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# State Special Education Finance Systems, 1999-2000

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## Part I

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**May 2003**

The Center for Special Education Finance (CSEF) is part of the American Institutes for Research (AIR), Palo Alto, California.

The Center for Special Education Finance (CSEF) is supported through a cooperative agreement with the U.S. Department of Education, Office of Special Education Programs (H159520002). Points of view or opinions expressed in this paper do not necessarily represent the official agency positions of the U.S. Department of Education or our network of advisors and professional organizations.

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# Acknowledgments

The Center for Special Education Finance (CSEF) and the American Institutes for Research (AIR) wish to thank the many individuals and State Education Agencies who contributed to this document. Its completion was a collaborative effort of many individuals within and beyond CSEF. We particularly appreciate the assistance of the National Association of State Directors of Special Education (NASDSE) in the development and administration of the survey. We are also grateful for the cooperation and patience of special education administrators in each state, who were instrumental in providing and clarifying these survey data.

We wish also to acknowledge the work of those CSEF and AIR staff members whose help was essential for completing this document—in particular, Jean Wolman, Carmella Schaecher, Jamie Shkolnik, Gabriele Phillips, and Joe Robinson.

Finally, CSEF values the support of the Office of Special Education Programs (OSEP), U.S. Department of Education, and particularly the leadership and guidance provided for CSEF at OSEP by Lou Danielson and Scott Brown.

The views expressed in this document are those of the authors and editors and do not necessarily represent the views of the U.S. Department of Education.

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# Introduction

The Center for Special Education Finance (CSEF)—housed in the American Institutes for Research (AIR) and one of several research centers funded by the Office of Special Education Programs (OSEP), U.S. Department of Education—provides policymakers and administrators at all governmental levels with data, analyses, expertise, and opportunities to share information about special education finance issues. Under the current contract, CSEF is coupled with the Special Education Expenditure Project (SEEP), which is a national project to collect and analyze information from the states, districts, and schools regarding the patterns of spending on services for students with disabilities.

One CSEF activity is the collection and dissemination of information on state systems of special education finance. In 1999-2000, CSEF collaborated with the National Association of State Directors of Special Education (NASDSE) to survey state special education administrators. The survey was designed to obtain two types of information:

- Descriptions of the mechanisms used by states to fund special education services for school-age children with disabilities, and
- State-level estimates of the total amounts of spending on these services from state, local, and federal funds from 1994-5 through 1998-99.

This document summarizes results from the CSEF/NASDSE survey, describing state systems for financing special education services for school-age children with disabilities during the 1999-2000 school year. The survey also collected special education revenue and expenditure data for the years 1994-95 to 1998-99 (which are reported in a separate document). It is the fifth in a series of similar reports produced previously by CSEF or NASDSE (NASDSE, 1982; O'Reilly, 1989; O'Reilly, 1993; Parrish et al., 1997). Survey data from all 50 states are included in this report, with all but four states (Georgia, New Hampshire, South Carolina, and South Dakota) providing updated information. For these four states, data from the 1994-95 CSEF state survey are included in this report when available.

Chapter II of this report contains an abstract of each state's special education funding mechanism for the 1999-2000 school year. It is important to recognize that states are continuously engaged in addressing issues of school finance and funding, and this document provides a cross-sectional view of

state special education finance systems as they existed at the time of the survey. In light of the changes that have occurred since the survey, some abstracts of the state funding systems in Chapter II were updated, using information obtained from state contacts and the National Center for Educational Statistics. The information in this document will be updated periodically on CSEF's Web page (<http://csef.air.org>) as more current data are received from the states.

Appendix A provides a list of state agencies and staff that provided information about their state's funding approach for the CSEF/NASDSE 1999-2000 survey. Additionally, a listing of studies that each state reported conducting or proposed for the future is provided in Appendix B, including individual state SEEP studies which were conducted in conjunction with the national SEEP. Finally, Appendix C contains information that survey respondents provided on their perceptions of the impact that the Individuals with Disabilities Education Act (IDEA) Amendments of 1997 have had on state costs or fiscal policies.

# Chapter I. State Special Education Finance Systems and Expenditures

Under the Individuals with Disabilities Education Act (IDEA), states and localities have primary responsibility for providing special education programs and services to eligible school-age children with disabilities. Based on data from 39 responding states,<sup>1</sup> we estimate that states provide about 45 percent and local districts about 46 percent of the support for these programs, with the remaining 9 percent provided through federal IDEA funding.<sup>2</sup> This report deals with state funding programs for special education and focuses on the varying types of formulas used by the states to fund special education programs.

Chapter I describes the mechanisms used by states to distribute special education aid to local school districts for school-age children with disabilities for the 1999-2000 school year.

## Examples of State Funding Formulas

The formulas used by states to distribute funds for special education vary considerably in their orientation as well as in the detailed provisions. Although a number of frameworks for classifying state special education funding approaches have been suggested over the past two and a half decades, there is much overlap among categories and substantial variation among states' funding formulas within categories of classification. With these caveats in mind, we attempt to classify state funding formulas into the broad categories shown in Exhibit 1-1. In reality, state funding formulas often utilize a combination of these approaches, as detailed in the state funding abstracts at the end of this report. Following are brief descriptions of each basic type of funding formula, with an example of a formula from a representative state.

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<sup>1</sup> Seven of the 46 states responding to the CSEF/NASDSE 1999-2000 survey did not report data on items used to generate these estimates.

<sup>2</sup> Findings from the national Special Education Expenditure Project (SEEP) indicate that federal IDEA funding accounted for a similar share (7.5 percent) of total special education spending in 1999-2000. See Chambers, Parrish, and Harr (2002).

◆ Pupil Weights

Under a weighted special education funding system, state special education aid is allocated on a per student basis. The amount of aid is based on the funding “weight” associated with each special education student. We have defined the weighted funding system further to distinguish between a *single weight, multiple weights, and tiers*. In a single weight approach, each special education student is assigned the same weight, whereas multiple weights provide more funding (e.g., larger weights) for those special education students who are expected to cost more to serve. These differentials are based on *expected costs* because they may not hold true for any one special education student. Funding weights are differentiated on the basis of student placement (e.g., pull-out, special class, private residential), disability category, or some combination of the two (as shown below for Arizona). The tier approach also provides differential amounts based on student placement or disability; however a distinction must be made between weights, which are multipliers of the base aid amount, and tiers, which provide a set dollar amount for students that fall into each tier category (see New Jersey’s abstract).

Arizona uses a multiple weighted pupil formula to distribute special education funds. The Group A weights are added to the student base weight (1.0 for preschool students with disabilities and for students in kindergarten through eighth grade, and 1.163 for high school students), and applied to the prior year’s total student count to generate a weighted student count. Group A includes students in educational programs for a specific learning disability, emotional disability, mild mental retardation, remedial education, speech/language impairment, homebound, bilingual, preschool moderate delay, preschool speech/language delay, other health impairments, and gifted. The Group A weight for students in preschool programs is 0.450, 0.158 for grades K–8, and 0.105 for grades 9–12. Special education students falling within Group B generate funds through weights, which are also applied to the prior year’s count of students served in the following programs:

• Emotional Disability	0.003
• Emotional Disability – Private	4.127
• Hearing Impairment	3.341
• Mild Mental Retardation	0.003
• Moderate Mental Retardation	4.244
• Multiple Disabilities with Severe Sensory Impairment	6.025
• Multiple Disabilities/Autism/Severe Mental Retardation – Resource	4.235
• Multiple Disabilities/Autism/Severe Mental Retardation – Self-contained	5.015
• Orthopedic Impairment – Resource	3.868
• Orthopedic Impairment – Self-contained	5.641
• Other Health Impairment	0.003
• Preschool – Severe Delay	4.979
• Specific Learning Disability	0.003
• Speech Language Impairment	0.003
• Visual Impairment	4.832

◆ **Flat Grant**

Under a flat grant system, funding is based on a fixed funding amount per student. As described below for North Carolina, total state funding available for special education is divided by the special education count for the state to determine the amount of state aid per special education student to be received by districts.

In North Carolina, state funds for special education are additional to basic education aid, which is based on average daily membership of school districts. Funds for exceptional education (which includes both special education and programs for the academically gifted) are distributed on a per child basis determined by dividing the total available state exceptional children funds by the April 1 student headcounts of disabled and academically gifted students. Each district's allocation is determined by multiplying the per child amount by the total count of exceptional students.

The counts of exceptional children with disabilities in each local school district are limited to 12.5 percent of the average daily membership.

◆ **Census-Based**

A variation to the flat grant approach is based on a count of all students in a district, rather than on the number of special education students.<sup>3</sup> California's "census-based" approach is described below and discussed in greater detail later in this report.

<sup>3</sup> Federal funding under the IDEA was originally based on a flat grant system, in which federal aid to states was based on each state's number of children with disabilities who were receiving special education programs and services, up to 12 percent of a state's school-age population. The IDEA Amendments of 1997 (P.L. 105-17) established that funding would continue to be based on the same child-count formula until appropriations reached approximately \$4.9 billion. The new formula, which went into effect in 2000-01, is based on total student enrollment (85 percent of the allocation) and student poverty (15 percent) and applies to new monies in excess of the \$4.9 appropriation for the base year of Fiscal Year 1999, subject to certain limitations.

In 1997, California established a population or census-based funding formula for special education. To adjust for some of the random variation in the concentration of students with disabilities – California has a preponderance of small, rural districts – funding is calculated on the regional level, i.e., by a Special Education Local Plan Area (SELPA).

To convert to the new funding formula, the total amount of funding (state, federal, and local property tax) that all districts in a SELPA received for students with disabilities from age 5 through 22 was divided by the average daily attendance (ADA) for each SELPA. Students who resided in one SELPA but were educated in another had the funds received by the SELPA of service transferred to the SELPA of residence for the purposes of this calculation. The resulting SELPA rate per ADA formed the basis of the new formula.

◆ **Resource-Based**

Under a resource-based system, funding is based on an allocation of specific education resources, such as teachers or classroom units. Unit rates are often derived from prescribed staff/student ratios by disability condition or type of placement. Resource-based formulas include unit and personnel mechanisms in which distribution of funds is based on payment for specified resources, such as teachers, aides, or equipment. As shown below, in the case of Delaware, allocations are awarded based upon enrollment units.

Delaware administers a special education reimbursement program based upon enrollment units. These units are calculated by the State Board of Education and are based on the total enrollment in the district as of the last day of September. The sum of all units of all programs in a district is multiplied by 93 percent, which becomes the district's guaranteed unit count.

The teacher/student ratios for special education instructional units are as follows:

- Educable Mentally Disabled 1:15
- Socially or Emotionally Maladjusted 1:10
- Learning Disabled 1:8
- Blind 1:8
- Autistic 1:4
- Severely Mentally Disabled 1:6
- Orthopedically Disabled 1:6
- Trainable Mentally Retarded 1:6
- Intensive Learning Center Units 1:8.6
- Partially Sighted 1:10
- Partially Blind 1:8
- Partially Deaf 1:6
- Deaf-Blind 1:4
- Homebound

From block grant to Local Education Agencies

### ◆ Percentage Reimbursement

Under a percentage reimbursement system, the amount of state special education aid a district receives is directly based on its expenditures for the program. Districts may be reimbursed for 100 percent of their program expenditures (e.g., see Wyoming's abstract), or for some lesser percentage as described below for Michigan. Usually there is some basis for determining what costs are and are not allowable, and there may be overall caps on the number of special education students who can be claimed for funding purposes.

Michigan reimburses school districts 28.6138 percent of total approved costs. Total approved direct special education costs plus indirect costs for operation and maintenance (up to 15 percent of direct costs) are calculated.

### ◆ Variable Block Grant

The variable block grant is used to describe funding approaches in which funding is determined in part by base year allocations, expenditures, and/or enrollment. In some cases, such as Arkansas and Colorado, districts are entitled to receive no less than what was provided by the state the immediate prior fiscal year. Adjustments may be made for growth in enrollment, revenues, or inflation.

In Colorado, each local education agency (LEA) that maintains and operates special education programs is entitled to a base amount of state funding of no less than the state base amount received for the immediately preceding budget year. The initial base amount (Fiscal Year 1993-94) was established by a percentage cost reimbursement formula.

After the State Department of Education determines the base amount to which each LEA is entitled, any remaining portion of the appropriation made is prorated to LEAs providing special education services to more children than during the immediately preceding budget year, based on each LEA's share of the total number of additional children in the state being provided special education services.

## Formula Types by State

As shown in Exhibit 1-1, 34 percent of the states ( $n = 17$ ) have formulas based *primarily* on pupil weights. Most of the remaining states are fairly evenly distributed across census based approach ( $n = 9$ ), percentage reimbursement formulas ( $n = 6$ ), resource-based formulas ( $n = 6$ ), and variable block grants ( $n = 4$ ) during the 1999-2000 school year. These tallies represent states that have a single funding formula type (e.g., not in combination with other funding approaches). Only North Carolina uses a flat grant.

Maryland, Missouri, New Mexico, South Dakota, and Vermont use a combination of funding formula approaches. In these states, differing bases of allocation govern different components of their special education finance systems. Half of Missouri's funding formula is governed by a resource-based approach and the other half is governed by a flat grant approach. In Vermont, two of the finance system components are governed by a percentage reimbursement formula and a third component by a census-based formula. Rhode Island's aid programs were suspended in Fiscal Year 1999, and therefore the state does not have a funding classification.

Exhibit 1-1. State Special Education Funding Systems and Use of Revenues, 1999-2000

State (n = 50)	Current Funding Formula	Basis of Allocation	Changed As Part of a Broader Program of:		Year of Reform, If Changed Since 1994-95 Survey	Considering Additional Changes to Formula
			Program Reform	Finance Reform		
Alabama	Census-Based	Average Daily Membership		Y	1995/96	Y
Alaska	Census-Based	Average Daily Membership	Y	Y	1998/99	Y
Arizona	Pupil Weights- Multiple	Disability Category & Type of Placement			1999/00	Y
Arkansas	Variable Block Grant	*Maintenance of Effort* Expenditure Requirement		Y	1997/98	
California	Census-Based	Average Daily Membership		Y	1998/99	Y
Colorado	Variable Block Grant	Base-Year Expenditure			1995/96	
Connecticut <sup>1</sup>	Census-Based	Average Daily Membership		Y	1995/96	
Delaware	Resource-Based	Classroom Unit by Disability			--	
Florida	Pupil Weights- Multiple	Intensity of Services	Y	Y	1997/98	
Georgia	Pupil Weights- Multiple	Disability Category & Type of Placement			--	Y
Hawaii <sup>2</sup>					--	
Idaho	Census-Based	Total District Enrollment. (Small Amount Attributable to Expenditure Reimbursement)		Y	1994/95	
Illinois	% Reimbursement	Number & Type of Special Education Staff			1994/95	Y
Indiana	Pupil Weights- Tier	Disability Category & Intensity of Services			1995/96	
Iowa	Pupil Weights- Multiple	Type of Placement	Y		--	
Kansas	Resource-Based	Number and Type of Special Education Staff	Y		--	
Kentucky	Pupil Weights- Multiple	Disability Category			--	
Louisiana	Pupil Weights- Single	Total Special Education Enrollment			1996/97	
Maine	% Reimbursement	Allowable Costs			--	Y
Maryland	Variable Block Grant & Pupil Weight- Single	Base-Year Total Student Enrollment & Total Special Education Enrollment			--	
Massachusetts	Census-Based	Total District Enrollment			--	Y
Michigan	% Reimbursement	Allowable Costs		Y	1997/98	
Minnesota	Variable Block Grant	Base-Year Expenditures	Y	Y	1995/96	Y
Mississippi	Resource-Based	Number & Type of Special Education Staff			--	
Missouri <sup>3</sup>	Resource-Based & Census-Based	Number & Type of Special Education Staff & Average Daily Membership	Y	Y	1998/99	
Montana	Census-Based	Total District Enrollment			1994/95	
Nebraska	% Reimbursement	Allowable Costs			1999/00	
Nevada	Resource-Based	Classroom Unit			--	Y
New Hampshire	Pupil Weights- Multiple	Type of Placement			--	Y
New Jersey	Pupil Weights- Tier	Disability Category & Intensity of Services	Y	Y	1999/00	Y
New Mexico	Pupil Weights- Multiple & Resource-Based	Intensity of Services & Number and Type of Special Education Staff		Y	1998/99	Y
New York	Pupil Weights- Multiple	Type of Placement & Intensity of Services			--	Y
North Carolina	Flat Grant	Total Special Education Enrollment		Y	1996/97	
North Dakota	Census-Based	Average Daily Membership	Y	Y	1995/96	
Ohio	Pupil Weights- Multiple	Severity of Disability	Y	Y	1998/99	Y
Oklahoma	Pupil Weights- Multiple	Disability Category			--	
Oregon	Pupil Weights- Single	Total Special Education Enrollment		Y	--	Y
Pennsylvania	Census-Based	Average Daily Membership			1999/00	Y
Rhode Island <sup>3</sup>			Y		1995	
South Carolina	Pupil Weights- Multiple	Disability Category			--	
South Dakota	Census-Based & Pupil Weight-Tier	Average Daily Membership & Disability Category			--	Y
Tennessee	Resource-Based	Number & Type of Staff			--	
Texas	Pupil Weights- Multiple	Type of Placement	Y	Y	1995/96	
Utah	Variable Block Grant	Base-Year Total Student Enrollment			--	Y
Vermont	% Reimbursement & Census-Based	Allowable Costs & Average Daily Membership		Y	1998/99	Y
Virginia	Resource-Based	Number & Type of Special Education Staff			--	
Washington	Pupil Weights- Multiple	Total Special Education Enrollment	Y	Y	1995/96	
West Virginia	Pupil Weights- Single	Total Special Education Enrollment			--	
Wisconsin	% Reimbursement	Allowable Costs			--	Y
Wyoming	% Reimbursement	100% of Actual Expenditures	Y		1999/00	

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

**Pupil Weights:** Funding allocated on a per special education student basis, with the amount(s) based on a multiple of regular education aid or a set amount that varies by disability or type of placement.

**Resource-Based:** On allocation of specific education resources (e.g., teachers or classroom units). Classroom units are derived from prescribed staff/student ratios by disabling condition or type of placement.

**% Reimbursement:** Funding based on a percentage of allowable or actual expenditures.

**Flat Grant:** A fixed funding amount per special education student.

**Census Based:** A fixed funding amount per total enrollment or Average Daily Membership.

**Variable Block Grant:** Allocations based on base-year or prior year allocations, revenues, and/or enrollment/average daily membership.

<sup>1</sup>In Connecticut, the bulk of funding is subsumed as part of a larger regular funding formula (Education Cost Sharing, or, ECS), but there are also several grants that are distributed separately from other educational services.

<sup>2</sup>Hawaii does not have a prescribed funding formula.

<sup>3</sup>No funding formula specified because all aid programs were suspended in Fiscal Year 1999.

## Basis of Allocation

In addition to formula type, Exhibit 1-1 shows the basis on which the funding allocation is made. Within the context of the basic funding formula used, the allocation basis sheds further light on state special education policies and priorities. For example, allocations based on special education student placement tend to provide local decision-makers with less flexibility, while allocations based on more general criteria such as total district enrollment are likely to provide more local discretion in the identification and placement of students with disabilities. In fact, by using total district enrollment or average daily membership as a basis for funding, states are, at least to some degree, choosing to disassociate funding from special education student identification and placement.

We use the following allocation categories to classify state funding systems:

- **Special education enrollment or Per special education student**—The number of children identified as eligible for special education services and for which Individualized Education Programs (IEPs) are in place is the basis of allocation. (*Flat Grant, Pupil Weights*)
- **Total district enrollment**—Funding is based on the total number of students in the district, often specified by a count taken at a specific point in time. Also referred to as “census-based” funding, this uniform identification rate serves as the basis for allocation.<sup>4</sup> **Average daily membership (ADM)** (also referred to as **average daily attendance, ADA**) is another way of looking at total district enrollment. In this case, allocations are based upon the average number of students in daily attendance, or a percentage of ADM (e.g., 5 percent of average daily membership in Alabama). A percentage of total district enrollment or ADM is assumed to represent the special education population. (*Census-Based*)
- **Type of placement**—Student placement (e.g., in a regular education classroom, a resource room, a special day class, residential program) is the basis for allocation. The allocation generally increases as a function of some standardized estimate of the cost of the service or placement. (*Pupil Weights*)
- **Disability category, Disabling condition, or Student severity**—The nature of each student’s disability (e.g., learning disability, serious emotional disturbance, profound mental retardation) is the basis for allocation. The allocation generally increases as a function of standardized estimates of the cost of the service required for children within each disability category. Arizona’s pupil-weighting system, for example, functions in this way. (*Pupil Weights*)
- **Classroom unit or Classroom unit by placement**—Districts generate funds based on a number of authorized units. A unit of funding may incorporate part or all of the estimated cost of a teacher, or a teacher and an aide. The classroom unit is one component of Nevada’s resource-based funding system. (*Resource-Based*)
- **Number and type of special education staff**—Allocation is based on the state numbers of various types of authorized staff (e.g., teachers, aides, therapists). Missouri’s funding system reimburses districts for numbers of aides and professional staff other than classroom teachers. (*Resource-Based*)

<sup>4</sup> The federal government has also incorporated a “census-based” approach into its special education funding formula, under IDEA ‘97. (See previous footnote.)

- **Services received or Intensity of services**—Allocation for each special education child is determined from unit rates associated with the mix and quantity of individual services received (e.g., instruction, therapy, transportation). (*Pupil Weights, Resource-Based*)
- **Maintenance of effort expenditure requirement**—The minimum budgeted expenditure per special education student must be at least equal to the expenditure requirement for the most recent fiscal year for which information is available. (*Variable Block Grant*)
- **Base-year expenditures**—Allocations are calculated by taking the special education revenue for a predetermined base year and adjusting the allocations, for example, for enrollment growth in the district and for growth in statewide special education revenue between the current and base years. (*Variable Block Grant*)
- **Actual expenditures**—Allocation is based on actual special education expenditures. (*Reimbursement*)
- **Allowable costs**—Reimbursement can only be claimed for allowable costs, as defined, reviewed, and approved by the state. (*Reimbursement*)

## Special Education Finance Reform

Exhibit 1-1 also shows that over one-half of the reporting states (28 of 46) have reformed the way they fund special education since the last administration of this survey in 1994-95. In addition, 46 percent of the reporting states (21 of 46) are considering future formula changes, and 11 of these are states that already implemented changes in their special education finance systems between 1994-95 and 1998-99. States' most recent changes have been part of program reform (4 states), finance reform (10 states), or both (9 states). These numbers illustrate the dynamic nature of special education funding policy in the recent past – a trend that will apparently continue into the foreseeable future.

When asked what issues were driving special education finance reform in their states, respondents from 16 states described various aspects of their funding systems that are under consideration for reform, as shown in Exhibit 1-2. The focus of these prospective reforms ranged from very broad reform, e.g., in Pennsylvania, to a much more specific and narrow focus on one component of the state's special education program, e.g., Utah.

**Exhibit 1-2. Areas of Finance Formula Under Consideration for Change Beyond 1999-2000**

State (n = 16)	Areas Under Consideration for Change
Arizona	Bipartisan Legislative Subcommittee established – all areas under consideration for change.
California	Severity adjustment to state's census-based formula will be reexamined in 2003.
Illinois	Proposal to combine the private tuition and extraordinary services reimbursements, and special transportation with regular and vocational transportation, into single formula is being considered.
Maine	Special Education Task Force giving consideration to alternative approaches to funding.
Massachusetts	State is considering whether special education funding percentage should be higher and the degree to which high-cost students should be funded separately.
Minnesota	Considering pupil weights as an alternative funding system.
Nevada	Examining adequacy, and state versus local share, of special education funding.
New Jersey	Attempting to match aid to the actual excess cost.
New Mexico	Considering funding related services on the basis of full-time equivalencies (FTEs).
New York	Pupil weights are currently being evaluated.
Ohio	Considering changes to the number of weights and the various factors that comprise these weights, as well as separate weights for related services.
Oregon	Considering increasing the identification limit for special education funding from 11 percent to 13 percent of total enrollment. Considering modification of distribution of federal funds concerning state-operated regional programs.
Pennsylvania	Considering a broad range of issues in relation to current formula (e.g., district wealth, actual spending, local tax effort, incidence data).
Utah	Preschool count for generation of state monies is being considered.
Vermont	Developing recommendations regarding changes to provide a fiscally sustainable formula, and to address additional areas pertaining to cost containment and system improvement of special education.
Wisconsin	Alternatives are being examined in regard to special education funding (e.g., pupil-weighting, capping enrollment/reimbursement for Speech/Language and Specific Learning Disabilities programs, foundation grants, and special funding formulas for high-cost children).

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

## Census-Based Funding: A Closer Look

One emerging trend at the federal and state levels is to use total district enrollment or average daily membership (ADM) as the basis for allocating special education funds to school districts. “Census-based” funding systems are based on total enrollment or ADM rather than on special education counts. For example, under a state census-based funding system, districts with identical student enrollments receive the same special education aid regardless of the number of students placed in special education, the disabilities of these students, where they are placed, or how they are served. Alabama, Alaska, California, Connecticut, Idaho, Massachusetts, Missouri, Montana, North Dakota, Pennsylvania, South Dakota, and Vermont have implemented various forms of census-based funding systems.

Proponents of census-based funding believe that it provides maximum discretion to local districts in identification and placement of students with disabilities since it eliminates identification as a basis for funding and severs the link between placement and funding. Such advocates sometimes praise census-based systems as incentive-free.<sup>5</sup> However, critics point out that such systems simply replace one set of incentives with another (i.e., under census-based formulas, the incentive is to identify *fewer* students for special education services and to place them in *lower cost* programs). They also argue that census-based funding does not accommodate the variability that exists among school districts in terms of true student need.

Nonetheless, anecdotal evidence suggests some positive effects of enrollment-based funding systems, including increased local discretion in identification of students who are eligible for special education. Not as easily supported is the widespread belief that these systems increase flexibility in student placements and will therefore lead to decreases in the proportion of special education students served in separate settings, particularly in states where accompanying programmatic reform has not occurred.

## Criteria for Evaluating Funding Formulas

Criteria for evaluating special education funding formulas, as suggested by Hartman (1992) and expanded by Parrish (1995), appear in Exhibit 1-3. Each of these criteria will hold value for some constituency, although there will be differences in priorities. No single funding formula can easily accommodate all of these criteria, as a focus on one criterion may come at the expense of one or more of the others.

The CSEF/NASDSE survey asked states to evaluate their special education funding formulas according to these 14 criteria. Exhibits 1-4 and 1-5 display the strengths and weaknesses, respectively, reported by

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<sup>5</sup> See, for example, National Association of State Boards of Education (NASBE, 1992).

respondents to the survey.<sup>6</sup> The data can be viewed in a variety of ways to bolster theoretical arguments about the advantages and disadvantages of each type of funding formula.

For example, respondents from states with *pupil-weighting systems* describe them as being closely tied to the resource needs of districts in terms of their specific population of students with disabilities. As such, pupil-weighting systems are generally held to be equitable. However, depending on the weighting system used, incentives can be created to misclassify students into specific types of placements or into categories of disability that receive higher allocation (e.g., in the case of weights based on placement into more restrictive settings that receive higher funding weights). CSEF/NASDSE survey respondents tended to confirm these notions. Of the 15 states using a pupil-weighting formula and responding to these survey questions, 93 percent indicated that its major strengths include understandability and fiscal accountability. Eighty percent or more of these states also indicated as major strengths its equity, the flexibility in use of resources it provides, a reasonable reporting burden, and its predictability (see Exhibit 1-4). At least half of these states reported as weaknesses that such formulas are not linked to student outcomes and have no cost control mechanisms (see Exhibit 1-5). It should be noted that only 6 of the 15 states using pupil-weighted funding use special education student placement as a basis for allocating state funds to school districts, and 6 use disability categories (see Exhibit 1-1).

All nine of the states currently using solely a *census-based approach* reported as major strengths that the formula allows local flexibility, does not encourage overidentification of students for special education, provides flexibility in use of resources, has reasonable reporting burden, and is predictable. Fifty percent or more report that major weaknesses of the census-based approach are that it is not linked to student outcomes, not based on actual costs, and has no cost control mechanisms.

*Percentage reimbursement formulas* have been reported as the least likely to create incentives to misclassify students by category of disability, since the label assigned a student does not affect funding. In addition, these formulas generally do not provide an incentive for a particular type of student placement. Although these types of formulas are often thought to be administratively burdensome and to result in difficulties with cost control unless cost ceilings are used or the reimbursable percentage is relatively low, these impressions are not borne out by the responses shown in Exhibit 1-5. The most frequently reported weakness of this type of formula is that it is not linked to student outcomes.

*Resource-based formulas* are generally perceived as easy to administer and free of incentives for overidentification or misclassification of special education students. Among the six states using a resource-based formula, fiscal accountability and absence of incentives for overidentification are the primary strengths cited, along with local flexibility and predictability. The most often reported weakness was that the formula is not linked to student outcomes, not adequately funded, and linked to placement.

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<sup>6</sup> The number of funding formulas will not correspond to Exhibit 1-1, as not all states responded to questions on the strengths and weakness of the funding formulas.

Across all states, at least 80 percent of respondents reported that the major strengths of current state funding systems were their understandability (n=41), predictability (n=41), allowances for local flexibility (n=40), provisions for flexibility in resources usage (n=40), reasonable reporting burden (n=39), provisions for fiscal accountability (n=41), and equitability (n=37) Major weaknesses most often reported were that funding is not linked to student outcomes (n=36), and that funding systems have no cost control mechanisms (n=22).

### **Exhibit 1-3. Criteria for Evaluating State Special Education Funding Formulas**

#### **Understandable**

- The funding system and its underlying policy objectives are understandable by all concerned parties (legislators, legislative staff, state department personnel, local administrators, and advocates).
- The concepts underlying the formula and the procedures to implement it are straightforward and "avoid unnecessary complexity."

#### **Equitable**

- Student equity: Dollars are distributed to ensure comparable program quality regardless of district assignment.
- Wealth equity: Availability of overall funding is not correlated with local wealth.
- District-to-district fairness: All districts receive comparable resources for comparable students.

#### **Adequate**

- Funding is sufficient for all districts to provide appropriate programs for special education students.

#### **Predictable**

- Local education agencies (LEAs) know allocations in time to plan for local services.
- The system produces predictable demands for state funding.
- State and local education agencies can count on stable funding across years.

#### **Flexible**

- LEAs are given latitude to deal with unique local conditions in an appropriate and cost-effective manner.
- Changes that affect programs and costs can be incorporated into the funding system with minimum disruption.
- LEAs are given maximum latitude in use of resources in exchange for outcome accountability.

#### **Identification Neutral**

- The number of students identified as eligible for special education is not the only, or primary, basis for determining the amount of special education funding to be received.
- Students do not have to be labeled "disabled" (or any other label) in order to receive services.

#### **Reasonable Reporting Burden**

- Costs to maintain the funding system are minimized at both local and state levels.
- Data requirements, recordkeeping, and reporting are kept at a reasonable level.

### **Exhibit 1-3. Criteria for Evaluating State Special Education Funding Formulas (Continued)**

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#### **Fiscal Accountability**

- Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner.
- Procedures are included to contain excessive or inappropriate special education costs.

#### **Cost-Based**

- Funding received by districts for the provision of special education programs is linked to the costs they face in providing these programs.

#### **Cost Control**

- Patterns of growth in special education costs statewide are stabilized over time.
- Patterns of growth in special education identification rates statewide are stabilized over time.

#### **Placement Neutral**

- District funding for special education is not linked to where services are received.
- District funding for special education is not based on type of educational placement.
- District funding for special education is not based on disability label.

#### **Outcome Accountability**

- State monitoring of local agencies is based on various measures of student outcomes.
- A statewide system for demonstrating satisfactory progress for all students in all schools is developed.
- Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results.

#### **Connection to Regular Education Funding**

- The special education funding formula should have a clear conceptual link to the regular education finance system.
- Integration of funding will be likely to lead to integration of services.

#### **Political Acceptability**

- Implementation avoids any major short-term loss of funds.
- Implementation involves no major disruption of existing services.

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Adapted from *State Funding Models for Special Education* (Hartman, 1992) and *Removing Incentives for Restrictive Placements* (Parrish, 1994).

**Exhibit 1-4. Strengths of Funding Formulas: Number and Percentage of States Reporting by Type of Formula, 1999-2000\***

Strengths <sup>1</sup>	Type of Formula													
	Pupil Weights		Census-Based		% Reimbursement		Resource-Based		Variable Block Grant		Other <sup>2</sup>		Total <sup>3</sup>	
	n=15	(%)	n=9	(%)	n=6	(%)	n=6	(%)	n=4	(%)	n=5	(%)	n=45	(%)
Allows local flexibility	11	73%	9	100%	5	83%	6	100%	4	100%	5	100%	40	89%
Understandable	14	93%	8	89%	5	83%	5	83%	4	100%	5	100%	41	91%
Equitable	13	87%	7	78%	4	67%	5	83%	3	75%	5	100%	37	82%
Adequately funded	11	73%	4	44%	5	83%	3	50%	3	75%	2	40%	28	62%
Predictable	12	80%	9	100%	5	83%	6	100%	4	100%	5	100%	41	91%
Provides flexibility in use of resources	13	87%	9	100%	5	83%	4	67%	4	100%	5	100%	40	89%
Does not encourage overidentification	8	53%	9	100%	6	100%	6	100%	3	75%	4	80%	36	80%
Has reasonable reporting burden	12	80%	9	100%	6	100%	4	67%	3	75%	5	100%	39	87%
Provides fiscal accountability	14	93%	7	78%	6	100%	6	100%	3	75%	5	100%	41	91%
Based on actual cost	7	47%	3	33%	6	100%	5	83%	3	75%	4	80%	28	62%
Not linked to where services received	10	67%	8	89%	5	83%	3	50%	2	50%	5	100%	33	73%
Includes cost control mechanisms	5	33%	4	44%	5	83%	4	67%	2	50%	2	40%	22	49%
Linked to student outcomes	0	0%	0	0%	0	0%	2	33%	0	0%	2	40%	4	9%

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

\*Note: Due to rounding error, percentage totals in Exhibits 1-4 and 1-5 may not equal 100 percent.

<sup>1</sup>Survey respondents answered "Yes" or "To a Limited Extent."

<sup>2</sup> The "Other" category includes five states that do not fit into the five major categories above, or have a combination of the five major categories. New Mexico has a pupil weight/resource based funding system; Maryland has a variable block grant/pupil weight funding system; Missouri has a resource-based/census-based funding system; Vermont has a percentage reimbursement/census-based funding system; North Carolina has a flat grant funding system.

<sup>3</sup>Total "n" is smaller than in Exhibit 1-1 due to incomplete state participation in survey. The number of states in each funding category may not correspond to Exhibit 1-1, as not all states responded to the survey questions on the strengths and weaknesses of the funding approach.

**Exhibit 1-5. Weaknesses of Funding Formulas: Number and Percentage of States Reporting by Type of Formula, 1999-2000\***

Weaknesses	Type of Formula													
	Pupil Weights		Census-Based		% Reimbursement		Resource-Based		Variable Block Grant		Other <sup>1</sup>		Total <sup>2</sup>	
	n=15	(%)	n=9	(%)	n=6	(%)	n=6	(%)	n=4	(%)	n=5	(%)	n=45	(%)
Does not allow local flexibility	2	13%	0	0%	0	0%	0	0%	0	0%	0	0%	2	4%
Not understandable	2	13%	1	11%	0	0%	1	17%	0	0%	0	0%	4	9%
Not equitable	1	7%	1	11%	1	17%	1	17%	1	25%	0	0%	5	11%
Not adequately funded	3	20%	4	44%	0	0%	3	50%	1	25%	3	60%	14	31%
Unpredictable	3	20%	0	0%	0	0%	0	0%	0	0%	0	0%	3	7%
Lacks flexibility in use of resources	1	7%	0	0%	0	0%	2	33%	0	0%	0	0%	3	7%
Encourages overidentification	6	40%	0	0%	0	0%	0	0%	1	25%	1	20%	8	18%
Has unreasonable reporting burden	0	0%	0	0%	0	0%	2	33%	0	0%	0	0%	2	4%
Provides no fiscal accountability	1	7%	2	22%	0	0%	0	0%	1	25%	0	0%	4	9%
Not based on actual costs	6	40%	6	67%	0	0%	1	17%	1	25%	1	20%	15	33%
Linked to where services received	4	27%	0	0%	1	17%	3	50%	2	50%	0	0%	10	22%
No cost control mechanisms	9	60%	5	56%	1	17%	2	33%	2	50%	3	60%	22	49%
Not linked to student outcomes	11	73%	9	100%	6	100%	3	50%	4	100%	3	60%	36	80%

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

\*Note: Due to rounding error, percentage totals in Exhibits 1-4 and 1-5 may not equal 100 percent.

<sup>1</sup> The "Other" category includes five states that do not fit into the five major categories above, or have a combination of the five major categories. New Mexico has a pupil weight/resource based funding system; Maryland has a variable block grant/pupil weight funding system; Missouri has a resource-based/census-based funding system; Vermont has a percentage reimbursement/census-based funding system; North Carolina has a flat grant funding system.

<sup>2</sup> Total "n" is smaller than in Exhibit 1-1 due to incomplete state participation in survey. The number of states in each funding category may not correspond to Exhibit 1-1, as not all states responded to the survey questions on the strengths and weaknesses of the funding approach.

## Adjustment Factors Used in Funding Formulas

Exhibit 1-6 shows what factors states incorporate into their state special education funding formulas to accommodate variation in local district circumstances. These include provisions to reimburse districts differentially for special situations related to student enrollment, such as population growth or decline, population density or sparsity, or high percentages of poverty. Some factors address issues of funding equity and are designed to address differences among districts in wealth, or variations in cost-of-living or cost-of-education that might exist within regions of a state. The factors most likely to be included in a state's funding formula are measures of district wealth or fiscal capacity (n = 25), adjustments for cost of education (n = 17), and adjustments for population growth (n = 17). A few states include an adjustment for cost of living in their special education funding formulas (n = 5). Also, relatively few states (n=8) use poverty as an adjustment factor. However, perhaps partly because of the federal government's inclusion of poverty as an adjustment factor in special education funding under the IDEA, the number of states reporting a state poverty adjustment has risen from three to eight states since the last administration of this survey in 1994-95.

In an attempt to control special education costs, nine states also include caps on the number of students who can be identified as eligible for special education funding, or caps on the number of available state dollars. Exhibit 1-7 shows the specific percentages and dollar amounts of those states whose funding formulas include caps or limitations on eligibility (n = 9) or revenue (n = 14).

**Exhibit 1-6. Special Funding Factors Included in State Special Education Funding Formulas, 1999-2000**

State (n = 50)	District Wealth	Population Density	Population Sparsity	Cost of Living	Cost of Education	Population Growth	Population Decline	Poverty
Alabama	Y					Y		
Alaska								
Arizona					Y	Y		
Arkansas					Y	Y	Y	
California			Y	Y	Y	Y	Y	
Colorado								
Connecticut	Y	Y			Y	Y	Y	Y
Delaware	Y							
Florida	Y	Y	Y	Y	Y	Y	Y	Y
Georgia*	Y							
Hawaii	Y	Y	Y			Y	Y	
Idaho	Y		Y					
Illinois					Y			
Indiana								
Iowa					Y			
Kansas								
Kentucky								
Louisiana	Y	Y	Y		Y			Y
Maine								
Maryland	Y				Y			
Massachusetts	Y			Y	Y	Y	Y	Y
Michigan					Y			
Minnesota					Y	Y	Y	Y
Mississippi								
Missouri						Y	Y	
Montana	Y		Y		Y			
Nebraska								
Nevada								
New Hampshire*	Y							
New Jersey					Y			
New Mexico								
New York	Y				Y			
North Carolina						Y	Y	
North Dakota								
Ohio	Y							
Oklahoma	Y	Y	Y			Y	Y	Y
Oregon	Y	Y	Y			Y	Y	Y
Pennsylvania	Y							Y
Rhode Island								
South Carolina*	Y							
South Dakota*	Y							
Tennessee	Y							
Texas	Y	Y	Y	Y	Y			
Utah	Y		Y			Y	Y	
Vermont					Y	Y	Y	
Virginia	Y					Y	Y	
Washington	Y			Y		Y		
West Virginia	Y	Y	Y					
Wisconsin								
Wyoming								
<b>TOTAL</b>	<b>25</b>	<b>8</b>	<b>11</b>	<b>5</b>	<b>17</b>	<b>17</b>	<b>14</b>	<b>8</b>

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

\*Note: Georgia, New Hampshire, South Carolina, and South Dakota did not provide 1999-2000 survey data. Data reported in this exhibit are based on these states' responses to the 1994-95 CSEF survey.

**Exhibit 1-7. Maximum Percentages of Students Eligible to Receive State Special Education Funding and Maximum Dollars Available, 1999-2000**

State (n=22)	Student Caps	Maximum Percentage of Students	Revenue Caps	Maximum Dollar Amount
Alabama	Y	5%		
California			Y	\$1,852,023,077
Idaho	Y	6% elementary; 5.5% secondary		
Illinois			Y	Not Specified
Kansas			Y	\$228,758,744
Maryland			Y	\$81,250,000 Formula; \$75,000,000 Nonpublic
Massachusetts	Y	15%		
Michigan			Y	\$289,643,000
Minnesota			Y	\$463,000,000
Missouri			Y	\$230,000,000
Nebraska			Y	\$132,575,807
Nevada			Y	\$62,985,218
New Jersey	Y	Unspecified		
North Carolina	Y	12.5%		
North Dakota			Y	\$22,850,000
Oregon	Y	11%		
Pennsylvania			Y	\$719,500,000
Utah	Y	12.18%		
Washington	Y	12.7%	Y	Unspecified
West Virginia	Y	5.4% adjusted enrollment; 7.4% net enrollment		
Wisconsin			Y	\$275,500,000
Wyoming			Y	Unspecified*
<b>TOTAL</b>	<b>9</b>		<b>14</b>	

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.  
 \*Note: In Wyoming, the cap is denoted as a percentage, not a dollar amount. Wyoming did not specify the percentage.

## Separate, Additional Funding Mechanisms

Many states use separate funding mechanisms to target resources to specific populations or areas of policy concern such as extended school year services or specialized equipment. Exhibit 1-8 shows the separate funding mechanisms used by states to provide these targeted resources. These include funds for students placed in separate public and private schools (both day and residential), services for students with serious emotional disturbance (SED), extended school year services, transportation for special education students, specialized equipment, or capital building funds.

Many states also fund preschool and early intervention services using mechanisms different from those used to fund services for school-age students with disabilities. More than a third use separate funding for 0-2 year-olds or 3-5 year-olds with disabilities (n = 19 and n = 17, respectively).

Funding for special education transportation is also commonly supported through a separate funding mechanism (n = 17). The use of these targeted funding strategies is yet another way that states respond to individual policy concerns. However, these strategies can also add complexity and remove flexibility from the system. In the case of categorical transportation aid, districts choosing to transport students to centralized locations will receive this additional support, while districts choosing more localized service options (i.e., to invest funds to make their neighborhood schools more accessible) will not. These separate funding provisions can mask enormous variability across states in total special education expenditures if some states include these separate funding streams in calculations of total special education aid and others do not. They can also affect the incentives associated with the basic funding approach. For example, the basic special education funding system may appear to contain no placement incentives. However, when provisions for private school placement and funding, or transportation allotments in support of segregated placement options, are placed outside the basic formula, powerful incentives for their use may still be in place.

**Exhibit 1-8. Separate Funding Mechanisms Used by States for Special Education Services, 1999-2000**

State (n = 50)	Private Residential	Private Day	Public Residential	Public Regional	SED Services	Extended School Year	Transpor- tation	Special Equipment	Capital Funds	3-5 Year-olds	0-2 Year-olds	High-Cost Students	Other <sup>1</sup>
Alabama										Y		Y	
Alaska												Y	
Arizona	Y	Y	Y		Y	Y	Y		Y				
Arkansas	Y		Y			Y				Y	Y	Y	
California			Y				Y	Y		Y	Y	Y	Y
Colorado			Y										
Connecticut	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	
Delaware													
Florida						Y	Y					Y	
Georgia*	Y	Y			Y			Y		Y	Y	Y	
Hawaii													
Idaho							Y				Y	Y	
Illinois	Y	Y	Y			Y	Y		Y			Y	
Indiana	Y	Y	Y	Y	Y					Y	Y	Y	
Iowa													
Kansas												Y	
Kentucky							Y			Y	Y		
Louisiana	Y	Y	Y		Y	Y	Y	Y		Y	Y		
Maine										Y	Y	Y	Y
Maryland	Y	Y					Y				Y	Y	
Massachusetts	Y						Y		Y				
Michigan	Y		Y		Y		Y						
Minnesota							Y		Y			Y	Y
Mississippi													
Missouri	Y	Y	Y			Y	Y			Y	Y	Y	Y
Montana												Y	Y
Nebraska	Y		Y				Y						
Nevada													Y
New Hampshire*					Y							Y	Y
New Jersey												Y	Y
New Mexico													Y
New York	Y	Y	Y			Y				Y	Y	Y	
North Carolina											Y	Y	Y
North Dakota											Y	Y	
Ohio										Y		Y	
Oklahoma											Y	Y	
Oregon	Y	Y	Y	Y						Y	Y	Y	
Pennsylvania	Y	Y				Y	Y	Y		Y	Y	Y	
Rhode Island													
South Carolina*										Y			
South Dakota*													
Tennessee												Y	
Texas							Y				Y		
Utah										Y		Y	
Vermont										Y		Y	Y
Virginia	Y	Y		Y			Y						
Washington												Y	
West Virginia			Y									Y	Y
Wisconsin													Y
Wyoming												Y	
TOTAL	16	12	14	4	7	9	17	5	4	17	19	31	13

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

<sup>1</sup> Other funding mechanisms used: **California** - Under a capacity building mechanism, the state funds "Project Workability," a job training program for students with disabilities; services and equipment for students with low-incidence disabilities; personnel development; research and training in cross-cultural evaluations; alternative dispute resolution; and local improvement grants. **Maine** - Funds for state wards/state agency clients. **Minnesota** - Funds for State Academies for Deaf and Blind; Correctional Facilities. **Missouri** - Funds for severely disabled. **Montana** - Did not specify. **North Carolina** - Funds for North Carolina Department of Health and Human Services. **Oregon** - Reimbursement to districts for out-of-state placements; prorated amount, fixed state general fund account. **New Mexico** - Eight state-supported education programs are funded directly by the legislature and are not part of the funding formula. **Nevada** - Out of district/out of state placements for Free Appropriate Public Education (FAPE). **Vermont** - Funds for state-placed students. **West Virginia** - Small dedicated special education fund for special education programs/services only, allocated based on a base amount and a per pupil amount. Total amount just over \$6 million. **Wisconsin** - Did not specify.

\*Georgia, New Hampshire, South Carolina, and South Dakota did not provide 1999-2000 survey data. Data reported in this exhibit based on responses to the 1994-95 CSEF survey.

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## Funding for High-Cost Students

Finally, a growing number of states have a separate funding stream that can be accessed by districts serving exceptionally “high-cost” special education students. The definition of “high cost” varies from state to state and may also be referred to as “high need,” “catastrophic costs,” or “extraordinary costs”. Whatever the terminology, these provisions generally entail some form of supplemental support for districts serving students whose services exceed a specified level in terms of total cost. Exhibit 1-9 shows the specific provisions for those states that have a separate funding mechanism for especially high-cost students.

**Exhibit 1-9. States’ Provisions for High-Cost Students, 1999-2000\***

State (n = 25)	Description of Provisions
Alabama	The Department of Education maintains a separate fund (Catastrophic Trust Fund) that local education agencies (LEAs) may apply to for financial assistance for children that are extremely costly.
Alaska	Intensive funding is provided at approximately \$21,000 per student if the student meets the seven criteria for this category.
Arkansas	A state appropriation is available to reimburse LEAs for special education catastrophic occurrences. These funds were appropriated by the Arkansas General Assembly in 1997. LEAs must meet a specific set of criteria in order to see reimbursement for special education catastrophic occurrences. This part of the state funding formula took effect beginning with the 1997-98 school year.
California	Additional funds are available for districts with special circumstances.
Connecticut	Special Education Equity provides grants to towns with extraordinary special education costs. Within the \$11.5 million appropriation, towns whose prior year special education expenditures exceed the state average when such costs are compared to average spending in regular programs are reimbursed for their excess special education at the rate of their ECS base aid ratio. In addition, the Excess Cost Grant provides 100 percent of the costs of special education in excess of five times the prior year’s average cost per pupil for eligible students who are placed in special education programs (in or out of the district) by the local board of education.
Florida	There is a supplement for select students when a school district has less than 10,000 FTE student enrollment and less than 3 FTE eligible students per program.
Idaho	Districts that provide special education for students whose parents reside in other school districts may claim reimbursement for local tuition-equivalency allowances and also receive the exceptional child divisor for all such students. Additional funds are provided under an excess cost factor to assist these districts in meeting the needs of these high-cost students. This excess cost factor was \$2,400 per eligible student in the 1998-99 school year.
Illinois	When an individual student’s costs exceed 1.5 times the district per capita tuition charge, then reimbursement is provided for the amount that is in excess of the district per capita tuition charge for the prior year or \$2,000, whichever is less.
Indiana	When a student is placed in a public residential facility under specified state procedures, the state agency operating the facility assumes the costs of room and board, special education, and related services normally provided by the residential facility.
Kansas	The school is reimbursed for 75 percent of the cost of implementing a child’s individualized education program (IEP) in excess of \$25,000 for the school year.
Maine	School administrative units (LEAs) can apply once they exceed three times the secondary foundation for out-of-district placements. This basically is a loan program and is prorated based upon the amount appropriated by the legislature.
Maryland	The state reimburses local school systems for costs associated with placing students with disabilities in intensity V and VI nonpublic education facilities. This reimbursement becomes effective once the local school system has first paid the equivalent of their 300 percent local basic costs per pupil towards the placement. Costs incurred after this 300 percent amount are shared by the local school system (20 percent) and by the state (80 percent). Currently, the state reimburses the local school systems approximately \$51 million.
Minnesota	If a district’s special education costs per pupil unit that are not reimbursed by the special education formula are greater than 4.4 percent of the district’s general revenue (which for the purpose of excess cost aid includes general education revenue plus referendum revenue per pupil minus operating capital and transportation sparsity revenue), a district will receive special education excess cost aid equal to the greater of: a) 75 percent of the amount of the unreimbursed cost minus 4.4 percent of the district’s general revenues, b) 70 percent of the difference between the increase in unreimbursed costs between the case and current year and 1.6 percent of the general education revenue, or c) zero.
Missouri	All excess costs associated with educating students with severe disabilities who qualify for enrollment in the State Schools for Severely Handicapped, yet who are educated in a local school district, are paid by the State. All excess costs associated with educating students who are placed out of their domicile by juvenile courts are paid by the State. All costs on behalf of the education of a student with a disability that exceed five times the average per pupil expenditure of the serving district are paid by the state.
Montana	A district may be reimbursed if it experiences disproportionate costs in providing special education services. Disproportionate costs are those that exceed 110 percent of the sum of all block grants and district match requirement. Reimbursement is based on a 65:35 state to district ratio.

**Exhibit 1-9. States' Provisions for High-Cost Students, 1999-2000 (Continued)**

<b>New Hampshire</b>	The state appropriates at least \$1 million annually to assist school districts in meeting catastrophic costs in their special education programs. Catastrophic aid is available for students for whom the costs of special education exceed 3.5 times the state average expenditure per pupil. The amount of catastrophic aid that a district can receive is calculated using an equalized formula and may not be more than 80 percent of the catastrophic costs exceeding 3.5 times the state average expenditure per pupil.
<b>New Jersey</b>	Districts receive most of the cost above \$40,000 for eligible students in the form of extraordinary aid, if the district proves that it examined alternative placements, and that the placement has an adverse financial impact on its budget. There is a panel review of applications.
<b>New York</b>	High cost public excess cost aid is provided to school districts for students with disabilities for whom the costs of special education exceed the lesser of \$10,000, or four times the annualized expense per pupil. Private excess cost aid is provided to school districts that contract with approved private schools, Special Act School Districts, and two state-operated schools. This aid is defined as the cost remaining after the deduction from the approved tuition charge of a basic contribution. The basic contribution is based on the school district's property and nonproperty tax levy per enrolled pupil. The private excess cost aid ratio is 85 percent for a district of average wealth. Aid increases from 85 percent for poorer districts and decreases to a minimum of a 50 percent aid ratio for wealthier districts.
<b>North Dakota</b>	The system to reimburse extraordinarily high-cost cases follows an insurance-like model in reimbursing high costs that have been incurred in serving a small number of students. This extraordinary cost portion of the state funding makes up roughly 25% of the state support for special education.
<b>Oklahoma</b>	The Special Education Assistance Fund reimburses eligible expenses for IEP students for whom programs result in extraordinary costs to the providing school or district of residence. Forms must be completed for each student for whom the school district is requesting reimbursement, and each claim is reviewed on a case-by-case basis in accordance with funding priorities and is subject to proration based upon the availability of funds.
<b>Pennsylvania</b>	The Contingency Fund for Extraordinary Special Education Program Expenses provides partial reimbursement to school districts for the implementation of the IEP for a student with severe disabilities. A contingency fund application may be submitted for partial reimbursement of extraordinary expenses incurred in meeting the educational needs of a child with severe disabilities who requires a highly specialized program or related services in order to receive an appropriate education.
<b>Utah</b>	Districts submit information related to the students that they serve who cost in excess of \$15,000. Since it always totals much more than the total appropriation, the monies are prorated down according to the amount available, divided by the number of high-cost students.
<b>Vermont</b>	If a school district pays more than \$50,000 for special education services for an individual student for a fiscal year, they report the cost and receive 90 percent reimbursement for the cost in excess of \$50,000.
<b>Washington</b>	Individual High-Cost Student federal special education funding is available for districts that can demonstrate the presence of individual students that significantly impact their budgets.
<b>West Virginia</b>	Outside the formula, the state education agency provides assistance on a percentage reimbursement basis to districts for the cost of special education students in out-of-state residential placements and for students served out-of-county (district) as a result of placement by a state agency. Percentage varies with total amount available.

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

\*The following states reported that they have provisions for high-cost students but did not specify what those provisions are: Georgia (1994-95 response), North Carolina, Ohio, Oregon, Tennessee, and Wyoming (which funds 100 percent of special education expenditures).

**Interagency Funding Agreement**

As shown in Exhibit 1-10, 21 of the 46 responding states also have an interagency funding mechanism to serve children with multiple special needs. This interagency funding mechanism is usually either legislatively mandated (n = 14), or is a voluntary program (n = 5). Some states, such as Nebraska and Nevada, are involved in an interagency funding arrangement with just one other agency, while other states, such as Alabama, Minnesota and Virginia, have as many as five or more agencies involved. States listed a number of different involved agencies, ranging from the Department of Juvenile Justice to the Department of Substance Abuse. More than half of the respondents reported that their state's Department of Health is included in these funding arrangements.

**Exhibit 1-10. Interagency Funding to Serve Children with Multiple Special Needs, 1999-2000**

State (n = 21)	Basis of Mechanism	Agencies/Departments Involved in Interagency Funding Arrangements	Respondents' Perspectives on Interagency Funding Arrangement
Alabama	Legislatively mandated	Departments of Mental Health and Mental Retardation; Youth Services; Human Resources; Public Health,; and Education	It resulted in shared funding of \$4,000,000 for FY99 for multiple needs students.
Arizona	Legislatively mandated	Departments of Education; Economic Security; and Health Services	Arizona pays for educational costs associated with necessary residential placements through the state's formula-driven funding mechanism.
Arkansas	Department of Human Services	Department of Human Services	
California	Legislatively mandated	County Departments of Mental Health, Health Services, Social Services, and Probation	
Hawaii	Voluntary program	Department of Health	The arrangement is beneficial to both the Department of Education and the Department of Health and allows for the provision of educational services in Department of Health to be contracted therapeutic group type facilities.
Maine	Informal agreement	Departments of Mental Health, Mental Retardation, Substance Abuse, Corrections, and Human Services, Bureau of Child and Family Services, Bureau of Medical Services	There is a potential for shifting costs from local districts to one or more of the state agencies including the Maine Department of Education. There also needs to be a clear legislative mandate – then agencies to fund it.
Maryland	Legislatively mandated	Departments of Education; Health and Mental Hygiene; Human Resources; Juvenile Justice	Each agency funds their own child being placed in a residential setting except if the placement involves multiple special needs which results in the placement being co-funded by more than one agency. The arrangement seems fair and equitable.
Minnesota	Legislatively mandated	Departments of Children, Families, and Learning; Human Services; Economic Security; Commerce; Human Rights; Human Services; Corrections; and more	The fiscal implications of this interagency funding arrangement are increased and coordinated capabilities are enhanced in the provision of funding to serve children with multiple special needs.
Mississippi	Legislatively mandated	Departments of Human Services; Mental Health, and Families as Allies, per legislative statute.	The state has two funding arrangements: 1. Human Services pays all fees except education costs that are paid by the Mississippi Department of Education. 2. Mississippi Connections Project is blended funding among agencies MH, HS, MDE, the Department of Health, and Medicaid.
Missouri	Voluntary program	Departments of Education; Mental Health; Social Services; and Health	
Nebraska	Legislatively mandated	Health and Human Services - Medicaid	Medicaid in Public Schools (MPS) is limited to physical, occupational, and speech therapy services and has allowed for funding of services coordination for infants/toddlers with disabilities through Health and Human Services.
Nevada	Legislatively mandated	Department of Human Resources	This allows the state to prioritize students who need out-of-district placements to receive free and appropriate education (FAPE) for in-state placement options under the jurisdiction of DHR.
New Jersey	Legislatively mandated	Departments of Human Services; Corrections, Juvenile Justice, Katzenbach, A. Harry Moore, Commission for the Blind and Visually Impaired	Works adequately.
New York	Legislatively mandated	Offices of Children and Family Services; and Mental Retardation and Developmental Disabilities	These are generally arranged to serve children in special residential settings.
Oregon	Legislatively mandated	State and federal preschool providers, Oregon Youth Authority (Juvenile Corrections), statutorily recognized hospitals, vocational rehabilitation, Department of Human Services	These arrangements provide collaboration across agencies so that multiple needs of children are addressed. Fiscal responsibilities, therefore, are identified and coordinated to reach maximum efficiency while providing services.
Pennsylvania	Legislatively mandated	Departments of Education; Public Welfare; Labor and Industry; and Health	
Rhode Island	Voluntary program	Department for Children and Youth, Local Education Agencies	
Tennessee	Voluntary program	Departments of Education; and Health, MHMR, and Medicare	
Utah	Voluntary program	Departments of Education; Health; Human Services, and Workforce Services	A small amount of money. The cooperative effort is the main benefit.
Vermont	Legislatively mandated	Social Welfare and Mental Health and Education make joint decisions on residential placements and have a state level team to problem solve.	The arrangement fairly divides education, treatment and room/board costs for residential students, but the State Team is often unable to solve individual cases because of lack of funds or inflexibility of agency rules or funding. This area remains a significant problem.
Virginia	Legislatively mandated	Departments of Education; Social Services; Mental Health, Mental Retardation, and Substance Abuse Services; Juvenile Justice; Health	There is no way to determine whether costs have been better managed. However, planning for services and community awareness of service needs have been improved, and the delivery of services is more efficient.

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

## **Allowable Uses of Special Education Funds**

States sometimes use fiscal policies to affect district practice in the provision of special education services. For example, states may use a variety of fiscal accountability mechanisms designed to control and target special education expenditures. Fiscal controls in well over a third of the states ( $n = 20$ ) require that funds distributed through the state's special education finance system be spent only for eligible students with disabilities (see Exhibit 1-11). Eleven states allow state special education funds to be used for any public education service; nine states report that funds may be spent for special education and prereferral services; and two states report that funds distributed through their special education funding mechanism may be spent for any public purpose. Restrictions on how districts use special education funds tend to support fiscal accountability, but reduce local control.

Exhibit 1-12 presents states' methods of distributing special education funding. Twenty-one of the 46 reporting states distribute special education funding separately from funding for other education services. Five of the responding states reported that their special education funding is part of a formula that includes funding for other categorical programs such as bilingual education, and 17 stated that their special education funding is subsumed as part of a larger regular education formula. The preference for using a separate categorical mechanism for funding special education reflects the historical development of special education as an "add-on" to the regular education system. However, it may also suggest incongruity between fiscal policy and current program practices and goals. There is a natural tension between separate, highly categorical funding streams and overall education reform objectives favoring more "unified" schooling systems (McLaughlin & Warren, 1992). In such systems, the strict barriers between categorical programs begin to disappear and are replaced by a more seamless set of educational programs and services designed to meet the special needs of all students. Yet, while widespread activity currently focuses on the development of a more unified education system at the instructional level, for the most part, funding structures supporting dual systems of regular and special education remain intact.

A question confronting the development of future fiscal policy in special education is the degree to which funding should retain its categorical nature. Reform advocates sometimes question the efficiency of strict categorical distinctions, and are calling for increased flexibility through the blending of funds to best meet the needs of all students.

**Exhibit 1-11. Fiscal Policies for the Use of State Special Education Revenues, 1999-2000**

Fiscal Policy	Total Number (n = 50)	Percentage of States
Special education programs only	20	40%
Any public education service	11	22%
Special education and prereferral services	9	18%
Any public purpose	2	4%
Other*	8	16%

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000. Data for Georgia, New Hampshire, South Carolina, and South Dakota are based on their responses to the 1994-95 CSEF Survey on State Special Education Funding Systems.

\*Other fiscal policies include:

**Alaska** - Vocational education, bilingual, gifted and talented education, and special education. No state money to fund state special education needs in the Department of Education Early Development. The money is discretionary. School boards decide how to budget the programs.

**Arkansas** - Special education programs, prereferral services, services to students served under Section 504 of the Rehabilitation Act of 1973, and post-dismissal services.

**Florida** - 80 percent of funds generated by exceptional students must be spent on exceptional students.

**Louisiana** - Funding through the Minimum Foundation Program is in the form of a block grant from the state to the local districts. As such, districts are afforded local flexibility to spend these funds as they determine to be in the best interests of the district while satisfying certain state mandated requirements. Therefore, while a certain amount of money within the program is attributable to the weights assigned to special education students, these funds are integrated into the block grant and cannot be tracked directly to these children.

**Nebraska** - Special education/related services and flexible funding option, which is not to exceed 50 percent of specific education budget.

**New Mexico** - All money generated by the state equalization funding formula goes into the local education agency "operational pot." Money generated by special education students is not categorical.

**Vermont** - Special education and prereferral services and some services to non-special education.

**West Virginia** - Public education services are specified within each step of the formula.

**Exhibit 1-12. Methods of Special Education Funding Distribution, 1999-2000**

State (n = 46)	Subsumed as Part of a Larger Regular Education Formula	Part of a Formula that Includes Funding for Other Categorical Programs	Distributed Funds Separately from Funding for Other Education Services	Other
Alabama	Y			
Alaska <sup>1</sup>				Y
Arizona		Y		
Arkansas		Y		
California			Y	
Colorado			Y	
Connecticut <sup>2</sup>				Y
Delaware			Y	
Florida	Y			
Hawaii	Y			
Idaho	Y			
Illinois			Y	
Indiana		Y		
Iowa	Y			
Kansas			Y	
Kentucky	Y			
Louisiana	Y			
Maine		Y		
Maryland			Y	
Massachusetts	Y			
Michigan			Y	
Minnesota			Y	
Mississippi			Y	
Missouri			Y	
Montana		Y		
Nebraska			Y	
Nevada				
New Hampshire <sup>3</sup>	Y			
New Jersey			Y	
New Mexico	Y			
New York			Y	
North Carolina			Y	
North Dakota			Y	
Ohio	Y			
Oklahoma	Y			
Oregon	Y			
Pennsylvania			Y	
Rhode Island	Y			
Tennessee	Y			
Texas			Y	
Utah			Y	
Vermont			Y	
Virginia <sup>4</sup>				Y
Washington			Y	
West Virginia	Y			
Wisconsin			Y	
Wyoming	Y			
<b>TOTAL</b>	<b>17</b>	<b>5</b>	<b>21</b>	<b>3</b>

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

<sup>1</sup> Alaska uses a block grant.

<sup>2</sup> In Connecticut, the bulk of funding is subsumed. It was part of a larger regular education funding formula (ECS), but there are also several grants that are distributed separately from other educational services.

<sup>3</sup> New Hampshire did not provide 1999-2000 survey data. Data reported in this exhibit based on response to the 1994-95 CSEF Survey on State Special Education Funding Systems.

<sup>4</sup> Virginia's special education funding is mostly subsumed as part of larger regular education formula, with some funding distributed as separate categorical accounts.

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Some changes have already occurred. Under Title I of the revised Elementary and Secondary Education Act (ESEA), high poverty schools have been allowed to blend funds from a variety of federal sources to make schoolwide changes for the benefit of all students. Increasing federal support for this concept is indicated by the fact that the poverty threshold eligibility for this program has been continually lowered. Similarly, under the IDEA Amendments of 1997 (P.L. 105-17), local education agencies may use IDEA funds as a part of these Title I schoolwide programs.

## Other State Policies that Affect Special Education Services

A significant trend affecting the delivery of special education services in states across the nation relates to increased use of prereferral intervention services (see Exhibit 1-13). Prereferral intervention systems provide short-term educational interventions for students experiencing difficulties in school, some of whom might otherwise be directly referred to special education. They are designed to provide early, systematic support to students in their regular classroom environment; reduce or eliminate inappropriate referrals for testing and placement into special education; and increase the regular classroom teacher's ability to deal with children with special needs (Hartman & Fay, 1996).

As Exhibit 1-13 shows, 32 states have established prereferral intervention systems of some type, and almost 15 percent ( $n = 7$ ) of them report that state funds have been appropriated for these services. These changes in the delivery of services for children with special needs—driven by both programmatic and fiscal concerns—reflect reforms in special education that are integrally tied to those for the education system as a whole.

**Exhibit 1-13. Adoption of Prereferral Intervention Systems, by State, 1999-2000**

State (n = 50)	Established Prereferral Intervention System	State Funds Appropriated**
Alabama	Y	
Alaska		
Arizona		
Arkansas		
California		
Colorado	Y	
Connecticut	Y	Y
Delaware	Y	
Florida	Y	
Georgia*	Y	
Hawaii	Y	Y
Idaho		
Illinois		
Indiana	Y	
Iowa	Y	
Kansas	Y	
Kentucky		
Louisiana	Y	Y
Maine	Y	
Maryland	Y	
Massachusetts	Y	
Michigan	Y	
Minnesota	Y	
Mississippi		
Missouri		
Montana		Y
Nebraska		
Nevada	Y	
New Hampshire*	Y	
New Jersey	Y	
New Mexico	Y	
New York	Y	Y
North Carolina		
North Dakota		
Ohio	Y	
Oklahoma		
Oregon		
Pennsylvania	Y	Y
Rhode Island	Y	
South Carolina*		
South Dakota*	Y	
Tennessee		
Texas	Y	
Utah	Y	
Vermont	Y	Y
Virginia	Y	
Washington	Y	
West Virginia	Y	
Wisconsin		
Wyoming	Y	
TOTAL	32	7

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.

\* Georgia, New Hampshire, South Carolina, and South Dakota did not provide 1999-2000 survey data. Data reported in this exhibit based on responses to the 1994-95 CSEF Survey on State Special Education Funding Systems.

\*\* Connecticut appropriated \$250,000. Hawaii appropriated an estimated \$6.9 million. Louisiana appropriated a total of \$24,327,986 (not just for special education). Montana has no earmarked money for this purpose – just an allowable cost for special education money. New York appropriated \$66,600,000. In Pennsylvania, appropriations were only available during start-up training years. In Vermont, appropriations cannot be identified as portion-funded.

## Chapter II. Abstracts of State Special Education Funding Formulas

The following abstracts were taken from the 1999-2000 CSEF/NASDSE Survey on State Special Education Funding Systems. Some abstracts have been updated, based on information from the National Center for Education Statistics.<sup>7</sup>

### ALABAMA

Alabama distributes special education aid to school districts via a flat grant based on average daily membership (ADM). Foundation program weighted grade divisors were established for kindergarten through grade 12—14 in kindergarten through grade three, 22 in grades four through six, 21 in grades seven and eight, and 18 in grades nine through twelve. To reflect increased programmatic costs, grade divisors include an adjustment that reflects 5 percent ADM, weighted 2.5 in all grades. Teacher units are calculated by dividing the grade ADM by the grade divisor and summing over all grades in the school.

### ALASKA

(SURVEY RESPONSE UPDATED; NCES)

In 1998, the Alaska legislature passed Senate Bill 36 (SB36) making major changes to the foundation program effective for the 1998–1999 school year. SB36 replaced a formula that allocated additional funds for special, vocational, and bilingual education with a simple 20 percent proportional increment for all school districts that file a Special Needs Services plan with the state Department of Education, regardless of actual special education needs. In addition, however, the new formula awards funds for students receiving intensive special education (under an established individual education plan), and for correspondence students. These increments are not adjusted for district cost factors or school size.

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<sup>7</sup> Sources: 1999-2000 CSEF/NASDSE Survey and U.S. Department of Education, National Center for Education Statistics. *Public School Finance Programs of the United States and Canada: 1998-99*. NCES 2001-309; Compilers John Dayton, C. Thomas Holmes, and Catherine C. Stelke of The University of Georgia and Anne L. Jefferson of the University of Ottawa. William J. Fowler, Jr., Project Officer. Washington, DC: 2001.

## ARIZONA

Arizona distributes special education aid using a weighted pupil formula that is part of a system used for distributing regular education funds and funds for other special programs, including bilingual education. Several weighting factors are included in the formula. Each district receives a base weight of 1.000 for preschool students with disabilities and for students in kindergarten through eighth grade. For high school students, districts receive a base weight of 1.163. The base weight per student is increased for districts with a total student count of less than 600 pupils.

For special education, an additional weight is added to the student's base weight depending on the special education program. The result is the weighted student count, which is used to calculate the district's budget capacity and state aid. Weights for special education students fall within two groups as follows:

- **Group A**

The Group A weights are added to the student base weight and applied to the prior year's total student count to generate a weighted student count. Group A includes students in educational programs for a specific learning disability, emotional disability, mild mental retardation, remedial education, speech/language impairment, homebound, bilingual, preschool moderate delay, preschool speech/language delay, other health impairments, and gifted. The Group A weight for students in preschool programs is 0.450, 0.158 for grades K–8, and 0.105 for grades 9–12. Funds generated under this group are distributed as a block grant to the district and need not be targeted to the specific students generating the funds, provided that all eligible students receive appropriate services.

- **Group B**

Special education students falling within Group B generate funds through weights, which are also applied to the prior year's count of students served in the following programs:

• Emotional Disability	0.003
• Emotional Disability – Private	4.127
• Hearing Impairment	3.341
• Mild Mental Retardation	0.003
• Moderate Mental Retardation	4.244
• Multiple Disabilities with Severe Sensory Impairment	6.025
• Multiple Disabilities/Autism/Severe Mental Retardation – Resource	4.235
• Multiple Disabilities/Autism/Severe Mental Retardation – Self-contained	5.015
• Orthopedic Impairment – Resource	3.868
• Orthopedic Impairment – Self-contained	5.641
• Other Health Impairment	0.003
• Preschool – Severe Delay	4.979
• Specific Learning Disability	0.003

- Speech Language Impairment 0.003
- Visual Impairment 4.832

Finally, the total weighted student count is weighted by a teacher experience index, which accounts for the number of aggregate years of experience of the district's teachers in excess of the state average.

## ARKANSAS

In Arkansas, the minimum budgeted expenditure per capita on behalf of special education students by local education agencies (LEAs) must be equal to the expenditure requirement for the most recent fiscal year for which information is available, consistent with IDEA maintenance of effort requirements. LEAs do not generate additional state aid for special education students. Instead, they have an expenditure requirement.

A state appropriation is available to reimburse LEAs for special education catastrophic occurrences. These funds were appropriated by the Arkansas General Assembly in 1997. LEAs must meet a specific set of criteria in order to seek reimbursement for special education catastrophic occurrences. The LEA must submit an application for reimbursement.

A state appropriation is available to reimburse LEAs on a quarterly basis for the educational costs of students with disabilities placed in approved residential facilities. Arkansas established a reimbursement rate at 2.115 times the Base Local Revenue per Student (BLRS). The amount is divided by the number of school days to calculate a per day amount. The LEA must submit an application for reimbursement for students with disabilities served in a residential facility.

## CALIFORNIA

In 1997, California established a population or census-based funding formula for special education. To adjust for some of the random variation in the concentration of students with disabilities – California has a preponderance of small, rural districts – funding is calculated on the regional level, i.e., by a Special Education Local Plan Area (SELPA).

To convert to this funding formula, the total amount of funding (state, federal, and local property tax) that all districts in a SELPA received for students with disabilities from age 5 through 22 was divided by the total enrollment for the SELPA (in California “average daily attendance (ADA)”). Students who resided in one SELPA but were educated by another had the funds received by the SELPA of service transferred to the SELPA of residence for the purposes of this calculation. The resulting SELPA rate per ADA formed the basis of the new formula.

Each year, the SELPA rate received the following adjustments:

- Every SELPA receives an adjustment each year for cost-of-living (COLA) and growth or decline in total enrollment.

- SELPAs that entered the new funding formula with a rate that was below the statewide average would receive additional funding each year until their rate was equal to the 1997–98 statewide average rate as increased each year by COLA. The 1997–98 statewide average rate as adjusted by COLA is known as the “target” rate.
- Each SELPA’s disproportionately high special education costs receive an adjustment to their funding entitlement by having a multiplier applied to the target rate. If the SELPA’s target rate, after the multiplier is applied, is higher than their actual rate, additional funding is provided each year to raise them to their target.

Finally, funding is also provided on a population basis for SELPA administration. Called “regionalized services and program specialists,” the funding formula also contains a “floor” for sparsely-populated, rural SELPAs.

## COLORADO

In Colorado, each administrative unit (local education agency) that maintains and operates special education programs (approved by the State Department of Education) for the education of children with disabilities is entitled to a base amount of state funding of no less than the state base amount received for the immediately preceding budget year. Such state funding is provided out of the appropriation made to the State Department of Education for payment of costs incurred by administrative units for the provision of special education programs. The initial base amount (fiscal year 1993–94) was established by a percentage cost reimbursement formula.

After the State Department of Education determines the base amount to which each administrative unit is entitled, any remaining portion of the appropriation made to the Department is prorated to those administrative units providing special education services to more children than during the immediately preceding budget year and based on each unit’s share of the total number of additional children in the state being provided special education services.

## CONNECTICUT

Connecticut administers six categories of state special education grants to support public elementary and secondary education:

- (1) Education Cost Sharing (ECS). ECS is the state’s primary source of support for both local regular education and special education programs. ECS aid is predicated on all students, weighted for poverty, remedial performance, limited English proficiency, a foundation, and town wealth. Local expenditures are not part of the funding formula. The ECS formula does not attempt to assign funding levels between regular and special education. That is left to the discretion of the towns. The portion of ECS attributable to special education is based on the proportion of the town’s 1994–95 ECS grant (which at that time was only for regular education) and the Special Education Regular Reimbursement grant. These two grants were consolidated into the current ECS formula in 1995–96. While there are 166 school districts,

ECS is paid to the 169 towns. All the other grants listed below, except for Special Education Equity, are paid to the town/regional treasurer of the 166 districts.

- (2) **Excess Costs.** This grant provides 100 percent of the costs of special education in excess of five times the prior year's average cost per pupil for eligible students who are placed in special education programs (in or out of the district) by the local board of education. The average cost per student is determined by dividing net current expenditures by average daily membership (ADM). Net current expenditures (NCE) reflect expenditures in support of public elementary and secondary education from local, state, federal, and other sources. NCE excludes mandated regular education transportation, debt service, capital expenditures, tuition revenue from other Connecticut public school districts, and community use of educational facilities. ADM represents students of fiscal responsibility (educated in or out of district) in grades pre-K through 12 on October 1, with additional weighting for an extended school year, tuition-free summer school and participation in the inter-district attendance OPEN Choice program.
- (3) **State Agency Placements.** These grants provide 100 percent of the costs of special education in excess of the prior year's average cost per pupil for eligible students placed in special education or regular education programs by a state agency, e.g., the Department of Children and Families. Prior to 1998–99, the state reimbursement began when costs exceeded 2.5 times the prior year's NCE. In addition, the state provides for 100 percent funding in the current year for students who reside on state-owned or leased property or who are in permanent family residences.
- (4) **Special Education Equity.** Provides grants to towns with extraordinary special education costs. Within the \$11.5 million appropriation, towns whose prior year special education expenditures exceed the state average when such costs are compared to average spending in regular programs, are reimbursed for their excess special education costs at the rate of their ECS base aid ratio.
- (5) **Primary Mental Health.** This competitive grant provides funds to school districts for establishing school-based programs for the detection and prevention of emotional, behavioral, and learning problems in public school children primarily in grades kindergarten through grade three.
- (6) **Foster Care.** Within available appropriation, this grant provides funds to school districts with high levels of foster care placements. Any district whose foster care placements of children ages 5 through 18 comprise at least 2 percent of their ADM receives \$100,000, subject to availability of funding. There is no statutory payment date.

In addition to these state grants administered by the State Department of Education, the Board of Education Services for the Blind also provides grants to school districts and the Department of Social Services administers the Medicaid Coordination program that provides grants to towns. This program determines the Medicaid eligibility of special education services provided to the towns' students and provides the necessary information to the Department of Social Services so that Medicaid reimbursement can be obtained from the federal government.

## DELAWARE

Delaware administers a special education reimbursement program based upon enrollment units. These units are calculated by the State Board of Education and are based on the total enrollment in the district as of the last day of September. The sum of all units of all programs in a district is multiplied by 93 percent, which becomes the district's guaranteed unit count.

The teacher/pupil ratios for special education instructional units are as follows:

• Educable Mentally Disabled	1:15	
• Socially or Emotionally Maladjusted	1:10	
• Learning Disabled	1:8	
• Blind	1:8	
• Autistic	1:4	
• Severely Mentally Disabled	1:6	
• Orthopedically Disabled	1:6	
• Trainable Mentally Retarded	1:6	
• Intensive Learning Center Units	1:8.6	
• Partially Sighted	1:10	
• Partially Blind	1:8	
• Partially Deaf		1:6
• Deaf-Blind	1:4	
• Homebound		From block grant to Local Education Agencies

## FLORIDA

Florida administers a weighted pupil formula, the Florida Education Finance Program (FEFP). The FEFP accounts for (1) varying local property tax bases; (2) varying education program costs; (3) varying costs of living; and (4) varying costs for equivalent educational programs due to sparsity and dispersion of student population. FEFP funds are generated by multiplying the number of full-time equivalent (FTE) students by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation that is established by the legislature based on program expenditures during the previous years. For students in exceptional student education programs, there are five cost factors. These cost factors are based upon the severity of the students' needs and the intensity of support provided. The exceptional student cost factors are as follows:

• Support Level 1	1.341
• Support Level 2	2.072
• Support Level 3	3.287
• Support Level 4	4.101
• Support Level 5	6.860

The cost factor for each student is determined by completing a Matrix of Services. The Matrix of Services is completed following the development of the Individualized Education Program (IEP). The matrix reflects the special education and related services to be provided to the student as documented by the IEP committee.

## GEORGIA

(1994-95 SURVEY RESPONSE UPDATED; NCES)

Georgia administers a weighted pupil formula, Quality Basic Education (QBE) funding, to distribute funds for all instructional programs, including special education. QBE funds are generated by multiplying the number of full-time equivalent (FTE) students in various types of instructional programs by program weights. The weighted FTEs are then multiplied by a base program amount established annually by the legislature. The program weights are reviewed triennially by a task force appointed by the Governor. For 1998-99, the special education program weights are as follows:

### Category I

Self-Contained Specific Learning Disabled and Self-Contained Speech-Language Disordered	2.3561
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### Category II

Mildly Mentally Disabled	2.7406
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### Category III

Behavior Disordered, Moderately Mentally Disabled, Severely Mentally Disabled, Resourced Specific Learning Disabled, Resourced Speech-Language Disordered, Self-Contained Hearing Impaired and Deaf, Self-Contained Orthopedically Disabled, and Self-Contained Other Health Impaired	3.4857
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### Category IV

Deaf-Blind, Profoundly Mentally Disabled, Visually Impaired and Blind, Resourced Hearing Impaired and Deaf, Resourced Orthopedically Disabled, and Resourced Other Health Impaired	5.6338
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### Category V

Special education pupils in the above categories whose Individuals Education Programs specify specially designed instruction or supplementary aides or services in alternative placements, in the least restrictive environment, including regular classroom and who receive services from personnel such as paraprofessionals, interpreters, job coaches, and other assistive personnel	2.4473
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Additional funds are provided to districts to pay the state minimum salaries, based on the training and experience of the district's certificated professional personnel in each instructional program.

## **HAWAII**

Hawaii is unique because it operates as a single school system and thus provides full state funding. There is no prescribed funding formula. Rather, the legislature negotiates a biennial school budget based upon the expressed and demonstrated need presented by the State Department of Education. Each program within the department then administers its appropriations within the subdistricts of the islands. The distribution of the appropriations is made according to a specific plan that must be developed annually by the program office and approved by the State Superintendent of Education.

## **IDAHO**

State and base support funds, which provide the majority of support for special education in Idaho, are prorated in accordance with the proportion of units generated by special education. Exceptional child support units are computed with a divisor of 14.5. An exceptional child support unit provides districts with the same amount of funding as a regular education unit, but it generally takes fewer students to generate a special education unit. However, in small districts, the regular education secondary divisor, which is less than 14.5, was used to calculate secondary special education funding. State rules specify that 6 percent of elementary students and 5.5 percent of secondary students generate unit funding at the exceptional child divisor. Unit funding calculations for preschool children with disabilities are based on the amount of service received by those students. The total funds allocated through the unit funding mechanism are referred to as a district's entitlement.

Staff allocation funding is available to support all school district programs. This funding is based on the total number of support units generated by a school district in regular education, special education, and alternative school programs. For each support unit, districts qualify for reimbursement for 1.1 teachers, .075 administrators, and .375 classified staff. This reimbursement is subject to a statewide salary index that recognizes education and experience. The total dollars allocated to a district for staff allocation funding are referred to as base support. Basic benefits (unemployment, social security, and retirement) are also paid by the state.

Special distributions are provided with state funds for contracts with private agencies, special education tuition equivalency funding, and funding for students with emotional disturbance. These funds only comprise \$1.2 million of the \$97.7 million available for special education. School districts may claim reimbursement for a portion of the costs of approved contracts with private agencies that meet state standards. The disbursement of contract funds provides the same level of state support for contracted students as for students served in public school programs.

Districts that provide special education for students whose parents reside in other school districts may claim reimbursement for local tuition-equivalency allowances and also receive the exceptional child division for all such students. Additional funds are provided under an excess cost factor to assist these

districts in meeting the needs of these high-cost students. This excess cost factor was \$2,400 per eligible student in the 1998–99 school year.

Districts that identify and serve high numbers of students with emotional disabilities receive additional state support to offset these costs.

## ILLINOIS

Illinois distributes funds to school districts or cooperatives to assist in paying salaries of personnel hired to provide special education services. Districts are reimbursed a fixed rate for personnel salaries as follows:

- Hospital/homebound instruction for all eligible children – one-half of the teacher’s salary, but not more than \$1,000 annually per child or \$8,000 per teacher, whichever is less.
- Readers for the blind or partially sighted – one-half of their salary, but not more than \$400 annually per child.
- Noncertified employees – the lesser of one-half of the salary or \$2,800 annually per employee.
- Full-time professional personnel – \$8,000 per special education certified teacher, state approved special education director, related services provider, registered therapist, professional consultant, and special education administrator or supervisor.

When a school district or special education cooperative operates an approved school or program in excess of the adopted school calendar, personnel reimbursement is available at 1/185 of the amount or rate paid. A maximum of 235 days is allowed.

In addition to personnel salary reimbursements, the following special education funding is provided:

- Assistance to school districts in paying the costs of tuition for students placed by the district in approved day or residential nonpublic schools in the state, and public and nonpublic schools outside the state. School districts are required to pay the actual cost of tuition and related services provided or \$4,500, whichever is less. Districts are reimbursed by the state for tuition that exceeds the district per capita tuition rate, up to \$4,500. If the tuition exceeds \$4,500, the district pays a second amount equivalent to its per capita tuition rate and the state reimburses the remaining cost.
- Assistance to school districts in paying the costs of educational programs for students with disabilities who require extraordinary special education facilities and/or services. When an individual student’s costs exceed 1.5 times the district per capita tuition charge, then reimbursement is provided for the amount that is in excess of the district per capita tuition charge for the prior year or \$2,000, whichever is less.
- Reimbursement for the actual costs of educating eligible children with disabilities who reside in orphanages, foster family homes, children’s homes, or state housing units.
- Reimbursement for 4/5 of the cost of transportation for each child who requires special transportation service in order to take advantage of special education facilities.

- Reimbursement for children eligible under the first two points above, and enrolled in summer school for at least 60 clock hours.

## INDIANA

In 1995, the Indiana General Assembly restructured the state's special education funding system. Under the revised system, a modified unduplicated count of students receiving special education is now used as the basis for generating state special education funds. This method replaced the weighted duplicated services count that was previously used.

This system involves a December 1 unduplicated count of all eligible special education students who are identified as severely or mildly/moderately disabled. The count of students with communication disorders (CD) is duplicated if a CD student is also served in another special education program.

The category of severe disabilities consists of: Multiply Disabled, Orthopedically Impaired, Emotionally Disabled, Severely/Profoundly Mentally Disabled, Autistic, Visually Impaired, Hearing Impaired, Traumatic Brain Injured, and Deaf/Blind. Funding for this group during the 2000–01 school year is \$7,849 per child.

The category of mild/moderate disabilities consists of: Learning Disabled, Mildly Mentally Disabled, Moderately Mentally Disabled, and Other Health Impaired. Funding for this group during the 2000–01 school year is \$2,130 per child. Funding for Communication Disordered students for the 2000–01 school year is \$505 per child.

## IOWA

Iowa uses a weighted pupil formula to distribute aid for special education instructional programs, which is integrated into the total educational finance system of the state. Pupils in a regular curriculum are assigned a weight of 1.0. For special education students, the 1994–95 weighting scheme applies three different weights, as follows:

- |  |      |
|--|------|
| • Special adaptations to regular classroom   | 1.68 |
| • Resource room (maximum teacher-pupil ratio of 1:18)                                  | 1.68 |
| • Special class with integration (maximum teacher-pupil ratio of 1:12 or 1:15)         | 1.68 |
| • Self-contained placement with minimal integration                                    | 2.35 |
| • Self-contained placement with no integration<br>(maximum teacher-pupil ratio of 1:5) | 3.54 |

A pupil requiring special education is assigned one of the three weights and generates special education funds at that weight multiplied by the district cost per pupil, which varies from district to district.

A network of fifteen intermediate districts provides special education support services to the identified special education population. Such services include special education supervision, therapeutics, speech, social workers, consultants as required, and other support services. Funding for support services is

determined by a per pupil cost for each intermediate agency and the intermediate agency's weighted enrollment.

## KANSAS

Kansas distributes special education aid to school districts on a flat grant per unit basis. A "unit" is defined as one full-time equivalent (FTE) teacher, administrator, or related services professional or paraprofessional. For funding purposes, paraprofessionals are counted as 2/5 FTE special teacher.

The legislature makes an annual appropriation for special education from which reimbursements to school districts for student transportation and staff travel allowances are subtracted. Reimbursement of up to 80 percent of actual expenses (up to \$600) incurred for the provision of special education services to an exceptional child at a location other than the child's residence is also subtracted from the annual special education appropriation.

From the remainder, funds are distributed to districts based on the proportion of FTE special education teachers in each district to the total number of FTE special education teachers employed by all school districts. Note that special education teachers in excess of the number of special education teachers necessary to comply with authorized pupil-teacher ratios are not counted for funding purposes.

## KENTUCKY

Kentucky uses a weighted pupil formula to distribute special education funds, which is integrated into the general aid formula. All students generate money for a school district based on average daily attendance (ADA). Students with disabilities, ages 5 through 20, generate an exceptional child add-on based on categories of disability. The exceptional child add-on is multiplied by the base amount awarded for ADA (determined annually by the Division of Finance, based on available funds). For the 1994-95 school year, the exceptional child add-ons were as follows:

- Functional Mental Disability, Hearing Impaired, Visually Impaired, Emotional Behavior Disabled, Deaf-Blind, Autistic, Traumatic Brain Injured, and Multiply Disabled 2.350
- Mild Mentally Disabled, Orthopedically Impaired, Other Health Impaired, Specific Learning Disabled, and 5-year-old Developmentally Delayed children 1.170
- Speech or Language Disabled Only 0.240

## LOUISIANA

In Louisiana, K-12 public education is funded through the Minimum Foundation Program. Within the Minimum Foundation Program Formula, weights are assigned for certain students in recognition of the extra costs associated with educating them. Special education students are weighted at 150 percent.

It must be noted, however, that funding through the Minimum Foundation Program is in the form of a block grant from the state to the local districts. As such, districts are afforded local flexibility to spend these funds as they determine to be in the best interests of the district while satisfying certain state-mandated requirements. Therefore, while a certain amount of money within the Minimum Foundation Program is attributable to the weights assigned to special education students, these funds are integrated into the block grant and cannot be tracked directly to these children.

## **MAINE**

Maine administers a special education subsidy formula that provides a percentage subsidy to school districts for specified costs. The special education costs that are subsidized include the salary and benefits of certified professional personnel (administrators, teachers, and educational specialists assigned to provide or administer special education services), approved assistants or aides, clerical staff, and qualified independent contractors performing special education services or supportive services.

Costs are also subsidized for tuition, board, and supportive services paid to other school units or private schools which have been approved by the Commissioner for the provision of special education and supportive services.

Subsidies on these costs are based on two-year-old costs. The state subsidizes the costs of programs and services for state wards and state agency clients at 100 percent of costs. These costs are subsidized in the year the program is provided.

Local districts are required to provide at least 45 percent of the costs, depending on assessed property value, while they state subsidy provides the remainder.

## **MARYLAND**

Maryland uses a two-tiered approach to distribute special education funds to school districts. The first tier, developed in 1977, distributes a flat \$70 million on a grant basis resulting in a general 70 percent state- and 30 percent local-revenue contribution. The formula distributes funds based on the 1981 total student population and is designed to equalize the state contribution based on property wealth, and to apply a cost index bringing counties up to the statewide median per pupil expenditure while freezing those who exceed the median. This first tier is frozen at the 1981 calculation.

A second tier was developed in response to recommendations made by a 1986 Task Force that studied state special education funding. Any additional funds for special education which may be appropriated by the legislature on an annual basis (\$11.25 million currently) are distributed according to several Task Force recommendations: (1) enrollment data representing the total numbers of children with disabilities, ages 0–21, served by each local school system; and (2) an equalization component which consists of a ratio of county wealth per pupil to the average state wealth per pupil.

In addition, the state reimburses local school systems for costs associated with placing students with disabilities in intensity V and VI nonpublic education facilities. This reimbursement becomes effective

once the local school system has first paid the equivalent of their 300 percent local basic costs per pupil towards the placement. Costs incurred after this 300 percent amount are shared by the local school system (20 percent) and by the state (80 percent). Currently, the state reimburses the local school systems approximately \$51 million.

## MASSACHUSETTS

The Commonwealth of Massachusetts' funding of education is based on the full student census in the school districts. Special education is one element of the overall determination of a "foundation funding level" for each school district. The foundation is based on educational assumptions about the resources required to operate a school. Calculation of the foundation funding level is based on a set of assumptions about class size, teacher salaries, and school physical plant operations, as well as other factors such as school district size and composition. Additional funds are allocated in the "foundation" for special education, based on the assumption that a full-time equivalent (FTE) of 4.5 percent of the student census needs additional services for special education based on the following:

- 1 percent FTE assumption of students needing out-of-district placements
- 3.5 percent FTE based on an assumption of 14 percent of the full student census receiving special education services in-district for one-quarter of the school day ( $14 \times .25 = 3.5$ ).

Calculation of the foundation is predicated on the goal of moving every district in the state towards spending the minimum foundation level by the year 2000. The amount of funds provided by the state to individual districts varies inversely with district wealth and per capita income.

In addition to this foundation formula, the state pays up to 50 percent of tuition for out-of-district residential placements in schools approved by the state for special education.

## MICHIGAN

Michigan reimburses school districts 28.6138 percent of total approved costs. Total approved direct special education costs plus indirect costs for operation and maintenance (up to 15 percent of direct costs) are calculated.

In addition to state aid and local school district revenue, each of Michigan's 57 intermediate school districts (ISDs) has passed a special education millage. The average is 2.4 mills. The revenues from this county tax are used for special education programs and services. The ISDs also provide direct and support services for local school districts within the ISD. Most of the ISDs also distribute a portion of the tax to local districts to be used for special education.

## MINNESOTA

Districts receive funding to recognize a portion of the additional costs of providing required services to disabled students.

Regular special education revenue provides districts with 68 percent of the salaries of special education teachers, related services and support services staff providing direct services to students in a base year adjusted for total enrollment change in the school district, a growth factor, and prorated so that combined district revenues do not exceed the state total special education revenue (\$463 million in 1999–2000). Special education revenue in 1999–2000 is calculated by taking the special education revenue for the base year (the base year for 1999–2000 is 1997–98) and adjusting it for enrollment growth in the district and by the growth in statewide special education revenue between the current and base years.

Base year revenue includes:

- a) 68 percent of the salaries of teachers, person providing related services to students, and support service staff providing direct services to students;
- b) 47 percent of supplies, materials, and equipment up to \$47 per students;
- c) 52 percent of the difference between the general education basic allowance and the cost to a resident district for special education services provided by contract with agencies other than school districts;
- d) Funding for summer programs in categories (a), (b), and (c) listed above.

Additional special education aid categories:

1. Excess Cost Aid – If a district’s special education costs per pupil unit that is not reimbursed by the special education formula are greater than 4.4 percent of the district’s general revenue (which for the purpose of excess cost aid includes general education revenue plus referendum revenue per pupil unit minus operating capital and transportation sparsity revenue), a district will receive special education excess cost aid equal to the greater of: a) 75 percent of the amount of the unreimbursed cost minus 4.4 percent of the district’s general revenue, b) 70 percent of the difference between the increase in unreimbursed costs between the base and current year and 1.6 percent of general education revenue, or c) zero.
2. Home-Based Travel Aid – Aid is provided to reimburse 50 percent of the travel costs of personnel providing home-based travel services to children under age five with disabilities.
3. Special Pupil Aid – Districts are reimbursed for the special education costs not covered by other special education funding or the general education formula for students with disabilities residing in public or private residential facilities in the district and for whom there is no school district of residence because parental rights have been terminated or the parents cannot be located.

## MISSISSIPPI

Mississippi distributes special education aid based on approved teacher units. An annual state appropriation reflects an allocation of a specific number of teacher units, based on an estimate of the number of teachers that will be needed in the following year.

Funding for an approved special education unit is based on the teacher's salary, fixed charges, and support services. The level of preparation and experience of each teacher and the current level of funding for supportive services are the basis for the amount allocated per teacher unit. Special education teacher units are allocated as an integral part of the basic funding formula and are in addition to "regular" teacher units earned based on the average daily attendance of students.

## MISSOURI

In addition to payments to districts from a state foundation program, Missouri distributes categorical funds for special education in a number of ways, depending generally upon the age grouping of students.

### *Students ages three through prekindergarten*

- The State pays all approved early childhood special education costs incurred by school districts. A combination of federal and state funds is used.

### *Students in grades Kindergarten to 12<sup>th</sup> grade*

- Exceptional Pupil Aid: The largest nominal distribution is done through a combination of two methods: 1) a flat grant per an approved full time equivalent of either certificated special education teacher, ancillary staff member or instructional aide and 2) a flat amount per eligible pupil, or EP (equivalent to an FTE student), enrolled in public school or who is a resident student enrolled in a private/parochial schools, whether the student is disabled or not. The law permits half of all funds to support staff and half to be distributed on an EP basis.
- Severe Disabilities Services Fund: All excess costs associated with educating students with severe disabilities who qualify for enrollment in the State Schools for Severely Handicapped, yet who are educated in a local school district, are paid by the State.
- Excess Cost for Public Placement: All excess costs associated with educating students who are placed out of their domicile by juvenile courts are paid by the State.
- Extraordinary Cost Fund: All costs on behalf of the education of students with a disability which exceed five times the average per pupil expenditure of the serving district are paid by the State.
- Readers for the Blind Fund: A flat grant of \$500 per approved blind student may be paid to districts that employ persons to assist such students to effectively participate in instruction.

## MONTANA

Montana administers a block grant to school districts and cooperatives wherein funding levels for instructional activities and related services are calculated separately based on total school population.

Districts must provide a local match of one dollar for every three dollars of state funding. If district expenditures for approved allowable costs of special education are insufficient to demonstrate match, the district faces a reversion in funds the following year that is proportional to the shortfall in local funding.

A district may be reimbursed if it experiences disproportionate costs in providing special education services. Disproportionate costs are those that exceed 110 percent of the sum of all block grants and district match requirements. Reimbursement is based on a 65:35 state to district ratio.

Cooperative boundaries are fixed at the state level, and cover the whole state. Schools are encouraged to participate in their local cooperative, but they are not required to do so. If a school participates, the block grant amount for related services is sent directly to the cooperative, and the school is charged with the responsibility of making matching fund payments to the cooperative. Cooperatives are given an additional formula-driven allocation to supplement additional costs of travel and administration.

Based on the rules of calculation, it is possible (virtually certain) that the sum of all block grants, cooperative special allocations, and reimbursable expenditures will exceed the special education appropriation. In this case, a prorated percentage is calculated and applied to all funding figures such that the total of the funding equals the money available. For school year 1999–00, the prorate decreased the nominal 3:1 state to district share for block grants to about 1:1.

## NEBRASKA

Nebraska administers an excess cost formula for school-age (5–21) special education programs, in which school districts/approved cooperatives are reimbursed for a percentage of the allowable excess cost of the preceding year's special education programs. Excess cost is defined as the difference between (1) the total allowable cost of the special education programs excluding residential care and student transportation, and (2) the number of students (full-time equivalency) in the special education program multiplied by the adjusted average per pupil cost of the resident school district of each child for the preceding school year. Allowable costs include:

- Salaries and fringe benefits of special education staff
- In-service costs directly related to special education
- Travel costs of special education staff
- Travel costs of parents to attend educational planning meetings held outside the resident district
- Instructional equipment, supplies, and publications
- Contracted special education services
- Costs of acquisition, renovation, and operation of mobile learning centers
- Costs of support services identified as the Flexible Funding Option

School districts/approved cooperatives provide school-age special education programs by the following levels of service:

- Level I – Support services provided to students who require an aggregate of not more than three hours of service per week. Level I support services may be provided directly or contracted and include all special education administrative, diagnostic, consultative, and vocational adjustment counselor services.
- Level II – Special education and related services that are provided outside of the regular class program for a period of time exceeding an aggregate of three hours per week.
- Level III – Special education and related services that are provided in an approved educational setting not operated by the resident school district. Special education services are provided for a period of time exceeding an aggregate of three hours per week.

School districts/approved cooperatives are reimbursed a prorated amount determined by the State Board of Education from appropriations for special education and based on allowable excess costs.

Early childhood programs (birth to five) are paid concurrently, and if federal IDEA funding is inadequate to pay 100 percent of the allowable costs, the grant payments provided by the Department shall be a prorated amount determined by the State Board of Education from appropriations for special education and based upon allowable costs. Allowable costs for early childhood programs are the same as those for school age programs (previously listed), with the addition of facility costs, which are limited to plant operations, maintenance, repairs, and lease costs.

## NEVADA

Nevada administers a flat grant per unit funding mechanism to distribute special education aid as an integral factor in the Nevada Plan, the program used to finance elementary and secondary education in the state.

Special education is funded on an instructional unit basis, at a legislatively approved amount per organized instructional unit. An organized instructional unit includes the full-time services of licensed personnel providing an instructional program in accordance with minimum standards prescribed by the State Board of Education. The special education unit appropriation is added to the total basic support per district to provide a guaranteed amount of funding to a local school district.

Special discretionary units are reserved by the State Board of Education for distribution to districts on a special need basis.

## NEW HAMPSHIRE

(AS LAST PROVIDED IN RESPONSE TO 1994-95 SURVEY)

New Hampshire administers an equalized weighted pupil formula to distribute state aid for elementary and secondary education programs, including special education and vocational programs.

The weights assigned to students with disabilities are designed to reflect the differences in education costs among the disability classifications of children when compared to the average current operating expenditure to educate a resident pupil in grades K–8 who is not disabled. An elementary student who

is not disabled carries a weight of 1.0. For students with disabilities, weights are assigned by program, as follows:

- In-district, within a self-contained special education classroom 2.57
- In-district, without placement in a self-contained special education classroom 2.57
- Out-of-district day placement 7.08
- Residential placement 8.72
- Preschool day placement 3.37

In calculating the amount of state aid to which a district is entitled, an equalization formula is applied to the weighted pupil count to reflect three factors: the property wealth, the personal income wealth, and the tax effort of a school district.

In addition, the state appropriates at least \$1 million annually to assist school districts in meeting catastrophic costs in their special education programs. Catastrophic aid is available for students for whom the costs of special education exceed 3.5 times the state average expenditure per pupil. The amount of catastrophic aid that a district can receive is calculated using an equalized formula and may not be more than 80 percent of catastrophic costs exceeding 3.5 times the state average expenditure per pupil.

## NEW JERSEY

New Jersey administers a system that provides categorical aid for special education students. Categorical aid is in addition to weighted regular education aid provided for each student, and is intended to cover much of the excess cost associated with the student's special needs. The aid is based on the student's eligibility criteria as provided for in an IEP, and also on the type of related or intensive services that the student receives. Different levels of aid are provided for students grouped into each of four tiers depending upon their eligibility criteria. In Tier I \$305 is granted for each related service that a qualifying student receives, up to a maximum of four services. Tier II students are granted \$3,207, Tier III \$4,276, and Tier IV \$12,827. Districts also receive most of the cost above \$40,000 for eligible students in the form of extraordinary aid, if the district proves that it examined alternative placements, and that the placement has an adverse financial impact on its budget. A description of the eligibility criteria for each of the tiers is listed below:

- Tier I – The number of resident students classified as eligible for special education services (not eligible for speech-language services) receiving related services (counseling, OT, PT, other; maximum of four services per student). \$305/student
- Tier II – The number of resident students meeting the criteria for specific learning disabled (PI), traumatic brain injury (NI), cognitively impaired – mild (EMR), preschool disabled, all classified students in shared time vocational schools; and nonclassified students in state training schools or secure care facilities. \$3,207/student

- Tier III – The number of resident students meeting the criteria for cognitively impaired – moderate (TMR), emotionally disturbed (ED), multiply disabled (MH), auditorily impaired (AH), orthopedically impaired (OH), communication impaired (CH), other health impaired (CI), and visually impaired (VH); and nonclassified students in juvenile community programs.  
\$4,276/student
- Tier IV – The number of resident students meeting the criteria for cognitively impaired – severe (Eligible for Day Training), students meeting the criteria for autistic, any student receiving one or more of the following intensive services: individual instruction, student to teacher-aide ratio of 3.1 or less, high-level assistive technology, extended school year, intensive related services, interpreter services, personal aide, residential placement for educational purposes, individual nursing services.  
\$12,827/student
- Extraordinary Costs – Districts with students whose special education costs exceed \$40,000; districts with an extraordinary number of classified students. Panel review of applications.

## NEW MEXICO

New Mexico administers its state aid for special education based upon weighted program and pupil units. Program units for related services are based on counts of full-time equivalent (FTE) teachers. Pupil units for special education are based on the amount of special education services received by the child. There are four pupil service classifications (minimum, moderate, extensive, maximum) and one related services classification. Each classification has a cost differential factor as follows:

- Minimum Services                      0.7 units/student
- Moderate Services                      0.7 units/student
- Extensive Services                      1 unit/student
- Maximum Services                      2 units/student
- Related Services                      25 units/FTE

A unit value is derived annually from the legislative appropriation for New Mexico Public Schools. Pupils are identified by the amount of service designations stated above, and revenue is distributed based on the product of the unit value and the cost differential factor. Student/staff ratios are established for each program classification, and an instructional staff training and experience index is also used. Starting with the 1998–99 school year, state funding for all pupils is based on pupil counts from the previous year, with some minor adjustment for growth.

## NEW YORK

New York administers a weighted pupil formula, which is based upon intensity of service. Although a special education pupil does not have to be enrolled in a special class or resource program to generate special education aid, the student must be provided some special education services or approved related or support services to qualify for the additional aid. Weights, which are not adjusted on an annual basis, include:

- 60 percent or more of each school day in a special class 2.70
- 60 percent or more of each school day with special services or programs 2.70
- Home or hospital instruction for a period of more than 60 days 2.70
- 20 percent or more of each school week in a resource room 1.90
- 20 percent or more of each school week with special services or program 1.90
- 100 hundred percent of each school day in a regular class with specially designed individualized instruction provided by or in consultation with a teacher of special education, and related services as needed 1.80
- Two or more periods each week of special instruction either in speech or in another special program or service 1.13

In addition to this weighted formula, the state provides funding for students with disabilities who are declassified. Aid for declassification support services is provided to school districts for the first year to help schools defray costs of providing necessary support for teachers and students.

High cost public excess cost aid is provided to school districts for students with disabilities for whom the costs of special education exceed the lesser of \$10,000 or four times the annualized expense per pupil.

Private excess cost aid is provided to school districts that contract with approved private schools, Special Act School Districts, and the two state operated-schools. This aid is defined as the cost remaining after the deduction from the approved tuition charge of a basic contribution. The basic contribution is based on the school district's property and nonproperty tax levy per enrolled pupil. The private excess cost aid ratio is 85 percent for a district of average wealth. Aid increases from 85 percent for poorer districts and decreases to a minimum of a 50 percent aid ratio for wealthier districts.

When it made changes to its formula in 1999–2000, New York considered census-based funding but opted instead to keep its weighted formula and add several components. One such additional component is an incentive for less restrictive environments that will provide an additional .5 funding weight beyond the base 1.7, for those students with disabilities who receive special education programs or services 60 percent or more of the school day and are provided such services in the general education setting by qualified personnel. Additional components to the funding formula include the following:

- 60 percent or more of each school day in a special class  
 $2.70 + .5 = 3.20$
- 60 percent or more of each school day with special services or programs  
 $2.70 + .5 = 3.20$
- 100 hundred percent of each school day in a regular class with specially designed individualized instruction provided by or in consultation with a teacher of special education, and related services as needed  
 $1.80 + .5 = 2.30$

## **NORTH CAROLINA**

In North Carolina, state funds for special education are additional to basic education aid, which is based mainly on average daily membership of school districts. Funds for exceptional education are distributed on a per child basis determined by dividing the total available state funds for exceptional children by the April 1 student headcounts of disabled students. Each district's allocation is determined by multiplying the per child amount by the total count of exceptional students.

The counts of exceptional children with disabilities in each local school district are limited to 12.5 percent of the average daily membership.

## **NORTH DAKOTA**

The state portion of the finance system for special education in North Dakota has two components:

- 1) A population-based system that provides a set dollar amount per student in the student population (based on average daily membership (ADM) of the school district); and
- 2) A system to reimburse extraordinary high-cost cases. The latter follows an insurance-like model in reimbursing high costs that have been incurred in serving a small number of students.

The first component of the finance system is placement-neutral in that there is no incentive for identification of students as disabled nor is there any incentive for making certain types of placements (e.g., in residential settings). This part of the system provides roughly 75 percent of the state funding for special education services. A flat amount is distributed to schools based on the total student population of the school district, similar to the distribution in the foundation aid system.

However, the second, extraordinary cost portion of the state funding makes up roughly 25 percent of the state support for special education and in all probability does encourage more restrictive placements (at least in some instances).

## **OHIO**

(SURVEY RESPONSE UPDATED; NCES)

Special education funding in Ohio is incorporated into the basic foundation formula. For fiscal year 1998-1999, three different categories of additional pupil weights were implemented by the state. The special education supplement is based on additional pupil unit weightings that include three major categories corresponding to the severity of each pupil's handicapping condition: the mildest category of condition supports an additional 0.22 weighting followed by the next category that supports an additional 3.01 weighting; and, the most severe category of condition also supports an additional 3.01 weighting but allows for the further provision of state aid to subsidize more expensive individual educational program costs.

## OKLAHOMA

Oklahoma utilizes a weighted pupil formula for distributing special education aid to school districts. In addition to the base support level per average daily attendance, the following pupil weights are applied based upon the December 1 count each year:

• Visually Disabled	3.80	
• Learning Disabled	0.40	
• Hearing Impaired	2.90	
• Deaf-Blind	3.80	
• Mentally Retarded	1.30	
• Emotionally Disturbed	2.50	
• Gifted	0.34	
• Multiply Disabled	2.40	
• Orthopedically Impaired	1.20	
• Speech Impaired	0.05	
• Other Health Impaired	1.20	
• Deaf	2.90	
• Traumatic Brain Injury		2.40
• Autism	2.40	

In addition, Regional Education Service Centers are state-funded at 100 percent to provide support services such as assessment, educational evaluation, and prescriptive teaching. Homebound programs are funded on an hourly basis.

## OREGON

Oregon administers a weighted pupil formula that provides districts with twice as much revenue for special education students as for regular education students. Each district's basic state support amount is determined (in part) by the district's average daily membership-resident (ADM-R), a figure reported by the Oregon Department of Education's Office of School Finance. Students receiving special education services are included in the ADM-R and are also counted in the "additional weighted ADM," a figure reported by the Office of Special Education. This additional weighted ADM increases a district's state funding proportionally, but cannot exceed 11 percent of the district's basic state funding.

The Department of Education also provides grants in aid or support for:

- Special schools for deaf or blind children
- Education services for children who are hospitalized due to severe disability
- Education services for children who are placed by the state in long-term care or treatment facilities
- Regional services provided to children with low-incidence disabilities

- Early childhood special education provided to preschool children with disabilities from age three until age of eligibility for kindergarten
- Early intervention services for preschool children from birth until age three
- Evaluation services for children with disabilities
- Students with disabilities whose out-of-state placement costs exceed the weighted ADM grant

## PENNSYLVANIA

Pennsylvania supports special education services and programs through several separate state funding streams supplemented by IDEA Part B funds.

The major component of the school district special education subsidy is based on each school district's school-age membership (ADM) reported to the Department. Specific percentages of these memberships are multiplied by funding factors determined by statute. The resultant amounts are paid to each school district on a current year basis. Special education funding is based on two separate distributions, 15 percent of the school district's ADM multiplied by \$1,315 plus an additional one percent of the school district's ADM multiplied by \$14,535.

The state funding formula has been improved by refining one supplemental funding component, creating a new incidence-based supplemental component, and adding a funding guarantee to provide additional state funding to certain public school districts. The continuing supplement provides additional targeted funds to school districts that have demonstrated a need for special education funding beyond the ADM funding component. School districts that qualify are relatively poorer than most of the school districts in the Commonwealth, reported higher than average special education program expenditures, reported high numbers of students living in poverty, and have relatively high local tax efforts. Qualifying school districts receive an additional 20 percent of the amount determined by multiplying 15 percent of ADM by the \$1,315 factor. Approximately \$42.4 million was paid to 156 school districts during the 1999–2000 school year.

Act 36 of 1999 created a new special education supplemental funding component based on incidence rates of students with disabilities within school districts' general school population (enrollment) – excluding students who are mentally gifted. Incidence rates are calculated as percentages and are determined by using 1997 IDEA-B Child Count data. School districts that qualify for this supplemental funding reported an incidence rate of students with disabilities that is at least 30 percent greater than the statewide average incidence rate. The difference between the school district's incidence rate and 130 percent of the statewide average incidence rate is multiplied by the school district's ADM. The resulting number is multiplied by \$1,315 to arrive at the additional supplemental funding allocation.

Additionally, when a school district reported an incidence rate of students with disabilities 30 percent above or below the statewide average incidence rate, the Department reviewed the school district's process used to identify and place students as students with disabilities.

The funding formula also guaranteed that public school districts received at least a two percent funding increase over the prior year's special education funding amounts.

One percent of the state special education appropriation is set aside as a Contingency Fund for extraordinary special education expenses. Public school districts and public charter schools submit specific applications for review and approval by the Department of Education.

Five percent of the state special education appropriation is set aside for the state's 29 intermediate units (IUs). IUs are regional education service agencies that provide a varied array of support services to their member school districts. The statutory formula distributing these funds consists of two elements: (1) 65 percent of the state allocation is distributed to each IU based on its member school districts' ADM, and (2) the remaining 35 percent is distributed equally to each IU as a flat grant.

An additional \$8.3 million for Institutionalized Children's Programs was paid to 15 IUs that administered and operated special education services and programs for students with disabilities who resided in institutional settings and required on-site services at the institution because of health and/or endangerment issues.

## **RHODE ISLAND**

(SURVEY RESPONSE UPDATED; NCES)

The separate funding program for special education was suspended in Fiscal Year 1999. The general aid amount is equal to what the districts received in Fiscal Year 1998. Thus, there are no allocation units, formula, or weighting procedures. Presently, Rhode Island distributes all aide either as general aid, literacy funds, or one of the seven investment funds which have designated intended uses that are to be documented as part of district strategic plans and individual school improvement plans.

## **SOUTH CAROLINA**

(1994-95 SURVEY RESPONSE UPDATED; NCES)

South Carolina administers a weighted pupil formula to distribute special education aid that is tied to general education funding. A base student cost is established annually by the General Assembly with weights for special education students and for vocational programs. Also, kindergarten, primary, and high school students are weighted more heavily than are elementary pupils. Weights for special education are as follows:

- |  |      |
|--|------|
| • Educable mentally disabled and Learning disabled                               | 1.74 |
| • Trainable mentally disabled, Emotionally disabled, and Orthopedically disabled | 2.04 |
| • Visually disabled and Hearing disabled   | 2.57 |
| • Speech disabled  | 1.90 |
| • Homebound  | 2.10 |
| • Autism   | 2.57 |

The formula also establishes maximum class sizes and specifies that 85 percent of funds be spent on the category of pupils generating those funds. A special appropriation from the legislature is made annually

for programs for trainable and profoundly mentally retarded. Another program is in place for early intervention for preschool-age children with disabilities.

## **SOUTH DAKOTA**

(1994-95 SURVEY RESPONSE UPDATED; NCES)

South Dakota's method of distributing state aid for special education is a combination of census-based allocation for the first level of disability and a tier-level allocation per student formula for disability levels two through five. District need is determined based on the following:

- Level 1 (8.9 percent of ADM): speech & language, learning disabled, other health impaired, preschool - \$3,504.
- Level 2 (per child allocation): mental retardation, emotionally disturbed - \$7,914.
- Level 3 (per child allocation): deaf blind, hearing impaired, orthopedic impairment, deaf, traumatic brain injury, visually impaired - \$10,116.
- Level 4 (per child allocation): autism - \$14,705.
- Level 5 (per child allocation): multiple disabilities - \$15,808.

Use of uniform criteria is required to identify eligible students. The allocations are increased based on CPI or 3 percent, whichever is less. In accordance with SD LAW CODE § 13-37-36.3, the secretary of the Department of Education and Cultural Affairs computes state aid for special education for each school district. First local need is calculated. Then state aid for special education is calculated; local need minus local effort is multiplied by the effort factor. If the calculation is a negative number, then no state aid is given.

## **TENNESSEE**

Tennessee administers a resource-based formula to distribute special education funds to school districts as one component of the Tennessee Basic Education Program (BEP). Using a state salary schedule, the average instructional salary for each school system is multiplied by the number of staff positions to determine total special education support. Positions are counted for special education teachers, assistants, supervisors, and assessment personnel. The number of staff positions is determined by the number of students served in 10 different service categories, as described below:

- *Option 1:* Consulting Teacher, at least twice a month; Direct Services, less than 1 hour per week; Related Services, at least twice a month and less than 1 hour per week
- *Option 2:* Direct Instructional Services, 1–3 hours per week
- *Option 3:* Resource Program, 4–8 hours per week
- *Option 4:* Resource Program, 9–13 hours per week
- *Option 5:* Resource Program, 14–22 hours per week
- *Option 6:* Ancillary Personnel, 4 hours per day in the regular classroom
- *Option 7:* Development Class/Mainstreamed, 23 or more hours per week

- *Option 8*: Self-contained Comprehensive Development Class, 32.5 or more hours per week, including two related services
- *Option 9*: Residential Program, 24 hours per day
- *Option 10*: Homebound Hospital Instruction, 3 hours per week

Special education teachers are allocated to a district based on the number of special education pupils identified and served by option, as allowed by the following schedule:

- |                                 |                                  |
|---------------------------------|----------------------------------|
| • <i>Option 1</i> : 91 teachers | • <i>Option 6</i> : 2 teachers   |
| • <i>Option 2</i> : 73 teachers | • <i>Option 7</i> : 10 teachers  |
| • <i>Option 3</i> : 46 teachers | • <i>Option 8</i> : 6 teachers   |
| • <i>Option 4</i> : 25 teachers | • <i>Option 9</i> : 0 teachers   |
| • <i>Option 5</i> : 15 teachers | • <i>Option 10</i> : 10 teachers |

Special education assistants are calculated at a ratio of 1 per 60 pupils identified and served in Options 5, 7, and 8. Special education supervisors are calculated at a ratio of 1 per 750 identified and served students. Special education assessment personnel are calculated at a rate of 1 per 600 identified and served students.

Very high-cost students are funded under a different mechanism.

## TEXAS

Texas administers a weighted pupil formula for distribution of special education aid as an integral part of its basic foundation school program. For each full-time equivalent student in average daily attendance in a special education program, a school district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weighting factor according to the special education instructional program, as follows:

- |   |     |
|---|-----|
| • Homebound   | 5.0 |
| • Speech Therapy                                    | 5.0 |
| • Resource Room                                     | 3.0 |
| • Self-contained, mild and moderate, regular campus | 3.0 |
| • Self-contained, severe, regular campus            | 3.0 |
| • Nonpublic Day School                              | 1.7 |
| • Vocational Adjustment Class                       | 2.3 |
| • Hospital Class                                    | 3.0 |
| • Residential Care and Treatment                    | 4.0 |
| • Off-home Campus                                   | 2.7 |

The mainstream instructional arrangement is funded on average daily attendance with an annual regular allotment equal to the adjusted basic allotment and a special education allotment equal to 1.1 times the adjusted basic allotment.

In 2000–01, self-contained, mild and moderate, and self-contained, severe will be combined into one instructional arrangement.

## UTAH

Prior to the 1991–92 school year, Utah administered a weighted pupil formula to distribute funding for special education programs that was based on five levels of service, each of which was assigned a weight approved by the legislature and generally indicated the intensity and complexity of the services delivered.

The distribution of funds generated by this “level” formula did not vary greatly from one year to the next, but the burden associated with collecting the data necessary to calculate each district’s share was considerable. Because of the lack of year-to-year variance, the legislature felt it could safely eliminate the data burden by eliminating the level formula and setting the 1989–90 school year as the base year. Essentially, each district generated a certain number of weighted pupil units (WPU) under the level formula in 1989–90; this 1989–90 WPU figure became the base year figure for each district. In subsequent years, the number of 1989–90 WPUs in each district was prorated to the current year’s appropriation.

A district is allotted additional WPUs if annual growth rates in average daily membership (ADM) in both special education and the district as a whole exceed certain thresholds. A district’s allowed growth factor is the lesser of the two ADM growth rates (special education or districtwide) multiplied by a fixed factor (1.53 for the 1994–95 school year).

A district is not allowed additional growth WPUs if the proportion of districtwide ADM identified as special education exceeds 12.18 percent.

## VERMONT

Vermont’s primary funding component is a cost reimbursement program. The state administers a special education funding program that has three separate components for its 251 town school districts.

Each component has a portion funded by the state and the remainder is a required local match. The first component, mainstream block grants, provides districts with a grant calculated based on a statutory formula. The state provides 60 percent of the statewide average salary for:

- 9.75 FTE special education teaching positions per 1,000 ADM for each town
- 1.0 to 2.0 FTE administrators for each supervisory union

The second component of Vermont’s funding program, the extraordinary services reimbursement, applies to individual catastrophic cases. If a district spends more than \$50,000 for special education services on a single child, the state reimburses the district for 90 percent of the funds in excess of \$50,000.

The third and largest component of the funding program is the special education expenditures reimbursement. This component provides funding to districts for all special education costs not covered by federal funds or state or local shares of block grant and extraordinary reimbursement. The reimbursement percentage is adjusted annually to assure a 60 percent state share across all three components of the formula, plus the cost of statewide itinerant services. The reimbursement rate varies each year and was 57.3 percent for fiscal year 1999.

There are two additional categories of special education funding outside the special education formula: Essential early education grants which provide funding for preschool special education services, and funding for special education services for students placed outside the district of parental residence by a state agency.

## VIRGINIA

Virginia administers a funding program to distribute special education aid to school districts that is additional to aid provided for the basic education program. Special education payments are made to local school divisions based upon the projected cost of employing instructional personnel required to meet Virginia's special education program standards. This funding is part of Virginia's Standards of Quality funding program. The number of required positions is projected for each school division by applying the maximum case load allowed for each disability category to the number of children served as reported on the December special education child count. The number of positions required to meet the standards is then converted to a total cost figure by multiplying the number by the funded teacher salary and benefit amounts used for state funding.

The total cost is converted to a per pupil cost based on the average daily membership of all students in the division. The state's share of this cost is determined according to the locality's composite index of local ability-to-pay. The state share is then disbursed to the locality on a per pupil basis, based upon multiplying the per pupil costs by the updated average daily membership figures for each division. The local share of cost is the inverse of the state share.

Thus, all students in the school division –with or without a disability— generate an amount that comprises the state's assistance for special education. The per pupil funding amount may vary by school division depending on the size of the special education student population.

In addition to special education funding in the Standards of Quality program, state funding is provided for other special education categorical programs in Virginia: local and regional jails; tuition support in regional special education programs; homebound services; and services in facilities such as state hospitals or local detention homes. This funding is provided based on reimbursements formulas of actual costs incurred.

Children placed in private special education schools are funded through an interagency pool which exists to pay the state's share of the cost of services for children who are in (or at risk of) out-of-home

placement by any local public agency (i.e., courts, social services, or school division). Payment is based on a reimbursable percentage (based on a locality's ability to pay) for actual costs incurred for services purchased.

## WASHINGTON

Washington administers a non-categorical “excess costs” funding formula for special education. In addition to an annual average full-time equivalency (FTE) funding unit for each K–12 student enrolled in the district, special education students receive between 1.15 and .9309 percent of another annual average FTE in state special education or “excess costs” funding. Therefore, including their basic education allocation, each special education student generates between 2.15 and 1.9309 times the assumed cost of a basic education unit in each district in the state. The 1.15 percent of an annual average FTE applies to students ages birth through two. The .9309 percent of an annual average FTE applies to students between the ages of three and twenty-one. The distinction between the percentages is that students between the ages of birth and two do not generate any K-12 basic education funding.

In addition to the FTE percentage enhancements for special education students, districts are limited to 12.7 percent of their total K-12 enrollment for state reimbursement of special education “excess costs.” Districts may apply for “safety net” state and/or federal funding under the categories of Maintenance of State Revenue, Percentage, Demographics, and Individual High-Cost Students. Specific criteria for each category of safety net reimbursement are included in an annual application issued by the state office. Maintenance of State Revenue funding enables districts to maintain aggregate or per capita “excess cost” state revenue equal to that provided by the state when the funding formula changed in 1995–96. Percentage funding is available for districts that are legitimately above the 12.7 index. Demographic funding is available for districts that can demonstrate circumstances beyond their control that effect their special education enrollment and expenditures, and Individual High-Cost Student federal special education funding is available for districts that can demonstrate the presence of individual students that significantly impact their budgets.

Washington’s funding model is a three-tiered approach to the state’s full funding paramount duty obligation. The first tier of the funding formula is an allocation model based on head count enrollment (ages birth through 2), and a percentage of total district FTE enrollment (ages 3–21). The second tier is a state-funded “safety net” designed to deal with potential maintenance of effort issues or district demographic differences that may have been inadvertently created by the transition to a new special education funding formula in 1995–96. Tier three is a federally-funded “safety net” designed to deal with individual student high costs related to an IEP not anticipated in tier one or two.

## WEST VIRGINIA

West Virginia administers its state aid for special education as an integral part of its basic state aid formula, the West Virginia Basic Foundation Program. Through this program, the state provides support to school districts for salaries of professional educators and service personnel, fixed charges, pupil transportation, administrative costs, other current expenses, and improvement of instructional programs. Aid is provided to each school district in an inverse relationship to its ability to pay for public school programs.

The aid for salaries is based on the state's minimum salary schedule up to a ceiling of 53.5 professional staff per 1,000 students and 34 service personnel per 1,000 students. For these purposes, all students are counted similarly except for pupils who are disabled, who are weighted by a factor of 3:1 and for pupils who are gifted who are weighted by a factor of 2:1. The funds generated through the state aid formula are returned to the county school districts not earmarked; therefore, those funds received for the count of exceptional students through the formula may be expended for all students.

Additional "out-of-formula" funds are generated by a count of exceptional students reported annually by each of the county school districts at the end of the second school month. These funds may be used only for identified exceptional students who are receiving special education services at the end of the second school month. Some of the acceptable uses of the funds are for transportation, physical therapy, occupational therapy, speech therapy, salaries and fringe benefits, materials, equipment, supplies, and personnel training and travel. Each county school district must complete an annual project application describing the use of the funds.

## WISCONSIN

Wisconsin administers a percentage reimbursement formula to distribute special education aid. School districts, cooperative educational service agencies, and county education boards are reimbursed for a percentage of approved salary, fringe benefits, and transportation costs. The reimbursement percentage is established in statute at 63 percent for special transportation, certified coordinators and directors of special education, special education teachers and teacher aides, and occupational and physical therapists. The reimbursement percentage for school psychologists and school social workers is 51 percent. If the appropriation reimbursing these costs is insufficient to cover the full amount of aid requested, the payments are prorated. The prorated reimbursement in 1990–91 was 59.3 percent of costs; for the 1991–92 school year, the prorated reimbursement of costs was 54.065 percent. The proration has decreased steadily since the inception of the 63 percent statutory provision in 1983.

Additional reimbursement provisions provide for 100 percent state funding for boarding home costs for non-resident special education students and for the cost of transporting these eligible students from their boarding home to their special education classroom. The state funding program also provides 100 percent of tuition costs for children attending such schools when these children live in children's homes or on certain categories of tax-exempt properties.

The portion of special education costs that are not reimbursed under this funding program and those costs that are not eligible for reimbursement under the program are eligible for inclusion in the state general aid equalization formula.

## WYOMING

Wyoming uses a percentage reimbursement formula to distribute special education funds to school districts. Reimbursement is provided for 100 percent of the expenditures incurred in providing special education programs, including:

- Salaries and benefits of employees providing special education and related services
- Travel for the provision of direct services to children with disabilities
- Contracted services for the provision of special education and related services to a disabled child placed out-of-district and/or out-of-state
- Contractual services associated with assessment of children for the provision of special education and related services
- Other contracted services, including audiology, counseling, medical services, occupational therapy, parent counseling and training, physical therapy, psychological services, school health services, social work services in schools, pathology, and transportation that cannot be provided through a district's regular transportation program
- Contracts for technical assistance and program evaluation

Expenditures for instructional materials and equipment may be reimbursed up to \$700 annually for each full-time equivalent (FTE) staff position that can be documented. A school district may be reimbursed up to \$1,500 annually for the cost of repair and maintenance of instructional equipment.

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Note: These contracts may not be current. Please see NASDSE website ([www.nasdse.org](http://www.nasdse.org)) for updated contact information for state directors of special education.

**Appendix A. Special Education Funding Contacts–CSEF/NASDSE State Survey, 1999-2000**

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Arizona	Steve Mishlove Program Manager, Administrative Services Arizona Department of Education 1535 West Jefferson Street, Bin #24 Phoenix, AZ 85007 <a href="mailto:smishlo@mail1.ade.state.az.us">smishlo@mail1.ade.state.az.us</a>	(602) 542-3084	(602) 542-5404
Arkansas	Clent L Holly Administrator, Grants and Data Management 4 Capitol Mall, Room 105-C Little Rock, AR 72201-1071 <a href="mailto:cholly@arkedu.k12.ar.us">cholly@arkedu.k12.ar.us</a>	(501) 682-4223	(501) 682-4313
California	Dr. Alice Parker State Director, Special Education Division California Department of Education 515 L Street, #270 Sacramento, CA 95814 <a href="mailto:aparker@cde.ca.gov">aparker@cde.ca.gov</a>	(916) 446-4602	(916) 327-3706
Colorado	Charm Paulmeno Supervisor, Grants Fiscal Management Services Unit Colorado Department of Education 201 East Colfax Avenue Denver, CO 80203 <a href="mailto:paulmeno_c@cde.state.co.us">paulmeno_c@cde.state.co.us</a>	(303) 866-6689	(303) 866-6738
Connecticut	George Dowaliby Chief, Bureau of Special Education and Pupil Services Connecticut Department of Education 25 Industrial Park Road Middletown, CT 06457 <a href="mailto:george.dowaliby@po.state.ct.us">george.dowaliby@po.state.ct.us</a>	(860) 807-2025	(860) 807-2047

State	Contact	Phone Number	Fax Number
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Florida	Marie Lacap Program Specialist Florida Dept. of Education 325 West Gaines Street, Suite 614 Tallahassee, FL 32399-0400 <a href="mailto:lacapm@mail.doe.state.fl.us">lacapm@mail.doe.state.fl.us</a>	(850) 488-1379	(850) 921-8246
Georgia	Philip Pickens Interim Director Division for Exceptional Students Georgia Department of Education 1870 Twin Towers East 205 Butler Street Atlanta, GA 33334-5040 <a href="mailto:ppickens@doe.k12.ga.us">ppickens@doe.k12.ga.us</a>	(404) 656-3963	(404) 651-6457
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Idaho	Nolene Weaver Chief, Bureau of Special Education P.O. Box 83720 Boise, ID 83716 <a href="mailto:nbweaver@sde.state.id.us">nbweaver@sde.state.id.us</a>	(208) 332-6917	(208) 334-4664
Illinois	Gordon Riffel Deputy Superintendent, Special Education Illinois State Board of Education 100 North First Street, N-243 Springfield, IL 62777 <a href="mailto:griffel@smtp.isbe.state.il.us">griffel@smtp.isbe.state.il.us</a>	(217) 782-5589	(217) 524-6125
Indiana	Hank Binder Federal Projects Coordinator Division of Special Education Indiana Department of Education Room 229 State House Indianapolis, IN 46204-2798 <a href="mailto:binder@speced.doe.state.in.us">binder@speced.doe.state.in.us</a>	(317) 233-2134	(317) 232-0589
Iowa	Dennis Dykstra Consultant Iowa Department of Education Grimes State Office Building Des Moines, IA 50319 <a href="mailto:dennis.dykstra@ed.state.ia.us">dennis.dykstra@ed.state.ia.us</a>	(515) 281-4834	(515) 242-6019

State	Contact	Phone Number	Fax Number
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Louisiana	Beth Scioneaux Director Division of Education Finance Louisiana Department of Education P.O. Box 94064 Baton Rouge, LA 70801-9064 <a href="mailto:bscioneaux@mail.doe.state.la.us">bscioneaux@mail.doe.state.la.us</a>	(225) 342-8848	(225) 342-3523
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Massachusetts	Roger Hatch School Finance Administrator Massachusetts Department of Education Educational Improvement Group 350 Main Street Malden, MA 02148-5023 <a href="mailto:rhatch@doe.mass.edu">rhatch@doe.mass.edu</a>	(781) 338-6527	(781) 338-3396
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State	Contact	Phone Number	Fax Number
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Mississippi	Troy James Director Division of Technical Assistance, Special Education Office State Department of Education P.O. Box 771 Jackson, MS 39205-0771 <a href="mailto:tjames@mdek12.ms.us">tjames@mdek12.ms.us</a>	(601) 359-3498	(601) 359-2198
Missouri	Rick Hutcherson Coordinator of Administration Missouri Department of Education P.O. Box 480 Jefferson City, MO 65102 <a href="mailto:rhutcher@mak.dese.state.mo.us">rhutcher@mak.dese.state.mo.us</a>	(573) 751-3561	(573) 526-4404
Montana	Bob Runkel Director, Special Education Office of Public Instruction Montana Department of Education P.O. Box 202501 Helena, MT 59601 <a href="mailto:brunkel@state.mt.us">brunkel@state.mt.us</a>	(406) 444-4429	(406) 444-3924
Nebraska	Don Anderson Administrator Special Populations Office Nebraska Department of Education P.O. Box 94987 Lincoln, NE 68509-4987 <a href="mailto:danderso@nde.state.ne.us">danderso@nde.state.ne.us</a>	(402) 471-2471	(402) 471-5022
Nevada	Gloria Dopf State Director Nevada Department of Education 700 East 5th Street, Suite 113 Carson City, NV 89701-5096 <a href="mailto:kboles@nsn.k12.nv.us">kboles@nsn.k12.nv.us</a>	(775) 687-9171	(775) 687-9123
New Hampshire	Debra Grabill Director of Special Education New Hampshire Department of Education Special Education Program Management Team 101 Pleasant Street Concord, NH 03301-3860	(603) 271-6693	(603) 271-1953

State	Contact	Phone Number	Fax Number
New Jersey	Yut'se Thomas Director, Fiscal Standards & Efficiency New Jersey Department of Education Division of Finance P.O. Box 500 Trenton, NJ 08625 <a href="mailto:ythomas@doe.state.nj.us">ythomas@doe.state.nj.us</a>	(609) 777-4484	(609) 292-6794
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New York	Greg Illenberg Director, State Aid New York State Education Department Vocational and Educational Services for Individuals with Disabilities Office for Special Education Services Room 507 W EB Albany, NY 12234	(518) 473-8364	(518) 473-2912
North Carolina	Mandy Farmer Section Chief, School Finance Department of Public Instruction 301 North Wilmington Street Raleigh, NC 27601-2825 <a href="mailto:mfarmer@dpi.state.nc.us">mfarmer@dpi.state.nc.us</a>	(919) 715-1423	(919) 715-1375
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South Carolina	Susan Durant State Director Office of Programs for Exceptional Children State Department of Education Rutledge Building, Room 505 1429 Senate Columbia, SC 29201 <a href="mailto:sdurant@sde.state.sc.us">sdurant@sde.state.sc.us</a>	(803) 734-8806	(803) 734-4824
South Dakota	Deborah Barnett Office of Special Education Department of Education and Cultural Affairs 700 Governors Drive Pierre, SD 57501-2291 <a href="mailto:deb.barnett@state.sd.us">deb.barnett@state.sd.us</a>	(605) 773-3678	(605) 773-6846
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Texas	Laura Taylor Director of Funding Division of Special Education Texas Education Agency 1701 North Congress Avenue Austin, TX 78701-1494 <a href="mailto:ltaylor@tmail.tea.state.tx.us">ltaylor@tmail.tea.state.tx.us</a>	(512) 463-9362	(512) 463-9560

State	Contact	Phone Number	Fax Number
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Vermont	Dennis Kane Director Family and Education Support Team Vermont Department of Education 120 State Street Montpelier, VT 05620-2501 <a href="mailto:dkane@doe.state.vt.us">dkane@doe.state.vt.us</a>	(802) 828-5118	(802) 828-3140
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Wyoming	Rebecca Walk State Director Wyoming Department of Education 2300 Capitol Avenue Hathaway Building, 2nd Floor Cheyenne, WY 82002-0050 <a href="mailto:rwalk@educ.state.wy.us">rwalk@educ.state.wy.us</a>	(307) 777-7417	(307) 777-6234

**Appendix B. State Conducted and Proposed Studies**

State (n = 27)	Name or Subject of Conducted Studies	Name or Subject of Current or Proposed Studies
Alabama		State SEEP
Arizona	Biennial Special Education Cost Study	Biennial Special Education Cost Study
Arkansas	A survey of Arkansas school districts regarding special education catastrophic occurrences	
California	1. Special Education: Study of Incidence of Disabilities Final Report 2. New Funding Model for Special Education, Final Report	Incidence study, revisited
Delaware	Proposal for the Restructuring of Funding for Special Education in Delaware	1. State SEEP 2. Learning Disabilities (LD) report
Florida	Exceptional Student Education/Florida Education Finance Program Funding Model Implementation: Report to the Legislature	
Indiana		State SEEP
Kansas		State SEEP
Maine		Report by Essential Services Committee
Maryland		State SEEP. Possible study of students placed in nonpublic facilities
Massachusetts	1. Superintendent's Association Study 2. CSEF Study	
Michigan		Studies based on costs for 94-95 and 96-97
Minnesota	1. Special Education Funding Implications 2. Characteristics of Special Education Funding for Minnesota School Districts in 1992-93 and in 1997-98	
Missouri		State SEEP
Nevada	Special Education in Nevada	Paper to include recommendations to the legislature in January 2001 for alternate mechanisms or modifications in current model
New Jersey	State Special Education Funding – Recommendations for FY2001	State SEEP
New Mexico		Will contract for a limited study on capping the steadily increasing costs of related services currently funded through FTE
New York		State SEEP
North Dakota		Not specified
Ohio		1. Study of all funding, including special education 2. Study of special education funding by a Coalition of Parent Advocacy Groups 3. State SEEP
Oregon		Year 2 of Statewide Cost Study in 2000-01
Rhode Island		State SEEP
Utah		Preschool special education costs
Vermont	1. Fiscal Review Panel Report 2. Blue Ribbon Commission Report 3. Special Education Annual Report 4. Medicaid Law	Report assessing changes to funding formula that do not shift a greater burden onto the local level; addresses strengthening special education system
Washington	1. Special Education Fiscal Study: Final Report 2. Washington State Case Study on the Special Education Funding Formula	
Wisconsin	Special Education Funding Task Force Report	
Wyoming	Not specified	State SEEP

Note: For those interested in obtaining any of these studies, a list of contact information for each of the responding states can be found in Appendix A.

**Appendix C. Reported State Perceptions of the Impact of the IDEA '97 Amendments on Costs or Fiscal Policies, 1999-2000**

State (n = 25)	Substantial Impact		Comments on Impact of Provisions
	Yes	Not Sure	
Alaska	Y		The data, discipline and monitoring requirements will impact the state at both the state and local educational agency levels. Because of costs related to travel (only air) and the great distances, Alaska continues to be challenged in meeting the basics of IDEA without additional state funds.
Arizona	Y		The State is reviewing the current funding formula to ensure placement-neutral funding. Increased paperwork and overall requirements are driving well-qualified individuals out of special education. Establishing interim alternative educational settings and increased costs for substitute teachers to ensure great involvement of regular education staff will drive up costs.
Arkansas	Y		The maintenance of effort requirement of IDEA '97 has made a substantial impact on LEAs in Arkansas. For the past two school years, between 15 - 20 LEAs have requested waivers against the IDEA '97 maintenance of effort requirement. The reasons for this request are as follows: a) Decreasing enrollment of students with disabilities from one year to another. B) Voluntary departure, by retirement or otherwise, of special education personnel who are replaced by lower salaried staff. c) A substantial increase in the maintenance of effort requirement due to high costs associated with services provided to a "high-cost" student during the previous school year.
Florida	Y		Many of the provisions of IDEA '97 have substantially increased the paperwork burden on school districts. Provisions related to IEPs, meetings with parents, and discipline have increased the number of meetings, length of meetings, and number of participants. Many sections of the law and regulations have resulted in an increase in litigation. These provisions have resulted in increased costs for special education.
Idaho		Y	It's too early to tell.
Illinois		Y	The provisions of IDEA '97 provided a catalyst for efforts to change the state funding formula, but passage of a new formula has not occurred to date. The IDEA '97 provisions have also given a strong foundation for Illinois' pilot project on Flexible Service Delivery, which seeks to increase flexibility in using compensatory services (e.g., special education, Title I, bilingual) to meet the needs of at-risk learners (K-12) through early intervention.
Louisiana	Y		Administrative cost reductions, more funds for LEAs, and the fact that fiscal policies have not changed.
Maine	Y		New funding formula – increased federal dollars. May decrease local growth in expenditures. More flexible use of funds.
Maryland	Y		Significant increase in the area of staff development costs and costs associated with developing/producing new brochures, forms, etc. Additional costs associated with the development of an alternative assessment and administering the assessment(s).
Massachusetts	Y		Change in state funding requirement for least restrictive environments will affect most funding programs.
Mississippi	Y		The State has provided substantial funds to ensure that activities required by IDEA are implemented.
Missouri	Y		Greater emphasis on regular classroom placement will change service delivery. Greater detail on procedures for IEPs will increase administrative focus. Reduced funding for statewide service will affect technical assistance and coordination available.
Montana	Y		Regulations recognizing Attention Deficit Disorder (ADD) will further expand this category of explosive growth. Assessment and Alternate Assessment will have a high price in cost and time for personnel. In spite of what people expected, the documentation requirements in IDEA '97 actually expanded paperwork.
Nebraska	Y		Increased IDEA funding has allowed for funding of below age five special education at 90% and has provided additional federal dollars for discretionary state special education initiatives.
Nevada	Y		Continuing eligibility for free appropriate public education for adjusted diploma students and alternate assessment requirements.

**Appendix C. Reported State Perceptions of the Impact of the IDEA '97 Amendments on Costs or Fiscal Policies, 1999-2000 (Continued)**

State (n = 25)	Substantial Impact		Comments on Impact of Provisions
	Yes	Not Sure	
New Jersey	Y		Note: New Jersey marked that they believed IDEA has had a substantial impact, but did not specify how.
New York		Y	It's too early to tell.
North Dakota	Y		Alternate Assessment activities and guidelines.
Oklahoma	Y		I believe the funding formula will have a great negative impact on some districts in our state.
Oregon	Y		New funding formulas - revised policies and procedures have significant impact on the state and LEAs. Parentally placed private school fiscal policy has significant impact on financial management and reporting, and on communications with parents.
Pennsylvania	Y		Note: Pennsylvania marked that they believed IDEA has had an impact, but did not specify how.
Rhode Island	Y		Assistive technology; Including ADD/ADHD; Regular education teacher as part of IEP team; extended school year services; Paperwork and documentation.
Texas	Y		New IDEA permanent formula and charter schools.
Vermont		Y	Too early to tell net change. Change in evaluation requirements could save dollars. Discipline and interim placement may increase dollars.
Wyoming	Y		Access to and progress in the general curriculum. Discipline – interim alternate education placements

SOURCE: CSEF/NASDSE Survey on State Special Education Funding Systems, 1999-2000.