with ADHD.

The most common health impairment diagnoses, aside from ADHD, were: epilepsy, seizures, autism, and cancer.

- **Preschool Developmentally Delayed Students:** The increase in the preschool population may, in part, be attributed to a stronger emphasis on the birth up to age 3 population from a federal grants program created in 1986 to assist local districts in planning how to serve infants and toddlers. Nine of the 16 school districts and the ESD interviewed were serving children from birth to age 3.

Some children may not have access to other kinds of preschool programs or may come from dysfunctional family situations and exhibit developmental delays. Many communities in our state have very active childfind programs that locate young children in need of special services.

- **Students with Multiple Disabilities:** Staff in many districts mentioned severe cases of medically fragile children who needed tube feedings or catheterization. **Few** such cases were found in the district files we reviewed.

The most common multiple disabilities were mental retardation with some other condition such as seizures, cerebral palsy or orthopedic impairment. Occasionally, the files mentioned serious behavioral disabilities and/or ADHD as one of the multiple disabilities.

The study team was unable to document whether an increase in special education students was due to children who had parents who used excessive alcohol or drugs.

### **C. Who Enters and Exits From Special Education?**

- *District philosophy and the findings of the MDT* both determined whether a child was placed in special education and what disability label was assigned. Some state categories, such as Preschool, Health Impairments, and Learning Disabilities, contain very broad definitions. In reviewing IEP files, the study team found that a student with overactive/impulsive behavior tendencies could be labeled Health Impaired in one district, Learning Disabled in another district, and Seriously Behaviorally Disabled in a third district. Each of the categories, under state rules, carries definitions that can encompass children in any of the three categories.
- School districts which had a lower percent of special education students than the state average tended to serve students through *pre-referral support strategies* such as small regular education class sizes, learning support centers, and one-on-one tutoring.
- *It is difficult to determine how many children leave special education services.* Students with Communication Disorders are the most notable group who leave special education services as they grow older and their speech impairments decrease. There is no current systematic capability to track the percent of preschool developmentally delayed children who remain in special education when they enter and progress through the K-12 system.

### **D. Current Special Education Funding in Washington State**

#### **1. Legal Parameters**

Washington is required by its constitution to define and fully fund a basic education program. Programs for children with disabilities are considered a part of the basic education program.<sup>14</sup>

*The state funding formula must reflect as reasonably as practicable the actual costs of a properly formulated IEP.* The Washington Legislature may not reduce funding to save money. The state formula is based on averages, but individual districts may have above-average needs, so a safety net should be available for districts that are inadequately funded.<sup>15</sup>

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<sup>14</sup> *Seattle School District v. State of Washington*, Washington State Supreme Court, 1978; *Seattle School District v. State of Washington*, Washington State Superior Court of Thurston County, 1977; *Seattle School District v. State of Washington*, Washington State Superior Court of Thurston County, 1983; and *Washington State Special Education Coalition v. State of Washington*, Washington State Superior Court of Thurston County, 1987.

<sup>15</sup> *Washington State Special Education Coalition v. State of Washington*, Washington State Superior Court of Thurston County, 1987.

## 2. **Maintenance of Effort**

The U.S. Department of Education, through federal statute, requires school districts to spend the same amount of state and local funds (total or average per capita) as spent in the previous fiscal year with allowances made for any decrease in enrollment. When several Washington school districts levies failed in the early 1980s, the federal government did not waive this maintenance of effort requirement. If a school district does not comply with this requirement, federal funds are withheld.

## 3. **Special Education Funding Formula**

Washington's special education formula allocates money to local school districts based upon the number of special education students enrolled. It is a funding model which combines payments for special education excess costs and some basic education costs. The funding model provides different amounts of money for each of the 14 disability categories based on assumptions of statewide average resource levels of staff units for each category. Certificated (teachers, counselors), administrative (principals, psychologists) and classified (aides, assistants) staff units are calculated for each of the 14 categories using different staff ratios for each category. The formula staff ratios allocate resources for school districts to provide special education instruction and related services and administration to conduct MDT assessments and develop IEPs. The formula also includes a staff mix factor that allocates money for more experienced certificated staff.

The current formula differentiates the amount of **excess cost** (the added cost of special education services in addition to the cost of regular education) for each disability category based upon the assumed need for special education services. Thus, each category receives a different amount of **excess cost** ranging from \$1,117 for a Communication Disordered student to \$9,057 for a Multiple Disabled student. See *Chart 3*

In addition to the **excess cost**, every K-12 student (both regular education and special education) receives a **basic education amount** of **\$3,559** (in 1993-94).<sup>16</sup> Most categories of special education receive part of their basic education funding in their special education service funding (*see Chart 3*).

For example, the Health Impairments category is funded at an excess cost of **\$4,042** per student. The formula assumes all Health Impaired students spend 57 percent of their day in special education services and 43 percent of their day receiving regular classroom instruction. The category's basic education allocation of \$3,559 would be split with 57 percent, or \$2,047 allocated under special education funding and the other 43 percent, or \$1,512 allocated under basic education funding. The special education allocation for a student in the Health Impairments category would be the excess cost (\$4,042) plus

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<sup>16</sup> The basic education figure does not include a number of separately appropriated K-12 programs, such as transportation, block grant, gifted, bilingual, and learning assistance.

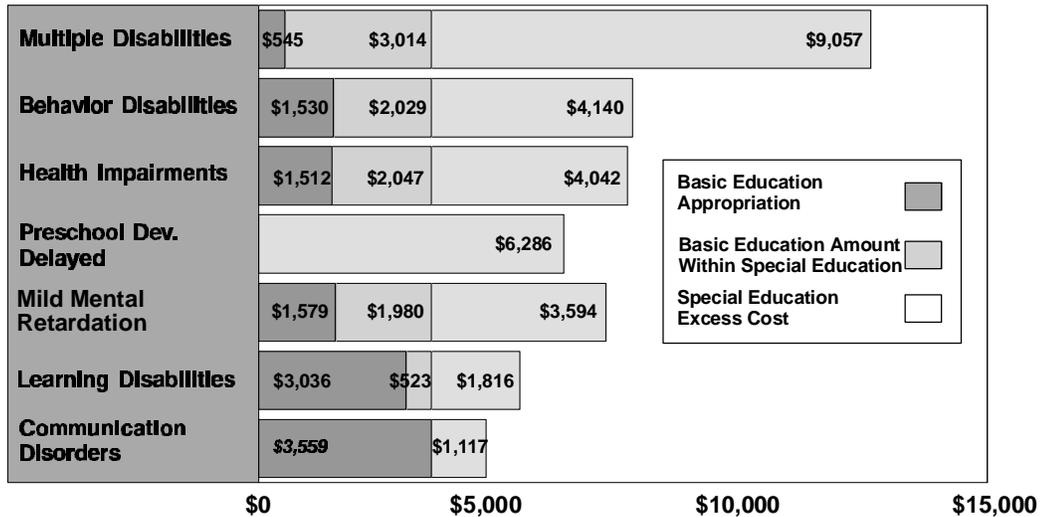
57 percent of the basic education cost for a total of \$6,082. In addition, the remaining 43 percent of basic education state dollars will result in a total state expenditure per Health Impaired student of **\$7,601**.<sup>17</sup>

As more students receive special education services in the regular classroom, it may be more appropriate to shift basic education funds, which are now a part of the special education appropriation, to the basic education apportionment appropriation.

Washington's special education funding system is an allocation model giving full responsibility to local districts to decide how to spend the funds. Although the state allocates its money based on the number of students in each category, with certain assumptions about time spent in special education, the districts may spend the money in the way that makes most sense for the unique service needs of individual children. School districts can move money between and within categories to fund differing levels of services for children. *For more information about how the special education fiscal formula has evolved and works, see Appendix C.*

**Chart 3**  
**Special Education:**  
**Excess Cost Per Student 1993 - 1994\***

Categories with 2,000 or more students



\* Formula allocation plan, not a district spending plan.  
Source: OSPI and Senate Ways and Means

WSIPP, January 1995

<sup>17</sup> This allocation only covers two programs--special education and apportionment. Additional funds for each student are provided through the block grant and transportation allocations.

No limit exists on the number of children who can be identified within a district for special education. The state is obligated to pay for each child who qualifies. Special education funds may only be spent on special education.

#### **4. Revenues and Expenditures**

In 1992-93 the source of funds for special education was: 79 percent state, 13 percent local and 8 percent federal. Local school districts may choose to enhance their special education budget with local levy dollars. 35 percent of the districts interviewed used local levy dollars which comprised approximately 15 percent of their total special education budgets. The federal government also pays OSPI a flat grant of \$308 per disabled child up to 12 percent of the state's K-12 population; OSPI, in turn, allocates these resources to school districts.

In 1993-94 the Washington Legislature appropriated \$427.3 million for special education<sup>18</sup> (about 11 percent of the total state resources for K-12).<sup>19</sup> This amount has increased 67 percent since 1985-86, compared to a 50 percent increase in special education enrollment over the same period. See *Table 3*

\$319.9 million is for *excess costs*--those dollars above the regular education resources needed to pay for special education services; \$107.4 million is *basic education money for special education* students while they are obtaining special education services. An additional amount of \$187.4 million in *basic education money* is also provided through the basic education appropriation for resources to special education students when they are not receiving special education services and when they are assumed to be receiving regular education services. See *Table 3 and Chart 4*

In Washington in 1993-94 the average excess cost to fund a special education student was \$3,109 plus \$3,559 of basic education for each K-12 student. The total average cost of educating a special education student was \$6,668 or 1.87 times the cost of a basic education student. Special education costs are affected by the number of students served, the composition of students in each disability category, and the salaries of teachers and other staff.

State funding for special education as a percent of total expenditures has increased from 73 percent in 1985-86 to 79 percent in 1993-94.<sup>20</sup> State funding is less than total expenditures due to the presence of local levy and federal revenues expended for special education. However, state funding covers the full cost of the state definition of basic education.

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<sup>18</sup> The total state special education appropriation for 1993-95 was \$870 million.

<sup>19</sup> Special education transportation costs are part of the transportation budget and are not factored into the special education appropriation.

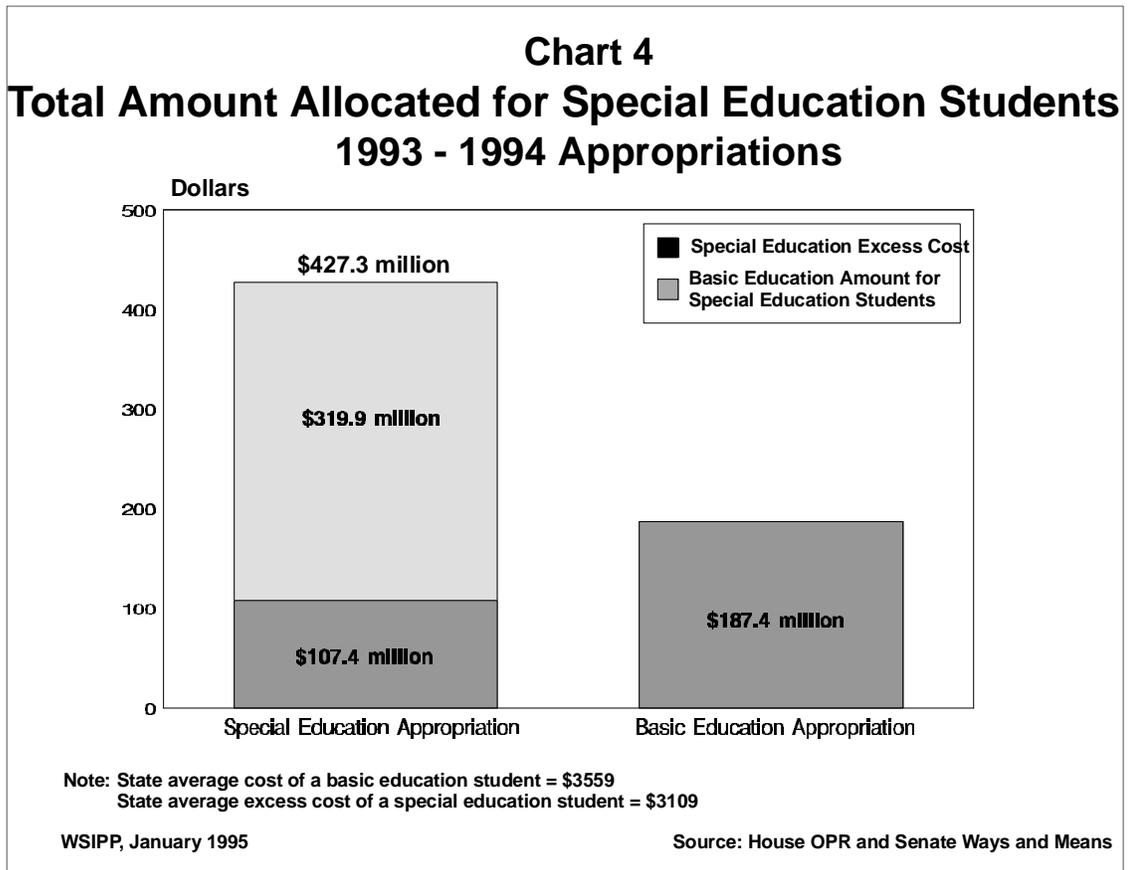
<sup>20</sup> Washington State Office of Financial Management.

**Table 3**

**Special Education Allotments and Enrollment**

<b>Special Education Allotment (Dollars in Millions)</b>	<b>1985 - 1986*</b>	<b>1993 - 1994</b>	<b>Percent Change</b>
Excess Cost	\$185.0	\$319.9	73%
Basic Education within the special education allocation	<u>71.3</u>	<u>107.4</u>	51%
<b>Total</b>	<b>\$256.3</b>	<b>\$427.3</b>	<b>67%</b>
Special Education Enrollment	67,572	101,108	50%

\*1985 - 1986 allotments for special education are based upon 1993 - 1994 cost allocation rates for staff to make the data comparable for the two periods.



## 5. **High Cost Students**

The state formula provides greater allocations for students in disability categories assumed to require higher and more costly levels of service. While the state special education formula in these high cost categories may seem to provide only 50 to 60 percent of the state funds needed, local school districts can move the money allocated for their students around and shift funds from low cost to high cost categories and student needs. For the unexpected high cost student, they can also apply for emergency funds through their ESD.

OSPI applies some federal funds for regional discretionary grants. Of these funds, approximately \$2 million were available in 1993-94 for the nine Educational Service Districts (ESDs) to provide grants to school districts with emergency/high cost service needs. During 1993-94, 243 grants were awarded to school districts ranging from \$183 to \$75,781.<sup>21</sup>

The four disability categories with the most grants were: Seriously Behaviorally Disabled (36 percent), Multiple Disabilities (22 percent), Health Impaired (9 percent), and Deaf/Hard of Hearing (9 percent). An additional half a million dollars is disbursed through ESDs to school districts for assistance (e.g., direct services or for a staff coordinator) with Seriously Behaviorally Disabled Children.

Each ESD uses slightly different criteria to award these discretionary resources, but the main purpose is to help school districts educate children with exceptional needs on an emergency basis. Each ESD convenes a panel of special education directors and ESD staff to review school district applications one to three times a year. The funds are almost always awarded for direct instruction or equipment. Students are usually funded on a one time basis--the district must then reallocate its regular special education funds to cover the costs for subsequent years.

Sometimes the ESDs have not awarded all of their regional discretionary grant funds during a year, and have used the unspent funds on other regional special education programs. In 1993-94, \$70,000 of the \$2 million was left over and reallocated in the next year's apportionment.

The study team also obtained information on high cost students from 11 of the districts interviewed. For purposes of the study, high cost children were defined as any child who cost over \$14,000 a year. On average, 2 percent of the districts' special education population were high cost students. Of the 371 *high cost* cases reviewed:

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<sup>21</sup> Washington State Office of the Superintendent of Public Instruction, Office of Special Education, 1994.

- 25 percent were Behaviorally Disabled; the average cost was \$19,025.
- 25 percent were Multiply Disabled; the average cost was \$19,873.
- 23 percent were Deaf/Hard of Hearing; the average cost was \$17,426.
- 9 percent were Moderately Retarded; the average cost was \$20,616.
- 8 percent were Health Impaired; the average cost was \$20,787.

## **6. Weekly Hours of Special Education Student Services**

The actual number of special education hours each student receives is recorded on the student's IEP in each school district.<sup>22</sup> Under state statute,<sup>23</sup> there is an annual average total number of instructional hours which must be offered to satisfy the basic education program requirements. This number was computed to a standard number of hours for special education services per week in each disability category. *Chart 5 and Table 4* measure student time spent in special education based on the IEP, but not costs of special education (e.g., inclusion, technology, actual costs of direct services, and IEP and assessment work). These costs are referenced later in the study.

It should be noted that almost 50 percent of Washington's special education students receive their special services in the regular classroom.<sup>24</sup> The study team asked special education directors if the weekly hours on the IEP were accurate. In almost all instances they agreed that the hours were accurate; nonetheless, the total amount of specially designed instruction for these children may not be accurately reflected on their IEPs. With inclusion, special education students are receiving less direct service from special education teachers because they receive instruction in the regular classroom from regular education teachers and classroom aides.

The following findings emerged using the computer database of information on the number of hours of special education services (excluding Preschool, Deaf-Blind, and Communication Disordered Disabilities) from 26 districts:<sup>25</sup>

- 46 percent of the special education students received 6 hours or less of special education services per week. *See Chart 5*

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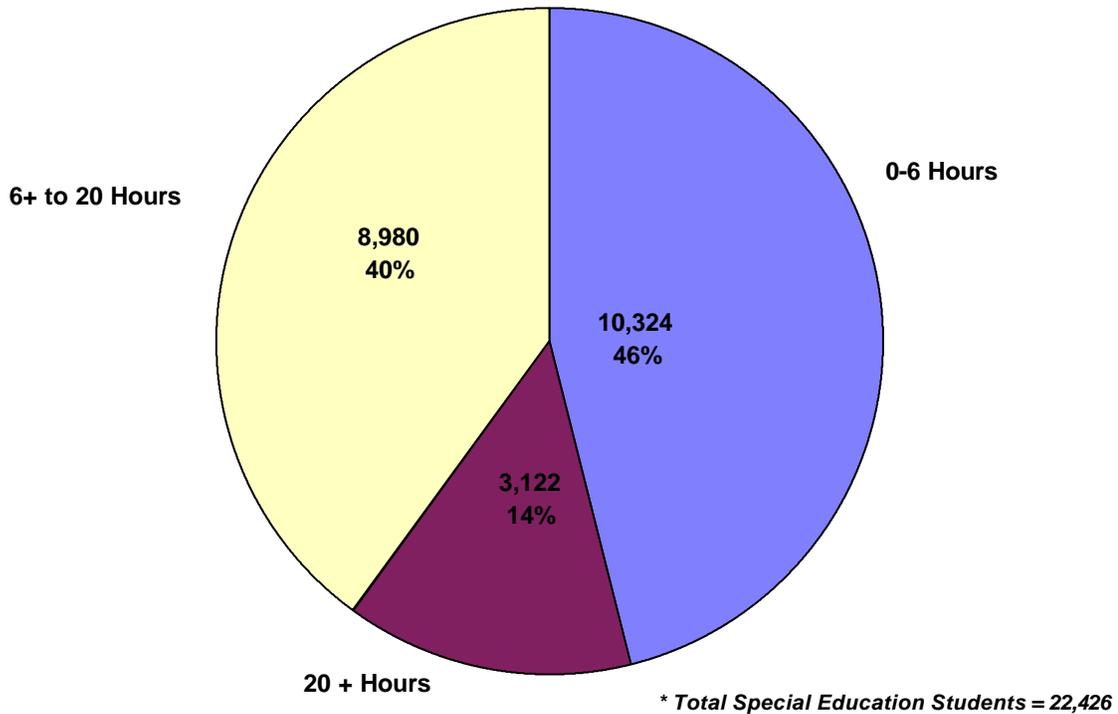
<sup>22</sup> WAC 392-171-461 (1) (g).

<sup>23</sup> RCW 28A.150.220.

<sup>24</sup> Office of the Superintendent of Public Instruction, *Annual Report for 1992-93 School Year*, p. 29.

<sup>25</sup> These 26 districts represent 32 percent of the special education students statewide in the categories reviewed. Preschool was excluded because there is no formula standard. Deaf-blind was excluded because of the low incidence. Communication Disordered disabilities was excluded because students receive low hours of service.

**Chart 5**  
**Almost Half of Special Education Students**  
**Receive Six or Less Hours of Service per Week on IEPs**  
 (Adjusted to exclude Preschool, Deaf-Blind, Communication Disordered)



- School districts had average weekly IEP hours that were lower than the funding formula assumptions. The formula assumed an average of **12.6** program hours of special education service per week for special education students, but the 26 districts' data showed an average of **9.56** hours per week on the IEPs. *See Table 4*
- Except for the three Mental Retardation categories, the formula assumed a higher amount of service hours per student than the districts' IEP average hours listed.
- For Health Impaired students, 15.8 hours per week is the average number of service program hours assumed under statute. The on site file review of health impaired students showed an average total number of hours in the 16 districts (805 student records) of **9.3** hours for all health impaired, reflecting **8.3** hours for ADHD students and **11.0** hours for other health impaired students.

There appears to be a difference in philosophy of special education service between what is assumed in the state funding formula and what occurs in local school districts.

**Table 4**  
**Hours per Week of Special Education**  
**Comparing IEP Data and Hours Provided by Funding Formula\***

DISABILITY	IEP AVERAGE HOURS PER STUDENT	FORMULA STANDARD (RCW 28A.150.220)
Behavior Disabled	11.19	15.95
Orthopedic	7.63	18.71
Health Impaired	9.09	15.80
Learning Disabled	7.35	9.33
Mild Mental Retardation	16.01	15.39
Moderate Mental Retardation	21.97	20.26
Severe Mental Retardation	24.83	23.30
Multiple Disabilities	21.84	23.61
Deaf	17.83	21.37
Hearing Impaired	8.74	19.60
Visually Impaired	6.23	16.20
WEIGHTED AVERAGE	9.56	12.60

\*Adjusted to exclude Preschool, Deaf-Blind, and Communication Disordered students.

Source: IEP data from 26 districts N = 22,426

*Legislative Budget Committee, November 1994*

## 7. **Staffing Patterns**

Statewide data on district staffing patterns was compared to the funding model assumptions, and showed:<sup>26</sup>

- In 1985-86 the funding model closely reflected statewide actual district staffing patterns for certificated and classified staff.
- In 1993-94 a discrepancy existed between the formula's assumptions and district practice for certificated and classified staff:
  - The actual certificated FTEs were 1400 **less** than the funding model assumes.
  - The actual classified FTEs were 990 **more** than the funding model assumes.

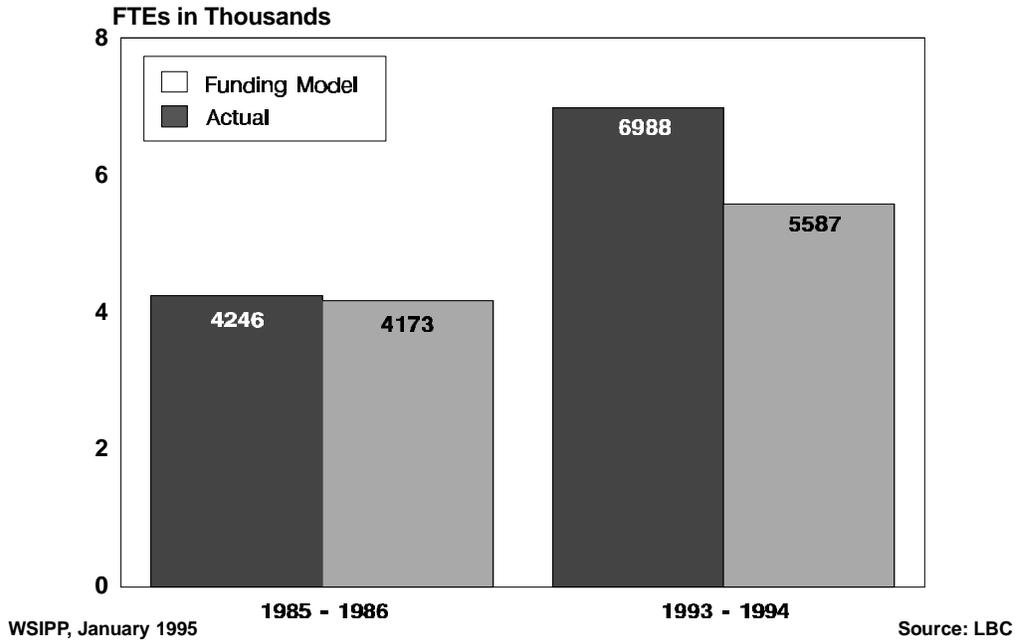
*See Charts 6 and 7*

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<sup>26</sup> The district staffing patterns include state and locally funded FTEs.

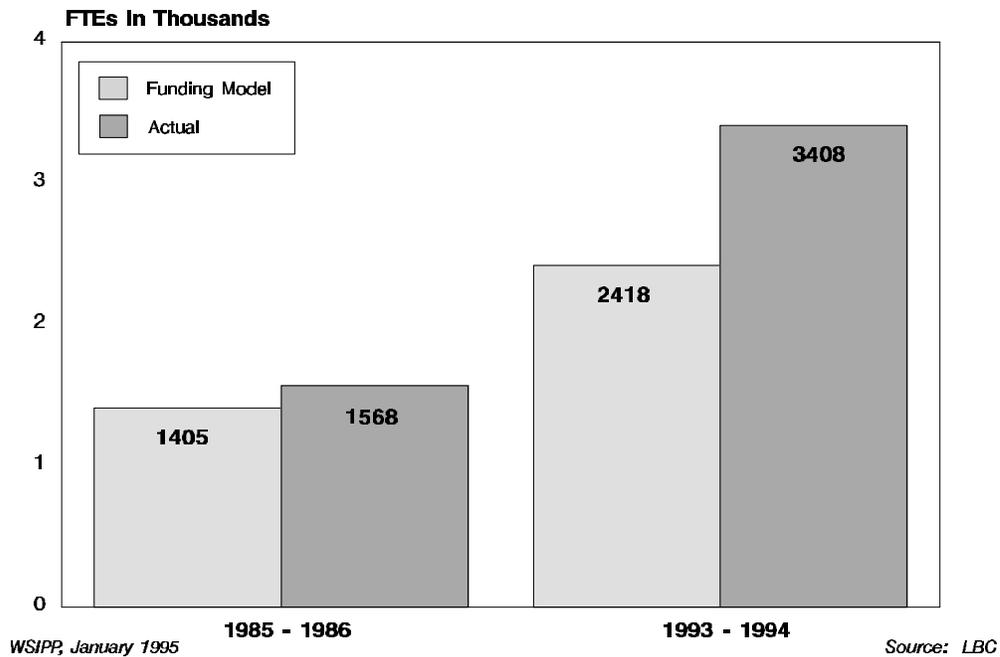
**Chart 6**

**Actual versus Funding Model**



**Chart 7**

**Classified FTEs in Special Education  
Actual versus Funding Model**



The *certificated discrepancy* can be explained in part by a difference in salary levels between what the state funds and what districts pay based on local decisions about supplemental contracts and other types of compensation. An additional factor may be the use of contractors for communication disorder, occupational, and physical therapy. School districts have found it difficult to hire staff in these specialties, thus requiring them to contract with private providers. These FTEs may not appear on *Chart 6*.

The *classified discrepancy* can be explained in part by the use of more classified staff to assist with special education students in the regular classroom as more inclusion occurs. In 1993-94 the average salary of classified staff in special education was \$20,128, while that of certificated staff was \$36,127. These charts show that school districts are using a less expensive staffing pattern than the one provided by the funding formula.

From interviews and a review of records, the following results were found:

- The more specialists (e.g., communication disorder specialists, social workers, occupational therapists/physical therapists) available in a district, the greater the amount of specialty services received by students.
- Some districts have developed innovative staffing ideas to assist with special education students, including: regular education teachers obtaining special education endorsement; the use of trained paraprofessional staff to assist with the responsibilities of communication disorder specialists, occupational therapists, and physical therapists; and experienced teachers to set up intervention strategies with other teachers for children with serious behavior disabilities.

## **E. Additional Cost Issues**

Some special education costs are driven by the state formula--others result from local district practices. A number of costs make up local district special education budgets: the degree of inclusion pursued for special education students, staff time for Multidisciplinary Team (MDT) assessments and individualized education programs (IEP), direct services, contract costs, and indirect costs.

## **1. *Least Restrictive Environment***

Most (82 percent) of the districts interviewed have developed placement options for students in their neighborhood elementary schools that range from self-contained to regular classrooms. These decisions cost the districts more than serving special education students in several magnet buildings. School districts that are working toward greater inclusion models have hired more aides to assist with special education children in the regular classrooms. Frequently, the special education teacher in an inclusion model works with many students daily for shorter periods of time and spends more time supporting and consulting with the regular education teacher about how to help the special education students in the regular classroom. According to OSPI, 49 percent of the special education students in Washington are served in their regular classroom.<sup>27</sup>

## **2. *Multidisciplinary Team Assessments, Individualized Education Plans***

Local school districts are free to choose how they want to structure their special education programs for their students. During the 1970s, advocates focused on ensuring that special education students had access to, and were served in, public schools. This history explains the development of an elaborate procedural and accountability paperwork system of MDTs and IEPs.

In the districts interviewed:

- Estimated assessment costs for the Multidisciplinary Team (MDT) averaged about \$1500 per student, but could range from \$300 to \$2400 per student assessment. The average number of staff on a MDT is between 3-5.<sup>28</sup>
- Administrative law decisions have required some districts to pay for expensive private programs. These cases have caused certain districts to put more specialists on the MDT teams, which in turn, increases the assessment costs.
- The MDT process is viewed with mixed feelings by district officials. Some found it was a valuable process to review a child's learning difficulties. Others viewed it as a means to stay out of court and satisfy federal and state monitoring.

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<sup>27</sup> Office of the Superintendent of Public Instruction, *Annual Report for 1992-93 School Year*, p. 29.

<sup>28</sup> The federal regulation provides for two knowledgeable people on an MDT assessment team. The state regulation provides for three people if a child is suspected to have a specific learning disability.

- The current IEP process in Washington does not suggest a way to measure **progress or assess student progress** against benefits, standards, or outcomes. Each school district develops its own IEP format. The IEP must be updated once a year.

National studies have found that 62 percent of the special education dollars in districts went to direct special education services.<sup>29</sup>

### 3. ***Contract and Other Issues***

**Union Contracts:** 59 percent of the school districts interviewed had local union contracts that specified class size for special education classes and/or a limit on the number of students with IEPs in a regular classroom. When these limits are exceeded, additional aide time or pay would be provided to the teacher.

**Indirect Costs:** 41 percent of the school districts interviewed charged indirect costs ranging from 1.5 percent to 11 percent to their special education budgets. Indirect costs are defined as those expenditure elements that cannot easily, obviously, and conveniently be identified with specific programs.<sup>30</sup> The extent to which indirect costs for special education ought to be allowed continues to be a strongly debated issue.

## F. **Information From Other States**

### 1. ***Formula Approaches***

Over half of the states have recently changed their special education funding formulas or are planning to change them. States that the OSPI consultant examined include: Idaho, Illinois, Iowa, Oregon, Pennsylvania, Vermont and Wisconsin. See *Appendix D for an executive summary of the consultant's report.*

Most states currently have fiscal pressures in many aspects of K-12 education. They struggle to balance the rights of students with disabilities, limited public resources, and growing demands for competing social services.<sup>31</sup>

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<sup>29</sup> Parrish, Thomas, *Federal Policy Options for Funding Special Education*, Center for Special Education Finance, Brief No. 1, Fall 1993.

<sup>30</sup> Accounting Manual for Public School Districts in the state of Washington.

<sup>31</sup> Parrish, Thomas and Deborah Versteegen, *Fiscal Provisions of the Individuals with Disabilities Education Act: Policy Issues and Alternatives*, Center for Special Education Finance, Policy Paper #3, June 1994.

Four approaches reflect how states have chosen to fund special education:<sup>32</sup>

- **Student or placement weighting**--provide differing amount of funds based on a student's disability and/or placement for receiving their education. (36 percent of the states)
- **Cost based**--States reimburse school districts for all or part of the costs of special education services. (30 percent of the states)
- **Flat grant**--States provide fixed funds for each eligible student with disabilities or for a flat percent of total district enrollment. (18 percent of the states)
- **Resource based**--States provide funds for staff units or a percent of special education personnel salaries. (16 percent of the states)

Washington is actually a hybrid of two of these approaches: **student weighting and resource based**. The current special education formula distributes funds using staffing units for each of the 14 different categories of disability.

Only one state, Tennessee, has actually done a long-term study of what happens when the special education formula is changed from a nonweighted system to a weighted system. Samuel Dempsey and Douglas Fuchs of Vanderbilt University examined the changes that occurred when Tennessee's special education formula changed from a "flat rate" based upon a uniform amount of money to each child to a "weighted formula" based upon differing placement costs. The study found that "a shift in placements occurred from the lower funded (less expensive) categories to higher funded (more expensive) service options, concurrent with the change from a flat to weighted reimbursement formula."<sup>33</sup>

## 2. **Types of Reform:**

States have examined three major types of reforms:

- Using special education resources in the regular classroom.
- Allocating resources for pre-referral services.

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<sup>32</sup> O'Reilly, Fran, *State Special Education Finance Systems, 1992-93*, Center for Special Education Finance, December 1993.

<sup>33</sup> Dempsey, Samuel and Douglas Fuchs, 1993, "Flat Versus Weighted Reimbursement Formulas: A Longitudinal Analysis of Statewide Special Education Funding Practices," *Exceptional Children*, v. 59, no. 5, pp. 433-443.

- Severing the tie between the state special education funding and the number of students identified for special education services (e.g., the greater the special education enrollment, the more special education money was provided).<sup>34</sup>

### 3. *Trends:*

Issues that states will face in the future include:

- Increasing numbers of children in the birth to age 6 population.
- Changing socio-demographic patterns which may make more children eligible for services.
- Reforms in general education which will increase academic standards and result in more children needing special services and remedial assistance.<sup>35</sup>

The study team recognized that other states were not fully comparable to Washington in terms of constitutional mandates for full funding and the size and type of student populations. Nonetheless, three of the states the OSPI consultant reviewed use total district enrollment (rather than special education enrollment) as the basis for distributing funds: **Oregon, Pennsylvania, and Vermont**. These three states had previously experienced funding difficulties and implemented these new formulas to remedy earlier financial problems. These new formulas do not contain incentives for identifying high cost students or greater numbers of special education students. In addition, these states allow money to be spent to help children with learning difficulties who are not a part of the special education system.

- **Oregon** uses a weighted pupil formula which distributes funds under the assumption that a special education student costs twice the amount for a regular education student. Funds are distributed to districts using an upper limit of 11 percent of total district enrollment. A state safety net procedure is available for districts who exceed the 11 percent. Funds for this safety net must be part of the current total state appropriation amount for special education.

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<sup>34</sup> Parrish, Thomas, 1994, *Fiscal Provisions*, p. 21.

<sup>35</sup> Parrish, Thomas and Deborah Versteegen, *Fiscal Provisions of the Individuals with Disabilities Education Act: Policy Issues and Alternatives*, Center for Special Education Finance, Policy Paper #3, June 1994, p. 9.

- **Pennsylvania** uses a formula which distributes funds based upon each school district's total student enrollment. The formula allows for two levels of disability, mild and severe, as follows: 17 percent of total enrollment (which includes a combined percent for special education and remediation students) multiplied by \$525 + 1 percent of the total enrollment multiplied by \$7,000. The percentages and flat dollar amounts change annually. These figures are derived from the total amount of special education revenues available. Pennsylvania also has a safety net of 1 percent of the total special education appropriation.
- **Vermont** uses a formula which distributes funds based upon each school district's total student enrollment providing for a percent of staff salary. The funds can be used for special education and remedial education. Over the last three years, Vermont has reduced its special education population by 17 percent. School districts use an integrated system of special education and remedial education directed by instructional support teams. Vermont also has a safety net procedure for school districts to be available for students that cost more than three times the average cost of a general education student.

## **V. Conclusions--Funding Goals and Considerations**

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### **A. Funding Goals**

*The following goals were developed from district interviews, materials from the OSPI consultant and Special Education Resource Task Force, and national literature. These nine goals are not ranked or weighted. In some cases, they may not be mutually compatible. Their purpose is to create a framework for considering potential alternatives.*

Provide a state formula that:

1. Distributes funds equitably among school districts.
2. Reduces labeling of students for fiscal purposes.
3. Meets all federal and state constitutional and legal requirements.
4. Is easy to understand.
5. Produces predictable funding for school district planning.
6. Provides for fiscal accountability.
7. Provides for flexibility.
8. Provides for early intervention.
9. Does not contain fiscal incentives for choosing certain disability categories, placement, and services.

### **B. Implications for Special Education Funding**

*Washington's current special education formula could be changed by:*

- Making it simpler.
- Removing the link between funding and the number of special education students.
- Removing incentives for school districts to choose high cost funding categories.
- Providing incentives to help some students before they need special education.
- Developing accountability measures to measure student progress.
- Examining the state criteria for eligibility in certain disability categories and defining adverse educational impacts if the formula is changed.

## C. Funding Alternatives to the Current Formula

*Based on the findings of this study and recent experiences of other states, alternatives for legislative consideration could include:*

- 1. Develop a formula to allocate funds for special education students based on a percent of total district enrollment. The percent could be one number, such as funding up to the current statewide average of 11.1 percent for all students or, if several categories are chosen, the percent could be broken out in different ways.**

### **Considerations:**

- The number of special education students would no longer influence how much money is allocated to a school district.
- Funds would not be allocated based on a count of students in the 14 disability categories.
- The link between funding and cost of services for special education is weakened; services do have varying costs.
- State funding must be sufficient to meet federal maintenance of effort requirements.
- The formula must address districts above and below the percent chosen.
- The formula might need to include a higher amount for a certain percentage of students assumed to need more costly services.

- 2. Develop a formula to allocate funds for special needs students--combining special education students and learning assistance program (LAP) students. This formula could be based on a combined percent of K-12 special education and LAP student current enrollment of the total district enrollment, or on a certain percent of total district enrollment for special education and the current funding formula for LAP which uses fourth and eighth grade test scores.**

### **Considerations:**

- Blending special needs programs would provide districts with additional flexibility to serve students in a variety of settings as needed.
- Districts would not have funding incentives to enroll students in certain categories since funds don't depend upon a student label.
- The formula may be inequitable unless special provisions are made for unusual circumstances.

**3. Each of these alternatives might also include some of the following features:**

**a. Develop a safety net.**

- Two kinds of safety nets may be needed:
  - Funds to meet the maintenance of effort for school districts over the percent of total enrollment selected.
  - Funds to assist school districts with high cost emergency students.
- Funds for the first safety net could include a percent of the total state special education general appropriation and the federal Medicaid dollars obtained from school districts' billings for Medicaid reimbursement that are now returning to the general fund. Funds for the second safety net could continue to come from the federal discretionary regional projects.
- The OSPI could dispense funds to school districts needed to meet maintenance of effort requirements. The current ESD model could be used for dispensing emergency federal funds (e.g., regional criteria, peer review panels) for special education students. It is unlikely that specific demographic criteria could be used in a reliable manner that linked the criteria to the number or high cost of special education students.

**b. Use only excess cost.**

- Remove basic education dollars from the special education appropriations and return to an excess cost model which was used prior to 1980.

**c. Collapse the number of special education categories.**

- One category would include all special education.
- Two categories could include preschool and all K-12 categories, or mild and severe students (such as Pennsylvania's system does).
- Three categories could include preschool, communication disordered, and K-12.
- Other combinations could be explored as well.

**d. Use of special education funds for early intervention non-special education services.**

**e. Identify cost factors related to individual school districts.**

- Education and experience of certificated staff.
- High incidence of certain kinds of disabled children.

**D. Concluding Comments**

These alternatives to the current special education funding formula are based on the study's key findings:

- Special education enrollment has increased twice as fast as regular education enrollment over the past 10 years.
- The funding formula gives school districts incentives to choose higher cost special education funding categories.
- The differences between the state's assumptions for the allocation formula and actual services provided by the school districts provide a basis to examine changes to the special education formula which has been in place for fifteen years.

# GLOSSARY

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<b>ADHD</b>	Attention Deficit Hyperactivity Disorder
<b>CDS</b>	Communication Disorder Specialist
<b>ESD</b>	Educational Service District
<b>Excess Cost</b>	The cost of educating special education students in excess of the funds provided for basic education.
<b>FAPE</b>	Free and Appropriate Education
<b>IDEA</b>	Individuals with Disabilities Education Act
<b>IEP</b>	Individualized Education Program
<b>Inclusion</b>	All students with disabilities will be served in the neighborhood school in the least restrictive environment.
<b>Least Restrictive Environment</b>	Children with disabilities should be educated with children without disabilities to the maximum extent possible. Children should be afforded a full continuum of services that is individually determined.
<b>MDT</b>	Multidisciplinary Assessment Team
<b>OSPI</b>	Office of the Superintendent of Public Instruction
<b>OT</b>	Occupational Therapist
<b>PT</b>	Physical Therapist
<b>Remedial Education</b>	Giving extra help to children in need in certain subject areas.

## APPENDIX A

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### Washington State Disability Eligibility Criteria:<sup>36</sup>

Special education services are provided to students who meet Washington State eligibility criteria under one of the disability areas listed below. Students must meet specific eligibility for one of these disability categories. In addition, there must be documentation on the adverse educational impact and need for special education and related services because of the student's disability.

**Preschool Developmental Disability:** Children between three years and the age of eligibility for entry to first grade, who are developmentally delayed, orthopedically impaired, health impaired, deaf, hearing impaired, visually impaired, or deaf-blind. Services to children under age 3 are optional.

**Serious Behavioral Disability:** Students who exhibit one or more of the following characteristics over a long period of time and to a marked degree: inability to learn which cannot be explained by intellectual, sensory, or health factors; inability to build or maintain satisfactory interpersonal relationships with peers and teachers; inappropriate behavior or feelings under normal circumstances; general mood of unhappiness or depression; or physical symptoms or fears associated with personal or school problems.

**Communication Disorders:** Students who have a documented communication disorder such as stuttering, voice disorder, language impairment, and/or impaired articulation.

**Orthopedic Impairment:** Students who lack normal function of muscles, joints or bones due to congenital anomaly, disease, or permanent injury.

**Health Impairment:** Students who have chronic or acute health problems, such as serious congenital heart defect, other congenital syndromes, other disorders of the cardiorespiratory systems, disorders of the central nervous system, including epilepsy or neurological impairment, or other profound health circumstances or degenerative conditions.

**Specific Learning Disability:** Students who have a disorder in one or more of the basic psychological processes involved in understanding or using spoken or written language. This may include problems in thinking, speaking or communicating clearly, reading with comprehension, writing legibly and with meaning, and accurately performing mathematical calculations, including those involving reading. A learning disability is indicated by a severe discrepancy between the student's intellectual ability and academic achievement.

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<sup>36</sup> Office of the Superintendent of Public Instruction, *Special Education Annual Report for the 1992-1993 School Year*, July 1994, pp. 15-16.

**Mental Retardation:** Students demonstrate significantly subaverage general intellectual functioning, existing concurrently with deficits in adaptive behavior and manifested during the developmental period.<sup>37</sup>

**Multiple Disabilities:** Students who have two or more disability conditions, each of which is so severe as to warrant a special program were the disability condition to appear in isolation, and the combination of which causes such severe educational problems that the student requires intensive programming and cannot be accommodated in special education programs solely for one of the impairments.

**Deafness:** Students who have a hearing impairment which is so severe that the student is impaired in processing linguistic information through hearing, with or without amplification.

**Hearing Impairment:** Students who have a permanent or fluctuating hearing impairment which adversely affects their educational performance.

**Visual Impairment:** Students who have a visual impairment which even with correction, adversely affects the student's educational performance. The term includes both partially sighted and blind students.

**Deaf-Blindness:** Students whose hearing and vision impairments, in combination, cause such severe communication and other developmental and educational problems that they cannot be accommodated in special education programs solely for deaf or blind students.

**Autism:** Students who have a developmental disability significantly affecting verbal and nonverbal communication and social interaction, generally evident before age three. Students in this category have a range of intellectual abilities. Other characteristics often associated with autism are engagement in repetitive activities and stereotyped movements, resistance to environmental change or change in daily routines and unusual responses to sensory experiences. The category of autism includes students with pervasive developmental disorders if they meet eligibility criteria.<sup>38</sup>

**Traumatic Brain Injury:** Students who have acquired injury to the brain caused by an external physical force resulting in total or partial functional disability and/or psychosocial impairment that adversely affects educational performance which results in the need for special education and related services.<sup>39</sup>

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<sup>37</sup> The funding formula assumes three categories for Mental Retardation: Mild, Moderate, and Severe.

<sup>38</sup> Autism and Traumatic Brain Injury are a part of the health impairment category for state funding purposes.

<sup>39</sup> Ibid.

## **APPENDIX B**

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### **Statewide Task Force for the Development of Special Education Funding Alternatives**

*July 1994*

**Mike Ainsworth**  
Special Education  
Spokane School District

**Candy Baker**  
Special Education Advisory  
Council (SEAC)  
Evergreen School District

**Mike Bigelow**  
Office of Financial  
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**John Bresko**  
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**Harry Carthum**  
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**Kirby Cleveland**  
Special Education Director  
North Thurston School District

**David Cupp**  
Special Education Director  
Franklin Pierce School  
District

**Richard Dandridge**  
Children with Hyperactivity  
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**Barb Donaldson**

Special Education  
Administrator  
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**Heather Hebdon**  
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**Allen Jones**  
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**John Jones**  
WSSDA, SEAC  
Quillayute Valley School  
District

**Cecile Lindquist**  
University of Washington  
Experimental Education Unit

**Larry Macguffie**  
Superintendent  
Ephrata School District

**Dennis Mathews**  
Special Education Director  
Educational Service District  
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# APPENDIX C

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## Creation of the Special Education Funding Formula

### ***A. Excess Cost Formula***

In 1971 the legislature passed the first major access law for children with disabilities which requires all school districts to provide an appropriate education for special education students of common school age. The Office of Superintendent of Public Instruction (OSPI) was required to submit a program budget request for special education programs to be funded on an excess cost model (i.e., the additional cost beyond regular education). By the mid-1970s, the state legislature was funding special education using an excess cost formula to serve children with disabilities in either self-contained or resource rooms.

### ***B. Full Cost Formula***

In 1979 the legislature, through the Appropriations Act, instructed OSPI to develop a full cost allocation model. A full cost formula combines special education and regular education dollars for each special education student under the premise that the combined funds should follow the student wherever he/she receives services. OSPI designed a formula to allocate funds based on each school district's special education population and child-specific situation. A key assumption of the OSPI formula was that the greater the educational delay, the higher the program cost for the child. Educational delay initially was broken into four levels of severity referred to as A,B,C, and D. OSPI planned to have each school district test each child and assign him/her to a severity level which would then generate a specific cost.

### ***C. The "ABCD" Full Cost Formula***

Since OSPI was unable to obtain the severity levels in each district to meet the 1980 legislative deadline, a percentage distribution was spread across the ABCD severity levels using "professional judgment." OSPI planned later to validate the information for each school district. A change in personnel and philosophy at OSPI in 1980 ended the effort to place students in the actual ABCD levels of severity and the legislature ratified the ABCD percentages by adopting a Legislative Evaluation and Accountability Program (LEAP) document in the 1981-83 biennium.

The "ABCD" formula, through the LEAP document, provided differing resource levels of staff units for each of the 14 categories of disability. The formula also took into account the differences between certificated and classified salaries in individual school districts. The LEAP document states that the formula is for allocation purposes only, and is not intended to direct districts' decisions in serving individual students.

The actual severity levels of individual students were never used for funding purposes. Thus, the formula had one set of percentages for the levels of severity for each disability category, instead of 296 individual school district variations. The effect of using an assumption on the specific severity level in each disability category made the formula simpler to implement, but led to a court challenge in 1985 over the formula's inability to reflect the costs for a local school district that incurred costs above the state average.

In 1984 the legislature became concerned about the increase in students in the learning disability (LD) category. A "severity factor" was imposed that, in effect, provides maximum funding to a school district when the LD enrollment is at 4 percent of the K-12 enrollment, and a diminishing amount per LD child as the LD enrollment rises above 4 percent.

#### ***D. The Current Allocation Formula***

The funding formula uses an eight month average enrollment reported by each district. Staff are then allocated for each of the 14 categories using a ratio for each one thousand students to a number of special education certificated, classified and administrative staff. The formula also includes a percentage factor for non-employee related costs and the amount of time assumed that students spend outside of regular education instruction.

Using LEAP document 13 for January 1994, a district's behaviorally disabled allocation would include for every 1,000 students: 95.89 certificated staff, 34.56 classified staff, and 3.20 administrative staff. In a district this would translate into one certificated teacher and one-third of an aide's time for every ten students. The students would be assumed not to receive regular education class services 57 percent of the time. Districts are not bound to provide their staff time in the way it is allocated.

**Sources:**

Washington State Institute for Public Policy (1994), *A Review of Current State Law Governing the Education of Children with Disabilities*. Olympia WA: State of Washington.

Office of Superintendent of Public Instruction (1992), *Report to the Legislature on Special Education Safety Net*. Olympia WA: State of Washington.

Office of Financial Management (1991), *Final Report: Special Education Study*. Olympia WA: State of Washington.

Legislative Budget Committee (1990), *K-12 Learning Disabilities Program Issues*. Olympia WA: State of Washington.

**LEAP DOCUMENT 13\***

<b>Special Education Model 1993-1995 Biennium Formula Unit Worksheet</b>						
	Column A Headcount Enrollment	Column B Spec Ed Instr/1000	Column C Spec Ed Admin/1000	Column D Spec Ed Class/1000	Column E Spec Ed Nerc %	Basic Ed Blackout
1. Preschool Handicapped	***	96.45	3.22	47.06	50.00%	
2. Behaviorally Disabled	***	95.89	3.20	34.56	57.01%	57.01%
3. Orthopedically Impaired	***	132.82	4.43	49.08	68.82%	68.82%
4. Health Impaired	***	95.33	3.18	34.34	57.52%	57.52%
5. Specific Learning Disabled**	***	20.32	0.68	6.66	14.69%	14.69%
6. Mentally Retarded Mild	***	85.57	2.85	30.50	55.64%	55.64%
7. Mentally Retarded Moderate	***	141.15	4.71	52.36	71.44%	71.44%
8. Mentally Retarded Severe	***	181.70	6.06	68.31	82.80%	82.80%
9. Multihandicapped	***	191.86	6.40	72.31	84.68%	84.68%
10. Deaf	***	162.02	5.40	60.57	77.11%	77.11%
11. Hard of Hearing	***	143.26	4.78	53.19	71.94%	71.94%
12. Visually Handicapped	***	112.61	3.75	41.13	58.21%	58.21%
13. Deaf Blind	***	201.08	6.70	75.93	87.00%	87.00%
14. Communication Disordered	***	22.22	0.74	0.74	0	0

Notes:

**\*Staff unit formulas and student FTE percents are for allocation purposes only and are not intended to direct districts' decisions in serving individual students.**

\*\* There is also a SLD severity factor formula for districts with over 4 percent of K-12 enrollment reported as SLD which is not presented here.

\*\*\* Actual headcount is inserted here for each school district.

Staff unit formulas and student FTE percents are for allocation purposes only, and are not intended to direct districts' decisions in serving individual students.

Staff and nerc allocation calculations:

Total instructional units/district = (Column A/1000)\*Column B.

Total administrative units/districts = (Column A/1000)\*Column C.

Total classified units/district = (Column A\*/1000)\*Column D.

Total nerc \$/district = (Column A\*Column E)\*\$826 <---for 1993-94.

Total nerc \$/district = (Column A\*Column E)\*\$848 <---for 1994-95.

Substitutes allocation = instructional units\*\$341 per school year.

January 31, 1994

**Appendix E**

***OSPI RESPONSE TO THE  
FISCAL STUDY***

*Please contact WSIPP for copy of Appendix E*