

January 1995

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.