

**Washington's Special Education
Safety Net:
*A Preliminary Report***

This report was mandated by the 1995 Washington Legislature in its 1995-97 Budget—ESHB 1410, section 508 (12).

Edie Harding

Washington State Institute for Public Policy

The Evergreen State College
Seminar 3162, MS: TA-00
Olympia, Washington 98505
(360) 866-6000, ext. 6380
Fax (360) 866-6825

January 1996

Table of Contents

<i>Executive Summary</i>	i
I. Purpose	1
II. Background	2
III. New Special Education Formula and Safety Net Process	3
<i>Flow Chart of Safety Net Process</i>	7
IV. Evaluation Questions and Methodology	8
V. Findings	10
VI. Issues and Recommendations	19
<i>Appendix A: Technical Notes</i>	21
<i>Appendix B: Safety Net Awards by the State Oversight Committee in December 1995</i>	24

Washington's Special Education Safety Net: *A Preliminary Report*

EXECUTIVE SUMMARY

A. Background and Purpose

In 1995, the Washington Legislature revised the state special education funding formula and developed a safety net process to assist school districts with three areas of specific financial need described below. The safety net for special education funds is a unique feature used in only one other state.¹ The Washington Legislature also directed the Washington State Institute for Public Policy in cooperation with the Office of the Superintendent of Public Instruction (OSPI), the Office of Financial Management (OFM), and the fiscal committees of Washington's Legislature to evaluate the allocation of safety net funds under Washington's new special education funding formula.

Through regional and state committees, almost \$40 million in state and federal funds will be distributed over the 1995-97 biennium to school districts that demonstrate² a financial need in one of three categories:

- **Maintenance of Effort (MOE) for state revenues**—Inability to maintain the same level of special education spending as last year due to state funding formula changes. (Awards are made from state funds.)
- **Demographic**—A special education population with more severe disabilities or higher service delivery costs than the state's averages. (Awards are made from state funds.)
- **High Cost Students**—Students with unexpected high cost program needs. (Awards are made from federal funds.)

The Legislature set up specific criteria and a process at the regional level, and then at the state level, for reviewing applications from school districts that apply for safety net funds. Any school district submitting an application for state funds is explicitly subject to certain standards in their special education programs. They must provide assurances that they meet the legislative criteria, including that Individualized Education Programs (IEPs) are properly formulated and that a reasonable effort has been applied to provide appropriate services for students using state funds.

OSPI worked with OFM and the fiscal committees to set up nine regional committees, one in each Educational Service District (ESD), and a state oversight committee to review school district applications. Three rounds of applications will be submitted and reviewed during the 1995-96 school year.

¹ Pennsylvania has a special education safety net administered by its Department of Education.

² Safety net funds are not an entitlement; school districts qualify for funds after proving a need for funds.

A summary of the first round of safety net applications and future directions to improve the process are presented below. A final report is due by October 1996.

B. Findings

Staff from the school districts, educational service districts, and OSPI worked with the regional and state oversight committees under a very short timeframe to complete the first round of safety net applications. There was no template to provide a model on how to administer the new safety net procedures. The special education program is extremely complex and must adhere to detailed federal and state laws, regulations, and court decisions.

This first round of awards was a fluid and evolving process. Many issues were interpreted differently which resulted in: 1) school districts' inability to fill out the applications accurately; 2) inconsistencies among regional committees regarding the processing of applications; and 3) applications containing inadequate information for regional and state oversight committees to conduct rigorous reviews.

For the first round, 89 school districts (out of 296 total districts) submitted 137 applications and requested \$17.4 million for all three safety net categories of funding. The nine regional committees recommended that 118 of the applications be funded at \$11.8 million. The state oversight committee funded 76 applications³ at \$4 million, which was 23 percent of the school district requests. Almost **half of the funds** were awarded to districts with **maintenance of effort** applications. The **greatest number** of awards were made for **high cost student** applications.

Standards adopted by the state oversight committee to implement the safety net provisions of the 1995-97 Appropriations Act during their review of the applications include the following:

- An award may be adjusted if requested information from applicants provides new information.
- The maintenance of effort applies only to state revenues for safety net fund applications. Local levy revenues are excluded. Districts are responsible for maintaining their local levy revenues used last year for special education.
- Audit exceptions in special education programs will be taken into consideration.
- Demographic applications need to go beyond the enrollment information to demonstrate narratively how and why a particular school district is different from state averages.
- Any school district can reapply for safety net funds.

C. Future Directions

³ Thirty-eight (38) of the high cost student applications will need additional information before their applications can be approved.

OSPI staff are in the process of reworking the application and review process, and developing rules and regulations during the early part of 1996. These revisions are to improve the consistency and completeness of the review during the second and third rounds of applications. Some specific issues to be addressed are:

1. Purpose of the Safety Nets:

The purpose of the safety net funds needs to be clarified by OSPI, OFM, and the legislative fiscal committees. There are two major issues: 1) Should all or part of the safety net funds be regarded as permanent or transitional assistance under the new special education formula? and 2) Should the safety net provide assistance for immediate or potential problems?

2. Revised Applications and Timing:

A revised application that specifies exactly what data calculations are necessary, citing OSPI forms and line numbers for reference, should be made available for the next process. All demographic and high cost applications should include a one-page narrative verifying why the school district believes its situation cannot be handled within current revenues. Local school districts should be consulted for their feedback on the revision of the application forms.

Future applications for maintenance of effort and demographic categories should not be submitted to regional and state oversight committees until more actual (rather than estimated) information is available, unless projected estimates are deemed acceptable.

3. Revised Review Procedures:

Model applications from each of the categories awarded in the first safety net review should also be made available to school districts and regional committees.

The state oversight committee could efficiently process all maintenance of effort applications, and the regional committees could continue to process the demographic and high cost student applications. After the third round of applications, the state oversight committee should decide whether the regional committees should continue to review demographic applications.

4. Additional Review:

School districts receiving safety net awards for demographic considerations may have their students' individualized education plans (IEPs) audited. Audit staff for this purpose could be assigned under the direction of the state oversight committee.

Any additional changes that are based on the above suggestions or others should be in place no later than May 15, 1996, so that school districts can have time to build their budgets and determine resource needs.

This evaluation will continue to follow the regional and state processes, as well as address emerging patterns due to changes in the special education formula and safety net over the next nine months, with a final report due October 15, 1996.

Washington's Special Education Safety Net: *A Preliminary Report*

I. PURPOSE

In its 1995-97 biennial budget, the 1995 Washington Legislature requested the Washington State Institute for Public Policy (Institute) to evaluate the operation of the special education safety nets under Washington's new special education funding formula which was put in place for the 1995-96 school year. The safety nets are a feature of the revised special education funding formula, which set aside almost \$40 million in state and federal funds to assist school districts with **demonstrated** financial or program needs not met through the new formula.

Unlike the state special education formula which allocates revenues to school districts, the safety net funds are not an entitlement. This safety net concept is a unique feature that only one other state, Pennsylvania,⁴ has developed. No template exists to provide a model on how to administer the new safety net procedures. It is also important to note that the special education program is extremely complex and must adhere to detailed federal and state law, regulations, and court decisions.

This evaluation follows earlier work the Institute conducted with the Legislative Budget Committee regarding Washington's previous special education funding formula. Revisions to that formula were made during the 1995 legislative session. This preliminary report on the special education safety net will be followed by a final evaluation to be completed by October 1996.

⁴ The Pennsylvania Department of Education administers a special education contingency fund (\$5.8 million in 1995-96) to assist school districts that have "extraordinary expenses," including expenses for a student, or group of students, with disabilities that are not ordinarily present in a typical special education service and program delivery system, or expenses that exceed a 1 percent fee factor (about \$13,000) for any child or group of children. Funds cannot be used to augment general special education services support. Funds are awarded on a reimbursement basis. The applications are reviewed quarterly by one person at the Department of Education. The decision to award an application is made on a programmatic review, not a fiscal review of the district's request.

II. BACKGROUND

The concept of a safety net is not a new one in Washington. In *Washington State Special Education Coalition v. State*, Case No. 81-2-1713-1 (Wash. Super. Ct. 1987), Thurston County Superior Court Judge Doran found that special education funding, which is based on statewide averages, requires a sufficient safety net to provide supplemental funding to ensure full funding for school districts that were inadequately funded from the use of statewide averages. According to that decision, a school district seeking safety net funds must demonstrate to the state that:

- ✓ It operates an efficient special education program.
- ✓ The individualized education programs (IEPs) are properly formulated.
- ✓ The district is making an effort to provide the special education program using the funds generated by the formula.

Between 1991 and 1995, three studies were conducted reviewing the special education funding formula.⁵ Some of the individual findings from these studies include:

- The number of special education students (including children in birth to six programs) was increasing twice as fast as the K-12 student population.
- School districts varied in the percentage of their enrollment of special education children served.
- Certain categories of children with disabilities (e.g., health impaired and preschool) were increasing at faster rates than other categories.
- Some school districts supplemented their special education program with local levy dollars.
- There were disparities between the state funding formula's assumed amount of special education service being funded by the state and the amount of service actually provided to students by school districts.

⁵ The Washington State Institute for Public Policy and the Legislative Budget Committee (1995), *Special Education Fiscal Study*, Olympia, WA: State of Washington. The Office of the 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.

III. NEW SPECIAL EDUCATION FORMULA AND SAFETY NET PROCESS

A. *The New Special Education Formula*

Based on the information from the above studies, the 1995 Legislature adopted a new special education funding formula. The legislative direction was three-fold: 1) to change the allocation per student, which varied based upon a student's type of disability, to a single allocation per student which does not vary based on the student's disability; 2) to change from a full cost model of special education funding, which included basic education and special education funds, to an excess cost model which includes only special education funds; and 3) to establish a maximum eligible enrollment of 12.7 percent of the district's total enrollment for special education students in each school district over the next four years.

1. Allocation Model:

The new special education funding formula provides an allocation of approximately \$3,200 per child ages 3 to 21, and \$3,900 per child ages birth to three, rather than varying allocations per child based upon a child's disability (e.g., a child with a hearing impairment has a different allocation amount under the old formula than a child with a learning disability).

2. Excess Cost and Basic Education Funds:

The new funding formula is an *excess cost model* rather than a full cost model, which means that the "excess costs" of a child's education for special education are allocated through the special education funding formula. The basic education money previously allocated to special education under the full-cost formula has been *redirected* to the basic education formula under the revised special education formula.⁶

Under the old formula, special education students were assumed to be served outside of the regular education classroom part or all of the time; thus, some of their basic education money was also moved outside the regular classroom to where they received special education. Under the new formula, placement of where a child receives special education is not assumed in the formula, leaving the decision up to the district about the appropriate placement.

⁶ This money was referred to as the "basic education backout" under the old formula.

3. Percent of Total Enrollment:

National data suggests that 12 percent of the school-age population needs some type of special education calculated on a headcount basis. In Washington State, the legislature adopted 12.7 percent of each school district's FTE enrollment⁷ as an index for the percent of students eligible for special education. The 12.7 percent of FTE enrollment is equivalent to 12 percent of headcount enrollment.

Through these three mechanisms, the formula was changed to: 1) refocus the purpose of assessments away from potential consideration of the formula's varying allocations in determining a student's disability, and 2) concentrate on the educational needs of the individual child in the least restrictive environment.

Under the special education formula, school districts are entitled to special education funds based on the number of students eligible for special education. A school district's special education program is subject to federal and state laws regarding appropriateness of the program provided to students. Generally, the state assumes that a school district is in compliance with all of the federal and state requirements.

Under the safety net application described below, a district is now required, under the safety net provisions of the 1995-97 Appropriations Act, to provide explicit assurances that the program is appropriate and efficient. These assurances are subject to audit, so there is a higher standard potential of audit review for safety net applications than for the regular special education allocation.

B. The Safety Net Process

The new special education formula is still based upon an assumption of statewide averages. Therefore, \$34.2 million of state funds of "safety net money" was provided for the 1995-97 biennium to school districts that demonstrate above-average needs.

To receive the safety net money, a district will be required to show that they have a maintenance of effort or a demographic problem in **one** of the following areas:

1. An inability to meet maintenance of effort (MOE) through a loss of state revenues.⁸
2. An unusually high percentage of children with disabilities.
3. Children with more severe disabilities than the state average.
4. Greater than average service delivery costs.

⁷ In Washington, enrollment is counted in two ways: 1) headcount (e.g., each child) or 2) full-time equivalent status (e.g., the amount of time a child spends in school). The latter is generally lower than headcount enrollment because some students are not full-time students.

⁸ Under the federal maintenance of effort requirements, school districts must spend the same amount of state and local money this year as they did last year, either in the aggregate or on a per pupil basis. There was confusion in the application process as to whether the federal maintenance of effort applied or whether it was a maintenance of state allocated revenues. The state oversight committee determined it was the latter, and that school districts were still responsible for maintaining any local levy money they put into special education to meet the federal maintenance of effort requirements.

Maintenance of Effort of State Revenues:

The legislature established *three criteria* that school districts must meet to become eligible for MOE requests:

- ✓ IEPs are appropriate, properly and efficiently prepared and formulated.
- ✓ The school district is making a reasonable effort to provide appropriate program services for special education students utilizing state funds generated by the apportionment and special education funding formulas.
- ✓ Calculations with respect to state fund allocations justify a need for additional funds for compliance with federal MOE requirements.

Demographic:

The legislature established *six criteria* that school districts must meet to become eligible for state safety net money under a demographic request:

- ✓ IEPs are appropriate, properly and efficiently prepared and formulated.
- ✓ The school district is making a reasonable effort to provide appropriate program services for special education students utilizing state funds generated by the apportionment and special education funding formulas.
- ✓ The school district's programs are operated in a reasonably efficient manner and the district has adopted a plan of action to eliminate unnecessary or inefficient practices.
- ✓ Indirect costs charged to this program do not exceed the allowable percent for the federal special education program.
- ✓ Available federal funds are insufficient to address the additional needs.
- ✓ The costs of any supplemental contracts are not charged to this program for purposes of making these determinations.

The agreement by a school district that they meet these legislative requirements will result in a higher level of scrutiny into their district's practices than for those districts that do not apply.

The legislature also appropriated \$4.5 million of federal funds for the 1995-97 biennium to provide additional assistance to school districts that have unanticipated individual children with **high cost** special education needs such as a blind child or a child who is medically fragile.⁹

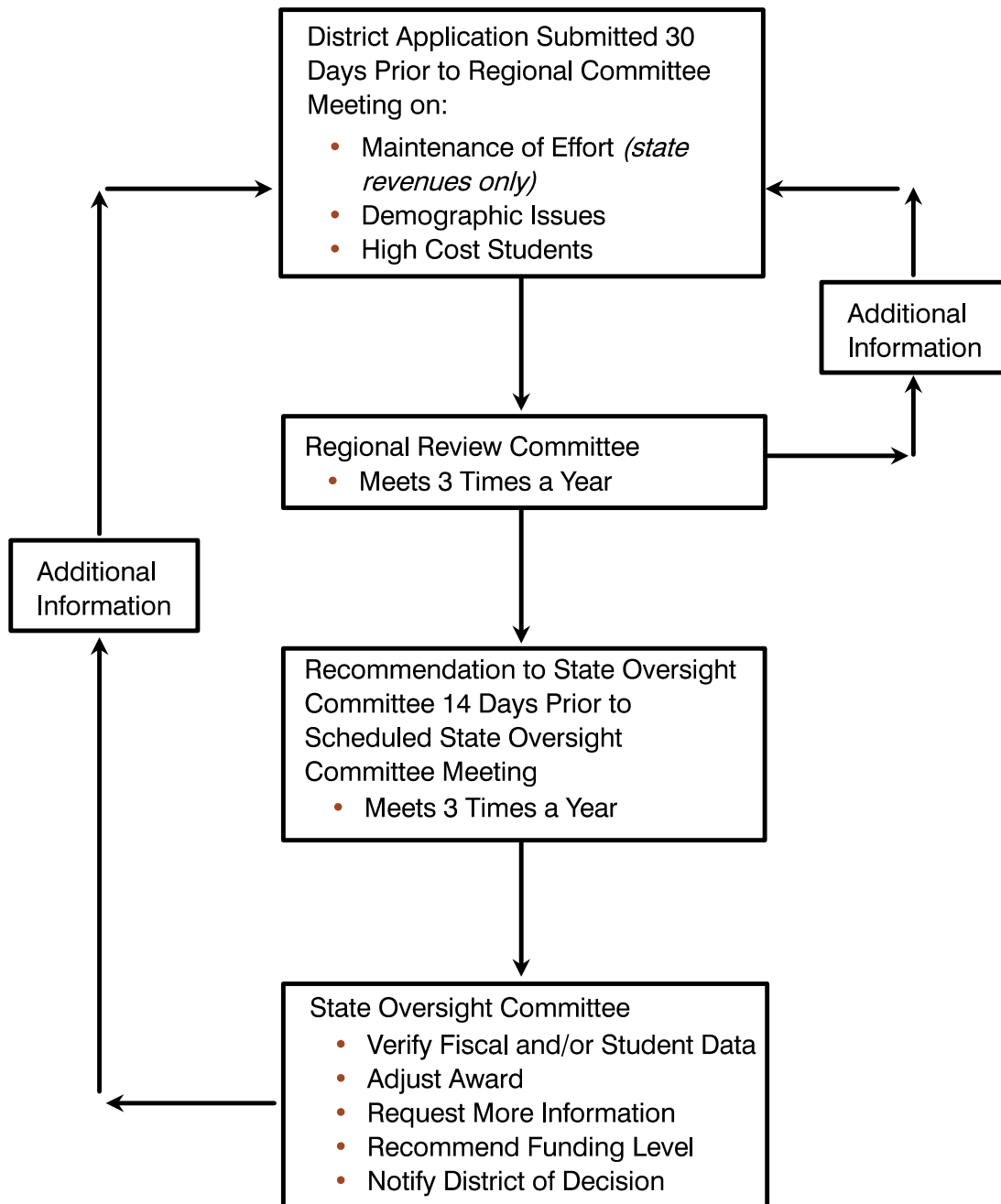
To allocate safety net funds, the legislature established a *two-tiered review process* for safety net applications—one at the *regional level* and another at the *state level*. The nine educational service districts are responsible for convening the regional committees to review school district applications for safety net funding. These committees consist of a representative from the Office of the Superintendent of Public Instruction, one or more staff

⁹ Federal funds have been used for this latter purpose for almost 10 years.

from the educational service district, and representatives from school districts including superintendents, school board members, special education directors, and business managers.

The regional committees forward their recommendations for funding to the state oversight committee, which makes the final funding decisions on all applications. The state oversight committee consists of staff from the Office of the Superintendent of Public Instruction, the Office of the State Auditor, and the Office of Financial Management, and representatives from the school districts or educational service districts knowledgeable of special education funding and programs. (*See Flow Chart of Safety Net Process, page 7*)

Flow Chart of Safety Net Process



Washington State Institute for Public Policy, January 1996

Source: Office of the Superintendent of Public Instruction

IV. EVALUATION QUESTIONS AND METHODOLOGY

A. Evaluation Questions

The Institute's evaluation concentrates on four main areas: a) the type of school district applications, b) funding characteristics, c) the regional and state review processes, and d) overall patterns of enrollment, demographic issues, program costs, and financial conditions across school districts. Most of the questions in the "overall patterns" section, below, cannot be answered until more data is available in 1996.

1. The Application Process:

- Did school districts understand the instructions?
- How long did it take for districts to complete their final applications?
- How accurately were the applications filled out?

2. Review Process:

- What kind of review processes are conducted at the regional and state levels?
- How are determinations made at the regional and state level? To what extent are the legislative criteria considered?
- To what extent are the criteria being uniformly applied in the regional reviews?
- Is the review process at the state level different from the regional level?
- To what extent does the state oversight committee concur with the regional committees' recommendations?
- What changes need to be made in the review processes?
- Are there any timing issues regarding when the final awards are made to school districts?

3. Funding Decisions:

- Which districts requested money? On what basis?
- Which districts receive funds from more than one safety net category?
- Which districts receive the most funds and why?

4. Overall Patterns:

- What patterns can be discerned from the school districts that request or do not request safety net funds?
- Do the districts with less than 12.7 percent of their enrollment of special education identified¹⁰ increase the percentage of special education students from one year to the next? If so, how quickly?
- What happens in school districts with reduced numbers of children enrolled in special education from previous years?
- What were the effects of the special education funding formula on ESD cooperatives?
- Can the special education regulations be streamlined further based on the experiences under the new formula and safety net?
- Does the safety net process still contain an incentive to label students for fiscal purposes? Is there an alternative?

B. Methodology

Washington State Institute for Public Policy staff attended three of the regional meetings and the state oversight committee meetings, and interviewed special education and business office staff from each ESD regional committee, as well as OSPI special education staff and members of the state oversight committee, to develop the findings in this report. In addition, applications were selected from each regional committee to review the adequacy of their submittal as well as exemplary explanations of why a school district needed additional financial assistance.

¹⁰ In the new special education formula, 12.7 percent of the school district enrollment is used as an index for the approximate percent of children eligible for special education services based on national estimates.

V. FINDINGS

A. Overall Observations

During this first cycle of safety net applications, OSPI had a short timeframe to develop an initial application and to create an application review system. There was considerable anxiety on the part of school districts and educational service districts (ESDs) about how to proceed. Directions from OSPI to the ESDs changed as more specific questions came up on how to fill out the application, which required school districts to revise their applications after the initial deadline for submission had passed. Additional clarifications and interpretations caused inconsistencies in how applications were filled out and submitted.

The regional review and state oversight committees labored over the challenge of how to apply the legislative criteria to the applications submitted. As one state oversight committee member said, *“I know a good application when I see it, but it is hard to establish standards for what makes a good application.”* The first round of the new safety net process did not provide adequate information for the committees to review the applications consistently at the regional and state levels.

B. Application Criteria

To implement the requirements for safety net funds under the safety net provisions of the 1995-97 Appropriations Act, OSPI developed an application process¹¹ using three major categories of financial need:

1. Maintenance of effort (*state revenues only*)
2. Demographic
3. High cost students

State funding is available for the first two categories, and federal funding is available for the third category. School districts were allowed to apply for more than one category of funding.

- A school district may apply for **maintenance of effort** assistance if their state-allocated revenues both on a per pupil and aggregate basis are lower than the previous year.
- A school district may apply for **demographic** assistance if they can demonstrate that they have children as a “whole” who have more severe disabilities or they have higher costs than the state average.
- And, finally, a school district may apply if they have one **high cost student** they did not anticipate serving.

¹¹ School districts may submit an application for any or all of the three rounds of the safety net review process this school year.

C. Number of Applications Submitted

During the fall of 1995 application process, a total of 89 school districts submitted 137 applications for safety net funding. The largest number of applications came from ESD 113 in Olympia (56 applications),¹² and the smallest number came from ESD 105 in Yakima (4 applications). (See *Chart 1*) Thirty-eight percent (38%) of the school districts applied for more than one fund category. Sixty-four percent (64%) of the school districts that applied had a special education enrollment that was 12.7 percent of their K-12 enrollment in 1994-95.

ESD (Central Office)	NUMBER OF DISTRICTS APPLYING	NUMBER OF APPLICATIONS	NUMBER APPROVED BY REGIONAL COMMITTEE	NUMBER APPROVED BY STATE OVERSIGHT COMMITTEE
101 (Spokane)	5	6	5	4
105 (Yakima)	3	4	4	3
112 (Vancouver)	13	21	18	16
113 (Olympia)	32	56	52	30
114 (Bremerton)	10	15	14	8
121 (Seattle)	6	9	7	3
123 (Walla Walla)	7	7	3	3
171 (Wenatchee)	6	9	9	7
189 (Mt. Vernon)	7	10	6	2
TOTAL	89	137	118	76
Percent Approved			86%	55%

¹² Reasons for the large number of applications from the ESD 113 may be attributed to several factors: 1) a major cooperative split up causing more local districts to serve their own high cost children, 2) another cooperative helped package school district applications within their area, 3) the ESD was extremely active in communicating with its districts the implications of the new special education funding formula over the past year, and 4) the ESD told their school districts that money would be distributed on a first-come, first-serve basis.

Out of the total 137 applications:

- 11 applications (8 percent) were for **maintenance of effort**.
(requests ranged from \$32,841 to \$1,200,538)
- 70 applications (51 percent) were for **demographic needs**.
(requests ranged from \$7,370 to \$1,126,294)
- 56 applications (41 percent) were for **high cost students**.
(requests ranged from \$3,348 to \$39,210)

Few applications for maintenance of effort were submitted, according to ESD staff, because school districts perceived an ongoing burden for maintaining safety net funds to meet future obligations for MOE with no assurance that additional funding would be available. Most of the applications were for a district's high cost student, or several or more high cost students who were combined into one group and submitted under the "other demographics" category at OSPI's request.¹³ (See Chart 2)

Chart 2				
Summary of Safety Net Applications by Request Category				
	MOE	DEMOGRAPHIC ISSUES	HIGH COST	TOTAL APPLICATIONS
Total No. of Applications	11	70	56	137
% of Total Applications	8%	51%	41%	
No. of Applications Approved by All Regions	10	51	54	115
% of Total Applications Approved by All Regions	9%	44%	47%	
No. of Applications Approved by St. Oversight Committee	8	20	48	76
% of Total Applications Approved by St. Oversight Committee	11%	26%	63%	

¹³ This latter grouping occurred after initial applications submitted indicated that there would be many high cost student requests. In an effort to conserve the use of federal funds allocated for high cost children, OSPI requested districts to repackage their high cost students into one group under demographics.

D. Review of Applications

As mentioned earlier, 89 school districts submitted 137 applications with the bulk of applications coming from the Thurston—Lewis—Mason—Grays Harbor County area that forms ESD 113.

The school districts had difficulty filling out the application, partly due to the newness of the process, and partly due to the lack of clarity in the application instructions. Some of the problems in this first application could have been alleviated if OSPI had reviewed a draft application with some school district and ESD staff. A number of inconsistencies are noted in Appendix A which need to be addressed in the next application form and process.

Some of the exemplary applications submitted by school districts went beyond the application's basic data requirements, and also included a narrative on the uniqueness of their district and efforts they had made to reduce their special education budget to live with anticipated revenues. The most common problem for all applications was the confusion of whether to use actual or projected special education enrollment data. This comparison reflects uncertainty about whether the safety net is for documented funding problems, or for anticipated ones. Some problem areas or issues for the different types of applications are as follows:

- **Maintenance of Effort Applications** (*state revenues only*): Some school districts believed that local levy money last year for special education could be replaced with safety net money this year to satisfy federal maintenance of effort requirements.
- **Demographic Applications**: Districts with sufficient revenues to cover costs could apply for safety net funds by documenting the types of children with different disabilities. Some districts cited the presence of group homes for special populations of children, or the presence of military families with special needs' dependents, as evidence for safety net consideration. These districts, however, did not always demonstrate why their program needs were higher because of these populations. Districts also requested safety net funds to help serve "at-risk" populations.¹⁴ Some of these latter applications were reconfigured in an appropriate manner, or they were rejected.
- **High Cost Applications**: Many of these students had severe disabilities, such as autism, deafness, or behavioral problems. Districts wanted one-on-one aides for each student (often this was in addition to other resources available to the student), transportation assistance (if the student was sent out of district), and special equipment. Some regional committees did not pay as much attention to the IEP and program issues on these individual students, and at times improperly formulated IEPs were noted but districts were not disqualified. Instead, they were told to correct them so their application could still be submitted.

¹⁴ Under the Federal Individuals with Disabilities Education Act it is illegal to classify children with cultural or socio-economic disadvantages for special education unless they have an identified disability under the federal and state definitions.

E. ESD and OSPI Perspectives on Problems in the Application Process

Many school districts lacked time to plan adequately how to allocate their special education resources following the changes in the special education formula . The new formula went into effect late last spring as staff contracts were being renegotiated. The impact of the new formula was still being examined in the early fall when applications were due.

In many cases, school districts were unable to develop solid information on their special education enrollments and budgets for the first safety net review process because of the early deadline (end of September) for the safety net applications.

Two-thirds of the ESD staff stated that school districts had not done an adequate job of completing some parts of the applications, because the directions on the application lacked specificity in certain areas. The application sections for maintenance of effort and demographic assistance were relatively straightforward; however, the section on high cost children and the financial data requirements posed greater problems.

OSPI did try to clarify issues once the applications were sent out by putting together several question and answer sheets and conducting a telecommunication conference with the ESD regional committees. They had anticipated that the initial applications would be a challenge for regional committees because all the questions could not be anticipated. Both fiscal and program OSPI staff spent a lot of time answering ESD and school district questions.

It was up to the ESD staff to work with individual districts to redo parts of the application that had been filled out incorrectly. ESD staff spent considerable time with the school districts in reviewing their numbers. ESD staff estimate school districts took an average of fifteen hours to complete the application, although the number of hours ranged from two to forty hours, depending upon the size of the district and type of application. The estimated time for districts to fill out their applications ranged from several hours for maintenance of effort requests and demographic severity requests, to one week if a request was made for a high cost child or children. Generally, larger school districts spent more time on their applications than smaller districts.

All ESD staff spent time on the phone with the districts that applied. In several cases, ESDs re-calculated all of the districts' numbers for them. Most of the OSPI staff indicated that the districts had filled out their applications adequately, but their assessment took place after the applications had been reviewed by ESDs. ESD staff spent several weeks advising school districts on how to fill out their applications. Some applications had to be redone three times. ESD assistance made a major difference in the quality and accuracy of the final applications. All ESD staff believed that a number of districts did not apply in the first round due to a lack of time, or absence of information to prepare an acceptable application.

F. Regional Safety Net Process

Each of the nine regional committees reviewed their applications differently, creating an inconsistent process. Many ESD staff experienced a tension between their traditional role as advocates for school districts and the critical role required by the review process. Some ESDs resolved this tension by repackaging a district's application so it was successful.

By and large, the regional committee's review process was heavily oriented toward a fiscal review and little program analysis was conducted. There was an emphasis on process, rather than substance, because most regional committees did not believe they had clear enough directions about how to evaluate the information.

ESDs and their safety net committees varied in their approach to reviewing the applications. Two-thirds of the regional committees asked districts to make presentations or participate in a conference call. The other one-third relied on the application and sent back requests for additional information. Most of the members of the regional committees who heard the district presentations found that it assisted their decision.

Some ESD staff wondered if the best presenters would be approved at the expense of a district that had a legitimate need but did not present as well. In four ESDs, applicants attended the regional committee's meeting to discuss their proposal and also sat in the room when the regional review committee decided whether or not to recommend funding of their application. In several ESDs, applicant information continued to arrive the day of the meeting, making it difficult to review its accuracy carefully.

Composition of the regional review panel was rated very adequate by all ESDs, although some ESD staff questioned the value of the school board representative due to the technical issues involved in the review. ESD staff rated the ability of their regional committees in understanding their role higher than did OSPI staff who observed the process. Both ESD and OSPI staff felt that the regional committees did not have adequate information to help them make decisions in the form of statewide averages and school district profiles.

G. State Oversight Safety Net Process

The state oversight committee divided itself into three subgroups to review applications: 1) maintenance of effort (state revenues only), 2) demographic, and 3) high cost student. Each subgroup presented their criteria for decisions to the entire state oversight committee, which in turned approved their recommendations without reviewing the individual applications that the subgroups had reviewed.

1. Maintenance of Effort Subgroup: (State Revenues Only)

This subgroup re-calculated the school districts' expenditures, revenues and enrollment numbers to determine whether a district met the aggregate and per pupil expenditure tests (i.e. having lower expenditures this year than last). More comprehensive information¹⁵ on individual districts was available at OSPI during the review process than had been available when the districts applied in September. The subgroup reduced the funding level for each application based upon its revised calculations because a decision was made that state funds would not be used to supplant local levy funds previously spent on special education.

In 9 out of 11 MOE applications, the subgroup found the school districts eligible for financial assistance. At the state oversight committee meeting, one district's application was removed because the district has an audit exception from the State Auditor's Office which is currently under appeal. The total amount of money approved for the eight applications was **\$1.9 million**. These MOE applications were 11 percent of the total applications approved.

The state oversight committee clarified that the focus for future applications should be maintenance of effort for state revenues between the current and previous school year, both on an aggregate and per pupil basis. Local school districts are responsible for maintaining their local levy support that goes to special education and meeting the federal maintenance of effort requirements. This change will need to be clarified in the safety net provisions of the 1995-97 Supplemental Appropriations Act, and communicated to all school districts.

2. Demographic Subgroup:

The demographic subgroup had the most difficult task. They evaluated whether school districts had a more severe or high cost population than the state average. (Yet, the district might not have a financial need if their revenues showed an increase over the last year beyond an increase in special education resident enrollment.) A number of applications did not have narratives and the subgroup members found themselves with an incomplete picture of the district. The subgroup applied the legislative criteria and a point system for how well a district filled out their application to arrive at their decisions.

Some of the specific criteria used by the demographic subgroup were:

- A comparison of special education state revenues between the current year and last year.
- The severity of disability of a district's special education enrollment compared to the state average.
- The quality of districts' explanations for the differences beyond the state average.

¹⁵ The December head count for special education children and the Form 195 end of the year school district final expenditure and revenue information were not available earlier to districts and regional committees.

- Revenues compared to expenditures.

In 20 of 70 demographic applications, the subgroup found that the school districts were eligible for financial assistance. They did not recommend any funding for applications that had multiple high cost students submitted under the demographic category.¹⁶ The state oversight committee approved the 20 applications for a total of **\$1.5 million**. These demographic applications were 26 percent of the total applications approved.

3. High Cost Student Subgroup:

The high cost student subgroup had the most programmatic data—IEPs and summary analyses on each child in addition to the fiscal data. Because a process for applying for federal discretionary funds in this area has been in place for a number of years, criteria were easier to develop.

The subgroup developed eight criteria to review applications:

- The actual cost of student who participates in a special education cooperative must have an itemized billing.
- The prior Title VI-B carryover amount.
- A list of expenditures justifying the students' costs.
- Documented student services needs.
- No federal indirect costs.
- A complete application.
- An approved IDEA school district application.
- Considering the high cost student application in connection with other applications made by the same school district, to determine if another application addressed the high cost student's expenditures.

The high cost application subgroup approved a total of 48 applications, although additional information will be required for 38 of the 48 applications, for a total of **\$598,567**. These high cost applications were 63 percent of the total applications approved.

¹⁶ As mentioned earlier, OSPI requested school districts with more than one high cost student to submit them under a demographic application to prevent the rapid depletion of federal funds available.

H. Funding Amounts Requested

The total funding requested from all the applications was \$17.4 million. The regional committees approved funding 118 applications for a total of \$11.8 million. The state oversight committee approved 76 applications for a **total of \$4 million**, although 38 of the high cost student applications approved will need to provide more information.

Chart 3 compares the applications by ESD and the awards made by the regional committees and state oversight committee. The regional committees approved 68 percent of what the applicants requested, and the state oversight committee approved 23 percent of what the applicants requested.

Chart 3					
Funding Amounts Approved by State and Regional Committees					
<i>Percent and Dollar Amounts</i>					
ESD (Central Office)	District Applications Total Amount	Regional Committee Amount Approved	Regional % of Dollars Approved	State Oversight Amount Approved	State % of Dollars Approved
101 (Spokane)	\$388,376	\$380,494	98%	\$191,756	49%
105 (Yakima)	\$250,724	\$135,787	54%	\$129,032	51%
112 (Vancouver)	\$4,500,886	\$2,981,666	66%	\$1,550,244	34%
113 (Olympia)	\$2,836,903	\$2,502,425	88%	\$974,596	34%
114 (Bremerton)	\$2,654,849	\$2,271,814	86%	\$607,146	23%
121 (Seattle)	\$3,007,846	\$1,601,242	53%	\$133,836	4%
123 (Walla Walla)	\$579,427	\$44,923	8%	\$29,061	5%
171 (Wenatchee)	\$1,338,347	\$1,152,754	86%	\$290,479	22%
189 (Mt. Vernon)	\$1,875,521	\$778,630	42%	\$118,255	6%
Total	\$17,432,879	\$11,849,735	68%	\$4,024,405	23%

In sum, after reviewing all of the applications, the state oversight committee developed the following standards:

- ✓ An award may be adjusted if requested information from applicants provides new information.
- ✓ The maintenance of effort definition excludes local levy revenues and should be clarified to mean the maintenance of effort for state allocated revenues. Thus, school districts are responsible for maintaining their local levy revenues for special education.
- ✓ Audit exceptions for special education will be taken into consideration.
- ✓ Demographic applications need to go beyond the enrollment information to demonstrate in a narrative how and why they are different from the state averages.
- ✓ Any school district can reapply for safety net funds.

VI. ISSUES AND RECOMMENDATIONS

Several improvements are needed in the safety net process, including clarification of: 1) the purpose of the safety nets, 2) revised applications and timing for submittal, 3) revised review procedures, and 4) potential audit review.

1. Purpose of the Safety Nets:

The purpose of the safety net funds needs to be clarified to school districts. The issues are whether: 1) all or part of the safety net funds should be regarded as a permanent or transitional assistance under the new special education formula, and 2) the safety net should provide assistance for immediate problems or potential problems. These issues should be examined by OSPI, OFM and the legislative fiscal committees.

2. Revised Applications and Timing for Submittal:

A revised application that specifies what numbers need to be submitted, citing OSPI forms and line numbers for reference, should be made available for the next safety net review process. All demographic and high cost applications should include a one-page narrative verifying why the school district believes their situation cannot be handled within their current revenues. The usefulness of the data for demographic applications should be assessed after the third round of applications. Local school districts should be consulted for their feedback in the revision of the applications.

Future applications for maintenance of effort and demographic categories should not be submitted to regional and state oversight committees until there is more solid information available, unless projected estimates are acceptable.

3. Revised Review Procedures:

Rules and regulations, and model procedures and criteria, developed by OSPI must be put in place to ensure consistency in the development and review of applications. Model applications from each of the categories awarded in the first safety net review should also be made available (to districts and regional committees).

Regional committees should develop subgroups to review applications. School districts should be asked to present their applications. School districts should not attend the committee's meetings when they make their recommendations and decisions on whether to award or not award funds. Regional committees should send more detailed summaries on the rationale for their recommendations to the state oversight committee.

It will be more efficient to let the state oversight committee handle all maintenance of effort applications, and allow the regional committees to handle the demographic and high cost student applications. After the third round of applications, the state oversight committee should decide whether the regional committees should continue to review demographic applications.

4. Potential Audit Review:

School districts that receive safety net awards for demographic considerations may have their students' individualized education plans (IEPs) audited. Audit staff for this purpose could be assigned under the direction of the state oversight committee.

The current round of applications have put the regional and state oversight committees through a paperwork process that did not always provide a consistent and rigorous scrutiny of the district's application. A more specific application, OSPI rules and regulations, OSPI statewide and district data, samples of model applications, and questions for reviewing applications will all go a long way to improving the committees' consistency in the second and third round of applications.

Any additional changes that are based on the above suggestions or others, should be in place no later than May 15, 1996, so that school districts can have time to build their budgets and determine resource needs.

This evaluation will continue to follow the regional and state processes, as well as address emerging patterns due to changes in the special education formula and safety net over the next nine months, with a final report due October 15, 1996.

APPENDIX A: Technical Notes

Through a series of interviews with ESD and OSPI staff, a number of questions, issues, and recommendations are detailed below to cover concerns relating to general issues, revenues and expenditures, demographics, and high cost students.

1. GENERAL QUESTIONS

- What is the regional panel's relationship with the state oversight committee?
- Can a school district appeal to the oversight committee if it gets denied by the regional committee?
- Should districts apply for more than one category?

2. REVENUE AND EXPENDITURES

Questions:

- Can applications be made due to a change in staff mix for the Basic Education Allocation from special education to basic education?
- If a district receives more revenues this year, is the district eligible for safety net funds? Can a review committee determine if the gain is due to resident students formerly counted by the cooperative who served them?
- Can a district apply for safety net funds if the district has carry-over funds? What is a sufficient amount? Should districts be required to spend down their carry over before they apply for funds?
- How should the budget (revenue and expenditure) information be reviewed? If there are more revenues than expenditures should people ask for money? How much is too much carry over? If a district has a surplus in funds, and a demographic need or high cost student, should the committee recommend funding the district? What are the interrelationships between two or more requests from the same district?
- Should totals of revenue on the worksheet equal totals of expenditures?
- Should districts that have an audit finding due to IEP files not in acceptance be automatically rejected?

Issues and Recommendations:

In a review of applications, there were a number of common difficulties for school districts across ESDs:

- The total amount of basic education money was entered on the revenue portion of the worksheet rather than the amount of basic education money that was going to go to special education students. *Recommendation: OSPI could supply districts with estimates of their basic education back out amount based on last year's actuals if districts are unable to determine them.*
- Enrollment and dollar numbers were sometimes submitted as actuals and other times as estimates. Enrollment numbers occasionally reflected all students not just special education students. *Recommendation: A decision needs to be made about whether the safety net funds are for actual or potential problems. OSPI should either supply or tell districts which specific source documents (i.e., form number and line) they should use for developing each of the numbers they use.*
- Few districts submitted a statement about their special demographic needs because it was not required. *Recommendation: require districts to submit a narrative for demographic applications.*
- Federal indirects were filled out inaccurately (e.g., indirects put in for high cost students). There were questions about to which categories indirect expenditures applied. *Recommendation: OSPI should provide districts with information on the amount of federal indirects that are permissible and how to handle the differences for 94-95 versus 95-96.*
- Carry over fiscal data was not linked to revenues. *Recommendation: OSPI should include carry over attributed to special education under revenues in the worksheet.*

3. DEMOGRAPHICS

Questions:

- Should districts with more than one high cost student have a different application, rather than folding them into other demographics?
- Should a group of high cost children with different disabilities be considered a demographic problem?
- Why should MOE and demographic applications be reviewed by the regional committees if they are strictly formula driven?
- Should group home students be viewed in the aggregate or disaggregate?

Issues and Recommendations:

- Districts should provide an explanation about why they do not meet the state averages and how they plan to get to 12.7 percent over the next 4 years if they are above 12.7 percent now.
- Demographics should be defined in more specific terms based on what the state oversight committee reviews—e.g., group homes, economies of scale.
- **OSPI and the ESDs must communicate to school districts that poverty is not a valid reason for putting children at risk with education problems into special education.**

4. HIGH COST STUDENTS

Questions:

- What is the definition of a high cost child? Should small districts be treated differently since they have fewer resources? Should big districts be funded for high cost students? Is the cost of a high cost student lower in a small district than a larger district?
- Are high cost court ordered out-of-state placements automatically funded even if district has surplus revenues?
- Should the demographics of a district be reviewed when committee looks at a high cost student?
- Does equipment move with a student who moves to another district?
- Should an IEP be used as a fiscal document or a program document or both?

Issues and Recommendations:

- IEP and assessments should be required for high cost students and those applying under demographics for a group of high cost students if that practice continues.
- OSPI needs to do more technical assistance on defining what constitutes a good IEP. Several ESDs stated they did not have up to date IEP information.
- The school districts' IEPs need to be monitored more regularly.

APPENDIX B: Safety Net Awards by the State Oversight Committee in December 1995*

*Awards may be subject to change based on additional information from the districts.

Application Request by School District					State Oversight Committee Awards	
<i>ESD</i>	<i>School District</i>	<i>MOE</i>	<i>Demo Sev</i>	<i>Other</i>	<i>High-Cost</i>	<i>Total Amount</i>
101	Columbia				\$7,882	\$0
101	Medical Lake		\$86,659			\$43,000
101	Newport		\$244,377			\$124,000
101	Orchard Prairie				\$6,642	\$6,642
101	Summit Valley		\$24,702			\$0
101	Summit Valley				\$18,114	\$18,114
101 Total		\$0	\$355,738	\$0	\$32,638	\$191,756
105	Granger	\$98,701				\$90,464
105	Granger		\$103,821			\$0
105	Sunnyside				\$21,646	\$18,673
105	Yakima				\$26,555	\$19,895
105 Total		\$98,701	\$103,821	\$0	\$48,201	\$129,032
112	Battle Ground	\$547,532				\$373,624
112	Battle Ground		\$756,051			\$0
112	Battle Ground			\$17,087		\$0
112	Camas		\$118,583			\$48,000
112	Camas				\$3,348	\$1,531
112	Hockinson				\$15,813	\$13,295
112	Kalama				\$14,365	\$12,095
112	Kelso				\$39,210	\$31,003
112	Longview	\$671,101				\$208,915
112	Naselle-Grays River				\$13,859	\$10,843
112	Ocean Beach		\$154,194			\$105,000
112	Stevenson-Carson				\$17,608	\$17,298
112	Trout Lake				\$29,182	\$25,871
112	Vancouver	\$558,389				\$558,389
112	Vancouver		\$841,864			\$0
112	Vancouver			\$13,600		\$0
112	Vancouver				\$3,762	\$2,581
112	Washougal		\$374,572			\$113,000
112	Washougal			\$276,713		\$0
112	Washougal				\$20,278	\$17,032
112	Wishram				\$13,776	\$11,767
112 Total		\$1,777,022	\$2,245,264	\$307,400	\$171,201	\$1,550,244

**Application Request by
School District**

**State
Oversight
Committee
Awards**

<i>ESD</i>	<i>School District</i>	<i>MOE</i>	<i>Demo Sev</i>	<i>Other</i>	<i>High-Cost</i>	<i>Total Amount</i>
113	Aberdeen		\$288,596			\$92,000
113	Aberdeen				\$17,488	\$0
113	Adna				\$9,557	\$9,557
113	Boistfort		\$7,370			\$0
113	Boistfort				\$26,624	\$20,726
113	Centralia		\$32,219			\$15,000
113	Chehalis		\$79,689			\$0
113	Chehalis				\$16,172	\$11,815
113	Elma		\$19,656			\$0
113	Elma				\$33,962	\$23,272
113	Hood Canal				\$18,790	\$14,497
113	Hoquiam				\$14,271	\$0
113	Mary M. Knight			\$38,365		\$0
113	McCleary				\$7,681	\$8,078
113	Montesano			\$7,502		\$0
113	Morton		\$35,250			\$15,000
113	Morton				\$16,185	\$8,683
113	Morton			\$53,504		\$0
113	Mossyrock				\$7,700	\$7,640
113	Mossyrock			\$34,250		\$0
113	Napavine		\$29,431			\$9,000
113	Napavine				\$15,761	\$15,721
113	Napavine			\$61,703		\$0
113	Oakville				\$5,418	\$5,703
113	Olympia				\$20,116	\$13,819
113	Onalaska		\$46,129			\$0
113	Onalaska				\$11,449	\$11,495
113	Onalaska			\$62,914		\$0
113	Pe Ell		\$12,490			\$0
113	Pe Ell				\$19,486	\$17,486
113	Pe Ell			\$14,487		\$0
113	Pioneer				\$15,736	\$0
113	Quinalt				\$13,234	\$0
113	Raymond				\$26,236	\$8,579
113	Rochester		\$21,733			\$11,000
113	Rochester				\$12,550	\$1,727
113	Rochester			\$35,104		\$0
113	Shelton		\$276,225			\$128,000
113	Shelton			\$39,794		\$0
113	Southside				\$4,604	\$4,293

**Application Request by
School District**

**State
Oversight
Committee
Awards**

<i>ESD</i>	<i>School District</i>	<i>MOE</i>	<i>Demo Sev</i>	<i>Other</i>	<i>High-Cost</i>	<i>Total Amount</i>
113	Taholah		\$14,678			\$0
113	Taholah			\$62,765		\$0
113	Tenino				\$18,741	\$14,513
113	Toledo				\$15,519	\$8,310
113	Vader		\$14,084			\$0
113	Vader				\$29,228	\$14,252
113	White Pass		\$15,196			\$0
113	White Pass				\$18,000	\$14,056
113	White Pass			\$69,607		\$0
113	Willapa Valley			\$44,750		\$0
113	Winlock		\$76,855			\$28,000
113	Winlock				\$14,516	\$9,062
113	Winlock			\$69,415		\$0
113	Yelm		\$612,228			\$416,000
113	Yelm				\$17,444	\$17,312
113	Yelm			\$234,447		\$0
113 Total		\$0	\$1,581,829	\$828,607	\$426,468	\$974,596
114	Bremerton	\$331,555				\$265,848
114	Brinnon	\$32,841				\$11,671
114	Brinnon				\$12,430	\$6,642
114	Central Kitsap	\$699,788				\$295,927
114	Central Kitsap			\$514,730		\$0
114	North Kitsap	\$302,788				\$0
114	North Kitsap			\$515,736		\$0
114	North Mason			\$70,605		\$0
114	Port Townsend		\$94,977			\$4,000
114	Port Townsend				\$6,642	\$5,989
114	Queets-Clearwater		\$7,746			\$0
114	Quilcene		\$8,592			\$0
114	Quilcene			\$32,581		\$0
114	Quillayute Valley				\$14,673	\$10,898
114	Sequim				\$9,164	\$6,171
114 Total		\$1,366,972	\$111,315	\$1,133,652	\$42,909	\$607,146
121	Fife			\$174,834		\$0
121	Franklin-Pierce		\$266,420			\$107,000
121	Steilacoom				\$34,820	\$17,121
121	Tacoma	\$1,200,538				\$0
121	Tacoma		\$1,126,294			\$0
121	Tacoma			\$64,516		\$0
121	Tahoma			\$58,690		\$0

**Application Request by
School District**

**State
Oversight
Committee
Awards**

<i>ESD</i>	<i>School District</i>	<i>MOE</i>	<i>Demo Sev</i>	<i>Other</i>	<i>High-Cost</i>	<i>Total Amount</i>
121	Vashon		\$62,238			\$0
121	Vashon				\$19,496	\$9,715
121 Total		\$1,200,538	\$1,454,952	\$298,040	\$54,316	\$133,836
123	Asotin-Anatone				\$16,608	\$0
123	College Place				\$22,781	\$19,052
123	Dayton		\$18,104			\$0
123	Kennewick		\$322,947			\$0
123	Kiona-Benton				\$13,922	\$9,009
123	North Franklin		\$176,845			\$0
123	Starbuck		\$8,220			\$1,000
123 Total		\$0	\$526,116	\$0	\$53,311	\$29,061
171	Brewster				\$4,024	\$3,714
171	Brewster		\$23,491			\$0
171	Cashmere		\$110,549			\$65,000
171	Cashmere				\$33,776	\$12,790
171	Grand Coulee				\$6,975	\$6,975
171	Moses Lake		\$224,010			\$112,000
171	Omak	\$644,435				\$0
171	Omak		\$124,965			\$84,000
171	Wenatchee		\$166,122			\$6,000
171 Total		\$644,435	\$649,137	\$0	\$44,775	\$290,479
189	Bellingham	\$303,530				\$95,000
189	Bellingham		\$325,315			\$0
189	Bellingham			\$244,622		\$0
189	Edmonds		\$724,030			\$0
189	Edmonds				\$15,593	\$0
189	Granite Falls		\$83,041			\$0
189	Monroe				\$15,752	\$0
189	Orcas Island				\$23,255	\$23,255
189	Sedro-Woolley			\$57,302		\$0
189	Sultan			\$83,082		\$0
189 Total		\$303,530	\$1,049,345	385,006	\$54,600	\$118,255
Grand Total						\$4,024,405