

October 1996

Washington's Special Education Safety Net: A Final Report of the 1995 -1996 Safety Net Process

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 briefly below. *For a comprehensive discussion of the safety net and the new formula, please refer to the full report.* The 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 \$35 million in state and federal funds is available for safety net awards during the 1995-97 biennium to school districts that demonstrate a financial need in one or more of three categories:

- **Maintenance of Effort (state revenue only) [MOESR]** — If a school district receives less state special education revenue for its resident formula funded students in the current school year than in 1994-95 on an aggregate *and* per pupil basis. (Awards are made from **state** funds.)
- **Special Characteristics and Costs** — If the resident special education population in a district has students with higher service delivery costs than the district had in the previous school year, or the district's actual resident special education population is higher than its funded enrollment percentage, *and* all available funding is insufficient to meet the special education expenditures incurred. (Awards are made from **state** funds.)
- **High Cost Individual** — If a school district has up to three special education students with demonstrated costs that exceed the district's available financial resources to provide required special education services. (Awards are made from **federal** funds.)

The Legislature set specific assurances and a process, at both regional and state levels, for reviewing applications from school districts that apply for safety net funds. At legislative direction, the Superintendent of Public Instruction appointed a state oversight committee, composed of state and local members with special education and fiscal backgrounds, who made the final safety net award decisions. **The funds are awarded on demonstrated financial or program need for a specific school year, and are not considered an entitlement. Any school district submitting an application for state funds is explicitly subject to certain audit standards in its special education program.** A district must provide assurances that it meets the following legislative assurances: Individualized Education Programs (IEPs) are properly formulated and a reasonable effort has been made to provide appropriate services for students, using all available funds.

B. FINDINGS

1. Applications and Awards

For the 1995-96 school year, 293 applications were submitted by 136 school districts (46 percent of the school districts) requesting \$29.9 million for all safety net categories of funding.¹ The state oversight committee funded 139 applications for \$10.5 million²—35 percent of the school district funding requests. The Maintenance of Effort (state revenue only) [MOESR] category had the greatest number of awards (75) and largest percent of all funds (91 percent) awarded to districts. Only one appeal was filed challenging a state oversight committee award decision. In that case, the Superintendent of Public Instruction sustained the state oversight committee's decision.

2. Regional and State Oversight Committee Review and Processes

The first round of awards (December 1995) was the most challenging for staff at the local, regional, and state levels because the process was new and insufficient time was available to construct a comprehensive rationale for developing and evaluating the application forms. Many issues were interpreted differently across the state resulting in:

- a number of school districts' inability to understand how to fill out the applications accurately.
- inconsistencies among regional committees regarding the processing of applications.
- a lack of distinction in the application between the MOESR and Special Characteristics and Costs.

The remaining four rounds were smoother due to revisions by OSPI, in conjunction with the state oversight committee and the Institute's preliminary report, to streamline the MOESR application which provided the bulk of the funds, as well as an increased understanding by districts of how the process worked. Frustration continued for those districts that applied for, but did not receive, funds under the Special Characteristics and Costs and High Cost Individual categories. Only 4 percent of the school districts' Special Characteristics and Costs applications and 51 percent of the school districts' High Cost Individual applications were approved. Most of the applications not approved had one or more of the following: inadequately prepared IEPs; a lack of change in the characteristics of the special education resident population in one year; or, sufficient revenues already available to cover program costs. These reasons were not always clearly communicated to school districts that had applied for safety net funds by the state oversight committee.

¹ Included in the \$29.9 million were duplicate applications from school districts that asked for the same amount of money under more than one category.

² \$10.5 million (62 percent) of the \$16.9 million available for the safety net in the first year was awarded by the state oversight committee. An additional \$1.5 million of the federal funds from the \$16.9 million total safety net appropriation were distributed by OSPI to all school districts in September 1996 as part of the districts' federal flow-through dollar allocation for 1996-97. The flow-through moneys do not require safety net approval.

To clarify the process, OSPI developed proposed rules in February 1996 which were adopted in September 1996. OSPI has also revised the application forms for 1996-97.

3. Changes in Funding and Enrollment Patterns Under the New Special Education Formula

In the 1995-96 school year, 146 of the 296 school districts gained \$18.4 million in state revenues under the new formula, 97 lost \$10.6 million, and the remaining 53 maintained approximately the same state revenues as in the previous year. The districts that lost state revenues were eligible to apply for MOESR safety net funds; 76 percent of those school districts applied and received safety net funds. During the 1995-96 school year, 128 of the 296 school districts had special education enrollments at 12.7 percent or more of their K-12 student enrollment. Only 37 school districts increased their special education enrollment as a percent of K-12 enrollments by 1 percent or more. The 1995-96 special education enrollment for students from birth to age 21 had the lowest percent increase in the last five years—1.6 percent, down from an annual average of 5 to 6 percent from 1991 to 1995.

4. Thirty School Districts Surveyed

Thirty school district special education directors and business managers were interviewed to review their experiences with the safety net process and new special education funding formula. Several areas of greatest agreement included:

a. Safety Net Process

- School districts did not adequately understand the 1995-96 applications, proposed rules, or bulletins on the safety net process.
- OSPI needs to notify districts promptly of potential eligibility for MOESR.
- School districts need multiple opportunities to apply for safety net funds during the year.
- Safety net funds for Special Characteristics and Costs and High Cost Individual students appeared inaccessible to districts.

b. The New Special Education Funding Formula

- A number of school districts were reexamining their relationships with cooperatives due to high billing costs.³
- A number of school districts were cutting their special education expenditures.⁴

³ A school district may be in a cooperative with either an ESD or several school districts. The cooperative has one main provider which agrees, for a certain amount of money, to provide some or all services to students.

⁴ This study did not assess whether special education students are receiving less service nor whether a reduction in service would result in a decrease of the student's progress.

C. STRENGTHENING IMPLEMENTATION

Because major changes occurred with the special education funding formula and creation of the safety net in 1995, this report concludes that additional changes in safety net legislation are not advisable at this time. The impact of the two processes will need several years of implementation to determine if additional changes are warranted. OSPI and the school districts have had to implement the changes in a very short time frame. Some administrative issues should continue to be monitored, as outlined below.

1. Timing

The revised MOESR application process has greatly sped up the release of funds. In the future, districts need to know, as quickly as possible, whether they are eligible to receive MOESR funds. Due to unanticipated circumstances, districts with potential High Cost Individual or Special Characteristics and Costs applications need to continue to have the opportunity to submit applications throughout the school year.

2. Education and Access

Considerable misunderstanding about the new special education formula and safety net exists in school districts and among parents and community members. OSPI must increase its efforts to communicate and clarify with local school district staff and interest groups the changes that have occurred. Both the fiscal and special education offices in local school districts must work jointly to develop a district's safety net application.

The state oversight committee should consider meeting throughout the state during its deliberations to increase its accessibility. The committee should provide each applicant with a written, clear, and specific summary of why its application was approved or denied. Additional local school district personnel should serve as state oversight committee members to balance the state perspective, particularly since regional committees will not be used during the 1996-97 school year.

3. Review Special Characteristics and Costs and High Cost Individual Categories

The applications for Special Characteristics and Costs and the High Cost Individual categories were the most challenging to fill out and review. Because only three Special Characteristics and Costs applications were funded, this category may not be appropriate, or may need substantial revisions. Basing awards on a one-year change in the demographics of a special education population in a school district may be a standard that does not adequately address the needs of districts that have high numbers of special education students. These standards presume that the old formula provided adequate funds in every instance, which may not have been the case.

The limitations of only three High Cost Individual applications per district appeared to be onerous, particularly for smaller districts. The new special education funding formula uses an average per-pupil allocation which anticipates that some students are high cost, while others are low cost. The staff cost for meeting the needs of a high cost student in a small district is more difficult to average over a group of students than is the case in a large district with more students.

Emphasis may shift from MOESR to Special Characteristics and Costs and High Cost Individual due to increasing student enrollments and the transition of districts above 12.7 percent enrollment to the formula funded enrollment of 12.7 percent. (As a result of the new funding formula, fewer districts will be funded above their 12.7 percent level of enrollment even though their actual student enrollment may be higher than 12.7 percent.) Therefore, Special Characteristics and High Cost categories need to be investigated on a school district basis to determine whether criteria of need can be better defined or whether they should be abandoned. Part of the investigation should concern the extent to which the state is obligated to fund local district practice, and whether there is a way to define above average fiscal need in a given district.

During the 1996 session, the Legislature created four positions in the State Auditor's Office to assist the state oversight committee with data on special education programs that may have extraordinarily high costs or unusual characteristics. This information should help the state oversight committee further refine its criteria and decisions on applications for special Characteristics and Costs and High Cost Individual.

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