APRIL 25, 2019

Current Issues in Special Education Finance

PRESENTED TO:

Senate Budget and Fiscal Review Committee
Subcommittee No. 1 on Education

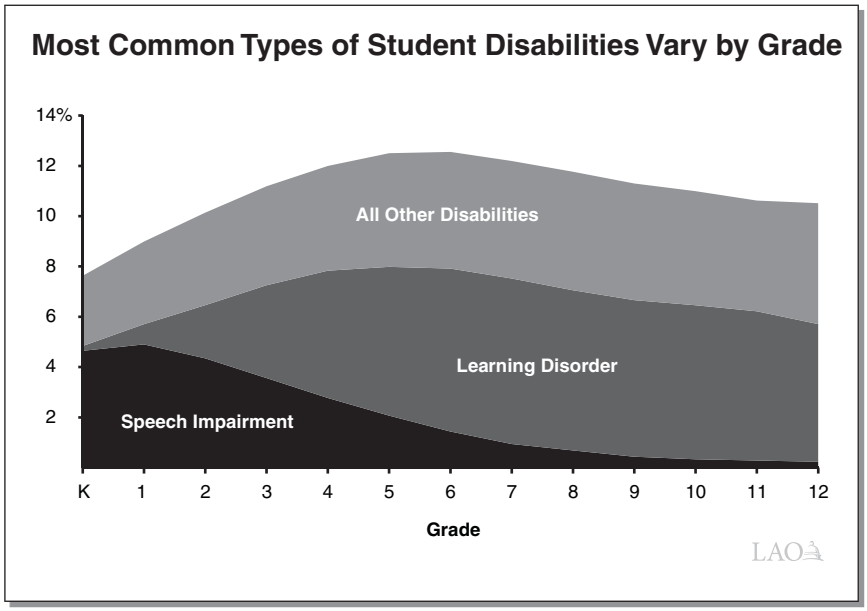
Hon. Richard D. Roth, Chair

LEGISLATIVE ANALYST'S OFFICE

Background on Special Education

▶ Federal Law Requires Schools to Provide Individualized Services to Students With Disabilities

- To qualify for special education services, students must have disabilities that affect their ability to learn. Disabilities range from relatively mild (such as speech impairments) to relatively severe (such as deafness or certain cases of autism).
- Parents, teachers, and administrators collaborate on developing an Individualized Education Program (IEP) that sets forth the specific services (such as speech therapy) each student is to receive.
- Services are provided in mainstream classes whenever possible.

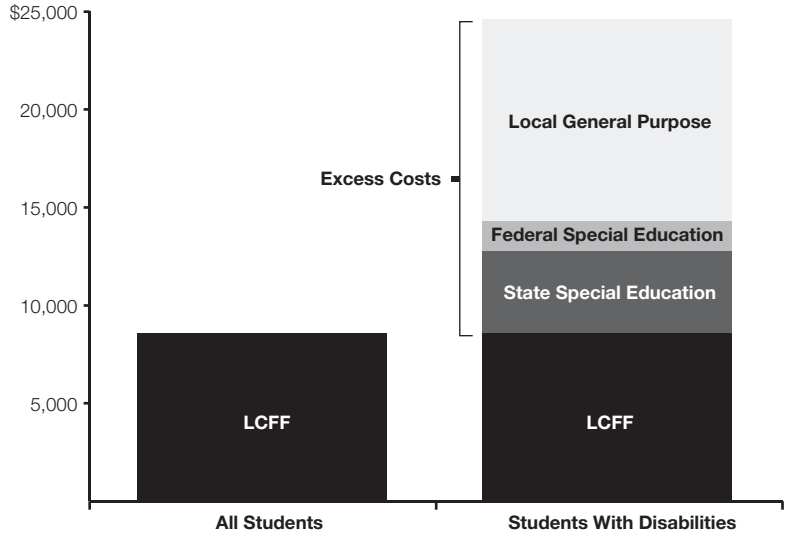


Two Basic Principles of Special Education Finance

- **Students With Disabilities Are General Education Students First**
- **The "Excess Cost" of Providing Special Education Is Shared Between Federal, State, and Local Fund Sources**

Special Education Funding Based on Excess Cost Model

2017-18

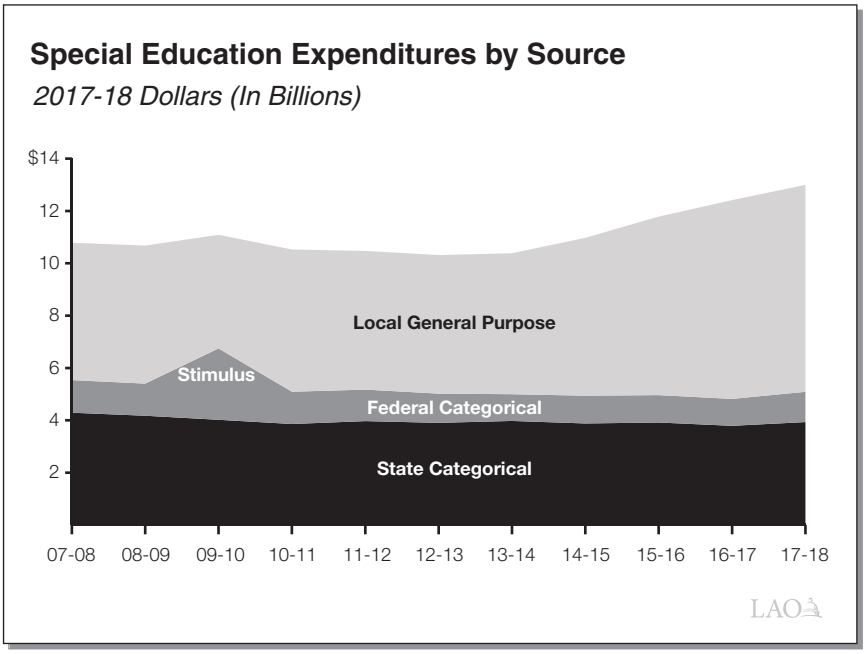


LCFF = Local Control Funding Formula.

LAO

Trends in Special Education Expenditures

▶ As Special Education Expenditures Increase, Local Funds Cover a Growing Share



- The local share of costs increased from 49 percent in 2007-08 to 61 percent in 2017-18.

▶ At Least Two Factors Contribute to Increased Expenditures

- "Spillover" from general education cost increases (such as higher teacher salary and pension costs).
- An increased number of children identified for special education services. In particular, more students are being identified with autism and more students are being identified at younger ages (ages 3 and 4).

Preschool-Aged Children With Disabilities

▶ Federal Law Requires Schools to Identify and Serve Children With Disabilities Beginning at Age 3

- Schools must develop IEPs for these children.

▶ Schools Serve Preschool-Aged Children With Disabilities in Three Settings

- About 45 percent are served in mainstream preschool programs such as Head Start or State Preschool.
- About 30 percent are served in special preschool programs serving only children with disabilities.
- About 25 percent receive only add-on services (such as speech therapy) and do not attend an in-classroom preschool program.

▶ Significant Growth in Preschool-Aged Children Identified With Disabilities

- California schools served 50,000 three- and four-year olds with disabilities in 2017-18, up from 40,000 in 2007-08.
- California schools reported spending $650 million on special education for preschool-aged children in 2017-18, up from $350 million in 2007-08.

▶ Local Funding Accounts for About 80 Percent of Expenditures on Preschool-Aged Children With Disabilities

- Federal government provides about $135 million for this purpose.
- State provides no dedicated funding for this purpose.

Other Issues in Special Education Funding

▶ Per-Student State Funding Rates Vary Notably Without Rationale

- Rates ranged from $488 to $936 per student in 2017-18 based on purely historical factors.

▶ State Funding Formula Does Not Account for Differences in Special Education Costs

- Schools in some areas of the state identify fewer than 10 percent of their students for special education, whereas others identify nearly 20 percent.
- Schools in some areas of the state spend less than $1,000 per student on special education services, whereas others spend more than $4,000 per student.
- Rather than basing funding on special education identification rates or spending, the state formula funds schools on the basis of their total student enrollment. Decades ago, the state funded based on certain types of special education spending, but concerns arose, especially over administrative complexity and inappropriate fiscal incentives.

Governor's Proposal

▶ Governor Proposes Special Education Concentration Grants

- Governor's budget includes $577 million for these grants ($390 million ongoing and $187 million one time).
- School districts and charter schools with relatively high shares of students with disabilities and English learners/low-income students would receive funding.
- Grant recipients could use funds for any purpose, including special education activities, early intervention activities, equipment, and professional development.

▶ We Recommend the Legislature Reject the Governor's Proposal

- The proposal does not adequately address current issues in special education funding.
- Given the fiscal incentives underlying the proposal, it is unlikely to realize the administration's stated goal of reducing the number of students identified for special education services.

▶ To the Extent Funding Is Available, Consider Alternative Proposals

- The Legislature could equalize per-student funding rates.
- The Legislature could provide dedicated state funding for preschool-aged children with disabilities.