

May 7, 2013

# Overview of Special Education Budget Proposals

---

LEGISLATIVE ANALYST'S OFFICE

Presented To:  
Assembly Budget Subcommittee No. 2 on Education Finance  
Hon. Susan Bonilla, Chair





## Overview of Special Education

### About 10 Percent of California Students Have Disabilities Affecting Their Education

2011-12

Disability	Number of SWDs <sup>a</sup>	Percent of SWDs	Percent of Total K-12 Population
Specific learning disability <sup>b</sup>	278,698	41%	4.4%
Speech or language impairment	164,600	24	2.1
Autism	71,825	10	1.0
Other health impairment <sup>c</sup>	61,843	9	0.9
Mental retardation	43,303	6	0.5
Emotional disturbance	25,984	4	0.4
Orthopedic impairment	14,261	2	0.2
Hard of hearing	9,991	1	0.1
Multiple disability	5,643	1	0.1
Visual impairment	4,327	1	0.1
Deaf	3,946	1	0.1
Traumatic brain injury	1,771	— <sup>d</sup>	— <sup>e</sup>
Deaf and blind	160	— <sup>d</sup>	— <sup>e</sup>
<b>Totals</b>	<b>686,352</b>	<b>100%</b>	<b>9.9%</b>

<sup>a</sup> Reflects students with disabilities (SWDs) ages 3 to 22 receiving special education services.

<sup>b</sup> Includes disorders resulting in difficulties with listening, thinking, speaking, reading, writing, spelling, or doing mathematical calculations.

<sup>c</sup> Includes having chronic or acute health problems (such as a heart condition, asthma, epilepsy, or diabetes) that adversely affect educational performance.

<sup>d</sup> Less than 0.5 percent.

<sup>e</sup> Less than 0.05 percent.

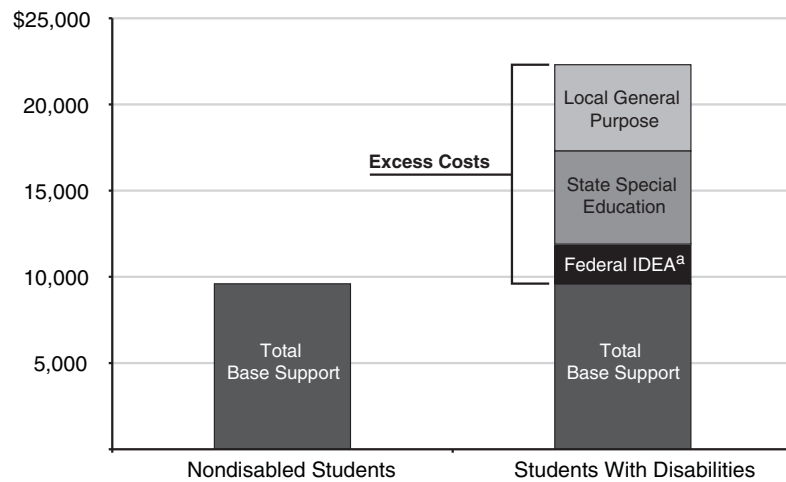
- Public Schools Must Provide Special Supports for Students With Disabilities.**
- Students' Individualized Education Plans Define Their Special Education Services.**
- State Uses Special Education Local Plan Areas (SELPA) to Organize Special Education Services and Allocate Funding.**



## Special Education Services Supported by Federal, State, and Local Funds

### Special Education Funds Support the “Excess Costs” of Educating Students With Disabilities

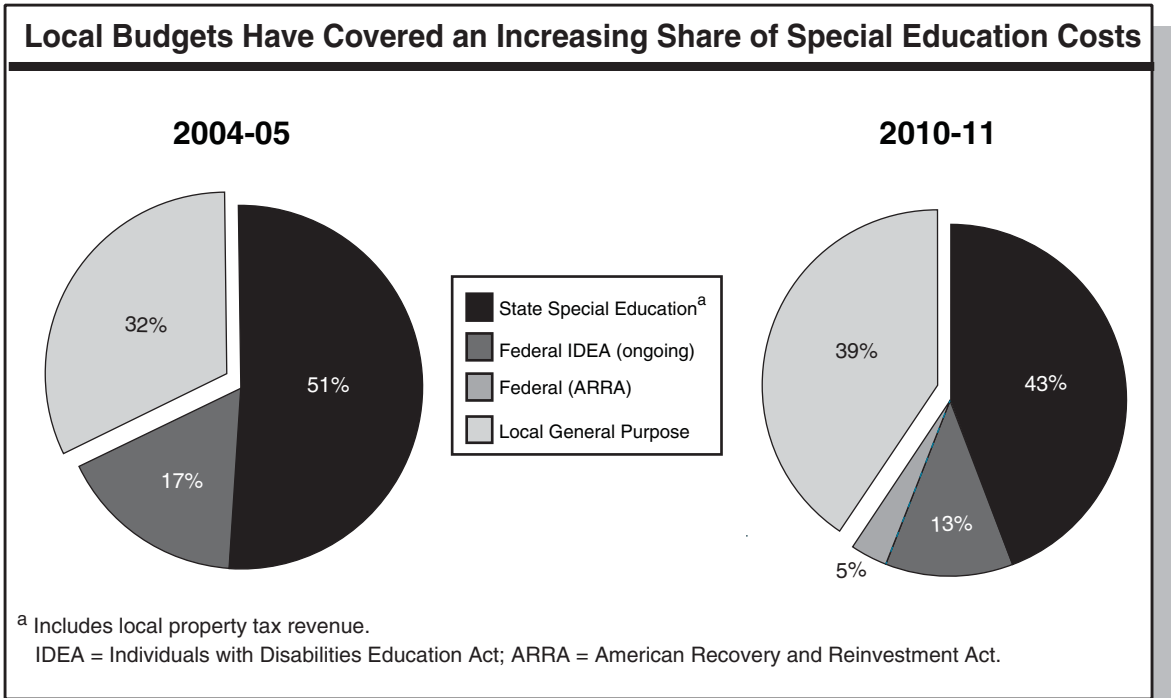
*Statewide Average Spending Per Pupil, 2010-11*



<sup>a</sup> Includes American Recovery and Reinvestment Act funding.  
IDEA = Individuals with Disabilities Education Act.



## Special Education Services Supported by Federal, State, and Local Funds *(Continued)*





## Overview of State's Existing Special Education Funding System

---

- ☑ ***Most Special Education Funds Allocated Based on Overall Student Population.*** “Census-based” formula allocates funding based on a SELPA’s average daily attendance (ADA), regardless of the number of students with disabilities or special education expenditures.
  
- ☑ ***Most Special Education Funds Allocated Using AB 602 Formula.*** Formula originally designed to blend state and federal funds to a unique per-ADA funding rate. The AB 602 allocations total about \$4 billion—\$3 billion in state funds and \$1 billion in federal funds.
  - Somewhat different approach used for charter-only SELPAs.
  
- ☑ ***AB 602 Per-Pupil Funding Rates Vary Across SELPAs.*** The statewide average is about \$660 per ADA, but rates range from about \$570 to about \$1,090 per ADA based on historical factors.
  
- ☑ ***Modification to AB 602 Formula Has Led to Complications.*** The state allocation formula was modified in 2005-06 to partially delink federal funds from AB 602 calculation.
  
- ☑ ***Some Special Education Funding Is Provided to SELPAs for Specific Purposes.*** The SELPAs are allocated about \$930 million in state and federal funds via 16 discrete grants. Some special education funds also support state-level initiatives such as professional development and technical assistance.



## Governor Proposes Delinking Federal Funds From State's AB 602 Formula

Illustration of Four AB 602 Funding Models <sup>a</sup>				
Per-Pupil Funding Rates for:	Existing ADA	New ADA	Lost ADA	Effects
Original Model (1998-2005)	\$660 SELPA's unique blended rate	+\$600 Blended STR	-\$660 SELPA's unique blended rate	Uses blended rate for both growing and declining SELPAs. Equalizes to blended STR.
Current Model (2006-Present)	\$660 SELPA's unique blended rate	+\$465 State STR <sup>b</sup>	-\$660 SELPA's unique blended rate	Uses state rate for growing SELPAs and blended rate for declining SELPAs. Ratchets down per-pupil rates for growing SELPAs.
Governor's Proposed Model	\$475 SELPA's unique state rate	+\$465 State STR	-\$475 SELPA's unique state rate	Uses state rate for both growing and declining SELPAs similarly. Equalizes per-pupil rates down to low STR.
LAO Recommended Model	\$475 SELPA's unique state rate	+\$535 Updated state STR	-\$475 SELPA's unique state rate	Uses state rate for both growing and declining SELPAs similarly. Equalizes per-pupil rates to 90 <sup>th</sup> percentile.

<sup>a</sup> Simplified display with illustrative rates.  
<sup>b</sup> Funded with a combination of state and federal funds. In all other cases shown, "state" is funded only with state funds (and "blended" is funded with a combination of state and federal funds).  
 ADA = average daily attendance; SELPAs = Special Education Local Plan Area; and STR = Statewide Target Rates.



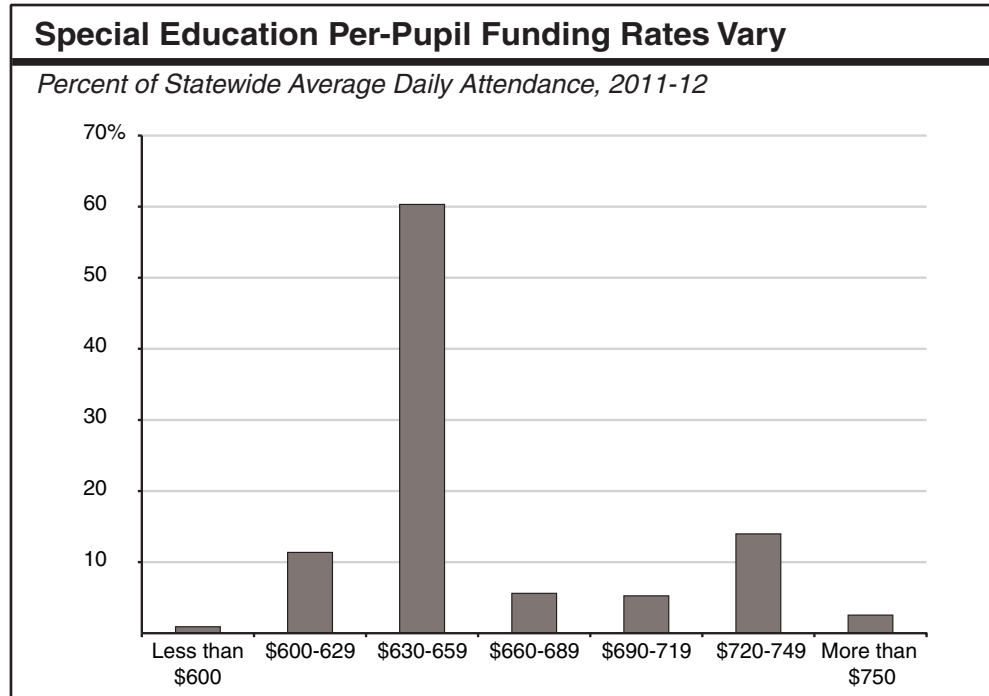
**Governor Proposes to Remove Federal Funds From State's AB 602 Formula.** Each SELPA's state AB 602 rate would be calculated independently based on a *state-only* per ADA rate.



**Recommend Legislature Adopt Governor's Proposal.** Would make the state's funding approach simpler, more rational, and more understandable.



## LAO Recommends Equalizing AB 602 Funding Rates



- Governor’s Proposal Would Not Address Unjustified Differences in SELPAs’ AB 602 Funding Rates.***
  
- Recommend Providing Additional Funds to Equalize AB 602 Funding Rates in Tandem With Other K-12 Funding Rates.*** We estimate equalizing AB 602 rates to the current 90<sup>th</sup> percentile—such that 90 percent of students are funded at the same rate—would cost about \$300 million.
  - Aligning with the Governor’s larger K-12 funding approach would mean providing about 10 percent of the total AB 602 equalization cost, or about \$30 million, in 2013-14.
  
- Recommend Updating Statewide Target Rate to Reflect New Equalization Target.*** Under this approach, new SELPA ADA would be funded at \$535 instead of \$465.



## Governor Proposes Consolidating Special Education Categorical Grants

- Governor Proposes to Consolidate 8 Grants Into 4 Larger Grants.**
- Recommend Consolidating 12 Grants Into 5 Larger Grants.** Broaden spending parameters, provide greater flexibility at the local level.

<b>LAO Alternative for Consolidating Special Education Grants</b>		
<i>2013-14 Proposed Amounts</i>		
Affected Grants	Governor's Proposal	LAO Recommendation
<b>Changes to Base Funding</b>		
<ul style="list-style-type: none"> <li>• Program specialists and regionalized services (PSRS) (\$90.3 million) and supplement for small SELPAs (\$2.7 million)</li> <li>• Staff development (\$2.5 million)</li> <li>• Mental health funding (\$426 million)</li> </ul>	Adds PSRS and staff development to AB 602 base funding. No proposed change for mental health funding.	Adopt Governor's proposal, but also add mental health funding to AB 602 base. Continue providing some supplemental AB 602 funding for small SELPAs.
<b>Transition Services</b>		
<ul style="list-style-type: none"> <li>• WorkAbility I LEA Project (\$29.5 million)</li> <li>• WorkAbility I Vocational Education Project (\$10.3 million)</li> </ul>	Combines, does not change allocation or program requirements.	Combine into new "Transition Services" funding supplement, remove specific program requirements, change distribution to allocate equal amount per ADA in grades 9-12.
<b>LID Programs</b>		
<ul style="list-style-type: none"> <li>• LID materials (\$13.4 million)</li> <li>• LID services (\$1.7 million)</li> <li>• LID ROCP (\$5.3 million)</li> </ul>	Combines LID materials and services. No proposed change for LID ROCP.	Adopt Governor's proposal, but also combine LID ROCP funding into new "LID Block Grant," remove ROCP-related requirements.
<b>Statewide Activities</b>		
<ul style="list-style-type: none"> <li>• Statewide training and technical assistance (\$1.1 million)</li> <li>• Cross-cultural assessments (\$200,000)</li> </ul>	Combines.	Adopt Governor's proposal.
<b>Extraordinary Cost Pools</b>		
<ul style="list-style-type: none"> <li>• For NPS placements (\$3 million)</li> <li>• For NPS placements (mental health) (\$3 million)</li> </ul>	None.	Combine, adopt uniform set of eligibility criteria for subsidizing high-cost student placements.
<small>SELPA = Special Education Local Plan Area; LEA = local educational agency; LID = low-incidence disability; ROCP = Regional Occupational Center or Program; and NPS = nonpublic school.</small>		