



# How Do School Finance Systems Support Students With Disabilities?

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The federal Individuals with Disabilities Education Act (IDEA) entitles students with disabilities to a free appropriate public education. This ensures the right of children with disabilities to receive an opportunity to learn alongside their nondisabled peers to the greatest extent possible (“least restrictive environment”) and at no cost to their families. To meet the obligation, students with disabilities often require additional support to enable them to achieve academic and functional goals relative to their nondisabled peers.

These legally protected supports and services all add up to a need for additional school funding to support the education of children with disabilities. Overall, federal funding plays a relatively limited role in public education funding, making up about 8% of total public education funding on average nationally.<sup>1</sup> However, the federal government plays a substantial role in funding special education services specifically. In 2021, the federal government allocated more than \$14 billion for special education, compared with \$23.2 billion in state funding (of the 34 states that had available data).<sup>2</sup> Even with this investment, research raises questions about the adequacy and equity of special education funding. For example, an analysis of the allocation of federal funds under IDEA finds that, on average, states with higher-need student populations receive *less* federal special education funding.<sup>3</sup>

A first step in understanding whether funding for special education services is sufficient to meet the needs of all students with disabilities is understanding how funding is distributed. This brief examines how states and the federal government allocate funding to support the educational needs of students with disabilities and identifies questions that state advocates and policymakers can pose to better understand and improve their state’s system for funding special education services.

### NOTE

Bellwether’s [Splitting the Bill](#) series primarily focuses on providing information and analysis on aspects of state public education finance policy. Splitting the Bill briefs focused on special education funding deviate slightly from a state policy focus due to the prominent role federal policy and funding have in shaping how states and public school systems fund and provide services for special education students.

## What Characteristics of Students With Disabilities Are Important to Consider in Funding Systems?

Students with disabilities bring many assets to classrooms, schools, and communities. Over the past decade, the number of pre-K through grade 12 students identified for special education services has increased by more than 850,000, from 6.4 million in fiscal year (FY) 2012 to 7.3 million in FY22.<sup>4</sup> Students with disabilities make up about 15% of total pre-K through grade 12 enrollment, varying by state.<sup>5</sup> In FY22, Hawaii had the lowest share of students with disabilities (11.3%), while New York had the highest share (20.5%).<sup>6</sup>

Students with disabilities are not a monolith, and there are several factors states might consider when determining how to allocate special education funding: disability type, level and type of services needed, and cost of services. In FY22, nearly one-third of students (32%) receiving special education services had a specific learning disability, while 19% had a speech or language impairment, 15% had an other health impairment, and 12% had autism.<sup>7</sup> The variation in needs within this diverse population of students also drives considerable variation in the costs of services to support their success. For example, a California report found that it costs \$1,000 annually to provide a student with periodic speech therapy.<sup>8</sup> In contrast, it costs \$100,000 annually to provide services to a student with severe emotional problems in a specialized, out-of-state, nonpublic school.<sup>9</sup> The report also found that the cost of services can vary by region and for students with the same type of disability.

## How Does the Federal Government Fund Special Education?

In FY22, the federal government appropriated \$14.5 billion for IDEA, the largest dedicated source of federal funding for special education. There are several specific grant programs that make up IDEA funding:

- **Part B, Grants to States:** Authorized under Section 611, it is meant to support services for children and students with disabilities ages 3 to 21. Grants are awarded to states and then passed to local educational agencies (LEAs) through a federally defined formula (\$13.3 billion in FY22).<sup>10</sup>
- **Part B, Preschool Grants:** Authorized under Section 619, it provides supplemental preschool grants for services to children with disabilities ages 3 to 5 (\$409.5 million in FY22).<sup>11</sup>
- **Part C:** Services for infants and toddlers (and their families) up to 3 years old (\$496.3 million in FY22).<sup>12</sup>
- **Part D:** Includes three sections of federal activities to provide systemic support nationally or build capacity for specific types of support at the state level (\$238.6 million in FY22).<sup>13</sup>

### NOTE

- For an overview of the IDEA, refer to [Splitting the Bill: What Are the Major Policy and Funding Components of the Individuals With Disabilities Education Act \(IDEA\)?](#)
- For a deep dive into Part B, Grants to States, refer to [Splitting the Bill: What Are the Core Funding Components of Part B, Grants to States \(Section 611\) Funding in the Individuals With Disabilities Education Act \(IDEA\)?](#)

# How Do States Fund Special Education?

Forty-six states and the District of Columbia provide additional state funding for students with disabilities.<sup>14</sup> Most states employ one of six variations of special education funding structures:

- Weighted Student (either single weight or multiple weights)
- Resource-Based
- Cost Reimbursement
- Block Grant
- Census-Based

Seven states use a hybrid special education funding formula, combining two or more of these special education funding structures. For example, Illinois uses both a census-based assumption and a resource-based formula to determine how much special education funding LEAs will receive.<sup>15</sup> Seventeen states also provide additional funding for high-cost special education services. Usually, this funding supplements the state’s main special education funding mechanism through separate grants or reimbursements. For example, Colorado’s General Assembly appropriates \$4 million to reimburse high-cost special education services.<sup>16</sup> Notably, four states — Alabama, Arkansas, Connecticut, and Rhode Island — only fund high-cost services, and provide no additional state funding above their general public education funding to support the vast majority of special education students whose needs do not qualify as “high-cost.”<sup>17</sup>

## SIX FUNDING STRUCTURES FOR SPECIAL EDUCATION FUNDING

Funding Structure	Number of States	State Example	Pros	Cons
<p><b>Weighted Student: Single Student Weight</b></p> <p>A single formula weight provides the same degree of incremental funding for each student with a disability, regardless of the type or severity of the disability.</p>	10	<p><b>New York</b> provides a 1.41 weight to its per-pupil base amount for all students with disabilities.<sup>18</sup></p>	Tied to enrolled students; predictable for districts; easy for policymakers to adjust.	Does not differentiate funding based on specific disability types or services; fails to account for variability in the cost to provide services that students require.
<p><b>Weighted Student: Multiple Student Weights</b></p> <p>Multiple weights provide different levels of funding for different categories of students with disabilities, typically by disability type or services provided.</p>	18	<p><b>Ohio</b> provides six levels of weights based on student disability types applied to the per-pupil student base amount that the state funds for all students. The weights range from 0.224 to 3.955, resulting in incremental funding between 22.4% and 395.5% of the per-pupil student base.<sup>19</sup> Ohio assigns a 0.224 weight for students who have a speech or language impairment, and a 3.955 weight for students identified for autism, traumatic brain injury, and/or deaf-blind.</p>	Tied to enrollment; differentiates funding based on needs within subgroups for students with disabilities.	Could be complicated for policymakers to adjust; is more complex for districts to project relative to a single-weight system; requires more complex data and reporting.

**SIX FUNDING STRUCTURES FOR SPECIAL EDUCATION FUNDING** (continued)

Funding Structure	Number of States	State Example	Pros	Cons
<p><b>Resource-Based</b></p> <p>The formula determines the cost of delivering special services in a district based on the cost of required resources, like staff salaries or course materials.</p>	6	<p><b>Mississippi</b> funds special education using this system, based on the cost of required staff positions.<sup>20</sup></p>	Tied to average costs for actual cost drivers for supporting students with disabilities, including staffing.	Not differentiated to align with the needs of enrolled students; often complicated for policymakers to adjust; may not capture all relevant cost drivers.
<p><b>Cost Reimbursement</b></p> <p>LEAs report special education expenses to the state and receive reimbursement for some portion of those expenses. Among the eight states with a reimbursement-based funding system, reimbursement levels vary from 28% to 100%.<sup>21</sup></p>	8	<p><b>Michigan</b> reimburses districts for 28.6138% of the total approved costs of special education and 70.4165% of the total approved costs of special education transportation.<sup>22</sup> Reimbursements are not to exceed 75% of the total approved costs of operating special education programs and services approved by the Michigan Department of Education.<sup>23</sup></p>	Tied to the actual costs for each district.	Districts must fund special education services up front in order to be reimbursed; administratively burdensome; reimbursement rates could be too low to enable successful implementation of services.
<p><b>Block Grant</b></p> <p>The special education allocation is based on the previous years' allocation.</p>	3	<p>In FY21, <b>Hawaii's</b> schools received a base funding amount of \$66,000.<sup>24</sup> Schools also receive an additional weight of 0.1 for each student identified for special education services, beginning with the fifth identified student.</p>	Provides more flexibility to the district in how they can allocate funds; reduces administrative burden.	Not necessarily aligned with student need; more vulnerable to cuts and underfunding.
<p><b>Census-Based</b></p> <p>The formula determines the state's distribution of special education funding based on each district's full enrollment count and then assumes a set percentage of students in each district who will require special education services. Funding is provided based on the assumed population through some type of formula or grant mechanism.</p>	10	<p><b>North Dakota</b> multiplies the districts' student enrollment by 1.082, and then provides the state's regular per-pupil funding based on this inflated student count, rather than the number of students actually identified for special education services.<sup>25</sup></p>	Predictable for districts; easy to understand; may not encourage the over-identification of students for services; allows for flexibility; could encourage services to be delivered in the most cost-efficient way.	Could vastly undercount the number or percentage of students with disabilities; does not account for differences in student needs.

A **weighted, student-based funding formula** has the greatest potential for creating the conditions for states to target additional special education funding to districts serving students with the greatest additional learning needs. This type of formula with multiple weights can also differentiate funding to accommodate different disability types or required services. However, a multiple-weighted, student-based formula can also be more complex and harder for states to implement, particularly because tiered systems require additional data collection relative to other funding mechanisms. As with any targeted funding stream, states should consider special education funding within the broader education funding system to ensure funding equity and adequacy.

## Questions for Advocates

- *Which of the primary funding mechanisms does your state use to distribute special education funding? Are there any caps or limitations on special education funding that may hinder districts' ability to meet the needs of students with disabilities?*
- *What incentives does your state's current funding structure create, and what other policies are in place to protect against adverse incentives that could hinder appropriate and high-quality experiences and outcomes for students?*
- *Are your state's special education funding mechanisms leading to an equitable allocation of special education funding across the state? If so, what is your state doing to address any disparities or inequities in special education funding or services across districts or student populations?*
- *How often are special education funding structures reviewed and adjusted in your state to reflect changes in the student population, costs, and program effectiveness?*
- *What accountability measures are in place to ensure that special education funds in your state are used effectively and efficiently to support student learning and outcomes?*
- *How does your state support districts in providing services to students with disabilities, particularly those with complex needs or in underserved areas?*
- *How does your state ensure that special education funding is transparent and accessible to stakeholders, including parents, educators, and advocacy groups?*

# Endnotes

- 1 "2020 Public Elementary-Secondary Education Finance Data," U.S. Census Bureau.
- 2 Due to data limitations, the following states are not included in the state total and per-pupil special education funding calculations: Alaska, Arizona, Delaware, Kentucky, Louisiana, Massachusetts, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, and Wyoming.
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- 5 Ibid.
- 6 "2022 Tables and Figures, National Center for Education Statistics website, [https://nces.ed.gov/programs/digest/d22/tables/dt22\\_204.70.asp](https://nces.ed.gov/programs/digest/d22/tables/dt22_204.70.asp).
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- 8 "Overview of Special Education in California," Legislative Analyst's Office, November 6, 2019, <https://lao.ca.gov/Publications/Report/4110>.
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- 12 Ibid.
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- 14 "FundEd: National Policy Maps: A National Overview of State Education Funding Policies," EdBuild, <http://funded.edbuild.org/national#special-ed>.
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- 16 "2020 Colorado Revised Statutes: Title 22 – Education, Article 20. Education of Exceptional Children: Section 22-20-114. Funding of programs - legislative declaration," JUSTIA US Law, <https://law.justia.com/codes/colorado/2020/title-22/article-20/section-22-20-114/>.
- 17 "FundEd: National Policy Maps: A National Overview of State Education Funding Policies," EdBuild, <http://funded.edbuild.org/national#special-ed>.
- 18 "2022-23 State Aid Handbook," the University of the State of New York, State Education Department, [https://stateaid.nysed.gov/publications/handbooks/handbook\\_2223.pdf](https://stateaid.nysed.gov/publications/handbooks/handbook_2223.pdf).
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- 23 "The State School Aid Act of 1979: (Excerpt) Act 94 of 1979," Michigan Legislature website, [https://www.legislature.mi.gov/\(S\(w5w2vo1sq40zrqznsx1ropyq\)\)/mileg.aspx?page=GetMCLDocument&objectname=mcl-388-1651c](https://www.legislature.mi.gov/(S(w5w2vo1sq40zrqznsx1ropyq))/mileg.aspx?page=GetMCLDocument&objectname=mcl-388-1651c); and "2019 Michigan Compiled Laws, Chapter 388, Schools and School Aid Act 94 of 1979, The State School Aid Act of 1979 (388.1601 - 388.1897)," <https://law.justia.com/codes/michigan/2019/chapter-388/statute-act-94-of-1979/article-i/section-388-1651f/>; and "The State School Aid Act of 1979: (Excerpt) Act 94 of 1979," [https://legislature.mi.gov/\(S\(db0faz2iyirxtbbstv052y0\)\)/mileg.aspx?page=getObject&objectName=mcl-388-1653a&highlight=school%20AND%20aid](https://legislature.mi.gov/(S(db0faz2iyirxtbbstv052y0))/mileg.aspx?page=getObject&objectName=mcl-388-1653a&highlight=school%20AND%20aid); and *ibid.*, <https://law.justia.com/codes/michigan/2020/chapter-388/statute-act-94-of-1979/article-i/section-388-1652/>.
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- 25 North Dakota Century Code Sections 15.1-27-03.1, 15.1-32-18, and §15.1-32-19, <https://casetext.com/statute/north-dakota-century-code/title-151-elementary-and-secondary-education/chapter-151-27-state-aid>.

## About the Authors



### KRISTA KAPUT

Krista Kaput is a senior analyst at Bellwether in the Policy and Evaluation practice area. She can be reached at [krista.kaput@bellwether.org](mailto:krista.kaput@bellwether.org).



### JENNIFER O'NEAL SCHIESS

Jennifer O'Neal Schiess is a senior partner at Bellwether and leads the Policy and Evaluation practice area. She can be reached at [jennifer.schiess@bellwether.org](mailto:jennifer.schiess@bellwether.org).

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## ABOUT THE SERIES

Splitting the Bill is a crash course in the essentials of school finance equity for advocates and others interested in reforming state education finance systems. Learn more and read the other briefs in this series [here](#).

## About Bellwether

Bellwether is a national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we work hand in hand with education leaders and organizations to accelerate their impact, inform and influence policy and program design, and share what we learn along the way. For more, visit [bellwether.org](http://bellwether.org).

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