Revisiting Finance and Governance Issues in Special Education

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About: The Getting Down to Facts project seeks to create a common evidence base for understanding the current state of California school systems and lay the foundation for substantive conversations about what education policies should be sustained and what might be improved to ensure increased opportunity and success for all students in California in the decades ahead. Getting Down to Facts II follows approximately a decade after the first Getting Down to Facts effort in 2007. This research brief is one of 19 that summarize 36 research studies that cover four main areas related to state education policy: student success, governance, personnel, and funding.
Introduction

California’s Local Control Funding Formula (LCFF), which highlights accountability for student success, has identified the progress of special education students as an area of particular concern. Statewide, the LCFF outcome data show that students with disabilities perform at particularly low levels.

Special education addresses the needs of students with disabilities to help them succeed in school. Federal and state laws play a major role in shaping how districts identify and serve students. Federal and state budgets also include significant annual appropriations to help districts pay for these additional services. However, data show that many districts are putting an increasing share of their base funding for all students into special education.

This study builds on a November 2016 research report published by the Public Policy Institute of California (PPIC) entitled Special Education Finance in California. Some of the information and data presented here were originally part of that report. The study looks at the amount, sources, and adequacy of special education funding in California. It also analyzes the effectiveness of the state’s structures and policies related to governance and accountability, including the intermediate agencies known as Special Education Local Planning Areas (SELPAs) that assist districts with their special education responsibilities.

KEY FINDINGS

Special education funding programs need attention

- Growth in state special education funding has not kept pace with district costs.
- Per-pupil special education grants are quite different among SELPAs.
- The current formula does not adequately fund preschool programs for infants and toddlers with disabilities.

Special education and the LCFF need to be better aligned

- Special education governance is inconsistent with the goals of the LCFF.
- Superintendents support the SELPA structure, but some would like specific help.
- Educators and policymakers need to better understand how special education dynamics affect accountability indicators.
BASIC FACTS ABOUT SPECIAL EDUCATION SERVICES IN CALIFORNIA

• Special education is the largest categorical funding program in California’s K-12 education budget.
• In 2015-16, the program supported services for more than 750,000 young children and K-12 students with disabilities.
• The state General Fund earmarked more than $3.2 billion for special education in 2015-16, mostly through a formula delineated in Assembly Bill 602.
• State AB 602 funds are distributed to Special Education Local Planning Areas (SELPAs) based on the total number of students in attendance (ADA) in the K-12 districts that make up each SELPA.
• State law requires all districts to join a SELPA. There are 40 single-district SELPAs and 85 that serve multiple school districts. Four statewide SELPAs exclusively serve charter schools.

Figure 1: Funding Sources for Special Education in 2014-15

In 2014-15, schools in California spent more than $12 billion on special education services, with the bulk of the cost borne by school districts.

Summary of Key Findings: Special Education Funding

Growth in state special education funding has not kept pace with district costs

Special education funding supports a core district responsibility, and the authors find that the state’s attendance-based formula for distributing funding seems sound. The report also discusses some of the pitfalls of basing state funding on the number of students who are identified for special education services.

Of greater concern, in the LCFF era the state has held special education funding constant while increasing LCFF base grants. Because special education services are state and federally mandated, districts have had to provide an increasing share of special education funding from their general purpose funds. In addition, per-pupil costs have increased faster than inflation due to rising district employee expenses and an increase in the proportion of high-cost disabilities.

WHAT CALIFORNIA EDUCATION OFFICIALS SAY

Interviews with district chief business officers (CBOs) and superintendents conducted for the Getting Down to Facts II project show that rising special education costs are a nearly universal concern.

When asked how special education funding affects other budgeting decisions, nearly 93% of CBOs and 82% of superintendents interviewed said that it has a detrimental effect.

CBOs expressed concern that not only are costs increasing for special education services, but the special education population is also growing. The high cost of litigation and attorney fees adds additional expenses. Meanwhile, because overall student attendance is flat or declining, special education funding, which is based on ADA, is stagnant.

The 2016 PPIC report examined special education caseloads during the past decade and found that state funding has not kept pace with district costs. Figure 2 (on the following page) shows that the number of students with disabilities increased 5.1% from 2005 to 2014. During the same period, the number of K-12 students in the state stayed almost flat. In addition, the mix of disabilities changed over this time, with higher-cost disabilities increasing and lower-cost categories falling. Based on somewhat dated national cost figures, the authors estimated that special education costs increased $1.1 billion due to these two trends.
Per-pupil special education grants are quite different among SELPAs

The authors also examined the distribution of special education funding and special needs students across the state. Assembly Bill 602 establishes a consistent base for distributing funding, but existing district per-pupil rates violate the LCFF’s equity principle. These rates vary substantially—the top 10% of SELPAs receive 50% more per ADA than the average of the other 90%. This is a result of historic SELPA funding rates that were in place when AB 602 was implemented. Equalizing district AB 602 rates would cost the state an estimated $670 million annually.

Localities also differ dramatically in their local special education practices and thus in the proportion of students they identify for services. Among SELPAs, the rate ranged from 7% to 17%, averaging 12% statewide. As noted above, state funding is not based on the number of students with disabilities in each area, but on the size of the total student population in the districts that make up a SELPA. Given that, it is not surprising that the AB 602 formula amounts do not necessarily match district spending on special education. However, interviews of district and SELPA representatives uncovered little interest in changing the AB 602 formula.
The current formula does not adequately fund preschool programs for infants and toddlers with disabilities

In 2015, a state task force on special education concluded that high-quality services for very young children promote gains in language and behavioral and cognitive development.1 This can reduce the need for services later.

Federal law requires school districts to assist disabled children beginning at age 3. The law also requires that educators actively seek children who may have a disability. California provides services to some younger children, including infants. State data show that many children who are identified as disabled in kindergarten or first grade had not previously received services. Federal data on the share of children ages 3 to 5 in special education also show that California has a somewhat lower rate of participation than the national average.

The 2016 PPIC report found that existing programs for preschool children are supported through a patchwork of state and federal categorical funding streams and base special education funds. Further, the ADA-based AB 602 formula does not adjust to changes in the number of preschool children or infants districts serve because ADA counts only students enrolled in kindergarten or higher.

California’s funding system for preschoolers with disabilities thus creates a disincentive to serve this group because district and SELPA resources are not increased commensurately. Static funding of the base AB 602 grant in the face of rising costs means that placing a local priority on serving 3- and 4-year-olds requires districts to commit general fund resources to the task.

The state task force recommended a grant of $4,000 per child in order to provide preschoolers with special education services. That would cost about $200 million initially, and the amount could grow if more children are served. This is much less than the average per-pupil additional cost of services for school-aged students with disabilities, however, and could ultimately reduce special education costs.

Conclusion: Special Education Funding

The authors conclude that California’s special education funding programs need attention, and they identify options for addressing these problems. If fully implemented, these options would require significant new funding for special education and would likely reduce the amount of Proposition 98 revenue available for base and supplemental and concentration grants under LCFF.

In one sense, spending more on special education would merely shift funding from one formula (LCFF) to another (special education). But seen from a different perspective, more responsive special education formulas would help the state maintain its commitment to paying for a set portion of local costs. The current practice of boosting base funding while ignoring the impact of those increases on special education costs inevitably results in a rising district share of costs. By committing the state to paying for a constant share of program costs over time, California could address the financial connections between special education and LCFF.

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Summary of Key Findings: Governance and Accountability

Special education governance is inconsistent with the goals of the LCFF

Special Education Local Planning Areas are a central and long-standing feature of California’s approach to special education. Traditional SELPA planning and budget practices do not provide the transparency or parent and community input that is a hallmark of the LCFF.

In the 2016 PPIC report, the authors found the following:

• SELPA budgets often offer little detail about how funds are to be used and are often not posted on SELPA websites.

• SELPAs are not held accountable for student success. Instead, much of what SELPAs do involves process.

• SELPAs differ in the scope and size of regional services they offer (e.g., staff training and arranging for regional classes that provide affordable options for serving students, particularly those with uncommon disabilities).

Superintendents support the SELPA structure, but some would like specific help

A survey of school superintendents for the current report shows strong support for their local SELPAs. A minority of those surveyed, however, voice a desire for more information or assistance from their SELPAs.

A quarter of all superintendents surveyed thought SELPAs could be more helpful, with superintendents from districts with between 5,000 and 10,000 students most likely to say so. When asked to elaborate, superintendents cited a wide array of services they would like SELPAs to provide, such as:

• help with data and monitoring the progress of students with disabilities,

• more or different professional development, and

• more equitable or transparent financial practices.

But even among this group, only a couple of superintendents expressed strong dissatisfaction, and many tempered their suggestions with a recognition that SELPA funding is limited and that not all district wants can be met. Interviews with CBOs showed similar support for SELPAs, with three-quarters saying they felt decisions were transparent. Several also mentioned their importance for smaller districts because of economies of scale.

The superintendent survey results do suggest two additional areas where SELPAs could be more responsive to district needs. First, SELPAs could establish a process for allowing a district to request its ADA-based share of federal and state funds from the SELPA. Second, SELPAs could canvas districts about the quality and range of services the SELPA provides. Some SELPAs are already more flexible in accommodating district desires. For instance, some allow districts, under certain conditions, to receive their ADA-based share of funds and operate special education programs independently from their SELPA.
**Educators and policymakers need to better understand how special education dynamics affect accountability indicators**

Federal law holds districts accountable for the performance of students with disabilities. To satisfy this requirement, the State Board of Education includes students with disabilities as a subgroup when evaluating district performance under the LCFF.

Special education is quite complex in ways that make it difficult to obtain an accurate picture of the progress of students with disabilities. For example, annual data do not recognize that there is a constant churn of students entering and leaving the program over time. The changing mix of special education students from year to year means that group outcome data yield unreliable results.

In addition, local practices for identifying and serving students with disabilities differ markedly from district to district and can affect special education outcomes. Some districts provide help to struggling students through special education, while others work to meet student needs before identifying students for special education services. The districts that identify more students will have a greater proportion of students with mild disabilities and thus are likely to have better outcomes among their special education population as a whole. Districts that identify fewer students for services will have a greater proportion of severely disabled students participating in their program, including students for whom improvement is much more challenging. That could make those districts’ outcomes appear worse.

Finally, special education identifies many students as disabled because they fail to thrive in class. For this group, average academic performance may always be lower than the average of all students.

These dynamics make any assessment of the success of school or district special education programs, as envisioned in the LCFF, quite complicated. With special education a core part of the state’s accountability program, educators and policymakers need to better understand how these program characteristics affect the accuracy of accountability indicators for students with disabilities.

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**Conclusion: Governance and Accountability**

SELPAs currently do not participate in LCFF accountability, as only districts are held accountable for the progress of students with disabilities. Yet SELPAs are well positioned to help districts surmount the data barriers that complicate getting an accurate picture of student outcomes.

Special education is a complex program, and the number of students identified for services varies by the age of students and district educational practices. Further, the program addresses the problems of students who may be unable to learn at the pace of other students. As a result, district outcomes for special education programs will look less successful—with lower test scores and graduation rates. In the authors’ view, this bias means that growth in individual student performance is a better indicator of school or district success than the level of outcomes. And, over time, sustained growth can narrow the differences between students with disabilities and other students.
Author Biographies

As a research associate at the Public Policy Institute of California, Paul Warren focuses on K-12 education finance and accountability. Prior to joining PPIC, he worked in the California Legislative Analyst’s Office for more than 20 years.

Laura Hill, a senior fellow at PPIC, focuses on K-12 education and immigration. She is currently researching English learners in California’s K-12 schools and community colleges and the implementation of the Local Control Funding Formula.