

# Overview of Special Education Funding in California

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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:

Senate Committee on Education

Hon. Benjamin Allen, Chair

Assembly Committee on Education

Hon. Patrick O'Donnell, Chair

Senate Budget and Fiscal Review Subcommittee No. 1 on Education

Hon. Anthony J. Portantino, Chair

Assembly Budget Subcommittee No. 2 on Education Finance

Hon. Kevin McCarty, Chair



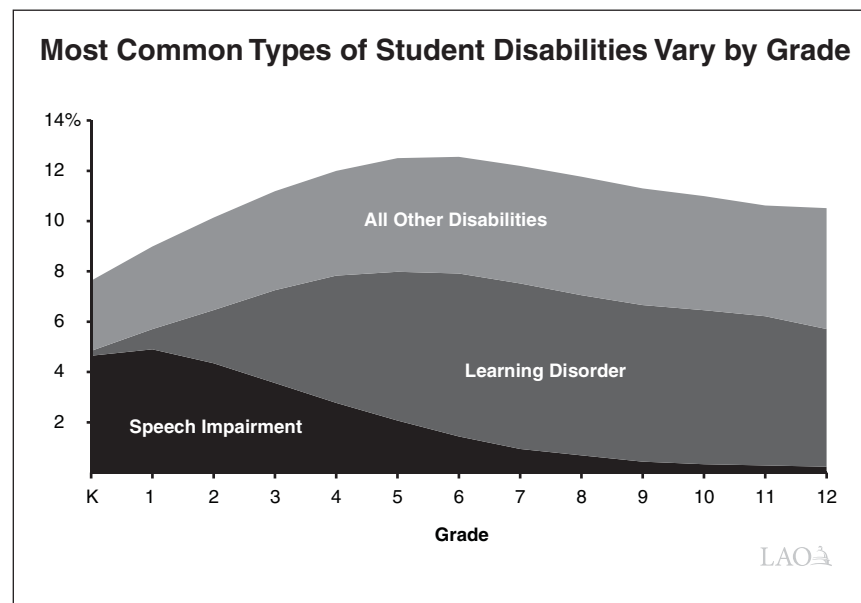


## Background on Special Education



### Federal Law Requires Schools to Provide Special Services to Students With Disabilities

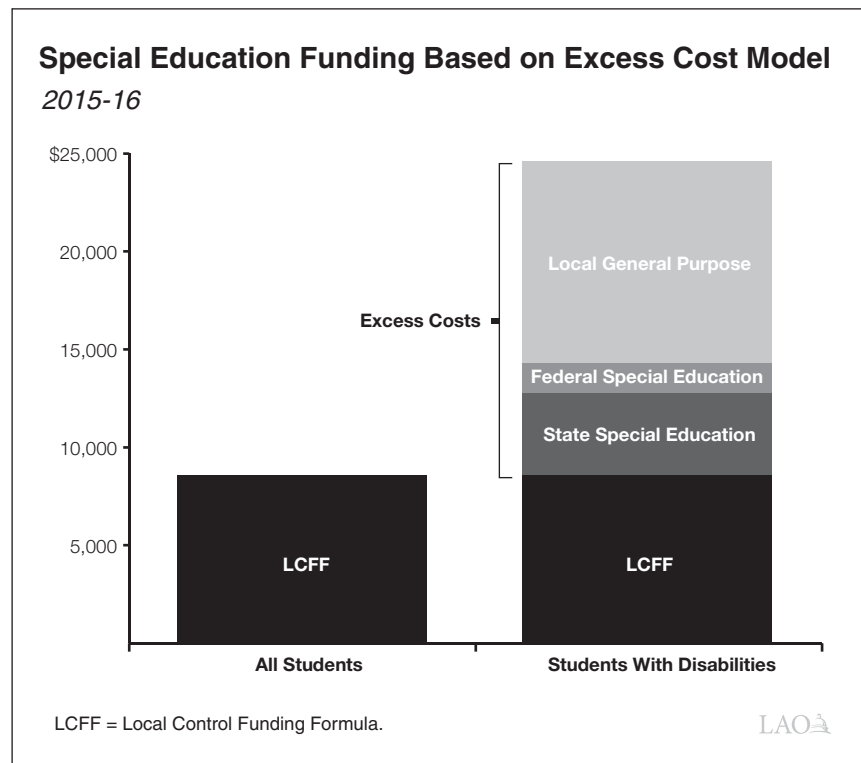
- To qualify for special education services, students must have disabilities that affect their ability to learn. Disabilities range from relatively mild (such as speech impairments and dyslexia) to relatively severe (such as deafness or certain cases of autism).
- Parents, teachers, and administrators collaborate on developing an Individualized Education Program (IEP) that sets forth the specific services (such as speech therapy) each student requires.
- Services are provided in mainstream classes whenever possible.





## Two Basic Principles of Special Education Funding

- ☑ **Students With Disabilities Are General Education Students First**
- ☑ **The “Excess Cost” of Providing Special Education Is Shared Between Federal, State, and Local Fund Sources**





## History of State Special Education Funding

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### **1920 to 1980: Funding Based on Type of Disability**

- By 1980, the state had about a dozen disability-specific special education categorical programs, each with its own eligibility criteria and funding rules.
- Some programs were optional to administer, others mandatory.
- System encouraged districts to classify students with the disabilities generating the most funding.



### **1980 to 1998: Funding Based on Instructional Approach**

- In an effort to simplify the funding system, remove poor incentives, and expand services to all students with disabilities, the state shifted from funding based on type of disability to instructional approach.
- During this era, the state created Special Education Local Plan Areas (SELPA) to help school districts collaborate in delivering special education.
- Under this funding system, funding rates varied based upon classroom setting and staff used. For example, a SELPA would receive one rate for a special day class having one teacher and one instructional aide and a different funding rate for students served in mainstream classes.
- SELPA-specific rates were based on their reported special education expenditures in 1979-80.
- This funding system also had a complicated set of cost-containment measures, including certain funding caps.



## History of State Special Education Funding (Continued)

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### **1998 to Present: Funding Based on Overall Student Population**

- In an effort to further simplify the funding system and remove poor incentives (in particular, incentives to serve students with severe disabilities in special day rather than mainstream classes), the state based its new funding system on overall student population. This funding system is commonly referred to as AB 602 (after its enacting legislation).
- Under this funding system, the state provides SELPAs with funding based on total student attendance, regardless of how many students are enrolled in special education or how these students are served.
- Each SELPA receives a unique per-student rate based on its total special education funding in 1997-98. The previous funding systems had left SELPAs with very different per-student special education funding rates, such that rates even under the new system vary notably.
- Between 1998-99 and 2001-02, the state appropriated funds to increase per-student funding for SELPAs with below-average rates, but large differences among SELPA rates remain.
- Since AB 602 was passed, the proportion of students with severe disabilities served in mainstream classrooms has doubled from 15 percent to 30 percent.



## Common Concerns With Current Funding Model

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### **SELPA Per-Student Funding Rates Vary Notably**

- Rates range from \$488 to \$936 per student in 2017-18.
- LAO has long recommended equalizing these rates. Equalizing at the 90<sup>th</sup> percentile would cost about \$300 million.



### **SELPA Special Education Identification Rates Vary Notably**

- The AB 602 system assumes total student attendance is a good proxy for students with disabilities, but SELPA identification rates vary notably.
- Some SELPAs identify fewer than 10 percent of their students for special education, whereas others identify nearly 20 percent. (About half of all students attend a SELPA identifying between 9 percent and 13 percent of their students for special education.)
- Differences in identification rates could reflect differences in either (1) the underlying incidence of disabilities or (2) local policies for identifying students for special education.



### **Special Education Per-Student Expenditures Have Risen Faster Than Funding**

- Inflation-adjusted, per-student special education expenditures increased 12 percent between 2005-06 and 2015-16.
- Over this same period of time, inflation-adjusted, per-student Proposition 98 funding increased 2 percent.



## **Common Concerns With Current Funding Model**

*(Continued)*

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### **State Provides No Special Education Funding for Preschool-Aged Children With Disabilities**

- AB 602 is based on a count of K-12 attendance, which excludes all 3 years olds and most 4 year olds. Nonetheless, SELPAs are required to serve all 3 year olds and 4 year olds with disabilities.