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2015
JUNE

50
ECS ANNIVERSARY

State funding for students with disabilities

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About 13 percent of all public school students receive special educational services and state spending for these students is rising.¹ In Michigan, for example, spending rose 60 percent from 2000 to 2010.² While service costs have been increasing, the share of the costs covered by federal funding has been decreasing.³ Six years ago, the Individuals with Disabilities Education Act (IDEA) covered 33 percent of the cost of educating students with disabilities. In 2014, that number dropped to 16 percent. As a result, states and districts are scrambling to pick up a greater share of the tab leading them to rethink their state's funding mechanisms.

While all states provide some funding for students with disabilities, the way funds are distributed to districts varies greatly from state to state. This 50-state review focuses on states' primary funding mechanisms for students with disabilities. It clarifies strengths and weaknesses of these mechanisms and provides other funding considerations. Tables at the end of the brief offer a 50-state comparison.

“State funding for students with disabilities is becoming increasingly important as service costs rise and the federal share of the cost drops.”

State Funding for Students with Disabilities 50-State Database

KEY TAKEAWAYS

Thirty three states fund students with disabilities through their state's primary funding formula.

Twelve states fund students with disabilities through categorical funds.

Five states fund students with disabilities through reimbursements.



Overview of state funding systems

States tend to use different terminology to define their funding systems. For example, what one state may call a block grant another will call a categorical program. For simplicity and comparability purposes, this brief uses the following terms for state funding mechanisms and subcategories:

- ◆ Formula funding: weights, dollar allocations and staff-based allocations.
- ◆ Categorical funding.
- ◆ Reimbursement funding.

Since students with disabilities require additional resources to meet their educational needs, many states have moved toward complex financing with several components or streams of revenue.⁴ These sophisticated methods of finance are important; however, this report focuses only on states' primary funding mechanisms. It does not focus on catastrophic, extraordinary or excess cost funding nor does it address transportation funding. Education Commission of the States' [State Funding Programs for High-Cost Special Education Students](#) by Michael Griffith addresses these issues.

Formula funding

Thirty three states and the District of Columbia provide money for students with disabilities through their primary funding formula. Adjustments for students with disabilities are multiplied by the base funding amount – an amount deemed sufficient for general education students to meet state standards. Adjustments are made in three primary ways: weights, dollar amounts and staff-based allocations. See the ECS 50-State database for more information on [Students with Disabilities: Formula Funding](#). (For an overview of state funding formulas, see Griffith's [Understanding State School Funding](#) report.)

Categorical funding

Twelve states provide money for students with disabilities through categorical funds, allocated outside of the state's primary funding formula. These funds may be referred to as block grants or flat grants. Distribution of these funds is like the distribution of gift cards: districts receive a designated allocation from the state that can only be spent on students with disabilities. Levels of funding for categorical programs are dependent on state appropriations. See the ECS 50-State database for more information on [Students with Disabilities: Categorical Funding](#).

Reimbursement funding

Five states provide money for students with disabilities through reimbursement funding, also allocated outside of the state's primary funding formula. School districts must annually report the detailed components of their spending to the state, ensuring that policymakers can account for how state money is being spent. Reimbursement rates vary across states and – in all states but Wyoming – are only a portion of actual special education costs, often straining districts' budgets. See the ECS 50-State database for more information on [Students with Disabilities: Reimbursement Funding](#).

Funding mechanism comparisons

While formula funding is the most popular mechanism used by states, there are reasons states choose alternative strategies. Each mechanism comes with its own benefits and challenges that policymakers should consider when designing a funding system for special education.

Benefits:

- ◆ *Formula funding:* Provides equity, transparency and predictability to school districts.
- ◆ *Categorical funding:* More easily guarantees that earmarked state funds are being used accordingly and allows for more targeted use of funds.
- ◆ *Reimbursement funding:* Creates transparency, higher reporting standards and better tracking of state funds.⁵

Challenges:

- ◆ *Formula funding:* Policymakers have less oversight as to how districts spend funds.
- ◆ *Categorical funding:* Funding is narrowly directed, limiting district and school flexibility, and tends to be a less stable and predictable funding source.
- ◆ *Reimbursement funding:* Funding is more restrictive, paperwork intensive and subject to budgetary limits.⁶

Student counts for funding purposes

Adding to the complexity in state funding mechanisms is the ways in which states account for students with disabilities. States use either student counts, or a fixed percentage of students – often referred to as “census” counts.

The most common systems for special education student counts are average daily attendance (ADA), average daily membership (ADM) or enrollment of students. Six states make use of a system that does not rely on student counts but assumes that all districts have the same percentage enrollment of special education students. This system is known as a census-based system. This type of count is often used by states as a way to discourage over-identification of special education students. However, there is concern about the disconnection between the state aid received and the actual number of students with disabilities or the cost to educate them.

Special education is the most common categorical funding program.⁷

Innovative state strategies

- ◆ *Multiple weights:* While some states provide only one weight for special education, others weight students based on disability categories (mild, moderate, severe) or by particular disability (hearing impaired, developmental delays). Texas uses an innovative system with funding levels based on where the student is educated (resource room, homebound, vocational class, etc.). This system is applauded because it is less focused on labeling students and more concerned about their particular needs.
- ◆ *Full funding:* Wyoming is the only state that reimburses districts for 100 percent of the actual cost for educating students with disabilities.
- ◆ *Research-based funding:* While many states fund students with disabilities based upon what they can afford, Maryland established its primary funding formula based on adequacy cost studies that identified a base funding level plus weights for students with disabilities that is proven sufficient to educate students to meet state standards. Other weighting categories in the formula are also informed by adequacy cost studies.

As states confront the realities of rising costs, funding adjustments are often necessary for the continual support of students with disabilities. States are permitted to change their special education funding mechanisms as long as they maintain funding at or above the previous year’s funding amount, as required by IDEA.⁸ Understanding how state dollars are allocated is critical because it allows policymakers to make more informed school finance decisions.

Funding mechanisms by state

The following charts provide state-level information on students with disabilities funding. Charts are organized by funding mechanisms:

- ◆ Formula funded
- ◆ Categorical
- ◆ Reimbursement

While states may use a combination of mechanisms, they have been placed into categories based on their primary funding mechanism.

Formula funded

Thirty three states and the District of Columbia fund students with disabilities through the state's primary funding formula. Students with disabilities are accounted for through weights (single or multiple), staff-based allocations or dollar allocations. For more information on each state's weight values and funding allocation, see ECS' [50-state database](#) on [Formula Funding](#).

| State | Type of Formula Funding | Method of Determining Student Count |
|------------------------|-------------------------|--|
| Alabama | Staff-based allocation | Census-based |
| Alaska | Single weight | Census-based |
| Arizona | Multiple weights | Prior year's 100th day ADM |
| Connecticut* | N/A | Student count on Oct. 1 |
| Delaware | Staff-based allocation | Student count on Sept. 30 |
| District of Columbia** | Multiple weights | Student count on or before Oct. 15 |
| Florida | Multiple weights | Multiple program membership surveys |
| Georgia | Staff-based allocation | A full-time equivalent formula which includes the count of segments of the school day for each student enrolled in special education |
| Idaho | Staff-based allocation | Census-based |
| Indiana | Dollar allocation | Student count on Dec. 1 |
| Iowa | Multiple weights | Student count on or before Nov. 1 |
| Kansas | Single weight | Actual counts of students enrolled and receiving services |
| Kentucky | Multiple weights | Student count on Dec. 1 |
| Louisiana | Single weight | Student count on Feb. 1 |
| Maine | Multiple weights | Student count on Dec. 1*** |
| Maryland | Single weight | The greater of the number of special education students for the prior fiscal year or the number of special education students for the second prior fiscal year |
| Mississippi | Staff-based allocation | Student count on Dec. 10 |
| Missouri | Single weight | ADA above the state threshold of 12.6 percent |
| New Hampshire | Dollar allocation | ADM |
| New Jersey | Dollar allocation | Census-based |
| New Mexico | Multiple weights | Student count on Dec. 1 |
| New York | Single weight | ADA weighted by the fraction of the school day that the student is enrolled in the public school programs |
| North Dakota | Single weight | ADM |
| Ohio | Dollar allocation | ADM compiled continuously throughout the school year |

| | | |
|----------------|------------------------|--|
| Oklahoma | Multiple weights | The highest of weighted average daily membership for the school district of the two preceding school years |
| Oregon | Single weight | Based on ADM but may not exceed 11 percent of the district's ADM without review and approval by the Department of Education |
| Rhode Island | Single weight | The number of students eligible for free and reduced-price lunch |
| South Carolina | Multiple weights | The cumulative 135-day ADM of each school district by program classification |
| South Dakota | Dollar allocation | Based on the district's state aid fall enrollment and the December child count |
| Tennessee | Staff-based allocation | A weighted ADM count based on attendance months two (12.5 percent), three (17.5 percent), six (35 percent) and seven (35 percent) |
| Texas | Multiple weights | The number of full-time equivalents in that instructional arrangement and subtracted from the ADA figure |
| Utah | Dollar allocation | Previous five year's average ADM data. The state also adds a growth factor equal to the change in ADM three years prior compared to two years prior. |
| Virginia | Staff-based allocation | ADM |
| Washington | Single weight | The lesser of the district's resident special education annual average enrollment or 12.7 percent |

* Connecticut: The state's funding formula does not specifically designate money for students with disabilities; however, districts use formula funds for such purposes.

** District of Columbia: D.C. is a single school district resulting in a district distribution system that functions differently from traditional state funding systems.

*** Maine: There is a cap of 15 percent of the district's pupil count for accounting for students with disabilities with limits to how much the count can increase in a given year. For each special education student above the 15 percent maximum, the unit receives an additional weight of .38.

Categorical

Twelve states provide funding for students with disabilities through categorical funds. For the amount of funding for each state, see [ECS' 50-state database](#) on [Categorical Funding](#).

| State | Method of Determining Student Count |
|----------------|--|
| Arkansas | Student count on Oct. 1 |
| California | Census-based |
| Colorado | Student count on Dec. 1 |
| Hawaii**** | Individual student need, not enrollment |
| Illinois | The IDEA child count of all students in the state |
| Massachusetts | Census-based |
| Minnesota | Adjusted ADM. Beginning in Fiscal Year 2016, the state will transition to a more census-based method that accounts for overall district average daily membership served, poverty concentration, district size and the average costs of educating students with different primary disabilities. |
| Montana | Average Number Belonging, a calculation of the number of students enrolled |
| Nevada | Special education program unit, or teaching positions |
| North Carolina | The lesser of the April 1 handicapped child count or 12.5 percent of the allotted ADM |
| Pennsylvania | Two-year prior student count of students in each cost category |
| West Virginia | Student count on Dec. 1 |

**** Hawaii is a single school district resulting in a district distribution system that functions differently from traditional state funding systems.

Reimbursement

Five states provide funding for students with disabilities through reimbursements. Districts are reimbursed by the state for their actual expenditures for students with disabilities. While Michigan and Vermont track student counts as part of reimbursement process, the other three states do not. For more information on each state, see [ECS' 50-state database on Reimbursement Funding](#).

| State | Reimbursement Rate | Method of Determining Student Count |
|-----------|---|--|
| Michigan | Reimbursement: 28.6 percent | Two pupil counts are used: students with an IEP (head count) and the special education full-time equivalent count. Each student is counted only once and represents a full person, regardless of the setting in which they are educated. |
| Nebraska | Reimbursement has varied from 51 percent to 57 percent since 2010. | N/A |
| Vermont | Reimbursement: 60 percent of the statewide average salaries for special education teaching positions and special education administrators | ADM |
| Wisconsin | Reimbursement: 26.79 percent | N/A |
| Wyoming | Reimbursement: 100 percent | N/A |

RELATED ECS RESOURCES

Michael Griffith, [The Progress of Education Reform – A Look at Funding for Students with Disabilities](#), Vol. 16 No.1, Education Commission of the States, March 2015.

Maria Millard, [State funding mechanisms for English Language Learners](#), January 2015.

Michael Griffith, [State Funding Programs for High-Cost Special Education Students](#), May 2008.

Michael Griffith, [State Education Funding Formulas and Grade Weighting](#), May 2005.

ENDNOTES

- 1 National Center for Education Statistics, *Children and Youth with Disabilities* (Washington, D.C.: IES, January 2014), https://nces.ed.gov/programs/coe/indicator_cgg.asp (accessed April 2015).
- 2 Citizens Research Council of Michigan, *Financing Special Education: Analyses and Challenges* (Lansing, Mich.: Citizens Council of Michigan, March 2012), 13, <http://crcmich.org/PUBLICAT/2010s/2012/rpt378.pdf> (accessed April 2015).
- 3 New America Foundation, *Individuals with Disabilities Education Act – Funding Distribution* (Washington, D.C.: New America Foundation, Federal Education Budget Project, April 25, 2014), <http://febp.newamerica.net/background-analysis/individuals-disabilities-education-act-funding-distribution> (accessed April 2014).
- 4 Michael Griffith, *The Progress of Education Reform – A Look at Funding for Students with Disabilities* (Denver: Education Commission of the States, March 2015, Vol. 16 No.1,), 5, <http://www.ecs.org/clearinghouse/01/17/72/11772.pdf> (accessed March, 2015).
- 5 Joanna Smith, et al., *Categorical Funds: The Intersection of School Finance and Governance* (Washington, D.C.: Center for American Progress, November 2013), 11, <http://cdn.americanprogress.org/wp-content/uploads/2013/11/CategoricalSpending1-brief-4.pdf> (accessed January 2015).
- 6 Ibid Smith, 1.
- 7 Ibid , 8.
- 8 Federal Law: 34 CFR §300.202(a)(3).

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