

NEW FUNDING MODEL FOR SPECIAL EDUCATION

The Development Process

**Presented To
Assembly Budget Subcommittee No. 2**

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

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Supplemental Report Directive

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."

Three Agencies' Strategy To Develop New Funding Formula

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.

Local Education Agencies Consulted With Prior to Issuing Preliminary Report In January

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)

Proposed Principles and Assumptions To Guide Development of a New Special Education Funding Model

Recognize Continued Responsibility of Local Education Agencies (LEAs) for Educating All Children

The underlying premise of the model should be that LEAs are responsible for educating all children within their boundaries.

Base Allocations on Premise That Disabilities are Evenly Distributed

We found no evidence that pupils with disabilities are not evenly distributed across the population.

Eliminate Variation in Funding Levels Over Time

We find on balance no compelling case for differences in average per-pupil funding levels among Special Education Local Plan Areas (SELPAs).

Avoid Labeling of Pupils

The model should not provide a financial incentive for labeling pupils or categorizing pupils by disability category.

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.

Provide Program Accountability

We believe that the changes related to labeling and flexibility should be coupled with oversight to hold LEAs accountable for providing services to children who need special education.

Continue Role of SELPAs

We believe that a SELPA structure is desirable with regard to the distribution of funds and for program oversight.

Make Formula Understandable

The concepts underlying the formula and the procedures to implement it should be straightforward and should avoid unnecessary complexity.

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.

Parties Consulted With Since Release of the Preliminary Report

Regional Meetings

Fresno	Modesto	Riverside
Los Angeles (3 sessions)	Orange County	Santa Clara
Marin	Red Bluff	San Diego

Meetings with Associations

Council for Exceptional Children
 California Association for Resource Specialists (2 sessions)
 Special Education Local Plan Administrators (SELPA) (3 sessions)
 California Teachers' Association
 Association of California School Administrators (ACSA), Pupil Personnel and
 Special Education Committee
 State Board of Education
 County Offices of Education Chief Business Officials
 Advisory Commission on Special Education (2 sessions)
 Developmental Disabilities Area Boards (statewide meeting)
 California Association of School Psychologists
 California Department of Education—Special Education Division
 Learning Disabilities Association (Los Angeles)
 Sacramento Management Group
 Special Education Administrators of County Offices (SEACO)
 California County Superintendents' Educational Services Associations' Special Education
 Funding Task Force (3 sessions)
 Legislative Policy and Fiscal Staff
 Sacramento Area Advocates
 EdSource, Menlo Park
 California Department of Education—Executive Staff
 United States Department of Education, Office of Special Education Programs

Additional Input Sessions Planned

Legislators and Legislative Staff
 Orange County (2nd session)
 Los Angeles Unified School District
 California Association of Program Specialists
 Association of California School Administrators (ACSA), Superintendents Committee
 Low Incidence Disabilities Advisory Committee (LIDAC)
 Comprehensive System of Personnel Development Advisory Committee (CSPDAC)
 Special Education Local Plan Administrators (SELPA) (4th session)
 Special Education Administrators of County Offices (SEACO) (2nd session)



Suggested Trailer Bill Language To Set Aside \$20 Million in 1995-96 For Allocation to Lowest Funded Special Education Local Plan Areas (SELPAs)

Section X. There is hereby appropriated twenty million dollars (\$20 million) from the General Fund to lowest funded Special Education Local Plan Areas (SELPAs) if a bill is enacted and becomes law by January 1, 1996 that reforms the current special education funding formula and defines the "lowest funded SELPAs" and the allocation of the \$20 million to these lowest funded SELPAs. In the event that a reform measure does not become law by January 1, 1996 or does not define "the lowest funded SELPAs" or the allocation of the \$20 million to these lowest funded SELPAs, the \$20 million appropriated in this section shall be appropriated to school districts and county offices of education in accordance with Sections XX and XXX of this measure so as to provide identical rates for cost-of-living adjustments to school districts and county offices of education.