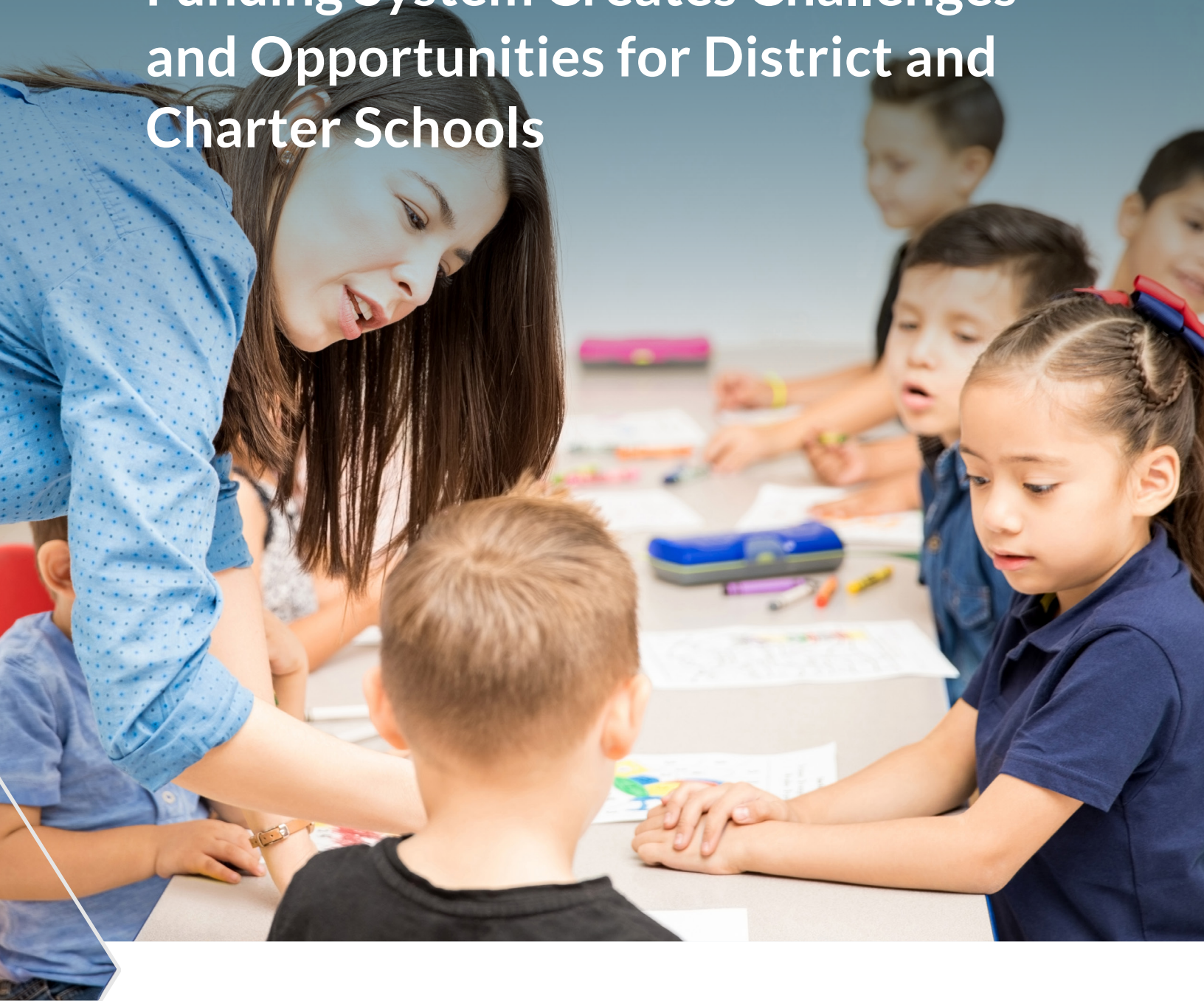


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California's Special Education Funding System Creates Challenges and Opportunities for District and Charter Schools



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Executive Summary

In California, the responsibility and cost of serving students with disabilities across the public school system is part of a discussion about the impact of the growing public charter school sector on financial stress in traditional school districts.

Tightened budgets are a reality in far too many California school districts. However, the simple narrative that charter schools directly serve fewer students with disabilities, driving disproportionate cost to districts, misunderstands how special education programs and finance work in the state. It also overlooks the ways charters, and other schools, contribute to the education of special education students, including students they do not enroll.

In California, for special education purposes, charter schools can operate either as a member of their authorizing local education agency (LEA), or as an independent LEA. The default structure is for charter schools to function as a member of an LEA. For special education, this legal designation matters.

While special education services are principally provided at the school level, financing, student placement, and staff hiring decisions are made by LEAs. In this structure, LEAs, and not individual schools, determine which and how many special education students they serve. As members of an LEA, charter schools do not control special education decisions or budgets.

As an independent LEA for special education purposes, a charter school has more control over special education placement decisions and funding, but even then, charters participate in the structures the state relies on to allocate special education funds. Independent charter schools, as all LEAs, contribute to the collective provision of special education services through Special Education Local Plan Areas (SELPA). SELPAs are consortia of LEAs that collaborate, share resources, and pool risks, to provide special education services to students across member LEAs.

Given how special education finance works in California, it is an oversimplification to blame special education in charter schools for draining funding from traditional school districts. Nevertheless, the state's special education system can be improved to eliminate barriers and improve collaboration between traditional school districts and charter schools so as to serve students with disabilities more effectively.

This report analyzes special education funding in California and how it affects traditional and charter schools. The goal is to build a better understanding of the funding structure and related challenges, and identify potential solutions that focus on improving opportunities for all students with disabilities in the state. However, this paper is not explicitly about the impact of those policies on students. We believe strongly that any

policy considered by state leaders should first prioritize the well-being and success of students with disabilities.

Key Findings

- Special education funding at the federal and state levels is not keeping up with rising special education expenditures, forcing LEAs to cover an increasing share locally. California LEAs currently cover about 61 percent of special education costs.ⁱ
- State per-pupil funding rates for students eligible for special education services vary across California, with some local entities receiving \$488 per pupil compared with as much as \$936 in others.
- California does not allocate sufficient supplemental funding to help provide adequate services to students who require significant, high-cost support. With only limited financial support from the state, LEAs must further strain budgets to provide necessary services for these students.
- The legal classification of charter schools as either independent LEAs in a SELPA or as members of an authorizing LEA affects their autonomy and control over special education decisions. As a member of an LEA, charter schools have little say over special education placement and budgeting decisions. Rather, those choices are made on their behalf by the authorizing LEA.
- The state's SELPA structure is designed for participating LEAs to share costs and services. However, each SELPA operates somewhat differently. In some cases, they do not establish structures to pool risks and share resources. Moreover, each SELPA constructs its own funding allocation process that can affect how resources are distributed to LEAs and ultimately to schools.

Recommendations

Improving California's special education structures to better serve students with disabilities requires a systemic approach. Funding is part of the solution, but not the only part. It's critical to improve the effectiveness of the systems that determine how special education services are provided by schools and how funding is aligned to support those services in the best interest of students. These are some key steps that state and federal leaders can take:

- The state should increase its overall special education funding.
- The state should equalize per-pupil funding rates among SELPAs.
- The state should design a mechanism to provide more substantial financial assistance to SELPAs for students with low-incidence disabilities or who require high-cost services.
- More SELPAs should explore alternative models for collaboration with charter schools to provide them with additional autonomy and control over the provision of special education services.
- The state should establish and set funding allocation guidelines for the distribution of special education funds from SELPAs to LEAs.

- The federal government should increase its investment in special education.

These findings and recommendations will be discussed in greater detail throughout the report.

The Big Picture of Special Education Funding

Funding for special education is shared among federal, state, and local sources. Estimates of the federal share of special education funding under the Individuals with Disabilities Education Act (IDEA) vary. The National Council on Disabilities found the federal government contributed approximately 16 percent of the average per-pupil expenditure for a student with a disability in 2017.ⁱⁱ When Congress originally enacted IDEA in 1975, the law promised federal funding to support 40 percent of the cost of providing services to eligible students.ⁱⁱⁱ

Although IDEA was amended to move away from allocating funds based specifically on the population of students with disabilities to a formula based on the overall population of students, IDEA continues to be underfunded. Between 2011 and 2019, the federal special education grants to states increased by 6.5 percent, which likely did not keep up with inflation, let alone rising enrollment and costs.^{iv}

Regardless of the federal government's contribution to funding the cost of special education, LEAs have a responsibility and an obligation under federal law to provide a "free and appropriate public education" (FAPE) in the "least restrictive environment" (LRE) to students with disabilities. FAPE and LRE are legal standards established to protect the rights of students. Students identified for special education services receive an Individualized Education Program (IEP), which is a legal document outlining the services the LEA will provide to support a student's learning.

However, tensions arise at the intersection of these rights and responsibilities, and the practical realities of school budgets. For LEAs, and the students they serve, the challenge of underfunding is not limited to federal contributions. States also have a history of underfunding special education. The cumulative impact of underfunding from both the federal and state levels exacerbates the financial strain on LEAs and schools, which must meet their obligations under federal and state law whether or not sufficient funds are provided.

California is no exception. The state's funding for special education has not kept pace with rising enrollment of special education students and the cost of providing them with appropriate education services. Between 2007 and 2014, state per-pupil special education expenditures fell from \$4,900 to \$4,478 after adjusting for inflation.^v

With state funding not keeping pace with costs, LEAs must make up the difference from local funds. This creates a fundamental challenge for any California school serving students in special education, a reality in play across the country. However, features

specific to California's special education funding structure complicate both the challenges and the solutions.

Overview of Special Education in California's Traditional and Charter Schools

A common refrain from critics of charter schools is that traditional school districts serve a higher proportion of students with disabilities and a greater share of students who require the most significant and costly supports, resulting in traditional districts shouldering a disproportionate share of the cost of providing special education services.

It is true that charter schools in California enroll a lower percentage of special education students compared with traditional public schools. According to the most recent data, 10 percent of students enrolled in charter schools receive special education services compared with 12 percent at traditional schools.^{vi} Some of the gap is due to differences in parental choices, and the fit of students with disabilities in specialized charter schools.^{vii}

Statewide, California serves nearly 775,000 special education students. Among the state's special education student population, 38 percent have a specific learning disability, 21 percent have a speech or language impairment, and 15 percent have autism.^{viii} (See Appendix A for a breakdown of state and national students with disabilities by category of disability.)

Of California's special education students, 58 percent are served for 80 percent or more of the day in the general education context with supplemental supports and services. A smaller percentage, around 20 percent, spend less than 40 percent of their education time in a general education setting.^{ix} Finally, a small subset of students receiving special education services, about 1 percent of total K-12 enrollment,^x have low-incidence disabilities that require considerable, high-cost support.

An important factor driving the difference in enrollment of students with disabilities in charter schools compared with traditional schools is the legal status of charter schools as either members of an LEA, or as an independent LEA themselves in California. Although charter schools can operate in either structure, the default arrangement is for charter schools to be members of an LEA. In that arrangement the LEA, and not the charter school, is ultimately responsible for placement decisions and providing FAPE to students with disabilities.

Given this reality plus other aspects of how special education is delivered and funded in the state, a simple argument that enrollment patterns translate directly to funding inequities across school types belies a misunderstanding of how special education funding is allocated in California. Moreover, it misses more fundamental financial challenges that affect all students with disabilities, regardless of whether they attend a traditional district school or a public charter school.

Indeed, rising special education costs squeeze LEA budgets. The driving force behind this squeeze, however, is not solely a traditional school district problem driven by enrollment patterns in charter schools. Rather, it is a challenge, common across both traditional and charter LEAs, motivated primarily by lagging federal and state investment in special education. Declining financial support from dedicated federal and state resources shifts costs to the local level, affecting all schools serving students with disabilities.

In addition to shouldering a greater share of the financial responsibility to fund special education at the local level, all LEAs are simultaneously confronting ballooning health care and retirement benefit costs.^{xi} Altogether, this creates a severely strained fiscal environment. This is not to say that charter school expansion does not carry financial consequences for traditional school districts. Declining enrollment can lead to a loss in revenue that exceeds the corresponding decrease in costs, and a share of declining enrollment in traditional districts does result from families choosing charter schools. Nevertheless, it would be irresponsible and inaccurate to foist the lion's share of blame for these financial realities onto charter schools.

California's Regional Approach to Special Education

In general, states receive federal funds for special education and then allocate those dollars as well as state funds out to the local level. While federal law sets requirements for the minimum levels of state contributions for special education funding levels, states have latitude on how they distribute special education funds to the local level through a variety of different structures.

In California, special education funding is allocated outside the state's primary school finance mechanism: the Local Control Funding Formula (LCFF), which it enacted in 2013-14. While the LCFF took steps to increase school finance equity, it does not identify special education students, who often have the highest costs among all students, for additional funding. Thus, the state's greater investment in education, through the LCFF, does not result in additional special education funding.

In California, special education funding does not flow directly to LEAs. Rather, those dollars are distributed to Special Education Local Plan Areas (SELPAs), which were established in 1977 to coordinate special education services among their member districts.^{xii} SELPAs are consortia of LEAs across a region, or in some cases, single large school districts, that coordinate special education services and other supports across member LEAs. Also, there are statewide, charter-school-only SELPAs. Currently, there are 135 SELPAs in California.^{xiii}

All LEAs are required to belong to a SELPA. Large LEAs, such as Los Angeles Unified School District (LAUSD), typically create their own SELPA. Smaller LEAs, however, create consortia through SELPAs that bring together multiple LEAs to collaborate on providing special education services. Charter-only SELPAs were created to support the provision of special education services for charter schools across the state. By working

together, LEAs that might otherwise lack the necessary resources or economies of scale on their own to meet their special education obligations can increase their capacity, better align services with need, and share costs.

How the Funding Flows for Special Education in California

California allocates its special education dollars based on an assumption of the incidence of special education needs across the population applied to each SELPA's overall count of students in average daily attendance (ADA) across all member LEAs. This "census-based" funding structure is intended to remove financial incentives to over-identify students for special education services.

This finance structure comes with trade-offs. On one hand, over-identification and misidentification of children for special education services is a well-documented problem, which can have significant consequences for students, including placing them in inappropriate courses or on an alternative diploma track^{xiv} that does not necessarily align with postsecondary entry requirements.^{xv} On the other hand, a purely census-based funding model does not account for variation in the actual distribution of students identified for services, nor any differences in the intensity or cost of the required services. In other words, a school that may serve a higher proportion of students requiring special services in a given year or even just a few students with very high-cost, but low-incidence needs would not necessarily receive additional funding to account for those differences under this structure. Altogether, this can contribute to significant budget pressures at the local level, requiring tradeoffs and forcing educators and families to make difficult decisions about students' education. In San Diego Unified School District (SDUSD), some families and advocates report that eligible students are denied important services due to financial constraints.^{xvi}

In part to attempt to address some of the shortcomings of the census-based funding structure, California allocates some funding to SELPAs for students with low-incidence, high-cost disabilities.^{xvii} This subpopulation of students with disabilities, according to California law, includes students with "hearing impairments, vision impairments, severe orthopedic impairments, or any combination thereof."^{xviii} SELPAs receive additional state allocations based on the count of students that meet this requirement.^{xix} However, recent estimates suggest that SELPAs only receive an additional \$448 per student with a low-incidence, high-cost disability.^{xx}

Eight other states also use a census-based approach to fund their special education systems.^{xxi} Massachusetts, for example, assumes that 15 percent of students will require special education services for 25 percent of the time in school. The funding rates, however, are derived from a number of function costs, such as administration and classroom specialist teachers. For FY 2019, the foundation budget per pupil from LEA and state sources is \$26,304 for special education students attending school in their home LEA.^{xxii} Finally, a wage adjustment factor (WAF) is applied to account for differences in costs across regions in the state.^{xxiii}

Massachusetts' special education finance system does a better job providing additional resources to LEAs to support students with low-incidence disabilities. Through the program, commonly referred to as the "Circuit Breaker Program," the state reimburses a proportion of the total additional costs (subject to appropriations). LEAs are eligible for these funds on behalf of students receiving services costing more than four times the state average per-pupil foundation budget amount.^{xxiv} In fiscal year 2019, the state reimbursed LEAs more than \$107 million to support roughly 7,250 students with low-incidence disabilities. That amounts to more than \$14,500 per pupil.

New Jersey's special education finance system is also census-based, and New Jersey provides additional state financial support to LEAs providing high-cost services to students with disabilities, through its extraordinary aid program. New Jersey's program, however, is designed somewhat differently than that of Massachusetts. The cost threshold and reimbursement rate varies by educational setting. The state will reimburse 90 percent of a public LEA's costs above \$40,000 in a single fiscal year for a student educated with non-disabled peers. For special education students attending a public program specifically for students with disabilities, New Jersey will reimburse 75 percent of costs in excess of \$40,000. The state will reimburse 75 percent of costs over \$55,000 for these students who attend a private school.^{xxv} In 2017-18, New Jersey spent nearly \$195 million in extraordinary aid.^{xxvi}

Compared with Massachusetts and New Jersey, and even after accounting for the foundational funding all students receive under LCFF, California spends very little to support LEAs in providing services to students with low-incidence, high-cost disabilities. In the 2017-18 school year, the state spent approximately \$154 million for students with low-incidence disabilities, out-of-home care, and excess mental health costs for small SELPAs.^{xxvii} This modest investment fails to adequately support the needs of students with low-incidence disabilities and to address the financial realities of the LEAs responsible for meeting those needs.

How SELPAs Support Special Education

The SELPA structure is designed, in part, to address these issues by consolidating resources across smaller LEAs that can be pooled and used to provide shared services at the regional level, as well as to distribute funds strategically to schools to fund specific services where they are being offered in a given year. However, there is a high degree of variability in how SELPAs operate, and it is unclear how consistently and effectively individual SELPA memoranda of understanding (MOUs) result in funding allocations aligning with individual student needs.

SELPA governing bodies devise their own funding allocations and draft MOUs with their member LEAs. The structure of these agreements can vary significantly. Most commonly, SELPAs provide funding to LEAs through an ADA-based process much like the state does.^{xxviii} However, SELPAs, to varying degrees, withhold a share of the funds for administrative costs. Most also retain a percentage to support LEAs in legal proceedings. Some SELPAs, although not all, maintain a portion of the funding to

provide services and assistance to their membership and for resource pooling and risk management. The particulars of the arrangement will differ from SELPA to SELPA, affecting how much special education funding an LEA actually receives and the extent to which additional funds may be available to address unusually high cost circumstances. A 2013 audit of a multi-district SELPA found dramatic variation in ADA funding amounts among member LEAs.^{xxix}

Although all LEAs are required to participate in SELPAs, and each LEA is assumed to have the same incidence rate of students eligible for special education services, they do not all receive the same rate of funding. Differences in rates paid stem from the fact that state special education per-pupil funding amounts still are somewhat based on J-50, an earlier special education finance structure that distributed state funds based on special education services. Under J-50, SELPAs received a specific amount of funding based on categories of instructional arrangements, such as resource specialists and special day class.^{xxx} In 1998, when California adopted the census-based funding model as a part of AB 602,^{xxxi} the state anchored funding allocations to the amount of funding per student the SELPA received that year, which reflected the mix of students served and the range of services provided in that year. Since funding rates varied widely under that structure, those variations became codified within the census-based approach and are disconnected from both assumptions implicit in the census-based method about the distribution of students and needed services and from actual current costs.

While the state has undertaken efforts to equalize funding across the SELPAs, gaps persist. The majority of LEAs' per-pupil funding rates fall between \$501 and \$575.^{xxxii} However, according to a 2018 analysis from the Legislative Analyst's Office (LAO), SELPA per-pupil funding rates ranged from \$488 to \$936 per pupil.^{xxxiii} This inequality can exacerbate the financial strain for some SELPAs as they provide necessary services to students with disabilities.

California's SELPA structure has benefits and drawbacks. It can help support smaller LEAs in overcoming diseconomies of scale and providing special education services. It also helps to establish the shared responsibility and fiscal obligation to provide these services across LEAs, such that students can receive appropriate support, while also allowing LEAs to share costs and risks. Nevertheless, there are problems. There is significant variation among SELPAs. They do not receive equal funding, and each allocates that funding on to LEAs differently. Moreover, SELPAs provide different support and services. These issues are further complicated for some charter schools, which as members of an LEA, are unable to make special education budgetary decisions or have a voice in the governance of their SELPA.

Charter Schools and Special Education Finance

Charter schools face a number of structural and legal barriers to fit into the state's special education finance system.

Special education California law ^{xxxiv} requires charter schools to either operate as their own LEA and be responsible for providing all necessary special education services to their students, or to operate as a member of an existing LEA and participate in the authorizing district's SELPA. It is important to note that a charter school's designation as an independent LEA for special education purposes is separate from any LEA designation it may carry for general fiscal purposes, such as eligibility for federal grants. Charter schools are designated members of their authorizing LEA by default, unless their charter petition specifies otherwise. Most states with charter schools designate them as either always a member of an LEA or their own LEA for special education. In New York, for example, charters are members of LEAs, while in Washington, D.C., they are their own LEA. California is one of a few states that provides charters with the flexibility to operate in either legal capacity.

A charter school's classification — as an independent LEA, or as a member of an LEA — has significant implications for the financing and provision of special education services.

In the default structure, charter schools belong to an LEA, which retains both the responsibility and the funding to provide special education services.^{xxxv} The LEA makes student placement decisions and determines where to allocate staff and other resources across schools. In other words, the degree to which a charter school in this arrangement provides special education services is largely a function of LEA decisions and not any decision by the charter school. If an LEA decides a student will be best served by leaving a charter school and being placed back in a district school, the charter school still makes fair share contribution fees for that student. By law, charter schools that are members of an LEA are required to contribute a share of the general state funding to the LEA to help cover special education costs.^{xxxvi} The contribution amount varies from LEA to LEA. As such, the charter school contributes to the special education costs for that student even though the student is no longer enrolled on their campus.

Moreover, the LEA's overall special education allotment is based on its overall enrollment, for both traditional district schools and charter schools. Those funds flow into the SELPA and eventually to the LEA, where it makes resource allocation decisions. Since a charter school is part of an LEA, the special education funding corresponding with a charter school's enrollment is awarded to the LEA. Thus, charter schools share in generating funding for LEA special education budgets.

For charters that are members of LEAs, the SELPA structure can pose challenges. In all other facets of K-12 education, these schools have the flexibility to hire staff and develop new and innovative approaches to education. In fact, that autonomy is a core component of the philosophy behind charter schools. However, for special education, the LEA controls all those decisions and policies for special education. And since, as

LEA members, they cannot participate in the governance of their SELPA, charter schools cannot exercise influence over special education programming in their otherwise independent schools.

This structural arrangement for special education upends the commonly held belief that charter schools, through a kind of selective enrollment, choose not to enroll their share of students with disabilities, and thereby overburden traditional school district budgets. Instead, districts retain special education funding that is based on enrollment across both district and charter schools and determine how to best deploy those resources.

Under the second option, charter schools that are independent LEAs receive all eligible state and federal special education funding through their SELPAs. And they provide all required special education services for students who choose to enroll. In this structure, charter schools have the autonomy to develop their special education programming. On the one hand, this model affords the opportunity for charter schools to direct their special education programming in ways consistent with their program model and with a level of autonomy typical of charter schools (in compliance with applicable state and federal laws). On the other hand, it can be difficult for these schools to create the sufficient economies of scale to efficiently provide the wide range of special education services students may require.

Understanding how special education funding works and who is responsible for providing services is far more complicated than simply looking at where students with disabilities are enrolled. As members of their authorizing LEA, most charter schools do not have control or authority over special education budgeting and spending decisions. Most do not decide what special education programs to provide or have available the special education dollars to hire the necessary specialized staff. The charter schools that act as LEAs for special education often lack economies of scale, and with limited options for cost sharing, can struggle to provide effective and efficient delivery of services to meet the full range of potential student needs.^{xxxvii}

Alternative Collaborative Models for SELPAs and Charter Schools

The current structure of funding and providing special education services is rigid and erects unnecessary challenges for traditional districts and charter schools to work together effectively to serve students with disabilities.

It doesn't have to be that way. SELPAs can restructure their relationship with charter schools and create more productive arrangements. The Los Angeles Unified School District (LAUSD) SELPA offers one example of a different, more productive arrangement. However, this is just one approach. Other SELPAs will need to determine what works best for their members and in their particular context.

In 2011, the LAUSD SELPA created a “third option,” allowing charter schools in LAUSD to operate similarly to independent LEAs for special education, while also accessing economies of scale through the SELPA.

Under this model, a participating charter school is fully responsible for providing special education services, including developing programs and hiring staff. They also retain the majority of their special education funding. For LAUSD, charter schools participating in this new “LEA-like” designation contribute 10 percent of their special education funding for district administration costs, and another 10 percent for district-wide resource pooling.^{xxxviii}

The third option forgoes the structures and rigidity of the two conventional choices for charter schools: be an independent LEA or be a member of a district for special education. Under this model, charter schools can retain the flexibility and funding necessary to develop their own special education programs and access critical infrastructure through the SELPA, while simultaneously contributing resources to the general provision of special education services. This benefits both LAUSD and charter schools. With budgetary control over their special education funding, charter schools can invest in their special education program and attract additional special education students to their schools. In time, this will reduce the share of special education students served by the traditional district and thereby reduce the district’s costs. Additionally, the charter contributes 20 percent of its funding to the collective provision of special education across the LEA.

Under this new structure, charter schools quickly assumed a greater share in providing special education services to students in LAUSD. Three years after the implementation of the third option, participating charter schools saw their enrollment of students with disabilities increase by 22 percent. Additionally, option three charters increased their enrollment of students with the most severe disabilities more significantly than other independent charter schools.^{xxxix} In short, option three gave charter schools in LAUSD greater autonomy and responsibility to serve students with disabilities, which contributed to a rising enrollment of students with disabilities, benefiting students and lowering LAUSD’s special education costs.

LAUSD’s third option may not work for all SELPAs. Nevertheless, a more productive relationship between SELPAs and charter schools is critical. Despite otherwise operating independently, charter schools are often blocked from participating in a SELPA’s governance as a member of an LEA. As a result, many charter schools leave the district and become independent LEAs, as happened in San Diego USD and Oakland Unified School District (OUSD).

Under that model, charter schools are then fully funded and responsible for special education but may lack the economies of scale necessary to provide services students require. And, unlike with a charter or school that is a member of an LEA, there is not the option of the LEA placing the student in a more suitable environment or allocating additional resources to support that child’s education. Independent charter schools, of

course, belong to a SELPA. However, the five charter-only SELPAs are spread across the state, which can make resource pooling a greater challenge.

Developing alternative arrangements with SELPAs that allow charter schools to remain a member of an LEA and access special education funding, while continuing to contribute funds to the district-wide provision of special education, can be an important part of improving the quality of special education in California. LAUSD provides one example. Other SELPAs may find a different approach works best for them. In the end, finding ways to collaborate more effectively will help students receive the support and services they need and to which they are entitled by law.

Recommendations

California's special education finance system is complex and produces barriers to effectively serving students with disabilities. There are important reforms that can be undertaken to improve the system and relieve the growing financial pressure on LEAs to meet their obligations to students with disabilities. These steps will help to mitigate the tension between traditional schools and charter schools around special education and produce an environment better equipped to most effectively serve students with disabilities.

The federal government should:

- **Increase its investment in special education.** When IDEA was passed in 1975, the federal government committed to covering 40 percent of the supplemental cost of special education services. However, federal budgets never made good on that promise. Although estimates vary, federal funding only covers about 18 percent of the additional cost. That's simply not enough. Due to the flagging federal investments, LEAs are forced to cover special education costs with increasing shares of local funds, which exacerbate financial struggles.

The state should:

- **Increase overall special education funding.** A decade ago federal and state revenues funded roughly half of all special education costs. Now, with stagnant and declining investments, California LEAs are left to cover the gap. As a result, LEAs account for 61 percent of special education expenditures.^{x1} The state should strive to increase its share of funding to mitigate cost shifting to the local level, which exacerbates overall fiscal challenges and infringes on LEAs' ability to provide sufficient supports to students with disabilities.
- **Equalize funding rates among SELPAs.** Within its census-based funding model for special education finance, California does not provide equal per-pupil funding amounts to each SELPA. Instead the finance system relies on an earlier service-based model that funded SELPAs at widely different rates. Equalizing these rates across SELPAs would improve equity across the state and provide

fiscal relief for SELPAs on the lower end of the range. One estimate from 2015 suggested that equalizing per-pupil rates would cost \$670 million.^{xii} The LAO recommends equalizing these funding rates to the 90th percentile, which they estimate will cost approximately \$300 million.^{xiii} As of the time of this publication, the California state legislature is considering AB428, which includes provisions related to this issue.

- **The state should design a mechanism to provide more substantial financial assistance to SELPAs for students with low-incidence, high-cost disabilities.** As it stands now, California allocates approximately \$450 per student with low-incidence, high-cost disabilities. This is a wholly inadequate level of state funding to support services for these students. To better serve them, the state should develop a dedicated and far more substantial funding stream to SELPAs for low-incidence, high-cost disabilities.
- **Establish and set funding allocation and risk pool guidelines for the distribution of special education funds from SELPAs to LEAs.** SELPAs are free to, in collaboration with their member LEAs, determine how they will allocate special education resources. While this flexibility can be important to allow SELPAs to meet the specific needs of the communities they serve, it can nevertheless result in very different financial structures with significant consequences for LEAs and students. To avoid this problem, the state should implement reasonable guidelines for the percentage of funds that SELPAs must redistribute to LEAs, how much they can retain for administrative costs, or other SELPA-wide services or programs.

SELPAs should:

- **Explore alternative models for collaboration with charter schools to provide special education services.** The current way for charter schools that are members of LEAs for special education to engage with SELPAs to provide special education is limited. A middle ground that allows charter schools to more effectively and completely participate in the SELPA structure would be beneficial. One model, advanced by LAUSD, would allow charter schools to receive special education funding directly and therefore be responsible for providing adequate services, while also requiring they share 20 percent of their special education funding with the SELPA to pool resources and access economies of scale. This structure is just one approach. SELPAs could develop other approaches that improve the ability of all schools to provide special education services.

California's special education finance system can be improved to better serve students with disabilities. However, all too often, traditional district schools and charter schools are pitted against each other in unproductive ways. An examination of how special education financing works reveals that there are structural impediments to providing high-quality services to students with disabilities, whether they are enrolled in a traditional or charter school. By reinvesting in special education and creating new ways

for charter schools to participate in the SELPA structure, California can relieve some of the financial strain felt by districts to provide special education as well as improve the quality of services provided to students with disabilities.

Appendix A

Special Education Enrollment by Classification

Classification	California	National
Autism	14.51%	9%
Deaf-blindness	.01%	<.05%*
Deafness	.42%	1%
Emotional disturbance	3.22%	5%
Hard of hearing	1.37%	-
Intellectual disabilities	5.66%	6%
Multiple disabilities	0.92%	2%
Orthopedic impairment	1.35%	1%
Other health impairment	12.58%	14%
Specific learning disability	38.42%	34%
Speech or language impairment	20.86%	20%
Traumatic brain injury	0.21%	<.05%*
Visual impairment	0.45%	<.05%*

Sources: California Department of Education, <https://www.cde.ca.gov/sp/se/sr/cefspeced.asp>; National Center for Education Statistics, https://nces.ed.gov/programs/coe/indicator_cgg.asp.

Note: Due to data limitations, the federal figures are based on the 2015-16 school year, while California's data are based on the 2017-18 school year.

* These data are reported as less than 0.5 percent rather than the precise percentage due to federal data privacy rules.

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About Bellwether

Bellwether Education Partners is a national nonprofit focused on dramatically changing education and life outcomes for underserved children. We do this by helping education organizations accelerate their impact and by working to improve policy and practice. Bellwether envisions a world in which race, ethnicity, and income no longer predict opportunities for students, and the American education system affords all individuals the ability to determine their own path and lead a productive and fulfilling life.

Our work focuses on five service areas:

1. Policy analysis and research
2. Strategy and growth planning
3. Organizational effectiveness and efficiency
4. Implementation support
5. Educational program evaluation

We believe that the only way to ensure all children have access to a high-quality education is to take a holistic approach by changing field-level policies and perceptions while strengthening and supporting individual organizations. Since many of the challenges organizations face are complex, they require multiple perspectives and areas of expertise. Through our integrated offerings, we provide comprehensive, coherent, and lasting solutions to education's most long-standing and complicated problems.

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