

NEW FUNDING MODEL FOR SPECIAL EDUCATION

A Preliminary Report

*Legislative Analyst's Office
Department of Education
Department of Finance*

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Executive Summary

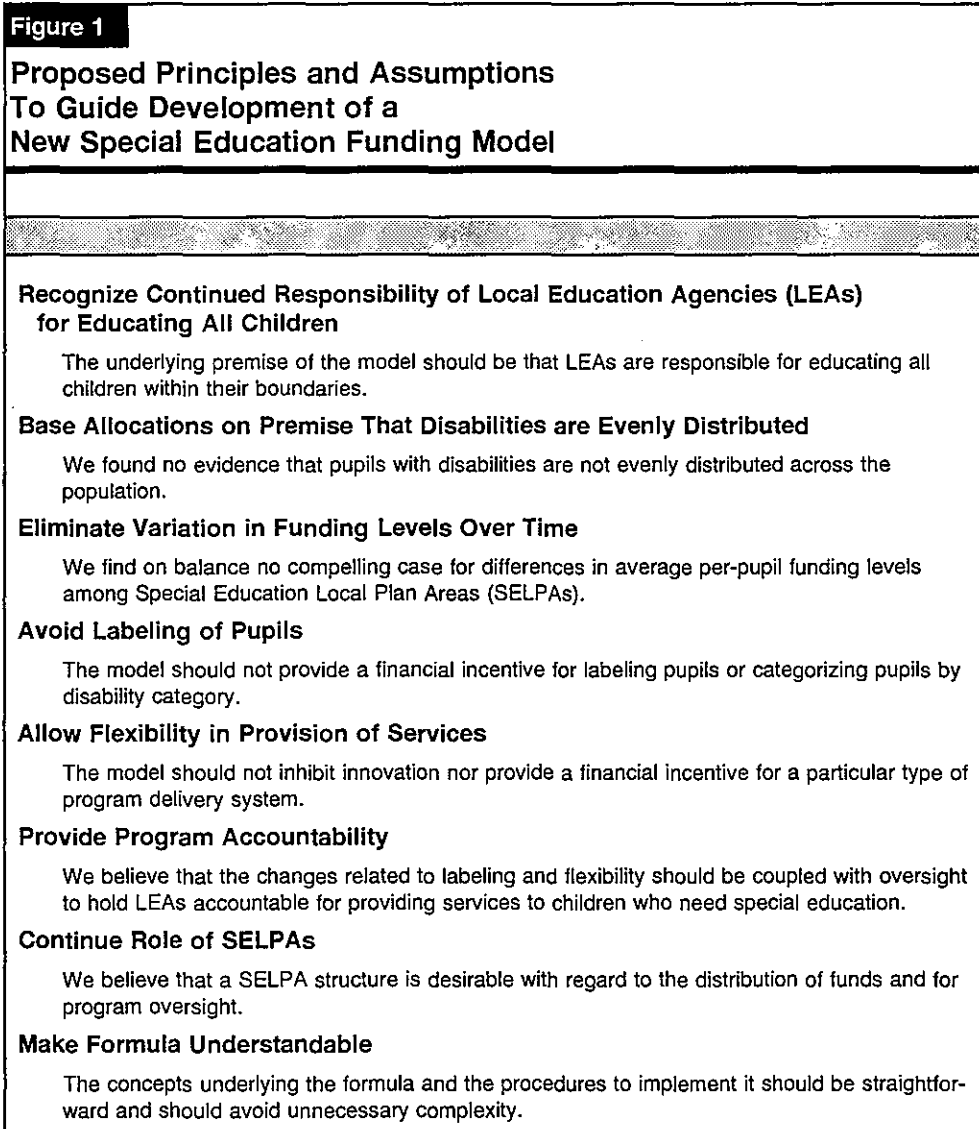
In February 1994 the Legislative Analyst's Office (LAO) in its *Analysis of the 1994-95 Budget Bill* cited a number of major problems with the state's current special education funding formula. Among the major shortfalls cited were (1) unjustified funding variations among local education agencies (LEAs), (2) unnecessary complexity, (3) constraints on local innovation and response to changing requirements, and (4) inappropriate fiscal incentives. Based on this analysis, the Legislature adopted language in the *Supplemental Report of the 1994 Budget Act* directing the State Department of Education (SDE), the Department of Finance, and the LAO to jointly review the Master Plan for Special Education (MPSE) and propose a new funding model by May 31, 1995.

In fall 1994, staff of the three agencies met throughout the state with individuals and groups to discuss alternatives to the current funding model and see firsthand the array of programs offered for students with disabilities. To obtain the federal perspective, we met with the Assistant Secretary of the Office of Special Education and Rehabilitative Services in the U. S. Department of Education. To gain knowledge of the strengths and weaknesses of formulas in operation throughout the United States we met with the directors of the federally sponsored Center for Special Education Finance in Palo Alto.

This is a preliminary report based on these meetings and input from field visits, previous work by various agencies on both special and regular education, and our review of the literature in special education finance. It is intended to stimulate discussion as we continue our consultation throughout the state in winter and spring 1995, in preparation of the final report required by the Legislature in May. The preliminary report should be viewed as our current thinking as opposed to our final recommendations. In addition, the report should not be viewed as the position of any one of the three agencies; while each agency is in general agreement with the

approach, it may disagree with some of the specific details of the proposed model.

New Funding Model. The basic principles and assumptions that we used in developing our preliminary proposal are shown in Figure 1.



Executive Summary

Our preliminary proposal for a new funding model is a population-based formula that allocates funding to SELPAs (Special Education Local Plan Areas) based on a uniform amount for each pupil residing in the SELPA. This approach has the following advantages over the state's current funding model: (1) it avoids "labeling" of pupils as needing special education, (2) it allows flexibility in provision of services, (3) it eliminates funding variations among SELPAs, and (4) it is straightforward and understandable.

We are aware that a population-based formula may introduce fiscal incentives to underserve children with disabilities and, therefore, our preliminary proposal offers three safeguards to ensure that pupils with disabilities are assured access to a free and appropriate public education: (1) continuation of the due process safeguards available under current law, (2) modification of SDE oversight of special education programs, and (3) retention of an existing requirement that special education funding be used for special education. Figure 2 (see page 4) highlights these and other provisions of our preliminary proposal.

Comments and Suggestions Welcome. If you wish to comment or make a suggestion on this preliminary report, please address your comment/suggestion to:

New Funding Model for Special Education
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925 L Street, Suite 1000
Sacramento, California 95814

Your comment/suggestion will be shared with the staff of each of the three agencies working on development of the final report. Comments/suggestions should be forwarded no later than April 14, 1995. The Legislature directed that a final report be submitted by May 31, 1995.

Figure 2

**Highlights of Preliminary Proposal for
New Special Education Funding Model**

LEAs Responsible For Educating All Children

The state should reaffirm that LEAs are responsible for educating *all* children within their boundaries. This is necessary because the prevailing attitude in some LEAs is that special education is solely a state and federal responsibility.

Population-Based Allocation

We propose that special education funding be allocated to SELPAs on a per-capita basis. The per-capita amount would be uniform from SELPA to SELPA. Therefore, the funding level would not depend on the number of identified special education pupils. Ideally, the allocation should be based on the entire school population of the SELPA—both public and private.

Same Adjustments for Revenue Limit and Special Education

We propose that the special education per-pupil amount be adjusted on an ongoing basis in a manner consistent with revenue limit funding. Likewise, special education funding should be adjusted for declining enrollment consistent with the methodology used for revenue limits.

Phase-In to New Distribution of Funds

To minimize disruption of services to students, we propose a phase-in of the new formula over a two- to five-year period. During the phase-in period, our proposal (1) would provide most SELPAs an increase in special education funding and (2) would not reallocate existing funds—so no SELPA would experience a reduction. At a minimum, we propose all or a major portion of any funding provided for cost-of-living adjustments and growth be used to increase funding for the lowest-funded SELPAs.

Local Flexibility

Our proposal allows LEAs to tailor services based on local pupil needs and strengths of local staff. It allows LEAs to provide special education services to pupils who have not been identified as special education pupils, especially at the early grade levels, to prevent the need for being so identified later in their schooling.

Accountability

In moving to a population-based formula and removing restrictions on how services should be delivered, LEAs may have fiscal incentives to underserve pupils in need of special education services. To ensure that students in need have access to a free and appropriate public education, we propose to (1) continue existing due process safeguards, (2) modify SDE oversight of special education programs, and (3) retain the existing requirement that special education funding be used for special education services.

Nonpublic Schools/Agencies

We propose that state support for nonpublic school placements and nonpublic agency services be rolled into the base allocation along with other state support.

Low-Incidence Fund (LIF)

We propose continuing the LIF, which provides funds for specialized equipment needed by severely disabled pupils with low incidence disabilities.

Role of SELPAs

SELPA organizations play a central role in our proposal. We propose that state and federal funds, which represent about three-quarters of current support for special education, be allocated through SELPAs. In the current formula most funding flows to districts. We envision an expanded SELPA role, especially in multi-district SELPAs, in oversight of special education services.

Introduction

The *Supplemental Report of the 1994 Budget Act* directed the Superintendent of Public Instruction, the Director of Finance, and the Legislative Analyst to develop, by May 31, 1995, a new funding mechanism for special education programs and services offered in California. The Legislature directed that these three agencies consult with teachers, parents, and administrators of both regular and special education programs, members of the Advisory Commission on Special Education, and other interested parties in developing this new funding mechanism. The legislative language also directed that the funding mechanism shall include, but not be limited to, the following:

- "A method to ensure equity in funding between school districts and county offices of education that provides services to pupils with exceptional need.
- An elimination of financial incentives to place pupils in special education programs.
- A system that recognizes the interaction between funding for special education programs and services, revenue limits for school districts, and funding for categorical programs.
- A proposal to phase in the newly developed funding formula on a gradual basis over two to five years, so as not to disrupt educational services to students enrolled in regular or special education programs."

In fall 1994 the three agencies met throughout the state with individuals and groups to discuss alternatives to the current funding model and see firsthand the array of programs offered for students with disabilities. This report is a preliminary report based on these

Introduction

meetings and field visits. We prepared it as a means of stimulating discussion as we continue our consultation throughout the state in winter and spring 1995. The report should be viewed as our current thinking on a funding model as opposed to our final recommendations. In addition, the report should not be viewed as the position of any one of the three agencies; while each agency is in general agreement with the approach, it may disagree with some of the specific details of the proposed model.

The report has four chapters. In the first chapter we discuss the current special education program. In addition, we provide information on special education enrollments; federal, state and local funding; and the current funding model and problems associated with it. Chapter 2 addresses the directive from the Legislature to develop a new funding model and how the three agencies organized to meet that mandate. Chapter 3 outlines the guiding principles that the three agencies used to develop the initial new proposal. The final chapter presents the new proposal.

Chapter 1

The Current Special Education Program

THE MASTER PLAN FOR SPECIAL EDUCATION

Prior to the development of the Master Plan for Special Education (MPSE) in 1974, state funding for special education was primarily based on an amount per child that varied depending on the disabling condition (for example, the 1974 categories included "trainable mentally retarded," "emotionally disturbed," "deaf," and so on). At the discretion of local districts and county boards of education, taxes could be levied to supplement the state allowances. Development of the MPSE began in 1971 when the SDE conducted a series of conferences throughout the state with parents, teachers, and administrators to discuss every aspect of special education. Opinions gathered at these conferences were then developed into the MPSE in 1974 by the State Board of Education (SBE). In that same year, the Legislature enacted Ch 1532/74 (AB 4040, Lanterman), which provided for testing of the MPSE in a limited number of districts and counties. The Legislature provided for statewide implementation of the MPSE in 1980 with the enactment of Ch 797/80 (SB 1870, Rodda).

The MPSE predates the 1975 enactment of PL 94-142 at the federal level, which mandates states to provide a free and appropriate education to all individuals with disabilities. Special education must be provided in the least restrictive environment, and it must be based on individual needs, as determined by an individualized education program (IEP) team. This federal legislation has been amended several times, most recently in 1994 by PL 103-328, the

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Individuals with Disabilities Education Act. The next reauthorization is scheduled for 1995.

The MPSE requires an assessment of each child's unique educational and service needs and a consideration of many service delivery options for each eligible child. Under the MPSE, a child is assessed to determine if special education is necessary or if the child can be served within the regular classroom, with modification of the regular instructional program and related services. If specialized instruction or services are needed and the child meets eligibility guidelines, an individualized educational program (IEP) is written for the child that defines the services to be provided. The aim is to place the child in the least restrictive educational setting (environment) that will best meet the child's educational needs. The MPSE requires participation of parents as part of this process and establishes specific due process procedures to protect the rights of the child and parents.

The MPSE established special education local plan areas (SELPA) throughout the state (in 1994-95 there are 116 SELPAs statewide) that are required to provide a continuum of program options to meet the needs of pupils with disabilities. Generally, these options are provided in one of three basic education settings: (1) designated instruction and services (DIS) such as speech and language services, adapted physical education, or other specialized services; (2) resource specialist programs (RSPs), in which the child remains in the general education program and is served by a resource specialist teacher in the areas of need; and (3) special day classes or centers (SDCs) that provide special education services for a majority of the school day. Generally, these settings are for students whose disabilities are less severe (DIS), of moderate severity (RSP), or more severe (SDC).

Within the MPSE, placement is also available in a nonpublic school if the child cannot be served appropriately in a public school setting. In addition to these settings, the state provides support for two schools for the deaf, one school for the blind, and three diagnostic centers.

SPECIAL EDUCATION ENROLLMENT AND FUNDING

The upper part of Figure 3 (see page 10) shows the number of children enrolled in special education by disability category for the period 1987-88 through 1993-94. According to the SDE, approximately 9.4 percent of all K-12 pupils were enrolled in special education in 1993-94 compared to 8.8 percent in 1987-88. The fastest growing disability category in this period was orthopedically impaired, which increased at an average annual rate of 6.8 percent. During our site visits this past fall we were informed that one major cause for this growth was the reclassification of multihandicapped pupils to orthopedically impaired due to the financial incentives under the current funding model.

The lower part of Figure 3 shows the number of children enrolled in special education by placement, for the same period. Figure 3 shows that the fastest growing placement option during the period 1987-88 through 1993-94 was the nonpublic school option. These placements, which on average are more costly than public school programs, grew at an annual rate of 11 percent, more than twice the average of all other placements. As mentioned later, we believe that the current funding formula may be a contributing factor in this growth.

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Figure 3

**Special Education Enrollment
By Disability and Placement
1987-88 Through 1993-94 (April Count)**

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	Average Annual Change
Disability								
Mentally retarded	28,302	28,158	28,694	29,953	31,002	31,930	30,937	1.5%
Hard of hearing	4,086	4,238	4,415	4,524	4,609	4,836	5,165	4.0
Deaf	3,277	3,319	3,462	3,353	3,483	3,636	3,618	1.7
Speech and language impaired	110,964	116,429	122,439	129,321	136,711	140,751	144,966	4.6
Visually impaired	3,018	3,208	3,512	3,685	3,787	4,091	4,153	5.5
Seriously emotionally disturbed	11,545	11,880	12,660	13,496	14,466	15,022	16,330	5.9
Orthopedically impaired	8,661	9,275	9,519	10,113	10,967	11,594	12,855	6.8
Other health impaired	14,044	14,370	14,884	14,310	15,143	13,970	13,811	-0.3
Specific learning disability	240,958	254,328	265,027	280,548	293,902	304,550	310,460	4.3
Deaf-blind	234	155	152	155	153	179	170	-5.2
Multihandicapped	7,469	7,640	7,822	7,613	7,392	6,889	7,051	-1.0
Autism	—	—	—	—	—	2,157	2,713	NA
Traumatic brain injury	—	—	—	—	—	326	467	NA
Not categorized (ages 0-2)	—	—	—	—	—	541	480	NA
Subtotals	432,558	453,000	472,586	497,071	521,615	540,472	553,176	4.2%
State special schools	912	964	1,021	1,095	1,150	1,172	1,211	4.8
Totals	433,470	453,964	473,607	498,166	522,765	541,644	554,387	4.2%
Placement								
Designated instructional setting	125,099	127,847	130,913	135,825	139,305	142,094	141,087	2.0%
Resource specialists program	169,744	181,572	191,455	203,348	216,837	227,804	236,928	5.7
Special day class	132,521	137,547	143,453	150,229	157,204	161,702	165,443	3.8
Nonpublic school	5,194	6,034	6,765	7,669	8,269	8,872	9,718	11.0
State special schools	912	964	1,021	1,095	1,150	1,172	1,211	4.8
Totals	433,470	453,964	473,607	498,166	522,765	541,644	554,387	4.2%

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Figure 4 shows the distribution of federal, state and local expenditures for special education. Figure 4 does not include expenditures for the state special schools, which totaled \$49 million in 1993-94. The state special schools are not included because they are funded outside the current funding model and are, therefore, outside the scope of this report. Figure 4 was compiled from reports by local school districts (J-380/580 reports). In addition to costs that are directly attributable to operations of special education programs, these reports also include educational costs that are allocated to special education for accounting purposes, such as costs for instructional administration, instructional media, school administration, pupil services, central data processing, plant operations and maintenance, and lease/rent of facilities. The amounts exclude funding and expenditures on special education transportation and limit indirect charges to 4 percent.

Figure 4

Special Education Expenditures Reported by Schools^a 1987-88 Through 1992-93

(Dollars in Millions)

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	Average Annual Change	Current Share
State	\$1,532.0	\$1,697.8	\$1,850.8	\$2,022.9	\$2,113.5	\$2,185.4	7.4%	71.2%
Federal	109.2	119.4	124.3	130.3	158.4	163.1	8.3	5.3
Local	420.2	459.3	566.2	639.6	680.4	722.3	11.4	23.5
Totals	\$2,061.4	\$2,276.5	\$2,541.3	\$2,792.7	\$2,952.3	\$3,070.8	8.3%	100.0%

^a Data based on J-380/580 reports by districts and counties. Indirect charges limited to 4 percent. Excludes special education transportation and state special schools.

Figure 4 shows that in 1992-93 the state provided 71 percent of total funding for special education services. State support includes allocated local property taxes. Local support constituted about 24 percent of total outlays in 1992-93. Local support is general-purpose funding that is used by districts for special education. Federal funding provides about 5 percent of total funding.

THE CURRENT FUNDING MODEL

The current funding formula for special education involves calculations of "entitlements" that are based primarily on what each agency spent in 1979-80, the base year for MPSE funding. The different types of entitlements are:

- *Instructional Personnel Service (IPS)* entitlements are for salaries and benefits for special education teachers and, in some cases, classroom aides. This entitlement is equal to the number of authorized "units," or classes, multiplied by a "unit rate." Authorized units are calculated based on prior-year authorized units adjusted for growth (or declines), and are subject to a cap. The cap is constructed so that no SELPA can receive special education funding for slots that exceed 10 percent of its total K-12 enrollment. The "unit rates" vary by type of setting—DIS, RSP, and SDC—and are based on an agency's 1979-80 average costs of salaries and benefits adjusted for statutory cost-of-living adjustments (COLAs).
- *Support* entitlements provide funding for the direct and indirect support costs for special education. These costs include, among others, identification and placement, equipment and supplies, and administration and overhead. The support entitlement is calculated based on a ratio equal to a percentage of each agency's unit rate. The ratio is also based on 1979-80 costs adjusted by legislation enacted in 1981 to "squeeze" down ratios that exceeded the statewide average.
- *Extended-year* entitlements provide funding for programs operated during the summer or during intersession for year-round schools.

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- *Nonpublic school/agency* entitlements provide funding for nonpublic schools and agencies. Each LEA is entitled to 70 percent of the excess cost (cost above the revenue limit amount) for most nonpublic school/agency placements. Each LEA is entitled to 100 percent of the excess cost for nonpublic school placements involving students residing in foster family homes and licensed children's institutions (LCIs) outside the student's home SELPA. These students are placed by agencies other than LEAs.
- *Administrative unit* entitlements include three separate entitlements: (1) regionalized services such as administration, data collection, and evaluation; (2) program specialists who supervise the program and consult with instructional personnel; and (3) the Low Incidence Fund providing an allowance for specialized books, materials, and equipment for pupils with low-incidence disabilities.
- *County longer-day and longer-year* entitlements provide incentive funding for longer-day and longer-year programs for pupils in county-operated SDCs. (This is consistent with funding provided to school districts as part of the revenue limit.)

The state special schools are provided direct appropriations through the annual Budget Act. The other programs are funded from state aid, federal aid, and local revenues available for some programs. Specifically, the state aid amount is calculated based on the entitlements for these programs less the following amounts:

- Revenue limit funding associated with average daily attendance of certain special education students.
- Federal local assistance.

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- Local general fund contribution (LGFC) calculated pursuant to state law.
- County special education property taxes.

PROBLEMS WITH THE CURRENT FUNDING MODEL

The MPSE funding model has been found to be inadequate on several dimensions. Among other problems, the funding model (1) is based on unjustified variations in funding across school districts, (2) is too complex, (3) inhibits local innovation and response to changing requirements, and (4) contains inappropriate fiscal incentives. We discuss these in detail below.

Funding Variations Are Not Justified. Three key components point out the inequities of the current funding model. These are (1) unit rates for instructional personnel service units, (2) support service ratios, and (3) the LGFC. All three of these factors are based on actual expenditures of local education agencies in 1979-80. This, in itself, might not be a problem except that the 1979-80 reports contained numerous inconsistencies, primarily because (1) it was the first year for which expenditure reports were required of all education agencies and (2) at the time the reports were prepared, the state's expressed interest in them was informational only. The unit rates have been adjusted over time, primarily due to changes in the cost of living. In "regular" education, the method of applying annual adjustments is designed to narrow funding variations over time. This is not the case for special education.

Unit rates are intended to provide funding for the salary and benefits for the average teacher and in some cases aide salaries as well. While some variation in these rates is to be expected, the actual variation is enormous. The SDE reports that in 1993-94, unit rates for DIS varied from \$17,300 to \$60,300, with an average of \$39,500. Unit rates for RSPs and SDCs (without aides) varied from \$22,100 to

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\$56,500, with an average of \$39,400. The reasons for the wide variation include faulty reporting in 1979-80, employment by districts of lower-paid "permit" teachers in 1979-80 rather than fully credentialed teachers, and the mix of new versus experienced teachers in the base year.

Support ratios also exhibit great variation. The support entitlement provides funding for psychologists and nurses, equipment and supplies, administration and overhead, and so on. The support services entitlement is calculated as a percentage—or ratio—of each agency's unit rate, with this ratio being based on each agency's expenditures for support services in the 1979-80 base year. While the average support services ratio is about 52 percent in the current year, the ratios vary from zero to 78 percent. Reasons for the variation include faulty reporting in 1979-80, and the open-ended nature of the category, which allowed districts to claim a wide variety of costs as "overhead."

The third factor is the LGFC. As indicated earlier, the LGFC is a required maintenance of local effort, calculated from a district's 1979-80 general fund support for special education. The LGFC varies from zero to over \$300 per ADA (regular ADA). The state "bought out" the LGFC of some of the initial pilot test districts—thus they have no LGFC. County offices of education do not have a computed LGFC. Districts that had no spending on special education in 1979-80 also have no LGFC. Districts that had low spending in 1979-80 have a low LGFC. On the other hand, if the district was not among the first in the MPSE but had high spending in 1979-80, then its LGFC is high. (High spending districts had additional funds, in some cases, due to local tax overrides.)

Too Complex. In 1983 the LAO noted that since the adoption of the MPSE in 1980 the entitlement system had grown increasingly complex. At that time the SDE entitlement form for special education, referred to as the J-50, was 28 pages long. The LAO also reported that staff from the SDE were conducting workshops

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throughout the state to teach local special education directors and district business managers how to fill out the form correctly.

In the 12 years that have passed since 1983, the J-50 form has grown from 28 pages to 39 pages. A private consultant industry centered on the J-50 has emerged. Consultants offer "beginner" and "advanced" workshops on how to complete the J-50 to maximum advantage. The funding model should be readily understandable to educators and parents, without the need for such workshops.

Inhibits Local Innovation and Response to Changing Requirements. The special education funding formula inhibits local innovation and response to changing requirements in several ways. First, the funding formula is based on providing services under one of three program models, each with a certain array of associated staff and, in some cases, a prescribed number of pupils per staff member. While these models may reflect "best practices" at a certain time in history, they severely restrict how services may be delivered. For example, the funding model does not easily accommodate unique programs deploying staff in different ways, or the practice of including severely disabled pupils in regular classrooms. These situations are handled through waivers of existing funding rules. In the case of inclusion, these restrictions on service delivery impede compliance with changing federal requirements.

Second, funding generally can be spent only for providing special education services to pupils who have been assessed as needing special education placement. Consequently, special education funds cannot be used to support innovative ways of serving pupils prior to formal identification and placement in special education, or to assist pupils who have left special education. In this way, the funding formula discourages provision of these services, which in some cases could reduce special education costs.

Similarly, the restriction on the use of special education funds discourages innovative approaches toward integration of special

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education into "regular" education. This contributes to fragmentation of services.

Contains Inappropriate Fiscal Incentives. The special education funding model contains incentives for schools to act in ways that are not in the best interests of students. This is the case in a number of programs that allocate funds based on the number of students identified as needing special services.

While such a funding structure encourages schools to identify students with special needs, it also creates an incentive for schools to identify students for special education who could be served without being so identified in order to increase or maintain funding. In special education, the broad definition of "learning disabled" permits wide discretion over student classification. Some educators and researchers believe the financial incentives, matched with the broad definition of eligibility, result in districts identifying students for special education who can and should be served in other programs instead. They believe that this problem has been exacerbated by funding constraints affecting general and categorical programs. In the same way, the funding system encourages educators to retain pupils in special education even after they could move back to "regular" education.

The nonpublic school/agency funding method provides another example of a fiscal incentive that works against the best interests of children. This program supports the costs (exceeding the revenue limit) of special education students who are placed in a nonpublic school and/or receive services (primarily physical and occupational therapy) from a nonpublic agency. Under state and federal law, nonpublic school/agency placement should represent the most appropriate way to serve these special education students. The program funding mechanism, however, provides financial incentives for some districts to place students in nonpublic schools and/or serve them using nonpublic agencies rather than serving them directly, even if the cost of direct services is significantly less. Specifically, an LEA is responsible for 30 percent of the excess costs

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for nonpublic school/agency services, but may pay 100 percent of the costs for direct services at the margin if the number of pupils served exceeds the number funded in the current funding model.

Chapter 2

Response to Legislative Direction

SUPPLEMENTAL REPORT DIRECTIVE

In February 1994 the LAO recommended in its *Analysis of the 1994-95 Budget Bill* that the Legislature direct the SDE, the Department of Finance, and the LAO to jointly review the MPSE and to propose a new funding model for the MPSE by May 1, 1995. The LAO also recommended that the three agencies seek consultation from appropriate parties. The *Analysis* recommendation was based on a review of the problems with the current funding model. During legislative budget hearings in spring 1994, the Departments of Finance and Education agreed with the LAO on the need for reform of the funding formula. The budget committees also agreed with the need for reform and with the general approach recommended by the LAO.

Accordingly, the Legislature adopted language in the *Supplemental Report of the 1994 Budget Act* directing the three agencies to develop a new formula by May 31, 1995. The legislative language also directed that the funding mechanism shall include, but not be limited to, the following:

- "A method to ensure equity in funding between school districts and county offices of education that provides services to pupils with exceptional need.
- An elimination of financial incentives to place pupils in special education programs.

- A system that recognizes the interaction between funding for special education programs and services, revenue limits for school districts, and funding for categorical programs.
- A proposal to phase in the newly developed funding formula on a gradual basis over two to five years, so as not to disrupt educational services to students enrolled in regular or special education programs."

The Legislature further directed that the three agencies consult with teachers, parents, and administrators of both regular and special education pupils, members of the Advisory Commission on Special Education, and other interested parties. Appendix A provides the complete text of the supplemental language.

THREE AGENCIES' STRATEGY

In July 1994 staff of the three agencies began meeting on a regular basis. By the end of July we had developed a timetable to meet the legislative mandate. This timetable involves the following steps:

- Review of written material—July and August 1994.
- Consultation throughout California—September to December 1994.
- Develop initial paper—January 1995.
- Consultation on initial paper—February to mid-April 1995.
- Develop final paper—April and May 1995.

**Response to
Legislative Direction**

In July and August 1994 we reviewed various reports written on special education since the passage of the MPSE. During this period we also made plans for travel throughout California to review specific programs and seek suggestions from a broad array of interested parties on ways to reform the funding mechanism. In order to ensure that the input we received was consistently heard by each agency, we decided that as a general rule we would seek information in written form and that staff of all three agencies would attend all field visits and meetings.

From September through December we made field visits and had meetings. We met with individuals, organizations, and local education agencies (LEAs). (A list of our consultations is in Appendix B.) We attempted to identify all parties who might have suggestions on a new funding formula and met with as many as we could. For our field visits we selected a broad cross section of programs from throughout the state. In addition we visited some districts with unique programs. In several areas (San Diego, Concord, Auburn, and Red Bluff) we arranged to meet with representatives from several districts and counties. We met with regular and special education teachers and administrators, school board members, and parents of regular and special education pupils. We visited many classrooms and we talked with the teachers and aides. We also talked with many students. Finally, we sought input from individuals that we could not contact directly via the special education and general education computer networks.

To obtain the federal perspective, we met with the Assistant Secretary for the Office of Special Education and Rehabilitative Services in the U.S. Department of Education. We also met with the directors of the federally sponsored Center for Special Education Finance in Palo Alto to discuss the strengths and weaknesses of special education formulas in operation throughout the United States.

Our input process is not over. Following the widespread release of this preliminary report we plan to devote the period February

through mid-April to consultations with a broad cross section of individuals, organizations and LEAs (many of whom we spoke with this past fall). We plan to hold input sessions on this report in several locations across the state. We also plan to seek a reaction on our proposal from the federal government. Starting in April we will revise the proposal based on these consultations. We plan to issue a final report in the last week of May.

THEMES FROM FALL MEETINGS AND SITE VISITS

Below we discuss the common themes we heard in our fall consultations and, in some cases, offer our comments.

Responsibility for Pupils with Disabilities. In many LEAs there is conflict between regular and special education concerning the responsibility for providing services for pupils with disabilities. Some LEA administrators believe that students with disabilities are the sole responsibility of the state and federal governments and resent using any local district revenue limit funding for special needs pupils. This viewpoint works counter to providing a seamless educational system for all the pupils in the LEA.

Link Between Labeling and Funding. The current system requires that a child have an IEP and, thus, be identified as disabled ("labeled") to qualify for funds. Most teachers and administrators with whom we spoke would like to break the link between labeling and funding, provided that there are safeguards to ensure delivery of required services to children who need special education services. Many teachers and administrators believe that a system that allows provision of services to pupils without IEPs, especially at the lower grade levels, could prevent pupils from needing IEPs later in their schooling. In addition, several teachers mentioned that many of their students currently served in resource specialist programs could be served without going through the time-consuming IEP process. These teachers felt that the time spent on assessment and processing forms for these students would be better spent on direct services.

Yet, because funding only follows labeling, IEPs are completed on all of these students.

Local Program Flexibility. We found a wide variety of approaches to providing services to pupils with disabilities. Many administrators and teachers felt that the current formula inhibits local innovation. This is because to receive funding, LEAs must establish "units" that have specified staffing patterns. For example, staffing patterns required to include a severely disabled child in a regular class cannot be funded under the current model. Innovative approaches were generally developed through waivers of current state law. (In a few cases innovative approaches were operating outside of current law.) Parents, administrators and teachers expressed confidence and trust in their local delivery systems. Almost all expressed concern that any new funding formula should allow for innovation in service delivery to meet unique local needs. Teachers and administrators seemed willing to accept increased program oversight in order to increase or retain local program flexibility.

Programmatic Accountability. A common comment was that under the current system an administrator or teacher puts her- or himself at much greater risk professionally if specific funds are not expended in specific ways and the multitude of required forms are not filled out properly than if pupils in his or her charge are not learning. The current system emphasizes fiscal accountability. Any new model should assure that LEAs are delivering services and delivering them in such a manner as to benefit the children receiving them.

Funding Variations. In the LEAs we visited, no one defended the funding variations of the current model. It did not matter whether the agency was below or above the average. Although no one wanted to lose funding, there was a recognition of the need to establish an improved distribution of available funds.

Complexity of Formula. All of the LEA staff with whom we met believed the current funding formula to be too complex to be easily understood.

Distribution of Students with Disabilities. Most people with whom we met believed that the underlying distribution of students with disabilities is essentially uniform throughout the state's population. However, there is some random variability affecting smaller jurisdictions. This variability is evened out over larger areas covering a larger population base. Consequently, we concluded that funding based on population would be reasonable, assuming that the entity funded has a large population base (for example, a SELPA or multi-county region rather than a district). In addition, some SELPAs have a disproportionate number of pupils residing in Licensed Children's Institutions—who are placed by agencies other than LEAs and are outside their home SELPA. These SELPAs would have a higher-than-average proportion of children needing special education.

Special Cost Factors. We sought information from LEA staff on the need to provide special funding to meet LEAs' unique characteristics. For example, representatives from rural areas mentioned problems related to economies of scale in service delivery. Because the pupil population is scattered in rural areas, many teachers spend a good portion of their day driving between school sites. Some urban area representatives expressed concern that they have to offer higher salaries than other areas just to attract and retain the same quality of teacher that is willing to work in other areas. While there is some analytical basis for these concerns, we believe that none of these considerations has a strong enough basis to justify special consideration at this time.

Low Incidence Fund. During our site visits some teachers pointed to the urgent need to purchase highly specialized equipment to effectively serve pupils with low incidence disabilities. The state provides some funding for specialized equipment through the Low Incidence Fund. (In 1994-95 this funding totals \$8 million.)

Role of Special Education Local Plan Areas (SELPAs). SELPAs were established based on the premise that special education services can be more efficient, more cost-effective, and contain less duplication of services and support systems if they are planned and implemented

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on a regional basis. A few people questioned this premise particularly in view of the trend toward "inclusion" of special education students in regular education classrooms. Other people voiced strong support for the SELPA concept, particularly for providing services to pupils with low-incidence disabilities and other programs where there are economies of scale. Several people felt that some current SELPAs are not serving their purpose because they are too small or offer too limited an array of programs. Some people commented positively on a potential SELPA role in the distribution of federal and state support coupled with a prominent SELPA role in program oversight.

Nonpublic Schools. We observed wide variability in the extent to which SELPA staff are actively involved in identifying alternatives to nonpublic school placement. In many SELPAs that we visited, program specialists routinely participate in such placement decisions. In contrast, one SELPA exercised virtually no oversight of site-level decisions.

Other Issues. Numerous people raised other issues, whose resolution lies outside the funding model. We summarize the comments below.

- *Overall Funding Level.* Many individuals believe that the funding level for special education (and regular education as well) is inadequate. They believe that current federal mandates exceed the funds currently available.
- *Litigation.* Many LEA staff discussed problems they were encountering with litigation. They believed that reducing the amount of litigation could free up local funds to provide additional services. Many SELPAs are developing a program in which parents of current or former students with special needs provide information, support, and consultation with parents of new special need students. We met with a few of these "resource parents" in one SELPA and believe

that this approach has great potential to reduce the current level of litigation because it provides an alternative source of information and support for parents of the new students.

- *Interagency Coordination.* Many LEA staff discussed problems they were encountering with coordination with California Children Services and/or the Department of Mental Health for the provision of physical therapy, occupational therapy, psychotherapy, and other services. LEA staff noted that when other agencies do not provide these services the responsibility falls to the LEA. This situation, according to LEA staff, is one of the causes of rapidly increasing nonpublic agency costs in special education.

SUMMARY

We believe that our fall meetings and site visits yielded very useful information. We used that information to develop principles to guide the development of our preliminary proposal. These principles are discussed in the next chapter. The meetings and site visits planned for February through mid-April will provide an opportunity for further discussion and clarification of our fall findings.

Chapter 3

Principles to Guide the Development of New Funding Model

Any funding formula has basic principles (and assumptions) that guide its development although these principles are often unstated. We want to explicitly state our guiding principles. We developed these principles based on input from our field visits, previous work by various agencies on both special and regular education, and on review of the literature in special education finance.

Recognize Continued Responsibility of LEAs for Educating All Children. The underlying premise of the model should be that local education agencies are responsible for educating all children residing within their boundaries. Special education funding is intended to support a portion of LEA costs for providing supplementary services for children with special needs. There will continue to be a local funding share in providing education to these children.

Base Allocations on Premise that Disabilities Are Evenly Distributed. On our site visits we found no evidence that pupils with disabilities are not evenly distributed across the population. There is random variability affecting smaller jurisdictions, however, and there may be some variability due to placements made by agencies other than LEAs in LCIs outside the student's home SELPA.

Eliminate Variation in Funding Levels Over Time. Based on our site visits, we find no compelling case for differences in average per-pupil funding levels among SELPAs. Accordingly, these differences should be eliminated. Any new funding formula should be phased

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in on a gradual basis so as not to disrupt educational services to students enrolled in regular and special education programs.

Avoid Labeling of Pupils. The model should not provide a financial incentive for labeling pupils or categorizing pupils by disability category. For example, a system that allows provision of services to pupils without IEPs, especially at the lower grade levels, could prevent pupils from needing IEPs later in their schooling. With this change, however, there should be safeguards to ensure services are provided to students in need of special services. These safeguards could include existing due process requirements, a new program oversight process (discussed below) and a requirement that special education dollars be spent on special education services.

Allow Flexibility in Provision of Services. The model should not inhibit innovation nor provide a financial incentive for a particular type of program delivery system. In our site visits we found various types of classroom settings that appeared to be meeting the needs of pupils. We believe that the funding model should not force districts into a limited number of delivery models.

Provide Program Accountability. The suggested changes related to labeling and flexibility should be coupled with changes in oversight of LEAs to hold them accountable for their performance in providing services to children who need special education. This oversight would focus on whether LEAs are delivering services to children who need and are eligible for them, and are delivering them in such a manner as to benefit the children receiving them.

Continue Role of SELPAs. A SELPA structure, organized according to appropriate size and scope standards, is desirable with regard to the distribution of funds and for program oversight. A regional approach to distribution of state and federal funds provides a mechanism to tailor funding to meet local needs. SELPAs would be ideally positioned to serve as the first line of accountability.

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Make Formula Understandable. The funding formula should be understandable. The concepts underlying the formula and the procedures to implement it should be straightforward and should avoid unnecessary complexity.

We considered each of these criteria in outlining our proposed funding model. Like the model itself, these criteria should be viewed as our current thinking rather than our final recommendations.

Chapter 4

Initial Proposal for New Funding Model

In this chapter we present our preliminary proposal for a new special education funding model. As noted earlier in this report, the supplemental language directed the three agencies to reach an overall consensus on a new funding model, but not necessarily consensus on each component of the model. This preliminary report reflects our effort to reach an overall consensus at this point in time. The report should not be viewed as the position of any one of the three agencies; while each agency is in general agreement with the approach, it may disagree with some of the specific details of the proposed model. We prepared this report to stimulate discussion as we continue our consultation throughout the state in winter and spring 1995. The report should be viewed as our current thinking as opposed to our final recommendations.

OVERVIEW OF THE PROPOSED NEW MODEL

We developed our preliminary proposal for a new funding model based upon review of previous work on special education and regular education finance by various agencies, input from our consultations this fall and review of the literature on special education finance. We met with the co-directors of the federally sponsored Center for Special Education Finance and discussed the various formula options (resource-based formulas, student-based formulas and cost-based formulas) being used across the country to allocate funds for special education.

We propose that the state first reaffirm that LEAs are responsible for educating *all* children residing within their boundaries. Special

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education funding is intended to support a portion of LEA costs for providing supplementary services for children with special needs. There is and will continue to be a local funding share from revenue limits in providing education to these children.

We propose that special education funding be distributed to SELPAs based on a uniform amount per pupil, and that existing program restrictions associated with the funding model be eliminated. When fully phased in, the per-pupil amount should be adjusted on an ongoing basis in a manner consistent with revenue limit funding. Ideally, the population base used for distribution would be the total K-12 enrollment of the SELPA including public and private enrollment. Special education funding should be adjusted for declining enrollment consistent with the methodology used in regular education.

We propose that the new model be phased in over time and that during phase-in all or a major portion of any funding provided for cost-of-living adjustments (COLAs) and/or growth should be used for the phase-in. The phase-in would be accomplished by squeezing the per-capita allocation for higher-funded SELPAs while allowing most SELPAs to receive an increase in funding for special education.

In moving to a population-based formula and removing restrictions on how services should be delivered, we recognize there may be fiscal incentives to underserve children who need special education services. Accordingly, we believe that specific attention must be given to assuring that LEAs are delivering services and delivering them in such a manner as to benefit the children receiving them. We propose a change in oversight to hold LEAs accountable for providing services to children who need special education.

We propose that state support for nonpublic school/agency placements and services be rolled into the base allocation to be distributed along with other state support. We have deferred until our final report a recommendation on how to provide funding for

placements by agencies other than LEAs into licensed children's institutions (LCIs) outside the pupil's home SELPA.

Below we discuss each of the major components of our proposal.

LEAS RESPONSIBLE FOR EDUCATING ALL CHILDREN

First, the state should reaffirm that LEAs are responsible for educating *all* children within their boundaries. This is necessary because the prevailing attitude in some LEAs is that special education is solely a state and federal responsibility. Some LEA administrators act as if revenue-limit funding is to be used solely on regular education programs. Over the last 15 years, the current school finance system has contributed to the perceived division between regular and special education by specifying a rigid service delivery system for special education. We propose a much closer link between the regular program and special education. A first step is to reaffirm that LEAs are responsible for educating all pupils within their boundaries.

POPULATION-BASED FORMULA

We propose that special education funding be allocated to SELPAs on a per-capita basis and that existing service delivery restrictions associated with the current funding model be eliminated. The per-capita amount would be uniform from SELPA to SELPA. We concluded that, on balance, none of the special cost factors has a strong enough basis to justify special consideration at this time. As mentioned later, we recommend a phase-in to uniform funding levels to minimize disruption of services to both regular and special education pupils. This proposed population-based funding model has the following advantages over the state's current funding model:

- *Avoids Labeling of Pupils.* The current model requires LEAs to label students in order to receive

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funding. In our proposal, the amount of funding a SELPA receives would not depend on the number of identified special education pupils. As discussed earlier, for some specific populations, LEAs would be able to spend more funds on direct services rather than on assessment and form processing.

- *Allows Flexibility in Provision of Services.* The current model restricts the utilization of local staff to set delivery modes or caseloads. Our proposal allows LEAs to tailor services based on local pupil needs and strengths of local staff. Flexibility is desirable as long as LEAs are accountable for providing services to children who need special education and in such a manner as to benefit children receiving those services.
- *Eliminates Funding Variations Among SELPAs.* The current formula displays considerable variation in per-pupil state support. Our proposal eliminates per-pupil variations (over time) because we find none of the special cost factors has a strong enough basis to justify special consideration.
- *Is Straightforward and Understandable.* The current model is not easily understood by nonexperts. Our proposal is straightforward.

Ideally, we believe that the allocation of state support should be based on the entire school population of the SELPA—both public and private. However, the only statistic currently available for this count is from the California Basic Educational Data System (CBEDS). The CBEDS data lacks detail, however, on the district of residence for private school enrollments. Without this detail, it is not possible to accurately attribute private enrollment to individual SELPAs. In addition, the CBEDS counts are not audited, so the data would be unusable for funding formula purposes. We intend to continue exploring ways to address this issue.

We propose that declines in enrollment be adjusted in the same manner as in regular education. With K-12 revenue limits, LEAs experiencing average daily attendance declines are held harmless in the year of the decline. This "hold harmless" provision provides districts time to make staffing adjustments related to the decline. We believe that the same provision should be made for special education for the same reason.

PHASE-IN

Providing equal funding per pupil to all SELPAs will require increasing funding for some SELPAs and reducing funding for others below what they otherwise would have received. These funding changes would be disruptive if implemented immediately. Accordingly, the supplemental report directed that any new funding formula be phased in on a gradual basis over two to five years.

To further minimize disruption during the phase-in period, our proposal (1) would provide most SELPAs an increase in special education funding and (2) would not reallocate existing funds. Consequently no SELPA would experience a reduction. At a minimum, we propose that all or a major portion of any funding provided for COLAs and growth be used to increase funding for the lowest-funded SELPAs. Providing augmentations in excess of these amounts would speed up the phase-in.

We have not yet developed a detailed phase-in plan. It is uncertain whether it is possible to develop a phase-in plan that meets all the criteria we have identified. Therefore, in our May recommendations, it may be necessary to make compromises in one or more of these criteria. For example, it may be necessary to accept some funding variation at the end of the period.

Because we do not propose reallocations of existing funds during the phase-in period, achieving uniform per-capita allocations of funds is

dependent on the availability of COLA and growth funding, at a minimum. If, at the end of the phase-in period, the per-capita amounts allocated to SELPAs are not reasonably comparable, the Administration and the Legislature may have to consider further measures to achieve uniformity. These measures could include extending the phase-in period, providing augmentations, accepting some continuing funding variation, or reducing some of the high-funded SELPAs.

Based on our discussions this fall, we recognize that attention must be given to the use of the current funding level as a starting point. We are aware that adjustments may be called for in cases where pupils cross SELPA boundaries for services.

ACCOUNTABILITY

In moving to a population-based formula and removing restrictions on how services should be delivered, LEAs may have fiscal incentives to underserve children by failing to identify them as needing special education, by assigning pupils to inappropriate lower cost placements, and/or inappropriately increasing class sizes. There are many benefits, cited above, to a population-based formula. However, these benefits must be accompanied by safeguards to insure that pupils with disabilities have access to specialized instruction and related services that are individually designed to provide educational benefit. That is, pupils need to be assured of access to a free and appropriate public education. We offer three safeguards to meet that objective.

First, we propose to continue the due process safeguards available under current law. Movement to a population-based, rather than an identified student-based, funding system would not jeopardize any of the due process safeguards under current law.

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Second, we propose that the SDE modify its oversight of special education programs. One interesting suggestion, among other possibilities, was that of using review teams, modeled after higher education accrediting teams, to conduct programmatic reviews. These teams, primarily consisting of knowledgeable parents, teachers, and administrators, as well as state personnel, would review a random sample of individual pupil records to assess whether services were provided and whether pupils were benefiting from the services. The review would need to be practical and understandable. The aim is not to force uniformity of service delivery but to identify—and require improvement of— programs where pupils are not receiving services and/or benefiting from the services offered. Specific penalties must be assessed against SELPAs that do not improve their programs when required to do so.

Third, we propose retaining the existing requirement that special education funding be used solely for special education services. Under our proposal, special education services could be provided in a wider variety of settings, including settings where pupils without IEPs, especially at the early grade levels, could benefit. However, LEAs' expenditures for special education for both IEP and non-IEP pupils would remain subject to state audit. Our final paper will suggest reporting and state audit guidelines consistent with our proposal.

NONPUBLIC SCHOOLS/AGENCIES

We propose that state support for nonpublic school placements and nonpublic agency services be rolled into the base allocation to be distributed along with other state support. Under the current funding model the LEA is entitled to 70 percent of the excess cost of these services. The LEA is responsible for the remaining 30 percent. LEAs participate in the IEP process for students placed in nonpublic schools/agencies, and therefore, have some influence on these placements. As indicated earlier in this report, there is wide variability in the extent to which SELPA staff are actively involved in placement decisions.

On balance, the interactions of the current model provide an incentive for LEAs to use these placements and services even when an appropriate option is available within the public sector. Our proposal is to remove that incentive by rolling funds for nonpublic schools/agencies into the base allocation. We believe that removing this incentive will result in improved oversight of the use of nonpublic schools/agencies. This will potentially result in fewer placements in nonpublic schools/agencies, which would have programmatic benefits (fewer children placed in a more restrictive environment) and fiscal benefits (funds freed up for other special education purposes).

We have deferred until May a recommendation on the method for funding placements in LCIs and foster family homes made by agencies other than LEAs. The current formula reimburses LEAs for 100 percent of the cost of these placements.

LOW-INCIDENCE FUND (LIF)

Based on our site visits, we propose continuing the LIF. In addition, extension of the availability of the LIF to pupils with low-incidence disabilities but without IEPs would make it possible to address the

needs of some pupils for sophisticated assistive devices without having to label them as special education pupils at all.

ROLE OF SELPAS

SELPA organizations play a central role in our proposal. We propose that state and federal funds be allocated through SELPAs. This funding represents approximately three-quarters of current support for special education. In the current formula most funding flows to districts. We envision an expanded SELPA role, especially in multi-district SELPAs, in oversight of special education services. Based on our site visits and discussions, there appear to be both effective and somewhat less effective SELPA structures. Before issuing our final paper we intend to revisit both the law and administrative practices of SELPAs with particular attention to size and scope requirements.

OTHER ISSUES

There are many issues that remain for our deliberation in addition to those discussed above. Among the most pressing are the following:

- Funding for infants and preschool.
- Funding for placements in LCIs and foster family homes made by agencies other than LEAs.

SUMMARY

This preliminary report reflects our efforts to reach an overall consensus at this point in time. The report should not be viewed as the position of any one of the three agencies; while each agency is in general agreement with the approach, it may disagree with some

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of the specific details of the model. We hope that this report will stimulate discussion as we continue our consultation throughout the state in winter and spring 1995. The report should be viewed as our current thinking as opposed to our final recommendations.

If you wish to comment or make a suggestion on this preliminary report, please address your comment/suggestion to:

New Funding Model for Special Education
c/o Legislative Analyst's Office
925 L Street, Suite 1000
Sacramento, California 95814

Your comment/suggestion will be shared with the staff of each of the three agencies working on development of the final report. Comments/suggestions should be forwarded no later than April 14, 1995. The Legislature directed that a final report be submitted by May 31, 1995.

Appendix A

1994 Supplemental Report Language

Report on New Funding Model for the Master Plan for Special Education. It is the intent of the Legislature that the Superintendent of Public Instruction (SPI), the Director of Finance, and the Legislative Analyst, or a designee of each of these persons, shall develop a new funding mechanism for special education programs and services offered in this state. The new funding mechanism shall include, but not be limited to, the following:

- a. A method to ensure equity in funding between school districts and county offices of education that provides services to pupils with exceptional needs.
- b. An elimination of financial incentives to place pupils in special education programs.
- c. A system that recognizes the interaction between funding for special education programs and services, revenue limits for school districts, and funding for categorical programs.
- d. A proposal to phase in the newly developed funding formula on a gradual basis over two to five years, so as not to disrupt educational services to students enrolled in regular or special education programs.

In developing the funding mechanism the SPI, the Director of Finance, and the Legislative Analyst, or a designee of each of these persons, shall consult with teachers, parents, and administrators of both regular and special education pupils, members of the Advisory Commission on Special Education, and other interested parties.

1994 Supplemental Report
Language

The three agencies shall reach an overall consensus on a new funding model, but not necessarily consensus on each of its components, and shall submit the new funding model to the appropriate chairs of the committees that consider appropriations, the appropriate policy committee chairs, and the Chair of the Joint Legislative Budget Committee on or before May 31, 1995.

Appendix B

Parties Consulted with Prior To Issuing Preliminary Report

Figure 1

Organizations and Individuals

Advisory Commission on Special Education
Special Education Fall (1994) Conference
Paul Goldfinger, School Services of California, Inc.
Peter Birdsall, Peter Birdsall & Associates, Inc.
William Whiteneck
Chuck Pillsbury
Judith E. Heumann, Assistant Secretary, U.S. Department of Education
Diane J. Lipton, Staff Attorney, Disability Rights Education & Defense Fund, Inc.
Loni Hancock, Secretary's Regional Representative, U.S. Department of Education
Thomas Hehir, Director, Office of Special Education Programs, U.S. Department of Education
Tom Parrish and Jay Chambers, Co-Directors, The Center for Special Education Finance
Special Education Local Plan Area Administrators
Special Education Coalition, San Rafael (correspondence only)
Kim Connor, Senate Office of Research
California Teachers Association
David Walrath, Murdoch, Walrath & Holmes
California School Boards Association
Council for Exceptional Children
California Association of Private Special Education Schools
California Association of Resource Specialists
State Board of Education
Special Education Administrators of County Offices
SDE Special Education Division Master Plan II Conference
Numerous others

Parties Consulted
With Prior to Issuing
Preliminary Report

Figure 2

Local Education Agencies

Riverside County Office of Education	San Diego USD
San Diego Group Meeting (San Diego County host)	Auburn Group Meeting (Placer-Nevada County SELPA host)
East County SELPA	Pleasant Valley Elementary SD
Oceanside City USD	Western Placer USD
Fallbrook Union Elementary SD	Eureka Union Elementary SD
Fallbrook Union High School SD	Rocklin USD
Carlsbad USD	Clear Creek Elementary SD
Grossmont USD	Dry Creek Elementary SD
La Mesa-Spring Valley SD	Loomis Union Elementary SD
Mount Empire USD	Ackerman Elementary SD
Santee Elementary SD	Placer County Office of Education
Julian Elementary SD	Nevada County Office of Education
Poway USD	Roseville City Elementary SD
Cajon Valley Union Elementary SD	Fresno County Office of Education
Encinitas Union Elementary SD	Santa Barbara County SELPA
Sweetwater Union High SD	Irvine USD
Union High School SD	Los Angeles USD
Lakeside Union Elementary SD	Whittier Area Cooperative SELPA
San Diego County Office of Education	San Mateo County Office of Education
San Diego USD	San Juan USD
North Inland SELPA	Sacramento USD
Concord Group Meeting (Contra Costa SELPA host)	Red Bluff Group Meeting (Tehama County host)
San Ramon USD	Lake County
John Swett USD	Glenn County
Brentwood USD	Humboldt County
Oakley USD	Siskiyou County
Orinda USD	Shasta County
Walnut Creek Elementary SD	Trinity County
Pittsburg USD	Colusa County
Antioch USD	Tehama County
Martinez USD	Elk Grove USD
Knightsen SD	Clovis USD
Contra Costa County Office of Education	Oakland USD (correspondence only)
Contra Costa SELPA	Kelseyville USD (correspondence only)
Merced County Office of Education (correspondence only)	Solano County School Districts (correspondence only)

**Parties Consulted
With Prior to Issuing
Preliminary Report**

Figure 3

Reports Reviewed

Special Education Fiscal Task Force Report, California State Department of Education, July 1988.

Alternative Programs and Strategies for Serving Students with Learning Disabilities and Other Learning Problems, SRI International, March 1989.

Analysis of the Budget Bill, Legislative Analyst's Office, Sacramento, various years.

Federal Policy Options for Funding Special Education, Tom Parrish, Center for Special Education Finance, Fall 1993.

Education Department Can Allocate Special Education Funds More Equitably, Regional Inspector General, U.S. Department of Education, San Francisco, September 1994.

The Beginning of a Road Map . . ., Proceedings of the California Symposium on Special Education Funding, Sacramento, California, March 1994.