

# SPECIAL EDUCATION

INCOME RESEARCH PROJECT  
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4<sup>th</sup> Cohort

## EXECUTIVE SUMMARY

Special education is defined as "specially designed instruction, at no cost to the parents, to meet the unique needs of the child with a disability." The finances and the means used to accomplish this task are complicated and have been altered through the years. The process of special education often starts with an assessment team made up of teachers, psychologists and counselors, who determine a child's eligibility and develop an Individualized Education Program (IEP) for the identified special education student. A special education student should be educated with their non-disabled peers in the general education population to the maximum extent possible. A special education student must meet one or more of the categories of disabilities specified under IDEA (Individuals with Disabilities Education Act). In general, a student is identified to be in special education if she/he is unable to function in the general education classroom.

California has established Special Education Local Plan Areas (SELPA) to allocate special education funds throughout the State. SELPAs distribute these funds to its member school districts. It is the district who then provides services to special education students as each IEP team sees fit.

Special education routinely encroaches on unrestricted resources of the general fund in significant amounts. Thus, it is key for a CBO to understand SELPA funding, its SELPA's allocation plan to its member districts and recent special education legislative changes. It is only then that a CBO can predict the effects special education will have on the financial stability of his/her school district.

## Special Education Funding

Special education revenue is funded from both state (presently approximately 75%) and Federal (presently approximately 25%) sources. AB602, passed in 1997, dictates how special education revenue is allocated to SELPAs in California. Even though complicated, AB602 actually simplified special education funding, as it converted each SELPA's 1997-98 funding under the old J-50 model (which used rates/ratios based on 1979-80 expenditures) into a funding rate per ADA. This 1997-98 funding rate per ADA was carried into 1998-99 and subsequent years, with adjustments being made for COLA & growth. AB602 also provided equalization aid to low-funded SELPAs to increase their funding to the statewide average (fully funded in 2000-01) and additional funding to "high-need" SELPAs, those with high-cost pupils (fully funded in 2000-01). And, since research noted that high-cost students were not randomly distributed throughout the state, a "severity service multiplier" (SSM) was established to provide a supplemental funding allowance that benefited some SELPAs.

There were no major changes in AB602 from its initial year through 2003-04. However, in 2004-05 the state implemented the OOHHC (out of home care) funding model which increased funding for most SELPAs. In 2005-06 another major change in funding took place. State law was amended so that state funding of COLA and growth would only apply to the nonfederal portion of special education funding. This change was implemented by recomputing the "statewide target rate" (originally the statewide average per ADA in 97-98). This bifurcation of COLA and growth has resulted in a reduction in funding for all SELPAs. This has resulted in many inequities in the formula, most notably that growth funding is significantly reduced and effective COLA for special education has been reduced.

The CDE's SELPA Special Education Funding Exhibit calculates total AB602 funding and is comprised of the following sections:

- A. ADA
- B. Base Apportionment
- C. COLA
- D. Growth
- E. Special Disabilities Adjustment - *calculated in 06-07; not permanent*
- F. Program Specialists/Regional Services - *current year ADA or minimum of 15,000 ADA*
- G. Low Incident Materials and Equipment
- H. Out of Home Care - *current year April 1<sup>st</sup> bed count or April 1<sup>st</sup> pupil count*

I. Nonpublic Schools (NPS) Extraordinary

J. Adjustment for Necessary Small SELPA (NSS) with Declining Enrollment

Each section calculates current year funding using prior years' data/funding as a source for comparison or basis for computation. The greater of current year or prior year ADA/data is utilized in each section's calculation, except as otherwise noted above. The sum of each section's apportionment plus non-AB602 federal aid and local education property taxes equals total special education funding.

It is up to the SELPA to distribute the AB602 funding. However, how these funds are distributed by the SELPA to its member districts varies. The State does not require or prescribe certain formulas or methods. Rather, this determination is generated from member input, committee findings and ultimately, SELPA board resolution. ~~Each SELPA attempts to distribute its funds in the most equitable manner possible, based upon the unique attributes and populations of its member school districts and regionalized services. (that isn't quite true -it is often a politically expedient solution - not necessarily equitable)~~

SELPA governance should be representative (criteria such as: size- small, large; type- unified, basic aid; geographic areas- central, northern; etc.) of its member districts with the number of Board members sufficient to create "buy-in", but small enough to be efficient and functional.

It is up to the district CBO to understand the revenues his/her district will be receiving from its SELPA and utilize these funds to assure its special education students can be provided with instruction and related services in a timely, thorough and cost effective manner.

## CALCULATING SPECIAL EDUCATION APPORTIONMENT

### Base funding apportionment

AB602 base funding apportionment is based upon the greater of current or prior year aggregate P-2 ADA from its member districts. This ADA reflects all ADA, not just students that are identified as special education students. Sonoma County's SELPA base statewide target rate (STR) for 2006-07 was \$589 per ADA, with current year SELPA ADA of 68,307 being utilized for the base apportionment calculation. The base apportionment is adjusted for COLA and growth, and is funded partly by local special education property taxes and federal IDEA local assistance funds. If Revenue Augmentation Fund (ERAF) property taxes were sufficient to fully fund revenue limit entitlements, any excess would be used to fund special education and would also be accounted for as a deduct against state aid.

### Out of Home Care (OOHC) funding apportionment

Per State law, a SELPA's OOHC apportionment is based on either the April 1 bed count or April 1<sup>st</sup> pupil count depending on the group home rate classification level (RCL). The group home classifications, ranging from 1 through 14 and rated based on the severity level of students served, are funded from \$554 to \$22,129 per count. The higher the severity level classification, the higher the level of care provided. The April 1st pupil count is used for foster family homes and agencies, small family homes, community care facilities, intermediate care facilities and skilled nursing facilities. The other group homes are funded on bed count, whether or not the bed is occupied. It should be noted that the revenue generated under this funding model is over and above the revenue limit, base AB602 entitlement, lottery and categorical funding received for each ADA.

Prior to 2004-05, the State reimbursed 100% of the nonpublic school/agency tuition for students attending Licensed Children's Institutions (LCIs) and Foster Family Homes (FFHs). This funding method made it financially beneficial for a district to send students to these restrictive and expensive agencies. To alleviate this problem, a study was performed and beginning in 2004, the state began funding on the number of beds in each group home. As with many new funding models, this 2004-05 change to OOH funding was phased in. SELPAs that would have received less funding under this new formula were protected by a "hold harmless" provision through 2005-06. This hold harmless provision is phased out over five years, starting with 2006-07.

## CBO LEADERSHIP ROLE

In general, the CBO's role is to understand the revenues and costs associated with special education. This entails gathering information and monitoring many variables.

### KNOW YOUR SELPA

Understanding your SELPA's funding allocation plan is key to determining the amount of special education revenue your district will receive.

Using pupil counts, estimated ADA and estimated SELPA funding rates, a projection of district special education revenues can be prepared - not always true - so I would omit.

For example, Sonoma County's SELPA reduces SELPA-wide revenues for certain SELPA-wide regional programs (includes NPS and NPA pools) and exempt/isolated school district allocations. The remaining funds are then allocated to districts with approximately 50% going to severely handicapped (SH) and 50% going to non-SH. Sonoma County's SELPA also provides various regional programs on a fee for service basis.

For 2006-07, the districts in Sonoma County's SELPA were allocated:

- SH allocation - \$16,270 per SH pupil count
- Non-SH allocation is based on 50% ADA and 50% pupil count
  - \$141 for each ADA of the district
  - \$1,221 for every non-SH pupil count
- NPS and NPA funds were distributed directly to the district that had the student enrolled in the OOHHC.

In addition, knowing whether your SELPA generated more/less entitlement under the new 2004-05 OOHHC funding model versus the prior funding model is important due to the effects of the "hold harmless provision" and its phase out. The Sonoma County SELPA receives less funding under the new OOHHC model. Thus, if all costs and services remained constant, in 2006-07 the SELPA would have received less funding than in 2005-06. The "hold harmless" provision also affects those SELPAs that would receive more under the new OOHHC model. Their revenues would increase if all costs and types of services remained constant. Ultimately, whatever affects the SELPA's revenue eventually affects its member districts. CBO's must be aware to avoid surprises and additional encroachment.

### KNOW YOUR SPECIAL EDUCATION POPULATION

The CBO should have a good understanding of the district's special education population. Is the district's pupil count growing or shrinking? How many high cost students does the district have and what are their grade levels? How many special education pre-school students have been identified? How many NPS/NPA placements are necessary? Are there certain schools or grade levels that appear to have a disproportionately large pupil count than others?

### KNOW YOUR SPECIAL EDUCATION FEE FOR SERVICE ORGANIZATIONS

A CBO must be familiar with SELPA'S regionalized services, non-public schools (NPS) and non-public agencies (NPA) that are available for its students. Understanding their fees and contract issues are important. SELPAs negotiate rates for NPS/NPA services. Provisions such as the specific days categorized as educational versus merely custodial can affect costs and should be identified. Similar issues around extended school year days exist as well. There is a possibility of enrolling students in county office fee for service programs or joining special education consortiums to help efficiently share costs and services. A CBO must understand their special education revenues, costs and minimize encroachment as best he/she can.

### KNOW YOUR SPECIAL EDUCATION TRANSPORTATION

Special education transportation is only for the severely disabled and orthopedically impaired (SD/OI) pupils. Special education students not identified as such are considered participants in the regular home-to-school transportation. Under current law, each agency's entitlement is equal to its prior year entitlement, not to exceed that agency's approved costs, plus any increase provided by the annual Budget Act. Approved transportation costs also include any other costs required by a student's IEP, such as school-to-school or school-to-therapist transportation. In 2006-07, transportation received a 5.92% COLA, but no adjustment for growth. It is important to note that the zero adjustment to growth applies to districts regardless of their actual growth or decline in ADA.

Thus, a CBO must be aware of the transportation fees, the terms of transportation contracts, plus the number of special education students qualifying as SD/OI. Determining what available transportation is the most cost effective can be difficult. With the high cost of transportation services, it may even be financially beneficial to

offer a stipend to the parent for them to drive their own child to school. Strive for consistent calendars with neighboring districts and the county office to share transportation services and locate NPS/NPA programs with location in mind.

### CONCLUSION

Comparing costs and strategies to cover the needs of all the district special education students can be time consuming and complex. Based upon both internal and external fact patterns, a CBO must budget for the scenario that best fits their needs ~~within SELPA revenue guidelines~~ (revenue doesn't play a part in determining expenditures).

Staffing is a large part of a special education budget. Often these teachers have masters and additional units that put them higher on the pay scale than the average teacher. Counselors and psychologists are utilized for placing special education students and interaction with parents. Pupil teacher ratios are much lower due to the special needs of the students and instructional aides are frequently utilized in small groups or one-to-one. With lower teacher pupil ratios, more classrooms are needed. Specialized equipment may be recommended in an IEP and the cost to acquire this tool is placed on the district.

Budgeting for this complex program can be difficult and encroachment on the general fund's unrestricted resources is the norm. Understanding the issues of both revenue and expense are crucial.

The district general fund contribution to special education is a reality for most school districts. Services are mandated and based on the needs of students, not on available funding. That does not preclude the district from monitoring expenditures to ensure resources are allocated efficiently and reviewed for appropriateness on a regular and consistent basis.

~~Providing services to meet the needs of the special education students and limiting encroachment are a must.~~

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