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# *the progress of* EDUCATION REFORM

## A Look at Funding for Students with Disabilities

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This year is the 40th anniversary of the passage of Public Law 94-142 – most commonly known as the federal Individuals with Disabilities Education Act (IDEA). The law not only changed the way that students with disabilities are educated in this country, it also fundamentally changed the way that states fund their K-12 education programs. This ECS Progress of Education Reform outlines some of the facts – and myths – surrounding IDEA and how its passage has made state policymakers think differently about how they fund their public schools.

IDEA commits to provide 40 percent of the ‘average per-pupil expenditure’ in the U.S. multiplied by the number of special education students in each state – not 40 percent of the cost of educating all special education students.

### KEY TAKEAWAYS

The Individuals with Disabilities Education Act (IDEA) has driven state and local special education spending policies over the past 40 years.

The federal government only provides about one-third of the funds for special education that it had committed to in the original legislation – placing a greater financial burden on state and local governments.

While the population of students with disabilities is decreasing, the types of disabilities are changing, forcing policymakers to think differently about how funds are allocated.



## A brief history of IDEA

Prior to 1975, a series of federal laws and court rulings provided guidance to states and districts about the educational services they were required to provide to students with disabilities. However, the services that these students received varied greatly from state to state and district to district. With the passage of PL 94-142 – originally known as the Education for All Handicapped Children Act (EHA) – the federal government provided clearer direction to states and school districts about the services they were now required to provide to all students with disabilities.

Some state policymakers have seen the passage of this legislation as a federal intrusion – placing new mandates on states and school districts. Policymakers at the federal level viewed the legislation in a very different light. Federal policymakers believed that prior federal court rulings made it clear that districts and states were required to provide students with disabilities an appropriate education in the least restrictive manner possible. These policymakers thought that the passage of IDEA would assist states and school districts by providing them with much needed additional federal funds to support the cost of educating students with disabilities.<sup>1</sup>

### IDEA mandates

Over time the law's name changed from EHA to IDEA, but its mandate on states and districts has remained consistent. IDEA requires that states and districts provide the following:<sup>2</sup>

- ◆ A free, appropriate public education to all children with disabilities.
- ◆ Services to each student with disabilities must be based on their individualized education program (IEP).
- ◆ IEPs for each student must be developed by teams that include the child's parents or guardians, along with a special educator, a regular educator, a representative of the school district and, if appropriate, other individuals.
- ◆ A student's education services must be provided, to the maximum extent appropriate, in the least restrictive environment, which for most children entails "mainstreaming" them in classes with children who do not have disabilities.
- ◆ All of these services must be provided regardless of cost to the student's Local Education Authority (LEA).

Prior to 1975, states and districts were in complete control of all decisions related to education funding. However, with the federal adoption of PL 94-142, the way states and school districts address the issue of public education funding fundamentally changed. For the first time, there was a protected class of students whose needs drove educational expenditure decisions regardless of a state or district's available financial resources.

## Federal funding for IDEA

One of the rationales used by federal policymakers for the passage of PL 94-142 was to provide states and schools districts with some financial assistance in educating students with disabilities. The federal government currently provides funding for IDEA through several different grants, though the bulk of the funding (\$11.6 billion in 2014-15) was distributed through IDEA Part B – commonly referred to as IDEA "grants to states." Until the 2005-06 school year IDEA Part B funding was distributed to states based on their special education student counts. However, beginning in the 2006-07 school year, the federal government changed the formula's student-count system to discourage the over-identification of students with disabilities.

### The Four Original Purposes of IDEA

1. **Education For All:** To assure that all children with disabilities have available to them ... a free appropriate public education, which emphasizes special education and related services designed to meet their unique needs.
2. **Parent and Student Rights:** To assure that the rights of children with disabilities and their parents ... are protected.
3. **Federal Assistance:** To assist states and localities to provide for the education of all children with disabilities.
4. **Ensuring a Quality Education:** To assess and assure the effectiveness of efforts to educate all children with disabilities.

Source: U.S. Department of Education

## 40 percent of what?

The popular belief has been that the federal government originally committed to provide 40 percent of the additional costs of educating students with disabilities. However, that is not what the legislation actually committed to do. The law commits to provide 40 percent of the “average per-pupil expenditure” in the U.S. multiplied by the number of special education students in each state – not 40 percent of the cost of educating all special education students.<sup>3</sup> Forty percent of the cost of educating a typical student is a lower amount than 40 percent of the cost of educating a student with disabilities – but the federal government does not currently meet this lower goal. For the 2013-14 school year (the most recent year of available data) the average expenditure amount per student was \$12,057. For the federal government to make its 40 percent commitment it would have to provide special education funding of \$4,823 per student.<sup>4</sup>

In 2013-14 the federal government funded IDEA Part B grants at a rate of \$1,743 per student with a disability – which equated to 14.5 percent of the average expenditure per general education student.<sup>5</sup> Thus in the 2013-14 school year, the federal government only provided states with 36.1 percent of the funding that it had originally committed to do. For the federal government to meet their 40 percent commitment, it would have to supply states with more than \$20 billion per year in additional special education funding.

## What is the real cost of educating a student with a disability?

As hard as it may be to believe, there is little information available about how much funding school districts in the U.S. are expending on the education of students with disabilities. Most states don’t require districts to report their special education expenditures, and those states that do require reporting from districts tend not to require that they provide detailed financial information. The most recent attempt to account for the cost of special education spending at a national level was undertaken by the Special Education Expenditure Project (SEEP). SEEP, which was funded by the federal government, reviewed special education expenditure data from the 1999-2000 school year and found that average expenditures for a general education student was \$6,556 compared to \$12,474 for students with disabilities – a difference of \$5,918 (90.3 percent).<sup>6</sup> This information is now 15 years old and spending patterns may have changed dramatically, but there is no way of knowing without the proper data.

## State special education funding policies

The federal government does not require states to fund special education programs. However, if a state does choose to provide special education financing to districts, then it must maintain funding at or above the previous year’s funding amount or risk reductions in their IDEA Part B grants. Federal law states that IDEA funding “must be used to supplement state, local, and other federal funds and not to supplant those funds.” (Federal Law: 34 CFR §300.202(a)(3)). States can seek waivers from the U.S. Department of Education that would allow them to reduce their special education spending without incurring financial penalties, but these waivers are rarely given out. However, it should be noted that states are allowed to change their revenue sources, or their special education funding formulas, without a waiver from the federal government so long as the total funding amount remains unchanged.

## Distributing state funds to school districts

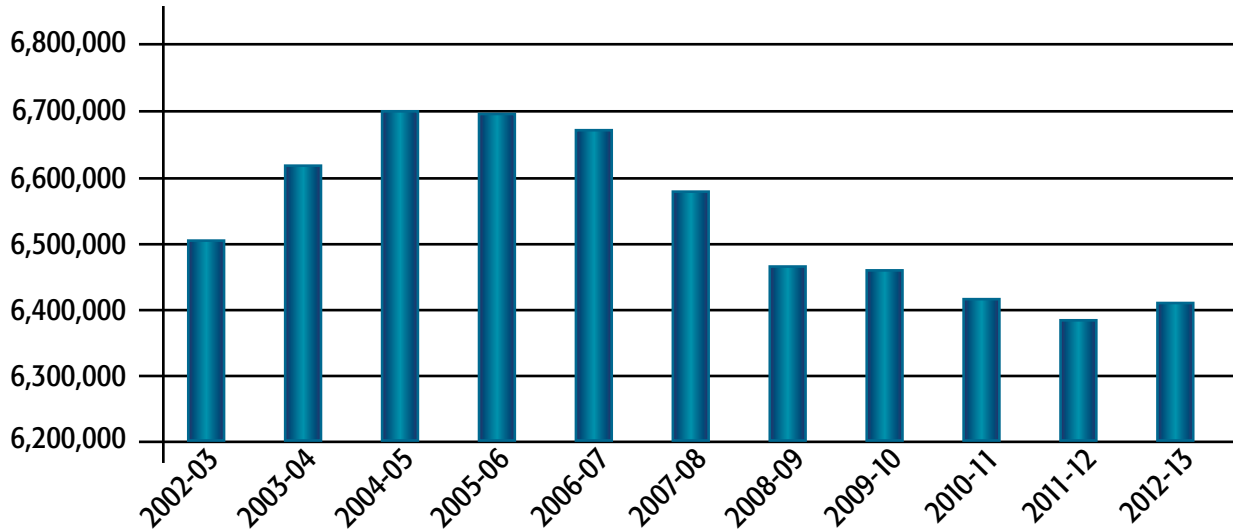
Currently all states provide some form of funding for students with disabilities to districts, however the amount of this funding and how it is distributed to school districts varies greatly.<sup>7</sup> Some states choose to distribute funds through the state’s primary formula, while other states distribute funds outside of the formula. There is no research that shows that funding education inside or outside of the formula is more beneficial either to schools or students.

## A changing special education student population

State and local policymakers have often cited the fact that the growth in the population of students with disabilities has been placing a great deal of financial pressure on education budgets. This was true from 1977 to 2005, when the number of students with disabilities increased each year. During this time, the number of students with disabilities in the United States rose from 3.7 million to 6.7 million – an 81 percent increase. However, after 2005 the number of students with disabilities receiving services decreased by approximately 300,000 (see chart on following page). Just as increases in the number of students with disabilities would put financial pressure on education budgets, decreases in the student populations should provide some financial relief to schools. This does not take into account a possible increase in the severity of the disabilities.

## Total number of students served under IDEA

Source: U.S. Census

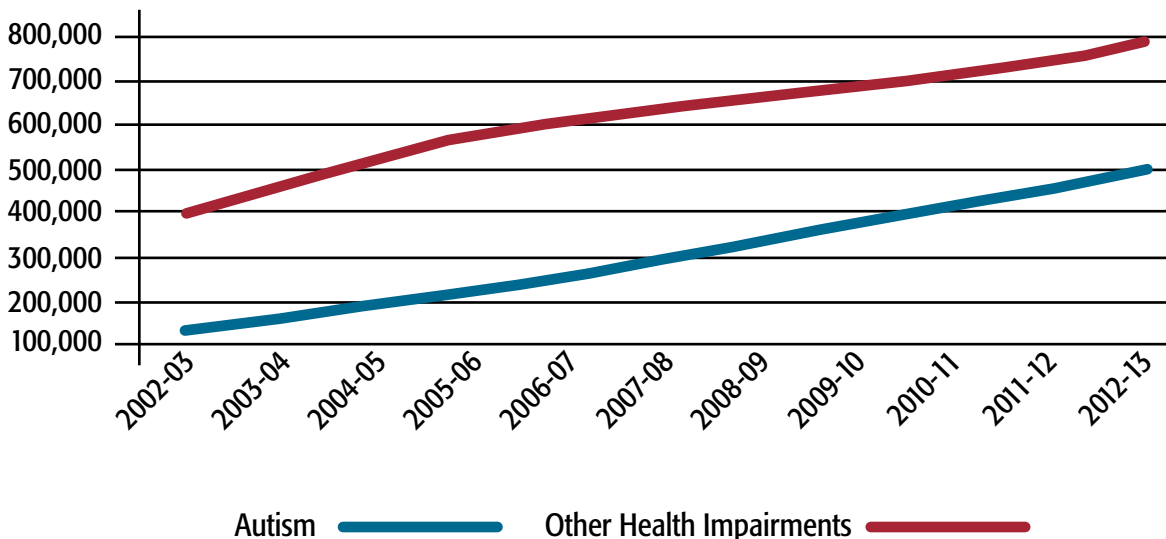


The federal government provides funding to states based on the number of students with disabilities they serve. But, costs to states and districts to educate these students are driven both by the number of students that are served and the type of disabilities students have. A 2003 study found that the cost of educating a student who is mildly to moderately disabled varies from \$10,558 to \$20,095 based on the student’s specific disability.<sup>8</sup> This does not take into account the cost of educating a student with severe needs.

While the total number of students with disabilities in the United States has been on the decline since 2005, the number of some student disability groups has actually been increasing. Between 2003-13, the number of students identified with autism increased by more than 361,000 – a 264 percent increase over this 11-year period. During the same time period, the number of students with other health impairments (this includes students with limited chronic or acute health problems such as a heart condition, asthma, sickle cell anemia, hemophilia, epilepsy, lead poisoning, leukemia or diabetes) increased by more than 375,000 – a 93 percent increase over this 11-year period.

## Number of students identified with autism or ‘Other Health Impairments’

Source: U.S. Census



## How states are adapting to change

Since the introduction of IDEA, states have refined their school-funding systems to address the issues around educating students with disabilities. States and school districts have recognized that there is a great variance in the types of services that each student with disabilities needs – and that those different services come with different price tags.

While **Wyoming** chose to fully fund special education, the other 49 states have to find ways to best target their limited funding to the students that need it. Because of this, states have moved away from using “one size fits all” funding systems to more complex funding systems. A study from the National Association of State Directors of Special Education found that at least 12 states now make use of funding formulas that differentiate funding amounts based either on a student’s particular disability or the educational services they are provided.<sup>9</sup>

While some states fund students based on general disability category such as mild, moderate or severe, **Texas** goes so far as to use a system with 12 levels of funding based on where the student with disabilities is educated (see chart). This movement to more sophisticated methods of distributing state special education dollars may add to the complexity of state funding formulas, but they also allow states to better ensure that they are maximizing the impact of their limited resources.

Texas Special Education Funding	
Where the Student Received Their Education	Additional Funding Over General Education Students
Mainstreamed	10%
Non-public contact	70%
Vocational adjustment class	130%
Off of the student’s home campus	170%
Hospital class	200%
Resource room	200%
Self-contained service	200%
Residential care	300%
Homebound	400%
Speech therapy	400%
Source: Texas Education Agency	

## A final thought

Over the past 40 years, the federal IDEA law has changed the way states and school districts educate students with disabilities. Prior to 1975, the education that students with disabilities received varied greatly – with some students not being allowed to receive any form of public education. Since 1975 all students with disabilities are guaranteed an appropriate education in the least restrictive manner possible.

The cost of implementing the IDEA mandates has fallen largely on state and local governments. With the federal government currently providing about one-third of the funds for special education that it committed to in the original legislation, state and local governments must think differently and refine their school-funding formulas.



## ENDNOTES

- 1 New America Foundation, *Individuals with Disabilities Education Act Overview* (Washington, D.C.: New America Foundation, Federal Education Budget Project, 2012), <http://febp.newamerica.net/background-analysis/individuals-disabilities-education-act-overview> (accessed Feb. 15, 2015).
- 2 U.S. Department of Education, *Fiscal Year 2016 Budget Summary and Background Information* (Washington, D.C.: U.S. Department of Education, 2015), p. 31. <http://www2.ed.gov/about/overview/budget/budget16/summary/16summary.pdf> (accessed Feb. 12, 2015).
- 3 U.S. Department of Education, Office of Special Education Programs, *IDEA-Reauthorized Statute: State Funding* (Washington, D.C.: U.S. Department of Education, 2014), <http://idea.ed.gov/explore/view/p/%2Croot%2Cdynamic%2CTopicalBrief%2C18%2C> (accessed Feb. 9, 2015).
- 4 The federal formula uses the average spending amount from two years earlier, which for this example would be for the 2011-12 school year.
- 5 U.S. Department of Education, *Fiscal Year 2016 Budget Summary and Background Information*, (Washington, D.C.: U.S. Department of Education, 2015) 31, <http://www2.ed.gov/about/overview/budget/budget16/summary/16summary.pdf> (accessed Feb. 12, 2015).
- 6 Jay G. Chambers, Thomas B. Parrish and Jennifer J. Harr, *What Are We Spending on Special Education Services in the United States, 1999-2000*, Special Education Expenditure Project, Center for Special Education Finance (Washington, D.C.: U.S. Department of Education, 2004) 6, <http://csef.air.org/publications/seep/national/AdvRpt1.PDF> (accessed Feb. 9, 2015).
- 7 Deborah Verstegen and Teresa S. Jordan, *A Fifty-State Survey of School Finance Policies and Programs: An Overview*, *Journal of Education Finance*, Vol. 34, No. 3 (Washington, D.C.: University Press, 2009) 213-230.
- 8 Jay Chambers, Jamie Shkolnik and Maria Perez, *Total Expenditures for Students with Disabilities, 1999-2000: Spending Variation by Disability*, Special Education Expenditure Project, Center for Special Education Finance (Washington, D.C.: U.S. Department of Education, 2003) V, [http://csef.air.org/publications/seep/national/Final\\_SEEP\\_Report\\_5.PDF](http://csef.air.org/publications/seep/national/Final_SEEP_Report_5.PDF) (accessed Feb. 12, 2015).
- 9 Eileen Ahearn, *Financing Special Education: State Funding Formulas* (Alexandria, VA: National Association of State Directors of Special Education, 2010) 2-5, [http://nasdse.org/DesktopModules/DNNspot-Store/ProductFiles/82\\_dce66976-08dd-4cdd-abbd-1397e973c81a.pdf](http://nasdse.org/DesktopModules/DNNspot-Store/ProductFiles/82_dce66976-08dd-4cdd-abbd-1397e973c81a.pdf) (accessed Feb. 25, 2015).

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