

**New Jersey Special Education Expenditure Project (SEEP)**

**Final Report**

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## **Executive Summary**

### **Background**

The New Jersey Special Education Expenditure Project provides special education expenditure information that is representative for the state. The study, which began in January 2000, was conducted in tandem with the national Special Education Expenditure Project (SEEP), commissioned by the U.S. Department of Education, and with eight other state SEEP studies. The New Jersey SEEP shares a common core of research questions and methods with the national and state studies, although many aspects of the study are specific to New Jersey's interests and policy concerns.

### **Objective of the Study**

The objective of the New Jersey SEEP is to obtain special education spending estimates for the state and to provide policy recommendations regarding the tier funding system. To these ends, this report presents both per student and total expenditure information, along with breakdowns of these costs by key variables such as age group, service or resource, category of disability, district type, educational environment, and ABILITIES Index Group, as well as by tier. This report also compares overall spending in New Jersey with spending in other SEEP states and the nation so that New Jersey may assess expenditure estimates in relation to other jurisdictions.

### **General Approach**

The New Jersey SEEP involves both self-administered surveys and the examination of existing documents and databases, at the state, district, and school levels. In order to ensure representation of the state as a whole, 28 districts and 100 schools were randomly selected across the state. District special education administrators, school administrators, staff knowledgeable about special education programs and services, general education teachers who interacted with special education students, special education teachers and related service providers, and special education aides were surveyed about how they spent their time and about the resources available in their classrooms. In addition, special education teachers and related service providers filled out surveys about special education students for whom they provided services. Documents and databases requested include budgets, salary reports, enrollment reports, personnel listings, rosters, and schedules.

### **Summary of Findings**

Special education expenditures in New Jersey are higher than the national average, as well as higher than most of the other SEEP states. Statewide, for students aged 3-22, the average per student special education expenditure is \$11,753, with a general education expenditure per special education student of \$5,747. This results in total average spending of \$17,500 per special education student for ages 3-22. In contrast, the total national special education expenditure per student is \$12,474. The average expenditure per general education school-aged student in New Jersey was found to be \$9,229. The ratio of total spending on a special education student age 3-22 to spending on a school-aged general education student in New Jersey is approximately 1.90 (\$17,500/\$9,229)— which is the same as the national ratio of 1.90. The average special education expenditure per school-aged student (age 6-22) in New Jersey is \$11,478 and the per preschool student expenditure is \$15,317.

The disability category associated with the highest per student total expenditure is autism, at \$32,336 per student. The disability category associated with the lowest total expenditure is speech and language impairment, at \$13,772 per student.

When comparing total spending by special education funding tiers, Tier 4 is associated with the highest spending, at \$25,750 per student. Tier 3 is associated with lower total spending per student, at \$17,875, and Tier 2 is associated with lowest per student spending, at \$13,187. However, these overall spending patterns differ considerably for students served inside, versus outside, their local school district.

When comparing spending by tiers for students served inside their local school district, Tier 4 is associated with the highest spending, with approximately \$12,950 spent per student on special education, and \$5,003 spent per student on general education. This totals \$17,953 for special and general education services per Tier 4 special education student that is served inside their local public school district. Tier 3 is associated with lower total spending per student, at \$14,377, and Tier 2 spending is \$13,428 per student.

Among students served outside their local public school district, Tier 3 is associated with the highest spending, at \$40,285 per student. Tier 4 is associated with slightly lower spending, at \$38,463 per student. \$9,918 is spent per Tier 2 student served outside their local public school district.

Total *special education* expenditures in the state (for ages 6-22) amount to approximately \$2.14 billion, and total (*special and general combined*) education expenditures for special education students approximate \$3.21 billion. The total education expenditure for all school-aged students (special and general combined) is \$12 billion. Based on SEEP estimates, marginal special education spending (i.e., the supplemental amount spent on special education students beyond estimated spending for all students ages 3-22) equals approximately \$1.45 billion. Based on SEEP estimates, state special education revenues fund about 48.2 percent of this marginal cost, federal special education revenues fund about 8.8 percent, with the remaining 43 percent of support coming from other state and local funds.

In regard to the state's tier funding system, one of the most striking findings from the data presented in this report is the apparent lack of understanding of school district staff in regard to eligibility by funding tier. When the New Jersey DOE reviewed the tier assignments for sample students as submitted by districts for the purposes of this study, their best estimate was that over 30 percent of them were wrongly assigned. Many of these errors were students incorrectly assigned to Tier 2 funding, which seems surprising as districts benefit financially when students are classified in a higher tier. This suggests that misunderstanding is at least as big a cause for incorrect tier assignments as any systematic attempts to maximize revenues.

The study team recommends clarifying the tier classification criteria so they can be better understood and applied in districts throughout the state, the collection of data regarding the characteristics of children assigned to each tier by district, and the possible use of the ABILITIES Index (as described in this report) to obtain more objective measures of student severity. Once implemented, this index could provide an ongoing check on the alignment between student severity and funding or could eventually replace or supplement category of disability as the primary determinant for the assignment of funding tiers

Within the current tier system, based on the cost analysis presented in this report, some realignment of disability category by tier appears in order. Suggested possible realignment is described in the report.

In regard to the magnitude of state special education aid, if the aggregate of state and federal special education support is designed to fully cover its average supplemental cost, the SEEP-based estimates indicate that across all Tier 2 students, it was nearly sufficient for this purpose, while Tier 3 and 4 students were underfunded, on average. Across students served within their local public school district, Tier 2 and 3 students appear to be somewhat underfunded, whereas Tier 4 students appear to be overfunded. For students served outside their local public school district, Tier 2 students are overfunded and Tier 3 and 4 students are considerably underfunded.

It should be noted that since the year of this study (1999-00), Tier 3 funding has increased by more than 40 percent over the 1999-2000 amount, while the other tiers have increased only by the Consumer Price Index. In aggregate, if the state's objective is to fully support marginal spending on special education through state and federal special education funding, SEEP findings indicate a shortfall of about \$625 million.

If the state were to fully fund the marginal cost of special education, how might this best be done? First, a relatively high percentage of special education students in New Jersey are served outside their district of residence and at a much higher average expenditure than those served internally. The state may choose to recognize this expenditure differential in its funding formula, or it may wish to continue to ignore it, fearing the creation of a fiscal incentive to send even more students to placements outside the district. If the state wished to provide a fiscal incentive for districts to serve a greater number of students residing in their boundaries, funding severe, or high cost, students served within the district at a higher rate than those sent out of district for service could be considered.

In addition, if the state wishes to better articulate student need with state funding, some variation of the current tier system may be needed. As mentioned, the classification criteria under the current system are confusing and appear not to be well understood or uniformly applied by districts. In addition, category of disability is generally a fairly poor proxy for variations in spending or cost. An alternative measure of severity the state may wish to consider is the ABILITIES Index, which was applied to the sample of students included in this study. Florida and Ontario, Canada, are two jurisdictions currently using systems based on such independent assessments of student need.

## I. Introduction

### Overview of the Study

In December of 1999, the New Jersey Department of Education, Office of Special Education Programs, contracted with the Center for Special Education Finance to conduct the Special Education Expenditure Project (SEEP). The purpose of this study is to obtain special education expenditure data representative of the state. The study also examines provisions of the state's new funding formula, specifically the tier funding system.

This special education study is being conducted in tandem with a national study of special education expenditures. Although the national study, of which New Jersey is a participant, shares a common core of research questions, the New Jersey study also includes additional questions posed by the state. Benefits of this parallel participation include the simultaneous production of comparable data from other states, districts, and the nation as a whole, which allow comparisons between New Jersey and the eight other states contracting for extended SEEP studies, as well as between New Jersey and the nation, using the same methodology across similar jurisdictions.<sup>1</sup> The research questions specifically addressed in this study are listed below. See Appendix A for a full set of the national SEEP research questions.

#### *New Jersey SEEP Research Questions*

New Jersey requested policy analysis and recommendations on the following tier funding issues. (See the *Context of the Study* section for a description of the New Jersey Tier Funding System, and see Exhibit I for clarification of the New Jersey tier funding formula.)

- a. Current distribution of eligibility criteria in each New Jersey tier for state aid
- b. Appropriateness of the eligibility criteria in each tier in terms of similarity in the costs of programs typically provided to those students
- c. Current relationship between state funding and the additional expenditures of programs in each tier
- d. Recommendations regarding the eligibility category composition of each tier, the corresponding additional expenditures in each, and the levels of state aid needed to cover the average additional expenditures in each recommended tier

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<sup>1</sup> The eight other states contracting for SEEP studies in this first round of data collection, analysis, and reporting are Alabama, Delaware, Indiana, Kansas, Missouri, New York, Ohio, and Rhode Island. A second round of SEEP studies includes Maryland, Wyoming, and the Milwaukee Public School District.



New Jersey has also extracted the following research questions from the national SEEP research questions, to be addressed in this report:

1. What are the detailed average special education and general education per student expenditures for special education students, and how do they vary by type of disability for New Jersey?
2. What are the per student expenditures for personnel?
3. What are the per student expenditures for non-personnel expenditures, such as facilities, supplies, and technological supports?
4. What are the per student expenditures for transportation?
5. What are the per student general education expenditures for special education students?
6. How do the funding and provision of special education compare to and affect the funding and provision of general education?
7. What is the share of total expenditures that goes to special education?
8. To what extent are general education resources used to serve special education students?
9. What are the total current expenditures for special education?
10. What are the expenditures on the various special education programs and services received by special education students (e.g., general education classroom placement, special classrooms, and therapies)? How do these expenditures vary by type of disability and school placement for the state?
11. What are the excess expenditures on special education students in the least restrictive environment, as compared to other environments?
12. What is the total expenditure for special education services (federal, state, local)?

The purpose of this Final Report is to present data and analyses to address these research questions. This report provides an overview of the study methodology (including data collection methods and activities), empirical results, and relevant policy analyses and recommendations. It also includes the final survey response rates and a comprehensive, final set of data tabulations concerning the full set of New Jersey SEEP research questions.

Prior reports submitted to the New Jersey Department of Education include the *Data Collection Plan*, submitted on March 30, 2000, the *Preliminary Data Tabulation Report*, submitted on June 7, 2001, the *Draft Final Report*, submitted on August 7, 2001 and resubmitted on January 2, 2002, and the *Final Report*, previously submitted on August 20, 2002.

### *Context of the Study*

In 1996, New Jersey adopted the Comprehensive Educational Improvement and Financing Act (CEIFA). This Act reformed state support for special education by building a tiered funding formula based primarily on categories of disability rather than educational placement. Under the current formula, special education funding is provided in addition to the general education aid provided for each student, and is intended to cover much of the additional expenditures associated with the student's special needs. Exhibit I describes New Jersey's special education funding tiers for 1999-00.

#### **Exhibit I. New Jersey Special Education Funding Tiers, 1999-00**

| <b>Tier</b>                 | <b>Criteria for Funding Amount</b>   | <b>Funding Amount</b>        |
|-----------------------------|--|------------------------------|
| <b>Tier 1<sup>2</sup></b>   | The number of resident students classified as eligible for special education services (excluding speech-language services) and receiving related services (counseling, OT, PT, other; maximum of four services per student).   | \$300 per service/student    |
| <b>Tier 2</b>               | The number of resident students meeting the criteria for specific learning disabled (PI), traumatic brain injury (NI), cognitively impaired - mild (EMR); disabled preschool children; all classified students in shared time vocational schools; and non-classified students in state training schools or secure care facilities.   | \$3,155/student              |
| <b>Tier 3</b>               | The number of resident students meeting the criteria for moderately cognitively impaired (TMR), emotionally disturbed (ED), multiple disabled (MH), auditory impaired (AH), orthopedically impaired (OH), communication impaired (CH), other health impaired (CI), and visually impaired (VH); and non-classified students in juvenile community programs.   | \$4,207/student              |
| <b>Tier 4</b>               | The number of resident students meeting the criteria for severely cognitively impaired (Eligible for Day Training), students meeting the criteria for autistic, any student receiving one or more of the following intensive services: individual instruction; student:teacher-aide ratio of 3:1 or less; high level assistive technology; extended school year; intensive related services; interpreter services; personal aide; residential placement for educational purposes; individual nursing services. | \$12,620/student             |
| <b>Extra-ordinary Costs</b> | Districts with students whose special education expenditures exceed \$40,000; districts with an extraordinary number of classified students.   | Panel review of applications |

<sup>2</sup> All students receiving Tier 1 funding are classified as Tier 2, Tier 3, or Tier 4, depending upon eligibility criteria. No students are classified as only Tier 1.

### ***The National Special Education Expenditure Project (SEEP)***

Interest and concern about special education finance policy are not unique to New Jersey or the eight other SEEP states. Indeed, such concerns have increased across the states, as well as at the federal level, in recent years. According to *State Special Education Finance Systems and Expenditures, 1999-00* (Parrish and Anthony, 2001), “over one-half of the reporting states (29 of 46) have reformed the way they fund special education over the past six years. In addition, 46 percent of the reporting states (21 of 46) are considering future formula changes, and 12 of these are states that have already made changes in the past six years.” In addition, the reauthorized *Individuals with Disabilities Education Act* (IDEA-97) changed special education funding provisions at the federal level.

Special education expenditure data, however, have been generally lacking. Prior to the current national SEEP, the most recent national study on special education expenditures and their relationship to general education was conducted by Decision Resources Corporation for the 1985-86 school year (Moore, Strang, Schwartz, and Braddock, 1988). Reflecting the need for updated, comprehensive, and accurate information regarding special education expenditures and their relationship to general education, IDEA-97 required studies to measure and evaluate the impact of the IDEA and the effectiveness of state efforts to provide a free, appropriate public education to all children with disabilities (per Sections 618 of Part B and 674). Under this authorization, the Office of Special Education Programs (OSEP), U.S. Department of Education, funded the National Special Education Expenditure Project (SEEP)—the first national study of special education expenditures in 15 years.

The national SEEP will report average special education expenditures per student by type of state, district, school, and student. It has provided estimates of total special education spending for the nation. The national SEEP will not, however, provide special education spending estimates for individual states. Data representative of an individual state require a much larger sample size (generally including at least 30 school districts) than can be accommodated within the scope of the national SEEP. It is for the purpose of achieving state-level estimates that eight states have contracted for supplemental SEEP studies.

SEEP is also examining factors affecting decisions about resource allocation. These include such factors as the relationship between district characteristics and the level of spending for special education students; expenditure issues relating to inclusion, assessment, and the provision of services to preschool children; as well as detailed analyses regarding the relationship between general education and special education expenditures.

#### **Study Approach**

To conduct the New Jersey SEEP, the research team utilized the data collection methods of the national SEEP while extending the state’s sample from 5 to 28 districts and from 12 to 100 schools. These samples, chosen randomly and stratified according to district size, ensure findings representative of the state as a whole. In addition, a supplemental data collection was conducted to address several research questions unique to the state. A brief description of the methods used in the New Jersey SEEP follows.<sup>3</sup> Appendix B provides the national SEEP sampling plan upon which the New Jersey SEEP sampling plan is based, Appendix C describes the data collection

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<sup>3</sup> These methods are described in more detail in the *Data Collection Report*, the *Preliminary Data Report*, and the original contract package previously submitted to the New Jersey Department of Education.

methods in greater detail, and Appendix D provides detailed survey response rates by sample district and school.

### ***Data Collection Methods***

The SEEP data collection included self-administered surveys and the examination of existing documents and materials collected from states, districts, and schools. The written surveys gathered information from staff most knowledgeable about special education programs and from general education staff who interacted with special education students. In addition, surveys for teachers, teacher assistants, and related service providers solicited information on how they spent their time, about their participation in professional development, and about the resources available in their classrooms.

Documents and materials were also requested from state offices, districts, and schools in order to provide information related to the use of special education resources. These materials included budgets, enrollment reports, personnel listings, rosters, and schedules.

In February of 2000, initial calls were made to directors of special education in the sample school districts to inform them of the study and provide further information, to obtain their approval and support, and to establish them as contacts for the district-level data collection. Surveys were then sent to the directors and district office staff. The New Jersey SEEP data collection largely occurred through the spring of 2000, with some elements extending into the summer.

### ***Supplemental Data Collection for New Jersey***

Shortly into the data collection, an addendum to the New Jersey instruments was created in order to capture the state's tier funding system for special education. The *Information About a Special Education Student* surveys were sent to a sample of special education teachers and corresponding district directors of special education to identify the funding tiers in which sample students were placed.

After the sample districts approved the study, calls were made to principals of the sample schools to obtain their approval and provide information about the study. The process followed with the district offices was repeated, as the principals were provided with further information about the study and requested to participate in the study. Once approval was granted, surveys were sent to the participating schools. Data collectors made follow-up calls and sent e-mails and faxes to ensure that all survey items were clear and understandable. This strategy was crucial to the accuracy of the data obtained through the surveys. AIR data collectors made calls to districts and schools through approximately August of 2000, at which time the data collection officially ended.

In addition to the survey, fiscal, personnel, student, and transportation state databases were requested and analyzed to complete information gaps from the written survey and to provide statewide numbers to inform and provide a context for the study as a whole.

Due to these efforts, we obtained tier funding information for 269 students out of the 603 for whom surveys were completed. For the remaining 334 students, we received surveys but did not receive tier information. Because of the large number of students in the sample with missing tier information and because the tier assignments specified by districts sometimes failed to conform to the criteria shown in Exhibit I, all students in the sample were reassigned tiers based on criteria specified by the New Jersey DOE. These criteria included the student's category of disability, the number and type of related services received, and the student's severity level according to the

Abilities Index.<sup>4</sup> Students were assigned to Tier 2, 3, or 4 based on their eligibility category unless their severity index was greater than 20. All students with autism and severe cognitive impairment were assigned to Tier 4, in addition to students with other eligibility categories whose severity index was greater than 20. These assignments were made so all of the 603 students for whom we had special education service and expenditure data could be included in the tier analyses. Using these criteria, tier assignments were altered for 84 students (31.2 percent of 269) for whom tier information was provided by their districts. These included 33.1 percent of Tier 2 students (51 out of 154), 36.1 percent of Tier 3 students (26 out of 72), and 16.3 percent of Tier 4 students (7 out of 43).

These tier reassignments were expected to provide revenue-to-spending comparisons for students in closer conformity to the criteria for student assignment to tiers as specified by law. However, in several key tables, the data are shown by tier as reported by the districts (data for 269 students), as well as by the criteria specified by the New Jersey DOE (603 students). These alternative tier assignments (as specified by districts and as reassigned by the DOE) are shown for comparative purposes and to show the impact of these reassignments. The magnitude of students for whom tier reassignment was deemed appropriate by DOE staff for the purposes of this study (31.2 percent) raises serious questions about the clarity of tier assignment criteria and the degree to which they are understood by appropriate staff in districts throughout the state. As these criteria form a critical conceptual basis for the state's tier funding approach, this broad lack of understanding raises serious questions about the efficacy of the overall tier funding system, as currently specified and communicated to districts. This issue is further discussed in the policy discussion concluding this report.

Due to the small number of Tier 4 students in the original stratified, random sample of students (i.e., only 3 surveys, or 0.5 percent of the returned surveys, were received for Tier 4 students out of the 269), it was deemed necessary to expand the number of these students to 43 by selecting a purposive sample. DOE staff thus contacted and faxed student surveys to various districts across the state to increase the number of completed surveys for Tier 4 students. However, due to the non-random, purposive nature of this supplemental sample, the SEEP research team decided that the Tier 4 results would not be generalizable to the population of Tier 4 students if used. Due to this loss of confidence, the research team decided to not include this supplemental sample in the study. However, as stated previously, the NJ DOE reassigned 334 sample students to tiers, of which 88 were assigned to Tier 4, based on NJ DOE criteria. This sample of 88 students, along with the 3 students in the original Tier 4 sample, is sufficient in size to report expenditure information without including the 40 supplemental Tier 4 students. See Tables 1a-d in the next chapter for the counts of students, by New Jersey tier and disability category, in the sample.

### ***The Resource Cost Model, or “Ingredients,” Approach<sup>5</sup>***

The methods used in this project to measure special education spending are referred to as the “ingredients” approach, or the *Resource Cost Model* (RCM). The RCM represents a “bottom-up” approach to the collection of data on educational service delivery systems. It organizes information on resources according to the resulting services. These resources include the teachers or paraprofessionals providing these services, the class size or number of students receiving these services at the same time, special equipment, and supplies and materials. Services include

<sup>4</sup> The ABILITIES Index was developed by Rune J. Simeonsson and Donald B. Bailey of the Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill.

<sup>5</sup> For more detailed descriptions of the resource cost model applications, see Parrish (1994) and Chambers & Parrish (1994).

classroom instruction, professional development, consultation of resource teachers with regular classroom teachers, pullout programs in resource rooms, integrated services provided in regular classrooms to students with special needs, and overall administration and support.

### ***Role of the New Jersey Department of Education***

The SEEP research team continually kept the New Jersey Department of Education (DOE) abreast of issues of concern during the data collection by providing the Department with up-to-date response rates by district and school as well as through frequent contact. When sample districts hesitated to participate, Department staff were notified and asked to step in as a liaison. Calls of encouragement were made to the sample districts, which aided substantially in obtaining tier funding information for the sample students.

### ***Organization of the Report***

This Final Report is a revised version of the previous draft of the Final Report, submitted to the New Jersey Department of Education on August 20, 2002. In addition to this introductory chapter, the report presents:

- Key findings of the study, presented in a series of descriptive data tables and text (Section II)
- Response to state policy questions regarding the New Jersey Tier Funding System (Section III)
- Appendices, including research questions for the national SEEP and response rates for the New Jersey data collection

## **II. Findings**

### **Introduction**

This report provides a set of empirical results presented in 22 tables. A brief introduction and overview to these tables follow. The report concludes with a discussion of how these findings relate to the research questions and their implications for policy.

Exhibit II provides a crosswalk between the research questions specified for this report and the tables that follow. The first four questions on this list (questions a – d) were specified by the DOE. They are added to the subset of questions from the national SEEP addressed in this report. Some of the research questions are addressed through more than one table, and a number of tables have data that address more than one research question. Many of the research questions are fairly straightforward and do not require a great deal of discussion. For example, they ask for per student expenditures for specific sets of services, commodities, or types of instructional programs. The first four questions, however, are more policy oriented, and consequently more complex. As indicated in the final column of Exhibit II, they are addressed in the policy section at the conclusion of this report. While the first three of these questions have accompanying tables, Question d, which specifically asks for policy recommendations, does not.

Exhibit II, page 1, here



Exhibit II, page 2, here

In reviewing the data presented in this report, a few guiding principles apply across the set of tables:

- All tables pertain to the 1999-2000 school year, and data for both school-aged and preschool students are provided throughout the tables unless otherwise specified. For this report and in accordance with the IDEA, school-aged students are between the ages of 6-22 and preschool students are 3-5 years old. Unless otherwise noted, expenditures for school-aged and preschool students are combined.
- Two categories of school placement are shown: (1) students enrolled in schools operated by the public school district (internal placements), and (2) students who are placed in non-public special education schools or public agencies for the education of special education students other than the public school district and for whom the district pays tuitions or transfers funds (external placements). The internal placement category includes state special education schools.
- Most special education students receive both special and general education services. The expenditure estimates for these two categories of service are provided separately. The total expenditure for educating a special education student is also provided. This total expenditure is the combined special and general education expenditures for a special education student.
- The expenditure data do not include costs for programs such as Title 1, English as a Second Language (ESL), or Gifted and Talented Education (GATE). These programs have been subtracted from spending estimates in the remaining tables to provide more straightforward comparisons between general and special education spending.
- Many tables include two sets of tier analyses, one assigning tiers to 603 students and another for the 269 students for whom the districts assigned tiers. For example, Table 1b shows tier assignments by disability for 269 students as reported by sample districts and for whom there were sufficient other data to allow their inclusion in these analyses. Table 1a, on the other hand, shows tier assignments for all 603 students. The tiers for these 603 students were reassigned based on the funding formula criteria (as shown in Exhibit I), as well as other criteria specified by the New Jersey DOE.
- Another important concept to understand in reviewing these tables is weighted versus unweighted sample counts. Tables 9a and 9b provide good examples of this. As the columns correspond with Tiers 2 – 4, we see the number of sample students included in the analysis from each tier (i.e., 315, 197, and 91 total). The Tier 4 numbers represent a disproportionate number of the more severely disabled, Tier 4 students in relation to their actual numbers statewide. Over-sampling of this population was intentional to ensure sufficient numbers of students with low incidence disabilities in the analyses (i.e., disabilities such as blindness or severe retardation that do not frequently occur).

In deriving average spending estimates for the state, it is essential that each type of student be properly “weighted.” That is, while a minimum number of students in each category is needed to derive accurate estimates, it is also important that they are not over-counted in extrapolating these estimates to produce overall statewide estimates. A number of the tables will show weighted and unweighted sample counts. All estimates of average or total spending for the state represent weighted analyses, for each student is assigned a number that reflects the number of students represented in the population. This number (or weight) is determined by a sampling procedure that calculates the probability of the students being included in the sample.

- Tables that provide data by tier include both preschool and school-aged students, and include the following services and/or expenditures: central office administration, school administration and support, personnel, non-personnel, summer school (for special education only), assessment (for special education only), and facilities. Expenditure data by tier do not include transportation nor homebound/hospital placements. Lastly, students who are eligible for *only* speech-language services are not included in any of the tables that provide data by tier because they are not counted in the tier funding structure.

## Summary Results

### *Counts of New Jersey Special Education Students in the SEEP Sample*

Tables 1a-d provide alternative counts of special education students in New Jersey by disability category and by tier. Tables 1a and 1b, respectively, provide counts of special education students in the SEEP sample according to tier assignments assigned by the New Jersey Department of Education and tier assignments specified by the SEEP sample districts. These tables show totals of 603 and 269 students, respectively. Tables 1c and 1d provide weighted counts of students according to New Jersey Department of Education tier assignments and sample district tier assignments, weighted according to the distribution of these disabilities in the state.

**Table 1a**

**Count of Sample Students by Tier and Primary Category of Disability<sup>6</sup>  
(NJ DOE TIER ASSIGNMENTS)**

| Primary Disability Category   | Count of Students by Tier as Assigned by the NJ DOE |                |               |               |
|-------------------------------|---|----------------|---------------|---------------|
|                               | Tier 2  | Tier 3         | Tier 4        | Total         |
| Autism                        | 0   | 0              | 21            | 21            |
| Deaf - Blindness              | 0   | 0              | 1             | 1             |
| Developmental Delay           | 6   | 0              | 2             | 8             |
| Emotional Disturbance         | 0   | 45             | 1             | 46            |
| Hearing Impairment/Deafness   | 0   | 4              | 7             | 11            |
| Mental Retardation            | 3   | 4              | 5             | 12            |
| Multiple Disabilities         | 0   | 95             | 29            | 124           |
| Orthopedic Impairment         | 0   | 3              | 3             | 6             |
| Other Health Impairment       | 0   | 24             | 5             | 29            |
| Specific Learning Disability  | 282   | 0              | 10            | 292           |
| Speech or Language Impairment | 3   | 20             | 1             | 24            |
| Traumatic Brain Injury        | 21  | 0              | 5             | 26            |
| Visual Impairment/Blindness   | 0   | 2              | 1             | 3             |
| Total                         | 315<br>(52.2%)                                      | 197<br>(32.7%) | 91<br>(15.1%) | 603<br>(100%) |

<sup>6</sup> Tier assignment data was received for 269 out of 603 students in the New Jersey student sample, for whom completed surveys were received. The New Jersey Department of Education assigned Tiers to 334 students, and 13 students were not assigned tiers.

**Table 1b**

**Count of Sample Students by Tier and Primary Category of Disability  
(SAMPLE DISTRICT TIER ASSIGNMENTS)**

| Primary Disability Category   | Count of Students by Tier Assigned by Sample Districts |             |             |               |
|-------------------------------|--|-------------|-------------|---------------|
|                               | Tier 2   | Tier 3      | Tier 4      | Total         |
| Autism                        | 2  | 1           | 7           | 10            |
| Deaf - Blindness              | 0  | 0           | 0           | 0             |
| Developmental Delay           | 3  | 0           | 1           | 4             |
| Emotional Disturbance         | 9  | 14          | 0           | 23            |
| Hearing Impairment/Deafness   | 0  | 3           | 1           | 4             |
| Mental Retardation            | 3  | 1           | 1           | 5             |
| Multiple Disabilities         | 15   | 19          | 27          | 61            |
| Orthopedic Impairment         | 1  | 2           | 1           | 4             |
| Other Health Impairment       | 9  | 9           | 2           | 20            |
| Specific Learning Disability  | 99   | 15          | 1           | 115           |
| Speech or Language Impairment | 5  | 5           | 2           | 12            |
| Traumatic Brain Injury        | 6  | 3           | 0           | 9             |
| Visual Impairment/Blindness   | 2  | 0           | 0           | 2             |
| Total                         | 154<br>(57%)   | 72<br>(27%) | 43<br>(16%) | 269<br>(100%) |

**Table 1c**

**Weighted Count of Special Education Students, by Tier and Primary Category of Disability<sup>7</sup>  
(NJ DOE TIER ASSIGNMENTS)**

| Primary Disability Category   | Weighted Count of Students According to NJ DOE Assignments |        |        |         |
|-------------------------------|--|--------|--------|---------|
|                               | Tier 2   | Tier 3 | Tier 4 | Total   |
| Autism                        | -  | -      | 5,239  | 5,239   |
| Deaf - Blindness              | -  | -      | 10     | 10      |
| Developmental Delay           | 327  | -      | 13     | 340     |
| Emotional Disturbance         | -  | 10,703 | 31     | 10,734  |
| Hearing Impairment/Deafness   | -  | 419    | 1,255  | 1,674   |
| Mental Retardation            | 642  | 1,792  | 2,267  | 4,701   |
| Multiple Disabilities         | -  | 21,992 | 2,984  | 24,976  |
| Orthopedic Impairment         | -  | 102    | 436    | 538     |
| Other Health Impairment       | -  | 8,904  | 380    | 9,284   |
| Specific Learning Disability  | 88,376   | -      | 5,297  | 93,673  |
| Speech or Language Impairment | 424  | 36,676 | 180    | 37,280  |
| Traumatic Brain Injury        | 7,492  | -      | 3,243  | 10,735  |
| Visual Impairment/Blindness   | -  | 213    | 97     | 310     |
| Total                         | 97,394   | 80,863 | 21,237 | 199,494 |

<sup>7</sup> The numbers in this table reflect the relative “weights” of each cell, estimating total number of special education students in the state. Dashes in cells indicate insufficient number of cases to report data.

**Table 1d**

**Weighted Count of Special Education Students, by Tier and Primary Category of Disability<sup>8</sup>**  
**(SAMPLE DISTRICT TIER ASSIGNMENTS)**

| Primary Disability Category   | Weighted Count of Students According to District Tier Assignments |        |        |        |
|-------------------------------|---|--------|--------|--------|
|                               | Tier 2  | Tier 3 | Tier 4 | Total  |
| Autism                        | 275   | 108    | 9      | 392    |
| Deaf - Blindness              | 0   | 0      | 0      | 0      |
| Developmental Delay           | 17  | 0      | 1      | 18     |
| Emotional Disturbance         | 1,128   | 2,412  | 0      | 3,540  |
| Hearing Impairment/Deafness   | 0   | 317    | 140    | 457    |
| Mental Retardation            | 1,924   | 435    | 1      | 2,360  |
| Multiple Disabilities         | 1,393   | 3,900  | 147    | 5,440  |
| Orthopedic Impairment         | 32  | 68     | 1      | 101    |
| Other Health Impairment       | 2,125   | 446    | 2      | 2,573  |
| Specific Learning Disability  | 34,831  | 4,178  | 1      | 39,010 |
| Speech or Language Impairment | 23,963  | 2,119  | 181    | 26,263 |
| Traumatic Brain Injury        | 3,866   | 1,456  | 0      | 5,322  |
| Visual Impairment/Blindness   | 193   | 0      | 0      | 193    |
| Total                         | 69,747  | 15,439 | 483    | 85,669 |

***Total Special Education Spending in New Jersey***

Table 2 presents total estimated spending for special education students in New Jersey for the school year 1999-2000. This information is obtained from the Student Information, Teacher, and District Surveys, as well as from school databases, and includes data for school-aged and preschool students combined.

This table includes both general and special education expenditures for special education students. General education expenditures include central office administration, school administration, general education teachers and other general education personnel, non-personnel items such as materials and supplies, and transportation. Special education expenditures include the same general categories, except that the focus is on special education. For example, for central office costs, only expenditures for the office of the district's special education director are presented. Special education personnel for direct instruction and related services include special education teachers, related service providers, paraprofessionals, and aides. Special education expenditures are also provided for special transportation and incremental assessment activities conducted by special education consulting teachers, psychologists, counselors, and social workers.<sup>9</sup> In addition, special education expenditures include services for students placed in public or non-public institutions or other public agencies and for whom the public school district pays tuition and fees, as well as services for homebound students and summer school.

<sup>8</sup> The numbers in this table reflect the relative "weights" of each cell estimating total numbers of special education students in the state.

<sup>9</sup> Expenditures for assessment services provided by general and special education teachers and related service providers are included in personnel expenditures. Incremental expenditures for assessment services only include personnel expenditures not covered by direct instruction and related service personnel, as well as district/school administration and support personnel.

The sample weights applied to the expenditure estimates were adjusted to reflect the total number of special education students in the population, not including students in sectarian or nonsectarian non-special education private schools, or students in state agencies. This count includes students who are eligible for speech-language services, homebound/hospital students, and externally placed students. However, because of the way students were sampled for SEEP, these population estimates require us to know not only counts of students by disability, but also the counts by certain types of placements. Since placement data are not available for 1999-2000, estimates were calculated by multiplying the 1998-1999 percentages of school-aged students in public schools, school-aged students in non-public schools or other public agencies, and homebound/hospital students with 1999-2000 total enrollment. This may result in some slight variation from actual counts. Similarly, preschool 1998-1999 placement data were categorized in such a way that distinctions between these placements could not be made, so 1997-1998 percentages were used to estimate the 1999-2000 placements.

As Table 2 indicates, the estimated average expenditure per special education student (ages 3-22) for special education services is \$11,753, and the estimated average general education expenditure for the same student is \$5,747, for a total expenditure of \$17,500. The statewide special education expenditure (for ages 3-22) is approximately \$2.36 billion, with total (general and special) education spending on special education students approximating \$3.5 billion.

Table 2 also shows that the estimated average expenditure per school-aged (aged 6-22) special education student for special education services is \$11,478, and the estimated average general education expenditure for the same student is \$5,764, for a total expenditure of \$17,242. The statewide special education expenditure for school-aged students is \$2.14 billion, and the total (special and general) education expenditure for all school-aged special education students is \$3.21 billion. According to New Jersey budget data for 1999-2000, the estimated total education spending across the state for school-aged students is \$12.1 billion. Accordingly, the total general and special education expenditure for educating special education students represents approximately 26.5 percent of the 1999-2000 spending on all educational services for students ages 6-22 in New Jersey.

**Table 2**  
**Estimated Spending on Special Education Students in New Jersey, 1999-00<sup>10</sup>**

| <b>Student Counts</b>   |                  |
|---|------------------|
| Total Count of Special Education Students, Ages 3-22 <sup>11</sup>  | 200,803          |
| Total (General and Special) Education Enrollment <sup>12</sup>  | 1,297,593        |
| Special Education Enrollment (ages 3-22) as Percentage of Total (General and Special) Education Enrollment  | 15.5%            |
| Total Count of School-aged (ages 6-22) Special Education Students <sup>13</sup>   | 186,425          |
| <b>Expenditures Per Special Education Student, Ages 3-22</b>  |                  |
| Estimated Special Education Spending Per Special Education Student, Ages 3-22, for Special Education Services   | \$11,753         |
| Estimated General Education Spending Per Special Education Student, Ages 3-22, for General Education Services   | \$5,747          |
| Estimated Total (Special and General) Education Spending Per Special Education Student, Ages 3-22, for Special and General Education Services Combined              | \$17,500         |
| <b>Total Expenditures, Special Education Student Ages 3-22</b>  |                  |
| Estimated Statewide Total Special Education Expenditure, Ages 3-22, for Special Education Services  | \$2,360,065,339  |
| Estimated Statewide Total General Education Expenditure for Special Education Students, Ages 3-22, for General Education Services                                   | \$1,154,047,301  |
| Estimated Statewide Total (Special and General) Education Expenditure on Special Education Students, Ages 3-22, for Special and General Education Services Combined | \$3,514,112,640  |
| <b>Expenditures Per Special Education Student, Ages 6-22</b>  |                  |
| Estimated Special Education Spending Per Special Education Student, Ages 6-22, for Special Education Services   | \$11,478         |
| Estimated General Education Spending Per Special Education Student, Ages 6-22, for General Education Services   | \$5,764          |
| Estimated Total (Special and General) Education Spending Per Special Education Student, Ages 6-22, for Special and General Education Services Combined              | \$17,242         |
| <b>Total Expenditures, Special Education Student Ages 6-22</b>  |                  |
| Estimated Statewide Total Special Education Expenditure, Ages 6-22, for Special Education Services  | \$2,139,842,507  |
| Estimated Total (Special and General) Education Spending on Special Education Students, Ages 6-22, for Special and General Education Services Combined              | \$3,214,260,466  |
| Estimated Total (Special and General) Education Spending, All General and Special Education Students, Ages 6-22 <sup>14</sup>                                       | \$12,128,173,600 |
| Spending on Special Education as a Percentage of Total Education Spending for All Students, Ages 6-22   | 17.6%            |
| Total (Special and General) Spending on Special Education Students as a Percentage of Spending for All Students, Ages 6-22  | 26.5%            |

Table 3 compares total spending on a school-aged special education student in the state with spending on a school-aged general education student. No estimates are available for preschool general education students, as general education data are available only for school-aged students.

As shown, the estimated education expenditure per school-aged special education student is \$17,242, while the estimated education expenditure per school-aged general education student is \$9,229. Note that this general education amount is an estimate based on a school-aged student

<sup>10</sup> Expenditure estimates in this table include students served outside their local public school district and students in homebound/hospital placements.

<sup>11</sup> Count of students for whom the calculations in this report are based, except in tables which disaggregate expenditure data by Tier. Source: New Jersey Department of Education.

<sup>12</sup> Total enrollment obtained from the New Jersey Department of Education.

<sup>13</sup> Source: New Jersey Department of Education

<sup>14</sup> These data are available for ages 6-22 only, as preschool general education data are not available. Includes students in general and/or special education programs. Source: New Jersey budget data for 1999-2000.

without a disability, who is also not receiving supplemental services from any other categorical program. Accordingly, this figure includes only general education services, and not other programs such as Title 1 and ESL. The ratio of total spending on a special education school-aged student to spending on a school-aged general education student in New Jersey is estimated to be 1.87. In other words, the total expenditure to educate the average special education student is an estimated *1.87 times* that expended to educate the typical general education student with no special needs.

**Table 3**

**Comparison of Total Spending on a School-aged Special Education Student to Spending on a School-aged General Education Student in New Jersey, 1999-00**

|   |          |
|---|----------|
| Total (Special and General Education Combined)<br>Expenditure per Special Education Student, ages 6-22 <sup>15</sup>    | \$17,242 |
| Expenditure Per General Education Student, ages 6-22 <sup>16</sup>  | \$9,229  |
| Ratio of Spending on a Special Education Student vs. a<br>General Education Student with no Special Needs,<br>ages 6-22 | 1.87     |

Table 4 provides total per student expenditures for *school-aged* special education students in New Jersey and across the other SEEP states and the nation. As shown, New Jersey's total per student expenditure for special education students is above average among the SEEP states, at \$17,242. The lowest total per student expenditure across the nine states is \$10,114, and the highest is \$19,976. Also provided in Table 4 are comparisons of spending on a school-aged special education student to that on a general education student with no special needs across the SEEP states. As shown, the lowest spending ratio across these SEEP states and the nation is 1.57 and the highest is 2.73; the average among the SEEP states is 1.91. At 1.87, New Jersey is slightly below average in regard to this ratio when compared to the other SEEP states. This ratio of special to general education spending is relatively low in New Jersey in relation to the other eight SEEP states, despite relatively high special education spending per students, because the calculated general education expenditure amount per student is considerably higher than in any of the other eight SEEP states.

<sup>15</sup> Expenditure estimates include the following: special and general central office administration and support, special and general school administration and support, assessment conducted by consulting teachers, psychologists, counselors, and social workers, direct instruction and related service staff, non-personnel items, external placements, homebound/hospital, summer school, transportation and capitalization costs. Estimates do not include supplemental services such as Title 1 or ESL.

<sup>16</sup> This estimate is derived through analytical methods similar to those used to derive average specifications for a special education student for the state. It does not include supplemental services such as Title 1 or ESL.



**Table 4****Comparison of Total Spending on a School-aged Special Education Student to Spending on a School-aged General Education Student Across all SEEP States, 1999-00<sup>17</sup>**

|  | State A  | State B  | State C  | State D  | State E  | State F  | New Jersey | State G  | State H  |
|--|----------|----------|----------|----------|----------|----------|------------|----------|----------|
| <i>Special Education</i> Expenditure per Special Education Student                                       | \$5,633  | \$5,333  | \$6,157  | \$6,316  | \$7,093  | \$9,380  | \$11,478   | \$12,507 | \$16,860 |
| <i>General Education</i> Expenditure per Special Education Student                                       | \$4,481  | \$5,096  | \$4,691  | \$4,810  | \$4,120  | \$5,670  | \$5,764    | \$5,233  | \$3,116  |
| <i>Total</i> (Special and General) Education Expenditure per School-aged Special Education Student       | \$10,114 | \$10,429 | \$10,848 | \$11,126 | \$11,213 | \$15,050 | \$17,242   | \$17,740 | \$19,976 |
| Total Education Expenditure per School-aged <i>General Education Student</i>                             | \$6,303  | \$6,660  | \$6,351  | \$6,940  | \$5,933  | \$7,410  | \$9,229    | \$7,869  | \$7,311  |
| Ratio of Spending on a School-aged Special Education Student vs. a School-aged General Education Student | 1.60     | 1.57     | 1.71     | 1.60     | 1.89     | 2.03     | 1.87       | 2.23     | 2.73     |

<sup>17</sup> Spending on a special education student includes the following services: Personnel, central office administration and support, school administration and support, assessment, non-personnel, fees and tuition for students placed in non-public institutions, homebound/hospital programs, summer school, capital, and transportation. For spending on a general education student, see Table 5.

Table 5 further delineates the education expenditure per general education student in New Jersey, for whom the total expenditure of \$9,229 is provided in Tables 3, 4, and 9. Note that expenditures for services are only averaged across students who receive them, not necessarily every general education student in the state. For example, the \$600 per student for transportation is an average across the 717,241 students in the state who receive this service, not across all general education students in the state. The largest component of expenditures for the general education student is general education teachers, at approximately \$4,250 per student. The second largest component is non-class capitalization costs generated by general school administration, at \$1,448 per student. The total expenditure for general education students in the state is approximately \$10.7 billion.

Table 5

**General Education Expenditures per School-aged General Education Student  
in New Jersey, 1999-00<sup>18</sup>**

| <b>Education Spending Components</b>  | <b>Expenditure per Student Served</b> | <b>Total Estimated Population of General Education Students in this Category</b> | <b>Total Expenditures</b> |
|---|---------------------------------------|--|---------------------------|
| Total general central office administration and support                     | \$686                                 | 1,163,560  | \$798,202,160             |
| Non-class capitalization costs generated by general district administration | \$64                                  | 1,163,560  | \$74,467,840              |
| General school administration professional staff                            | \$868                                 | 1,163,560  | \$1,009,970,080           |
| General school administration non-certified staff                           | \$625                                 | 1,163,560  | \$727,225,000             |
| General school administration non-personnel expenditures                    | \$94                                  | 1,163,560  | \$109,374,640             |
| Non-class capitalization costs generated by general school administration   | \$1,448                               | 1,163,560  | \$1,684,834,880           |
| General education teachers  | \$4,250                               | 1,163,560  | \$4,945,130,000           |
| General education paraprofessionals and aides                               | \$261                                 | 453,110  | \$118,261,710             |
| General education non-personnel expenditures                                | \$300                                 | 1,163,560  | \$349,068,000             |
| Class capitalization costs generated by general teachers                    | \$426                                 | 1,160,499  | \$494,372,574             |
| General transportation  | \$600                                 | 717,241  | \$430,344,600             |
| <b>TOTAL</b>  | <b>\$9,229</b>                        | <b>1,163,560</b>   | <b>\$10,738,495,240</b>   |

<sup>18</sup> The per student expenditures in this table are based on rounded numbers and are not exact. The total expenditures are derived from multiplying the per student expenditures by the population served.

Table 6 provides special education expenditures per special education student in New Jersey. Note that expenditures for services are only averaged across students who receive them, not necessarily every special education student in the state. The largest component of expenditure per special education student is tuition, fees, and related service personnel for students placed in non-public schools or other agencies, at \$39,145 per student. The second largest component is direct instruction and related service personnel, at \$5,698 per student. Another large special education expenditure is for special transportation, at \$5,118 per student. The total special education expenditure for school-aged special education students in the state is approximately \$2.14 billion.

**Table 6**  
**Special Education Expenditures per School-aged Special Education Student in New Jersey,**  
**1999-00<sup>19</sup>**

| Education Spending Components  | Expenditure per Student Served | Total Estimated Population of Special Education Students in this Category | Total Expenditures     |
|--|--------------------------------|---|------------------------|
| Special Education District Central Office Administration and Support             | \$1,270                        | 186,317   | \$236,622,590          |
| Facilities <sup>20</sup>   | \$545                          | 186,425   | \$101,601,625          |
| School-Aged Students in Schools Operated by the Public School District           |                                |   |                        |
| Special School Administration and Support <sup>21</sup>                          |                                | 108   | \$1,349,676            |
| Special Education Direct Instruction and Related Service Personnel <sup>22</sup> | \$5,698                        | 167,411   | \$936,395,656          |
| Special Education Non-Personnel Items <sup>23</sup>                              | \$225                          | 120,697   | \$27,156,825           |
| Special Education Assessment <sup>24</sup>                                       | \$65                           | 186,425   | \$12,117,625           |
| Special Education Summer School Programs   | \$979                          | 5,498   | \$5,382,542            |
| Special Transportation   | \$5,118                        | 23,506  | \$120,303,708          |
| Homebound and Hospital Programs  | \$2,125                        | 1,224   | \$2,601,000            |
| School-Aged Students Placed in Non-Public Schools or Other Public Agency         |                                |   |                        |
| Tuition, Fees, and Related Service Personnel                                     | \$39,145                       | 17,788  | \$696,311,260          |
| <b>Total Special Education Expenditure for Special Education Students</b>        | <b>\$11,478</b>                | <b>186,425</b>  | <b>\$2,139,842,507</b> |

<sup>19</sup> The expenditure data in this table are based on rounded numbers and are not exact. Per student expenditures are derived by dividing the total expenditures by population served.

<sup>20</sup> Expenditures on facilities are estimated using data from a variety of sources about the space requirements for different types of classroom and non-classroom buildings within districts, the cost per square foot of construction, and the average ages of school buildings in different parts of the country. Facilities expenditures for students placed in non-public schools or other public agencies include only expenditures for central office facilities. Expenditures for classroom space are only applied to students served within schools operated by the public school district.

<sup>21</sup> Special education expenditures for school administration refer to administration expenditures for special schools operated by the public school district. The estimate for this service is included in the total expenditure calculation, but not per student because the sample size for this estimate is too small to be reported in isolation.

<sup>22</sup> Students in homebound and hospital programs are not included under this service category.

<sup>23</sup> Associated with direct instruction and related service personnel.

<sup>24</sup> Assessment services included in this figure are provided by special education consulting teachers, psychologists, counselors, and social workers assigned to schools. Expenditures for assessment services provided by other personnel (i.e., district central office staff and general and special education teachers) are included in the expenditure data for district central office administration and support and direct instruction and related service personnel. Note that a substantial portion of the time spent by teachers and district central office staff is for assessment activities. Hence, the majority of expenditures for assessment are associated with these staff members. Thus, these data are not the total expenditures for assessment services. The data do not allow the school-aged and preschool assessment expenditures to be disaggregated. However, the assessment expenditures apply primarily to school-aged students. Students placed in schools not operated by the public school district in which the student resides and students in homebound and hospital programs are not included in the estimate.

Table 7 provides per student expenditures for preschool special education students across New Jersey and the other SEEP states. As shown, the range of total per student expenditures is substantial, from \$10,309 in the lowest spending state to \$31,111 in the highest. New Jersey is in the upper end of the range, spending a total of \$20,855 per preschool special education student.

**Table 7**  
**Expenditures per Preschool Special Education Student Across SEEP States, Ages 3–5,  
1999–00<sup>25</sup>**

|  | State A  | State B  | State C  | State D  | State E  | New Jersey | State F  | State G  |
|--|----------|----------|----------|----------|----------|------------|----------|----------|
| <i>Special Education</i> Expenditure per Special Education Student                     | \$7,122  | \$10,523 | \$10,462 | \$9,423  | \$10,806 | \$15,317   | \$18,602 | \$29,230 |
| <i>General Education</i> Expenditure per Special Education Student                     | \$3,187  | \$1,953  | \$2,820  | \$4,096  | \$5,058  | \$5,538    | \$2,741  | \$1,881  |
| <i>Total (Special and General)</i> Education Expenditure per Special Education Student | \$10,309 | \$12,476 | \$13,282 | \$13,519 | \$15,864 | \$20,855   | \$21,343 | \$31,111 |

Table 8 provides expenditures for all special education students (ages 3-22) across the SEEP states and the nation. Consistent with other comparative data, the total expenditure per special education student in New Jersey (\$17,500) is in the upper end, and is higher than the national average (\$12,474). This table also provides a comparison of total (special and general) education expenditures per special education student (aged 3-22) to the total education expenditure on a general education school-aged student. The ratio of total spending on a special education student to spending on a general education student in New Jersey is 1.90, which is the same as the national ratio.

<sup>25</sup> Data across the U.S. are not yet available to the public. Due to an insufficient sample size, preschool data for one state are not reported. This table includes the following services: Personnel, central office administration and support, school administration and support, non-personnel, fees and tuition for students placed in non-public institutions, summer school, capital, and transportation. Preschool does not include homebound/hospital programs.

Table 8

**Comparison of Spending on a Special Education Student, Aged 3-22, to Spending on a School-aged General Education Student Across all SEEP States and the Nation, 1999-00<sup>26</sup>**

|  | State A  | State B  | State C  | State D  | State E  | State F  | New Jersey | State G  | State H  | U.S. <sup>27</sup> |
|--|----------|----------|----------|----------|----------|----------|------------|----------|----------|--------------------|
| <i>Special Education</i> Expenditure per Special Education Student (Ages 3-22)                                       | \$6,015  | \$5,459  | \$6,466  | \$6,540  | \$7,511  | \$10,198 | \$11,753   | \$12,311 | \$18,105 | \$8,080            |
| <i>General Education</i> Expenditure per Special Education Student (Ages 3-22)                                       | \$4,351  | \$4,962  | \$4,635  | \$4,706  | \$3,860  | \$5,410  | \$5,747    | \$5,215  | \$2,994  | \$4,394            |
| <i>Total (Special and General) Education</i> Expenditure per Special Education Student (Ages 3-22)                   | \$10,366 | \$10,421 | \$11,101 | \$11,246 | \$11,371 | \$15,608 | \$17,500   | \$17,526 | \$21,099 | \$12,474           |
| Total Education Expenditure per <b>School-aged General Education Student (Ages 6-22)</b>                             | \$6,303  | \$6,660  | \$6,351  | \$6,940  | \$5,933  | \$7,410  | \$9,229    | \$7,869  | \$7,311  | \$6,556            |
| Ratio of Spending on a Special Education Student (Ages 3-22) vs. a School-aged General Education Student (Ages 6-22) | 1.64     | 1.56     | 1.75     | 1.62     | 1.92     | 2.12     | 1.90       | 2.23     | 2.89     | 1.90               |

<sup>26</sup> Spending on a special education student includes the following services: Personnel, central office administration and support, school administration and support, assessment (school-aged only), non-personnel, fees and tuition for students placed in non-public institutions, homebound/hospital programs (school-aged only), summer school, capital, and transportation. For spending components on a general education student, see Table 5.

<sup>27</sup> Source: Chambers, J., Parrish, T., and Harr, J. (2002).

Table 9a provides average special education expenditures, average total (general and special) education expenditures, and estimated average state and federal special education support amounts per special education student by tier, using New Jersey Department of Education tier assignments for the 603 sample students. Section A shows total spending for all special education students with a disability (served locally and outside local schools). Across all special education students, average spending per Tier 4 student is nearly twice that for Tier 2 (\$25,750 vs. \$13,387). Sections B and C differentiate between students served by public school districts (B) and students placed in non-public schools or other public agencies (C).

The average special education expenditure for students served inside their public school district for Tiers 2, 3, and 4, are \$7,334, \$9,029, and \$12,950, respectively (row B2). Just as the largest special education expenditure per student is for a Tier 4 student (row B2), the largest total (general and special) education expenditure is also for a student in Tier 4, at \$17,953 (row B4). The total expenditure per student in non-public institutions or agencies (all of which is considered special education) for Tiers 2, 3, and 4, are \$9,918, \$40,285, and \$38,463, respectively (row C2).

Section D of Table 9a shows average revenues per special education student by tier. These revenues are calculated by starting with base revenue amounts by tier as specified in the state formula of \$3,155, \$4,207, and \$12,620 (see Exhibit I). These are shown in row D1. To add Tier 1 funding to these revenues, we estimated the average number of Tier 1 services for each sample student (row D2). For example, based on the average number of Tier 1 services reported for students with a primary assignment of Tier 2, an estimate of .26 was derived (i.e., about one of every four Tier 2 students also received a Tier 1 service). Students in Tier 4 receive more related services than do students in the other tiers. Total services received by students in Tier 4 are also the most costly overall due to the higher intensity core instructional services they receive. To derive an estimate of average total special education revenue per student, this average number of Tier 1 services (e.g., .26 for Tier 2) was multiplied by the Tier 1 funding amount per service received of \$300 (see Exhibit I). Using these procedures, a total average state revenue amount (row D3) was derived for Tier 2, 3, and 4 students of \$3,233, \$4,465, and \$12,968, respectively. Adding average federal special education revenues of \$610 per student results in total estimated revenues by tier of \$3,843, \$5,075, and \$13,578 (row D5).

Table 9b expands upon Table 9a, providing marginal spending, as well as the difference between revenues and marginal spending, per special education student, by tier. Sections E and G show estimates of marginal total spending on special education students, i.e. in excess of average spending for a general education student. These two sections are differentiated according to the estimated expenditure per general education student derived by AIR through the SEEP study (\$9,229, shown in Section E) and the estimated expenditure per general education student derived by the NJ DOE (\$10,030, shown in Section G).

The Department estimate of general education spending, \$10,030, is based on state-level education data for categories of expenditure that they believe apply to all students. In contrast, the SEEP estimate of what is spent on a general education student, \$9,229, is based on econometric analyses. This approach to estimating average spending on a “generic” special education student uses survey results describing the services received by all children, subtracting out all categorical services, e.g. special, bilingual, or compensatory education. In both instances, the attempt is to estimate spending on a student only receiving the general education (non-categorical) services.

Thus, the major difference in the two general education spending estimates shown in Table 9b is in the approach. However, when the study team reviewed the expenditure analysis provided by the Department’s approach derived a somewhat different estimate of general education spending. Using expenditure data provided by the state, we derived an estimate of spending for the average general education student of \$8,627 (not shown).

The difference in these two estimates is that the study team did not agree that spending on State Facility Tuition or on Bilingual Education Instruction should be included. Neither of those categories of spending seemed to us to generically fit all students in the state. In addition, we divided the resulting estimate of total

general education spending statewide by a different count of students. While the Department excluded special education students from the divisor used to produce average general education spending per student, we believe that special education students should remain in the statewide count of students considered for deriving this estimate.

Each section in Table 9b also delineates between all special education students, special education students served inside their local public school district, and special education students served outside their local public school district.

Section E, using the SEEP estimate of general education spending, shows marginal spending for all special education students (including both those served within their local public school districts and those served outside their local public school district) of \$4,158, \$8,646, and \$16,521 for Tiers 2 through 4 (row E2), respectively. These numbers are derived by subtracting general education spending (row E1) from estimated total spending by tier (row A4 from Table 9a).

Section G, using the DOE estimate of general education spending, shows marginal spending for all special education students of \$3,357, \$7,845, and \$15,720, respectively, for Tiers 2, 3, and 4 (shown in row G2). Marginal spending for special education students served inside their local public school district as well as for students served outside their local public school district are also shown in Sections E and G.

Sections F and H of Table 9b show the difference between the average special education revenues per student and marginal spending, using the general education expenditure estimate derived from SEEP (shown in Section F) and from the DOE (shown in Section H). For SEEP-derived general education expenditure estimates, average marginal spending for Tier 2 students of \$4,158 (row E2) aligns fairly closely with the additional revenue provided by the state of \$3,843 (row D5). The difference between supplemental funding and marginal spending for all students in funding Tiers 3 and 4, however, are shown to be more substantial, at \$3,571 and \$2,943, respectively, per student (row F1a). Using the SEEP general education estimate, the difference between marginal spending and revenues for all special education students suggests that all tiers are underfunded, although the marginal expenditure and revenue for Tier 2 students are very close (row F1a).

According to the SEEP-derived estimated general education expenditures, the total difference between revenues and marginal spending for all special education students, across all tiers, shows special education students are underfunded by approximately \$382 million (row F1b). The total difference between marginal spending and revenues for special education students served inside their local public school district, across all tiers, is \$24.5 million (row F2b). This indicates that, in aggregate, students served inside their district of residence are overfunded. Row 3b shows that, across all tiers, students served outside their local public school district are underfunded by approximately \$406.5 million (row F3b).

The difference between revenues and marginal spending on special education students, using the DOE-derived general education expenditure estimate, is shown in Section H. As shown in row H1a, Tier 2 students are slightly overfunded (\$486 per student) and Tier 3 and 4 students are underfunded by \$2,770 and \$2,142 per student, respectively. The total difference between marginal spending and revenues for all special education students, according to the DOE-derived estimated of general education spending, shows an underfunding of \$222 million (row H1b). Students served inside their local public school district are overfunded in all Tiers (row H2a), by a total amount of \$168 million (row H2b). The difference between revenues and marginal spending for students served outside their local public school district (row H3a) is largest for students in Tier 3 (underfunded by \$25,180). In total, students served outside their local public school district are underfunded by approximately \$391 million (row H3b).



**Table 9a**  
**Expenditures and Revenues per Special Education Student by Tier, Ages 3-22, 1999-00**  
**(NJ DOE TIER ASSIGNMENTS)**

|   | Expenditures per Special Education Student, with Tier Assignments Made by NJ DOE |                       |                      |
|---|--|-----------------------|----------------------|
|   | Tier 2 (N= 315)  | Tier 3 (N=197)        | Tier 4 (N=91)        |
| <b>A. Spending On All Special Education Students</b>  |  |                       |                      |
| (1) Weighted Counts of Students   | 97,394   | 80,863                | 21,237               |
| (2) Average Special Education Expenditure per Special Education Student <sup>28</sup>   | \$7,364  | \$13,249              | \$22,648             |
| (3) Average General Education Expenditure per Special Education Student <sup>29</sup>   | \$6,023  | \$4,626               | \$3,102              |
| (4) Average Total Education Expenditure per Special Education Student   | \$13,387   | \$17,875              | \$25,750             |
| (5) Standard Error  | \$596  | \$2,050               | \$2,990              |
| <b>B. Spending On Students Served Inside Their Local Public School District</b>   | <b>Tier 2 (N= 309)</b>   | <b>Tier 3 (N=177)</b> | <b>Tier 4 (N=74)</b> |
| (1) Weighted Counts of Students   | 96,257   | 69,945                | 13,164               |
| (2) Average Special Education Expenditure Per Special Education Student <sup>28</sup>   | \$7,334  | \$9,029               | \$12,950             |
| (3) Average General Education Expenditure per Special Education Student <sup>29</sup>   | \$6,094  | \$5,348               | \$5,003              |
| (4) Average Total (General and Special) Education Expenditure per Special Education Student <sup>29</sup> Served by Their Local School District | \$13,428   | \$14,377              | \$17,953             |
| (5) Standard Error  | \$603  | \$503                 | \$1,633              |
| <b>C. Spending On Students Served Outside Their Local Public School District</b>  | <b>Tier 2 (N= 6)</b>   | <b>Tier 3 (N=20)</b>  | <b>Tier 4 (N=17)</b> |
| (1) Weighted Counts of Students   | 1,137  | 10,918                | 8,073                |
| (2) Average Total Education Expenditure per Special Education Student Served Outside Their Local Public School District                         | \$9,918  | \$40,285              | \$38,463             |
| (3) Standard Error  | \$2,004  | \$5,924               | \$6,840              |
| <b>D. Average Special Education Revenues</b>  | <b>Tier 2</b>  | <b>Tier 3</b>         | <b>Tier 4</b>        |
| (1) Base State Special Education Aid Per Student  | \$3,155  | \$4,207               | \$12,620             |
| (2) Average Number of Related Services  | .26  | .86                   | 1.16                 |
| (3) Average State Special Education Aid per Student <sup>30</sup>   | \$3,233  | \$4,465               | \$12,968             |
| (4) Average Federal Special Education Aid per Student   | \$610  | \$610                 | \$610                |
| (5) Total Average Special Education Revenue per Student   | \$3,843  | \$5,075               | \$13,578             |

<sup>28</sup> Does not include transportation. Includes assessment.

<sup>29</sup> Does not include transportation.

<sup>30</sup> Base state aid per student is taken from the state funding formula as shown in Exhibit I (see page 9). The average state aid amounts are the sum of base state aid plus the average number of Tier I eligible for related services times \$300. (\$300 per service (up to 4 services) is the Tier I funding amount.) To this average state special education supplement, an estimate of the amount of general education support received by all students in New Jersey --special education or non-- is added. The sum of these two sources of support for special education students provides an estimate of total support. The difference between the average total (general and special) education expenditures on a special education student and the average state support is also provided in the table. See the Policy Discussion section for further detail on this table. Does not include transportation or extraordinary special education expenses.

**Table 9b**  
**Marginal Spending and Difference Between Revenues and Marginal Spending for Special Education Students by**  
**Tier, Ages 3-22, 1999-00**  
**(New Jersey DOE Tier Assignments)**

| <b>E. Marginal Spending On Special Education Students – SEEP Estimate of General Education Spending</b>   | <b>Tier 2</b>   | <b>Tier 3</b> | <b>Tier 4</b> |
|---|-----------------|---------------|---------------|
| (1) SEEP Estimated Expenditure per General Education Student  | \$9,229         | \$9,229       | \$9,229       |
| (2) SEEP Estimated Average Marginal Education Expenditure per Special Education Student- All Special Education Students (A4-E1)                             | \$4,158         | \$8,646       | \$16,521      |
| (3) SEEP Estimated Average Marginal Education Expenditure per Special Education Student- Students Served Inside Their Local Public School District (B4-E1)  | \$4,199         | \$5,148       | \$8,724       |
| (4) SEEP Estimated Average Marginal Education Expenditure per Special Education Student- Students Served Outside Their Local Public School District (C2-E1) | \$689           | \$31,056      | \$29,234      |
| <b>F. Difference Between Revenues and Marginal Spending (SEEP Estimate of General Education Spending)</b>   | <b>Tier 2</b>   | <b>Tier 3</b> | <b>Tier 4</b> |
| (1a) Difference by Tier Between Special Education Revenues and Marginal Spending: All Special Education Students (D5-E2)                                    | (\$315)         | (\$3,571)     | (\$2,943)     |
| (1b) Total Difference Between Revenues and Marginal Spending: All Special Education Students (Total of A1 x F1a)  | (\$381,941,374) |               |               |
| (2a) Difference by Tier Between Special Education Revenues and Marginal Spending: Students Served Inside Their Local Public School District (D5-E3)         | (\$356)         | (\$73)        | \$4,854       |
| (2b) Total Difference Between Revenues and Marginal Spending: Students Served Inside Their Local Public School District (Total of B1 x F2a)                 | \$24,524,579    |               |               |
| (3a) Difference by Tier Between Special Education Revenues and Marginal Spending: Students Served Outside Their Local Public School District (D5-E4)        | \$3,154         | (\$25,981)    | (\$15,656)    |
| (3b) Total Difference Between Revenues and Marginal Spending: Students Served Outside Their Local Public School District (Total of C1 x F3a)                | (\$406,465,348) |               |               |
| <b>G. Marginal Spending on Special Education Students (DOE Estimate of General Education Spending)</b>  | <b>Tier 2</b>   | <b>Tier 3</b> | <b>Tier 4</b> |
| (1) DOE Estimated Expenditure per General Education Student   | \$10,030        | \$10,030      | \$10,030      |
| (2) DOE Estimated Average Marginal Education Expenditure per Special Education Student- All Special Education Students (A4-G1)                              | \$3,357         | \$7,845       | \$15,720      |
| (3) DOE Estimated Average Marginal Education Expenditure per Special Education Student- Students Served Inside Their Local Public School District (B4-G1)   | \$3,398         | \$4,347       | \$7,923       |
| (4) DOE Estimated Average Marginal Education Expenditure per Special Education Student- Students Served Outside Their Local Public School District (C2-G1)  | (\$112)         | \$30,255      | \$28,433      |
| <b>H. Difference Between Revenues and Marginal Spending (DOE Estimate of General Education Spending)</b>  | <b>Tier 2</b>   | <b>Tier 3</b> | <b>Tier 4</b> |
| (1a) Difference Between Revenues and Marginal Spending - All Students (D5-G2)   | \$486           | (\$2,770)     | (\$2,142)     |
| (1b) Total Difference Between Revenues and Marginal Spending- All Students (Total of A1 x H1a)  | (\$222,146,680) |               |               |
| (2a) Difference Between Revenues and Marginal Spending– Students Served Inside Their Local Public School District (D5-G3)                                   | \$445           | \$728         | \$5,655       |
| (2b) Total Difference Between Revenues and Marginal Spending- Students Served Inside Their Local Public School District (Total of B1 x H2a)                 | \$168,196,745   |               |               |
| (3a) Difference Between Revenues and Marginal Spending– Students Served Outside Their Local Public School District (D5-G4)                                  | \$3,731         | (\$25,180)    | (\$14,855)    |
| (3b) Total Difference Between Revenues and Marginal Spending- Students Served Outside Their Local Public School District (Total of C1 x H3a)                | (\$390,597,508) |               |               |

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## Personnel

### *Personnel Expenditures by Category of Disability*

Table 10 shows average personnel expenditures per student by category of disability. These expenditures include salaries and benefits for general and special education teachers, related service staff, paraprofessionals, and aides. These analyses do not include administration and support personnel or non-personnel expenditures, such as supplies, materials, and assistive equipment.

The data by disability in this table include only school-aged students in schools operated by the public school district. Due to insufficient sample size, average expenditures are not provided separately for preschool students, although preschool costs are included in the overall average. Due to the nature of the SEEP surveys, personnel expenditures for students in non-public institutions or agencies are not available.

The analysis of personnel expenditures is derived from the Student Information Survey and the *Student Resource Cost Database*, which combines data from a variety of surveys and other information received from the districts such as fiscal data. The student samples are weighted to achieve a state count for each disability category, which matches the actual number of students in each disability category in the state.

Table 10 shows that the highest special education spending in the state is for students with a traumatic brain injury (TBI), at \$11,011 per student. Of note, according to the New Jersey Department of Education, in 1998, the New Jersey Administrative Code re-defined the state category of Neurologically Impaired (NI) to mean the federal category TBI. Until the students then classified as NI could be re-evaluated over the succeeding three years and either declassified or found eligible under TBI or other categories, they were grandfathered into the TBI eligibility category. Since then, about two-thirds were re-evaluated and found eligible under Specific Learning Disabled. The remaining third were found eligible under Other Health Impaired, Language Impaired, or some other category. Consequently, the number of students classified under TBI dropped from 20,758 in 1998, 11,500 in 1999, 6,223 in 2000 down to 2,902 in 2001.

The second highest spending on personnel for a single disability category is \$10,143 per student with emotional disturbance, and the overall average personnel expenditure per special education student, including preschoolers, is \$7,872. It is important to note, however, that several disability categories were collapsed into a single category, as individual sample sizes of students with those disabilities were insufficient. The average of this “other disabilities” category is the second highest personnel expenditure at \$10,650.

**Table 10**  
**Personnel Expenditure per Special Education Student in New Jersey, Ages 3-22**  
**1999-00<sup>31</sup>**

|   | Number of<br>Students in<br>Sample | Total (General and<br>Special) Education<br>Personnel Expenditure<br>Per Special Education<br>Student |
|---|------------------------------------|---|
| Emotional Disturbance                                 | 42                                 | \$10,143  |
| Multiple Disabilities                                 | 103                                | \$9,106   |
| Other Health Impairment                               | 28                                 | \$6,439   |
| Specific Learning Disability                          | 293                                | \$7,843   |
| Speech or Language Impairment                         | 22                                 | \$6,770   |
| Traumatic Brain Injury                                | 24                                 | \$11,011  |
| Other Disabilities <sup>32</sup>                      | 43                                 | \$10,650  |
| Overall Average, Including<br>Preschool <sup>33</sup> | 555                                | \$7,872   |

## Transportation

### *Transportation Services and Expenditures*

Information from the District and Student Information Surveys was used to determine per student and total expenditures on transportation services for special education students. Because it was not always possible to determine whether the transportation received by a special education student was a special transportation accommodation or a general transportation service (as received by all students), several assumptions were made. Transportation was interpreted to be a general education service when it was provided to the general education student population and when no special accommodations were made, while special education transportation services were interpreted to include those specifically designed for special education students. This may include a special bus, a modified school bus, special transportation routes, the use of an aide or attendant to assist the student (on either the special bus or the regular bus), or reimbursement for transportation expenses. Students with more severe disabilities are likely to require such services, while students with less severe disabilities are frequently transported from home to school on regular buses along with the general education students. They usually do not require the assistance of aides or other special accommodations. We assumed that, in most cases, these students were receiving transportation similar to that provided for general education students, and therefore that these were general education transportation services. The resulting expenditures per student were then weighted to produce statewide estimates.

<sup>31</sup> This component does not include administration and office support personnel or non-personnel expenditures, such as supplies, materials, and assistive equipment. Personnel expenditures are calculated as follows: the number of hours a student is provided services (such as a general education class, special education class, etc.) is multiplied by the hourly wage of the resource (e.g., teacher, aide, related service provider, resource specialist), then divided by class size to derive the expenditure for direct instruction and related service personnel per special education student. The numbers in this table are weighted averages based on the estimated total population of students in each disability category.

<sup>32</sup> Other disabilities include autism, hearing impairment/deafness, mental retardation, orthopedic impairment, visual impairment/blindness, and deaf-blindness. These disabilities were collapsed into a single category, as the individual sample sizes of students with these disabilities were insufficient.

<sup>33</sup> This figure does not include expenditures associated with students in hospital and homebound programs, nor students in non-public institutions or agencies.

From the student surveys, transportation was inferred to be a special education service, if one of the following was true:

1. The student was transported to a special school or to multiple schools including vocational schools.
2. The student was transported from home to a general education school and required a wheelchair lift or other special arrangements, or was accompanied by an aide. (If the student was transported to a general education school and did not require any special accommodations, the student was assigned to the category of general transportation.)
3. The student was transported to a general education school and had an Abilities Index score over 34.<sup>34</sup>
4. The student's family received reimbursement for transportation expenses.

Table 11 shows general and special transportation expenditures for special education students and the percentage of special education students receiving transportation services. The data show approximately 42 percent of special education students as receiving some form of district transportation services. We estimate that approximately 23 percent of these special education students were riding regular buses without special accommodations, and that about 18 percent received special transportation services or reimbursement.

Total transportation expenditures for special education students were estimated to be approximately \$207 million for the 1999-2000 school year, of which \$179.8 million were for special transportation services. The average expenditure for a special education student receiving general transportation services was approximately \$582, and approximately \$4,873 for a special education student receiving special transportation services.

**Table 11**

**Transportation Expenditures for Special Education Students in New Jersey, Ages 3-22  
1999-00<sup>35</sup>**

| Type of Transportation   | Number of Special Education Students Receiving Transportation Services | Percent of Special Education Students Receiving Services | Transportation Expenditure per Special Education Student Transported <sup>36</sup> | Total Transportation Expenditures for Special Education Students |
|--|--|--|--|--|
| <b>General Transportation Services Funded by General Education</b> | 46,622   | 23.22%   | \$582  | \$27,134,004   |
| <b>Special Transportation Services Funded by Special Education</b> | 36,896   | 18.37%   | \$4,873  | \$179,808,868  |
| <b>Total</b>   |  | 41.59%   |  | \$206,942,872  |

<sup>34</sup> The ABILITIES Index was developed by Rune Simeonsson and Donald Bailey of the Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill. We selected a mean score of 34 to assign students to special transportation services because this was the mean score of students who were transported to special education schools in our sample. We assumed that those with higher than this mean score would *likely* require special transportation services.

<sup>35</sup> Includes data for both school-aged and preschool special education students. This table does not include expenditure data for homebound/hospital or students in non-public institutions or other public agencies.

<sup>36</sup> The per student expenditures have been rounded and do not match the total expenditures which were calculated using unrounded figures.

## **The ABILITIES Index**

Tables 12 and 13 provide counts and average expenditures, respectively, per special education student, by ABILITIES Index Group. Note that all tables with ABILITIES Index information contain data for school-aged (ages 6-22) and preschool (ages 3-5) combined; thus, the counts of students are higher than in other tables where these age groups are presented separately. Table 13 in particular sheds light on the relationship between severity of a student's disability and funding, and demonstrates how special and total (special and general) education expenditures vary by type of student.

The ABILITIES Index was developed by Rune Simeonsson and Donald Bailey of the Frank Porter Graham Child Development Center at the University of North Carolina at Chapel Hill. This index is an alternate classification approach for exceptional children. The focus of these measures is the functional abilities of children in 9 different domains: audition, behavior, intellectual functioning, limbs, intentional communication, tonicity, integrity of health, eyes, and structural status. The maximum value of each domain is 5 (implying profound disability), and the minimum is 0 (implying normal). The maximum total score a student can have is 145 (profound disability in all domains), and the lowest is 0 (normal in all domains). To calculate the total score, a specific weight was assigned to each domain, and the score ranges were calculated based on the weighted sample. Students fall into either Group I (score between 0-3.0), Group II (score between 3.0-12.2), or Group III (score 12.2-high).

Tables 12 and 13 provide information for school-aged and preschool students who are enrolled in schools operated by the public school district. These tables do not include students in non-public institutions or other public agencies. Tables 12a and 12b present the counts of sample special education students by tier and ABILITIES Index score, and the total population of special education students in the state by tier and ABILITIES Index score, respectively. Tables 13a and 13b provide total (general and special) education expenditure data, and special education expenditure data, by tier and ABILITIES Index score, respectively.

Table 12a shows that, of the 603 students in the sample, 123 are in Group I of the Abilities Index, 235 are in Group II, and 243 are in Group III. Note that we only have Abilities Index data for 601 of the 603 students in the sample by tier. The large number of students in Group III is most likely due to the oversampling of Tier 4 students. As shown in Tables 13a and 13b, the cost per students with a disability increases by both tier and Abilities Index group, in groups II and III.

Table 12a

**Count of Sample New Jersey Special Education Students, by Tier and ABILITIES Index Group, Ages 3-22, 1999-00<sup>37</sup>**

| <b>ABILITIES Index Group</b>                        | <b>Tier 2</b>  | <b>Tier 3<sup>38</sup></b> | <b>Tier 4<sup>39</sup></b> | <b>Total Sample</b>         |
|---|----------------|----------------------------|----------------------------|-----------------------------|
| <b>Overall</b><br>(Across all Groups)               | 315<br>(52.2%) | 197<br>(32.7%)             | 91<br>(15.1%)              | 603 <sup>40</sup><br>(100%) |
| <b>Group I</b><br>(Mild to Moderate Disability)     | 102<br>(82.9%) | 21<br>(17.1%)              | 0<br>(0.0%)                | 123<br>(20.5%)              |
| <b>Group II</b><br>(Moderate to Severe Disability)  | 152<br>(64.7%) | 80<br>(34.0%)              | 3<br>(1.3%)                | 235<br>(39.1%)              |
| <b>Group III</b><br>(Severe to Profound Disability) | 61<br>(25.1%)  | 95<br>(39.1%)              | 87<br>(35.8%)              | 243<br>(40.4%)              |

Table 12b

**Estimated Population of New Jersey Special Education Students, by Tier and ABILITIES Index Group, Ages 3-22, 1999-00<sup>41</sup>**

| <b>ABILITIES Index Group</b>                        | <b>Tier 2</b> | <b>Tier 3</b> | <b>Tier 4</b> | <b>Total Population</b> |
|---|---------------|---------------|---------------|-------------------------|
| <b>Overall</b><br>(Across all Groups)               | 97,394        | 80,863        | 21,237        | 199,494                 |
| <b>Group I</b><br>(Mild to Moderate Disability)     | 33,758        | 25,408        | 0             | 59,166                  |
| <b>Group II</b><br>(Moderate to Severe Disability)  | 44,737        | 19,398        | 812           | 64,947                  |
| <b>Group III</b><br>(Severe to Profound Disability) | 18,899        | 35,638        | 19,156        | 73,693                  |

<sup>37</sup> Group I, Score [0 - 3]; Group II, Score [3-12.2]; Group III, Score [12.2 - high]. Includes students in non-public institutions or agencies.

<sup>38</sup> One student in Tier 3 does not have ABILITIES Index information.

<sup>39</sup> One student in Tier 4 does not have ABILITIES Index information.

<sup>40</sup> Scores for 49 students have been imputed.

<sup>41</sup> Includes students in non-public institutions or agencies; does not include students in homebound/hospital placements. Estimated population of students by ABILITIES Index groups do not add up to the total estimated population, due to missing ABILITIES Index scores for two sample students.

**Table 13a****Total (General and Special) Education Expenditures for Special Education Students,  
by Tier and ABILITIES Index Group, Ages 3-22, 1999-00**

| <b>ABILITIES Index Group</b>                         | <b>Tier 2</b> | <b>Tier 3</b> | <b>Tier 4<sup>42</sup></b> |
|--|---------------|---------------|----------------------------|
| <b>Overall<br/>(Across all Groups)</b>               | \$13,387      | \$17,875      | \$25,750                   |
| <b>Group I<br/>(Mild to Moderate Disability)</b>     | \$13,586      | \$12,397      | -                          |
| <b>Group II<br/>(Moderate to Severe Disability)</b>  | \$13,107      | \$14,416      | -                          |
| <b>Group III<br/>(Severe to Profound Disability)</b> | \$13,919      | \$16,007      | \$18,038                   |

**Table 13b****Special Education Expenditures for Special Education Students,  
by Tier and ABILITIES Index Group, Ages 3-22, 1999-00**

| <b>ABILITIES Index Group</b>                         | <b>Tier 2</b> | <b>Tier 3</b> | <b>Tier 4<sup>43</sup></b> |
|--|---------------|---------------|----------------------------|
| <b>Overall<br/>(Across all Groups)</b>               | \$7,364       | \$13,249      | \$22,648                   |
| <b>Group I<br/>(Mild to Moderate Disability)</b>     | \$7,174       | \$7,925       | -                          |
| <b>Group II<br/>(Moderate to Severe Disability)</b>  | \$7,013       | \$8,620       | -                          |
| <b>Group III<br/>(Severe to Profound Disability)</b> | \$8,417       | \$10,225      | \$13,011                   |

<sup>42</sup> Due to a sample size of zero, no expenditure data is available for Tier 4 students who are categorized in Group I of the ABILITIES Index. Due to a sample size of one, no expenditure data is available for Tier 4 students who are categorized in Group II of the ABILITIES Index.

<sup>43</sup> Due to a sample size of zero, no expenditure data is available for Tier 4 students who are categorized in Group I of the ABILITIES Index. Due to a sample size of one, no expenditure data is available for Tier 4 students who are categorized in Group II of the ABILITIES Index.



Table 14 presents expenditures for all special education students ages 3-22, by ABILITIES Index group and educational environment. The educational environments in this table are placement categories, as defined by the Office of Special Education Programs (OSEP), U.S. Department of Education.<sup>44</sup> The method of classifying students into these educational environments is as follows: (Appendix E describes these environments in greater detail.)

- (1) *General Education Class*: A general class includes students receiving special education and related services outside the general education classroom for less than 21 percent of the school day. Therefore, these students spend a majority of their education program with non-disabled peers inside the general education classroom.
- (2) *Resource Room*: A resource room includes students receiving special education and related services outside the general education classroom for at least 21 percent but no more than 60 percent of the school day. This may include children and youth placed in: (a) resource rooms with special education/related services provided within the resource room, or (b) resource rooms with part-time instruction in a general education class.
- (3) *Separate Special Education Class*: A separate special education class includes students receiving special education and related services for more than 60 percent of the school day in a separate class. This may include children and youth placed in: (a) self-contained special classrooms with part-time instruction in a general education class, or (b) self-contained special classrooms full-time on a regular school campus.
- (4) *Public Separate Facility*: Public separate facilities include students receiving special education and related services for greater than 50 percent of the school day in a separate special education day school in a public school district, or in a state special education school. This may include children and youth placed in: (a) public day schools for special education students, or (b) public day schools for special education students for a portion of the school day (greater than 50 percent) and in general education school buildings for the remainder of the school day.
- (5) *Private separate facility*: Private separate facilities include special education students receiving special education and related services in these facilities, at public expense for greater than 50 percent of the school day. This may include children and youth placed in private day schools for special education students or private day schools for special education students for a portion of the school day (greater than 50 percent) and in regular school buildings for the remainder of the school day.
- (6) *Home/hospital*: Homebound/hospital placement includes students receiving education programs in hospital programs or homebound programs.

*Public separate facility, private separate facility, and home/hospital* environments are not reported in this table, due to an insufficient sample size to report separately. The remaining placements provided by OSEP in the Report to Congress (i.e., *public residential facility, private residential facility, and correctional facility*) are not included in these analyses due to the nature of the SEEP surveys.

As shown in Table 14, the total general and special education expenditures per student in the *General Education Class* environment increase between Group I (\$12,781) to Group III (\$15,790). The overall average for this educational environment is \$13,834. The overall average for *Separate Special Education Class* is \$15,780, and for the *Resource Room* environment, it is \$14,315. Note that all three of these averages are lower than the average of \$17,500 shown in Table 2 because this latter figure involves externally placed students and students in homebound/hospital placements. For a breakdown of average spending per internal and external student by tier, see Table 9.

<sup>44</sup> Source: "OSEP IDEA, Part B Data Collection History" (September 2001).

Table 14

**Total Expenditure per Special Education Student  
by Educational Environment and ABILITIES Index Group, Ages 3-22, 1999-00<sup>45</sup>**

| <b>Educational Environment</b>   | <b>Group I</b> | <b>Group II</b> | <b>Group III</b> | <b>Overall Average</b> |
|----------------------------------|----------------|-----------------|------------------|------------------------|
| General Education Class          | \$12,781       | \$12,730        | \$15,790         | \$13,834               |
| Separate Special Education Class | -              | -               | -                | \$15,780               |
| Resource Room                    | \$14,212       | \$13,595        | \$15,593         | \$14,315               |

Table 15 provides total (general and special) education expenditures per student, ages 3-22, by disability and ABILITIES Index group, for the 601 students in the sample for whom we have ABILITIES Index information. As shown, expenditure data are only available for four disability categories, due to low sample size in most categories. These categories are lumped into the “other disabilities” category if there is a sample of at least one. In Group I of the ABILITIES Index, students with a specific learning disability have a total expenditure of \$13,663. In Group II, students with an emotional disturbance have a total expenditure of \$17,796, students with multiple disabilities have a total expenditure of \$14,162, and students with a specific learning disability have a total expenditure of \$13,101. In Group III, students with autism have a total expenditure of \$31,660, students with multiple disabilities have a total expenditure of \$30,139, and the total expenditure for students with a specific learning disability is \$14,702. Note that the expenditure for students with a specific learning disability is slightly lower in Group II than in Group I, and only slightly higher in Group III. The overall averages across the groups are as follows: Group I, \$13,564; Group II, \$13,701; and Group III, \$21,136.

<sup>45</sup> The sample sizes by educational environment and ABILITIES Index were only sufficient in size for the 3 educational environments listed above. Dashes in cells indicate an insufficient sample size. The total expenditure figures in this table do not include transportation.

**Table 15**  
**Total Expenditure per Special Education Student, by Disability and ABILITIES Index Group, Ages 3-22, 1999-00**

|                                  | Group I [Mild to Moderate] |   | Group II [Moderate to Severe] |   | Group III [Severe to Profound] |   |
|----------------------------------|----------------------------|---|-------------------------------|---|--------------------------------|---|
|                                  | Count Sample Students      | Total (General and Special) Education Expenditure per Student | Count Sample Students         | Total (General and Special) Education Expenditure per Student | Count Sample Students          | Total (General and Special) Education Expenditure per Student |
| Autism                           | 0                          | -   | 1                             | -   | 19                             | \$31,660  |
| Deaf-Blindness                   | 0                          | -   | 0                             | -   | 1                              | -   |
| Developmental Delay              | 1                          | -   | 0                             | -   | 7                              | -   |
| Emotional Disturbance            | 6                          | -   | 25                            | \$17,796  | 15                             | -   |
| Hearing Impairment               | 0                          | -   | 1                             | -   | 10                             | -   |
| Mental Retardation               | 1                          | -   | 1                             | -   | 11                             | -   |
| Multiple Disabilities            | 9                          | -   | 29                            | \$14,162  | 86                             | \$30,139  |
| Orthopedic Impairment            | 0                          | -   | 1                             | -   | 5                              | -   |
| Other Health Impairment          | 2                          | -   | 12                            | -   | 15                             | -   |
| Specific Learning Disability     | 100                        | \$13,663  | 142                           | \$13,101  | 50                             | \$14,702  |
| Speech or Language Impairment    | 4                          | -   | 14                            | -   | 5                              | -   |
| Traumatic Brain Injury           | 0                          | -   | 8                             | -   | 18                             | -   |
| Visual Impairment/Blindness      | 0                          | -   | 1                             | -   | 2                              | -   |
| Other Disabilities <sup>46</sup> | 23                         | \$13,363  | 39                            | \$13,921  | 88                             | \$17,206  |
| Overall Average <sup>47</sup>    | 123                        | \$13,564  | 235                           | \$13,701  | 243                            | \$21,136  |

<sup>46</sup> Other disabilities include mental retardation, hearing impairment, orthopedic impairment, visual impairment, and deaf-blindness. These disabilities were collapsed into a single category, as the individual sample sizes of students with these disabilities were insufficient.

<sup>47</sup> Includes preschool and students in non-public institutions or agencies. This figure does not include expenditures associated with students in hospital and homebound programs. The standard errors for the overall averages are as follow: Group I, \$385; Group II, \$688; Group III, \$2,349. Does not include data for 2 students for whom ABILITIES Index data was not received.

## **Total Expenditures**

### *Expenditures by Disability*

Table 16 provides yearly expenditures, both general and special, by disability category in New Jersey for 1999-2000. General education expenditures include central office administration, school administration, general education teachers and other general education personnel, non-personnel items such as materials and supplies, and transportation. Special education expenditures include the same general categories, except that the focus is on special education. For example, for central office costs, only expenditures for the office of the district's special education director are presented. Special education personnel for direct instruction and related services include special education teachers, related service providers, paraprofessionals, and aides for special education students. Special education expenditures are also provided for special transportation and incremental assessment activities conducted by special education consulting teachers, psychologists, counselors, and social workers.

Data by disability include students in schools operated by the public school district, which for the purpose of this report includes students in state schools, as well as students in non-public institutions or agencies. This table includes 13 students for whom we did not obtain tier information; it also includes preschool students.

Table 16 shows autism is the single disability category associated with the highest total per student expenditure, at \$32,336, while speech or language impairment is associated with the lowest total expenditure, at \$13,772. Multiple disabilities is associated with the second highest expenditure, at \$30,500 per student. The overall average total expenditure per special education student is \$17,500.

Table 16

**Special Education, General Education, and Total Expenditures  
per Special Education Student in New Jersey, Ages 3-22, 1999-00<sup>48</sup>**

|                               | <b>Primary Funding Tier</b> | <b>Number of Students in Sample</b> | <b>Special Education Expenditure Per Special Education Student</b> | <b>General Education Expenditure Per Special Education Student</b> | <b>Total (General and Special) Education Expenditure Per Special Education Student</b> |
|-------------------------------|-----------------------------|-------------------------------------|--|--|--|
| Autism                        | 4                           | 21                                  | \$31,607   | \$729  | \$32,336   |
| Emotional Disturbance         | 3                           | 46                                  | \$14,751   | \$5,760  | \$20,511   |
| Multiple Disabilities         | 3                           | 124                                 | \$27,273   | \$3,227  | \$30,500   |
| Other Health Impairment       | 3                           | 30                                  | \$7,908  | \$6,300  | \$14,208   |
| Specific Learning Disability  | 2                           | 296                                 | \$8,271  | \$6,568  | \$14,839   |
| Speech or Language Impairment | 3 <sup>49</sup>             | 31                                  | \$8,814  | \$4,958  | \$13,772   |
| Traumatic Brain Injury        | 2                           | 26                                  | \$13,999   | \$5,886  | \$19,885   |
| Overall Average <sup>50</sup> | 2-4                         | 616                                 | \$11,753   | \$5,747  | \$17,500   |

Table 17 provides expenditure data by disability category across all SEEP states, *for school-aged students only*. Table 17 also provides disability rates by state. Note that if the sample size is low for any one disability category in a state, it is included in the “other disabilities” category, shown in the next to last row of the table. The disabilities included in this category vary by state. Students in non-public institutions or agencies are included in the overall average only. As shown, New Jersey expenditures by disability tend to be on the higher side when compared to the other SEEP states. Across all disabilities, the highest overall average expenditure across the SEEP states is \$19,976 and the lowest overall average expenditure is \$10,114. The total education expenditure for school-aged special education students in New Jersey is \$17,242.

<sup>48</sup> Table includes students in non-public institutions or agencies.

<sup>49</sup> This analysis includes all sample students for whom speech and language is the primary category of disability, irrespective of the range of services received. Students included in this count receiving only speech therapy through special education do not receive supplemental Tier 3 funding.

<sup>50</sup> Includes 7 students in homebound/hospital programs and 13 students for whom we do not have tier information. Overall average includes preschool. Includes transportation.

**Table 17**  
**Special Education, General Education, and Total Expenditures**  
**per School-aged Special Education Student, by Disability, Across all SEEP States, Ages 6-22,**  
**1999-00<sup>51</sup>**

|                                    | Expenditure Type | New Jersey | State A   | State B   | State C   | State D   | State E   | State F   | State G   | State H   |
|------------------------------------|------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Autism</b>                      | SE               | \$ 31,607  | \$ 16,053 | \$ 9,969  | \$ 13,407 | \$ 17,585 | \$ 13,336 | \$ 20,191 | N/A       | N/A       |
|                                    | GE               | \$ 729     | \$ 4,177  | \$ 3,635  | \$ 4,377  | \$ 3,155  | \$ 3,785  | \$ 4,897  | N/A       | N/A       |
|                                    | Total            | \$ 32,336  | \$ 20,230 | \$ 13,604 | \$ 17,784 | \$ 20,740 | \$ 14,121 | \$ 25,088 | N/A       | N/A       |
| % disability rate                  |                  | 0.93%      | 0.74%     | 0.60%     | 1.25%     | 0.90%     | 0.90%     | 1.20%     | 0.49%     | 1.40%     |
| <b>Deaf-Blindness</b>              | SE               | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                    | GE               | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                    | Total            | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
| % disability rate                  |                  | 0.02%      | 0.01%     | 0.02%     | 0.02%     | 0.02%     | 0.04%     | 0.01%     | 0.01%     | 0.30%     |
| <b>Developmental Delay</b>         | SE               | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                    | GE               | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                    | Total            | N/A        | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
| % disability rate                  |                  | 0%         | 0%        | 0.70%     | 0%        | 0.20%     | 0%        | 0%        | 0%        | 0%        |
| <b>Emotional Disturbance</b>       | SE               | \$ 14,751  | \$ 11,032 | N/A       | N/A       | \$ 5,879  | \$ 5,747  | \$ 13,428 | \$ 9,322  | N/A       |
|                                    | GE               | \$ 5,760   | \$ 5,483  | N/A       | N/A       | \$ 4,476  | \$ 3,841  | \$ 4,762  | \$ 4,980  | N/A       |
|                                    | Total            | \$ 20,511  | \$ 16,516 | N/A       | N/A       | \$ 10,356 | \$ 9,588  | \$ 18,190 | \$ 14,302 | N/A       |
| % disability rate                  |                  | 6.62%      | 8.68%     | 6.10%     | 8.04%     | 8.70%     | 7.90%     | 11.90%    | 6.48%     | 3.3%      |
| <b>Hearing Impairment/Deafness</b> | SE               | N/A        | \$ 9,204  | N/A       | \$ 11,672 | N/A       | N/A       | \$ 10,613 | N/A       | N/A       |
|                                    | GE               | N/A        | \$ 7,394  | N/A       | \$ 6,008  | N/A       | N/A       | \$ 5,471  | N/A       | N/A       |
|                                    | Total            | N/A        | \$ 16,598 | N/A       | \$ 17,680 | N/A       | N/A       | \$ 16,084 | N/A       | N/A       |
| % disability rate                  |                  | 0.72%      | 0.84%     | 1.10%     | 1.23%     | 1.10%     | 0.90%     | 1.50%     | 1.13%     | 1.40%     |
| <b>Mental Retardation</b>          | SE               | N/A        | \$ 20,239 | \$ 8,596  | \$ 9,666  | \$ 8,768  | \$ 11,044 | \$ 16,848 | \$ 7,140  | \$ 16,731 |
|                                    | GE               | N/A        | \$ 3,644  | \$ 3,475  | \$ 3,707  | \$ 2,968  | \$ 3,060  | \$ 3,730  | \$ 4,443  | \$ 2,931  |
|                                    | Total            | N/A        | \$ 23,884 | \$ 12,071 | \$ 13,373 | \$ 11,736 | \$ 14,104 | \$ 20,578 | \$ 11,584 | \$ 19,662 |
| % disability rate                  |                  | 2.40%      | 4.50%     | 24.10%    | 16.07%    | 10.70%    | 10.40%    | 4.40%     | 23.88%    | 13.60%    |

<sup>51</sup> Disability rate calculated from statistics cited by the 22nd Annual Report to Congress, US Department of Education 2000. All figures include transportation.

Table 17, continued

|                                     | Expenditure Type | New Jersey | State A   | State B   | State C   | State D   | State E   | State F   | State G   | State H   |
|-------------------------------------|------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Multiple Disabilities</b>        | SE               | \$ 27,273  | \$ 19,214 | \$ 11,460 | \$ 15,483 | N/A       | N/A       | \$ 17,801 | \$ 13,027 | N/A       |
|                                     | GE               | \$ 3,227   | \$ 4,256  | \$ 4,356  | \$ 2,982  | N/A       | N/A       | \$ 5,239  | \$ 3,201  | N/A       |
|                                     | Total            | \$ 30,500  | \$ 23,469 | \$ 15,816 | \$ 18,465 | N/A       | N/A       | \$ 23,040 | \$ 16,228 | N/A       |
| % disability rate                   |                  | 8.18%      | 1%        | 1.50%     | 0.73%     | 3.90%     | 0.70%     | 5.20%     | 5.82%     | 0%        |
| <b>Orthopedic Impairment</b>        | SE               | N/A        | N/A       | \$ 9,244  | \$ 9,734  | N/A       | N/A       | \$ 15,309 | N/A       | N/A       |
|                                     | GE               | N/A        | N/A       | \$ 5,002  | \$ 4,790  | N/A       | N/A       | \$ 5,660  | N/A       | N/A       |
|                                     | Total            | N/A        | N/A       | \$ 14,246 | \$ 14,524 | N/A       | N/A       | \$ 20,968 | N/A       | N/A       |
| % disability rate                   |                  | 0.33%      | 0.53%     | 0.70%     | 0.90%     | 0.90%     | 0.60%     | 0.70%     | 1.12%     | 5.10%     |
| <b>Other Health Impairment</b>      | SE               | \$ 7,908   | \$ 8,295  | \$ 4,662  | \$ 6,512  | \$ 5,334  | \$ 6,638  | \$ 10,830 | N/A       | N/A       |
|                                     | GE               | \$ 6,300   | \$ 6,505  | \$ 5,487  | \$ 6,677  | \$ 4,451  | \$ 4,863  | \$ 5,621  | N/A       | N/A       |
|                                     | Total            | \$ 14,208  | \$ 14,801 | \$ 10,150 | \$ 13,189 | \$ 9,785  | \$ 11,501 | \$ 16,451 | N/A       | N/A       |
| % disability rate                   |                  | 0.7%       | 7.0%      | 3.1%      | 1.7%      | 7.7%      | 4.4%      | 5.0%      | 2.0%      | 0.0%      |
| <b>Specific Learning Disability</b> | SE               | \$ 8,271   | \$ 7,197  | \$ 2,132  | \$ 3,984  | \$ 4,613  | \$ 4,308  | \$ 9,148  | \$ 5,655  | N/A       |
|                                     | GE               | \$ 6,568   | \$ 6,103  | \$ 5,905  | \$ 5,068  | \$ 4,960  | \$ 5,338  | \$ 5,932  | \$ 5,771  | N/A       |
|                                     | Total            | \$ 14,839  | \$ 13,301 | \$ 8,037  | \$ 9,052  | \$ 9,573  | \$ 9,647  | \$ 15,080 | \$ 11,425 | N/A       |
| % disability rate                   |                  | 56.1%      | 58.0%     | 44.2%     | 42.7%     | 43.4%     | 53.1%     | 54.9%     | 38.5%     | 62.3%     |
| <b>Speech/Language Impairment</b>   | SE               | \$ 8,814   | \$ 5,271  | \$ 3,141  | \$ 3,594  | N/A       | \$ 4,734  | \$ 7,251  | N/A       | N/A       |
|                                     | GE               | \$ 4,958   | \$ 6,051  | \$ 6,316  | \$ 4,744  | N/A       | \$ 3,693  | \$ 6,058  | N/A       | N/A       |
|                                     | Total            | \$ 13,772  | \$ 11,322 | \$ 9,457  | \$ 8,337  | N/A       | \$ 8,427  | \$ 13,309 | N/A       | N/A       |
| % disability rate                   |                  | 23.7%      | 18.1%     | 17.3%     | 26.5%     | 22.0%     | 20.4%     | 14.4%     | 20.0%     | 11.1%     |
| <b>Traumatic Brain Injury</b>       | SE               | \$ 13,999  | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                     | GE               | \$ 5,886   | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                     | Total            | \$ 19,885  | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
| % disability rate                   |                  | 0.0%       | 0.2%      | 0.2%      | 0.3%      | 0.2%      | 0.2%      | 0.3%      | 0.2%      | 0.0%      |
| <b>Visual Impairment/Blindness</b>  | SE               | N/A        | \$ 9,273  | \$ 3,149  | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                     | GE               | N/A        | \$ 6,107  | \$ 5,327  | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
|                                     | Total            | N/A        | \$ 15,380 | \$ 8,476  | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
| % disability rate                   |                  | 0.2%       | 0.3%      | 0.5%      | 0.6%      | 0.4%      | 0.4%      | 0.5%      | 0.5%      | 0.4%      |
| <b>Average<sup>52</sup></b>         | SE               | \$ 11,478  | \$ 9,380  | \$ 5,333  | \$ 6,157  | \$ 7,093  | \$ 5,633  | \$ 12,507 | \$ 6,316  | \$ 16,860 |
|                                     | GE               | \$ 5,764   | \$ 5,670  | \$ 5,096  | \$ 4,691  | \$ 4,120  | \$ 4,481  | \$ 5,233  | \$ 4,810  | \$ 3,116  |
|                                     | Total            | \$ 17,242  | \$ 15,050 | \$ 10,429 | \$ 10,848 | \$ 11,213 | \$ 10,114 | \$ 17,740 | \$ 11,126 | \$ 19,976 |

<sup>52</sup> Includes students in homebound/hospital programs and students in non-public institutions or agencies.

Table 18 provides the total (general and special) education expenditure per special education student, by disability and educational environment. Unfortunately, the sample sizes by disability and by educational environment were only sufficient for a limited number of educational environments. Nonetheless, several comparisons can be made. The average per student expenditure across all disabilities and preschool within the *general education class* environment is \$13,834. This expenditure is higher for the *resource room* environment, at \$14,315 and for the *separate special education class* environment, at \$15,780 per student. Note that these expenditures are lower than the average expenditure of \$17,500 per student (as shown in Table 2) due to the fact that this table does not include externally placed students, nor students in homebound or hospital placements.

**Table 18**

**Total Expenditure per Special Education Student,  
by Disability and Educational Environment, Ages 3-22, 1999-00<sup>53</sup>**

|                              | General Education Class | Separate Special Education Class | Resource Room |
|------------------------------|-------------------------|----------------------------------|---------------|
| Emotional Disturbance        | \$15,567                | -                                | -             |
| Multiple Disabilities        | \$15,143                | -                                | -             |
| Specific Learning Disability | \$13,047                | -                                | \$13,915      |
| Average Overall              | \$13,834                | \$15,780                         | \$14,315      |

Table 19 provides total (general and special) education expenditure and additional expenditure information per special education student, by tier and educational environment. This table informs a discussion on the additional expenditures of the least restrictive environment as compared to other environments. Unfortunately, the sample size only allowed for tier data to be disaggregated by two environments (*general education class* and *resource room*), although an overall average is provided for the *separate special education class* setting as well. This table shows that expenditures for the *general education class* become higher with each tier, from \$12,910 per student in Tier 2, to \$17,868 in Tier 4. The overall average for the environments are as follows: *General education class*, \$13,834, *separate special education class*, \$15,780, and *resource room*, \$14,315. This table also shows the additional expenditures per environment, which is the difference between the overall average cost of the environment and the estimated expenditure per general education student (\$9,229, as shown in Table 9). The *separate special education class* is associated with the highest additional expenditure, at \$6,551.

<sup>53</sup> The sample sizes by disability, by educational environment, were only sufficient in size for the 3 disability categories listed above. Dashes in cells indicate an insufficient sample size. Total expenditure figures in this table exclude transportation.



**Table 19****Total and Additional Expenditure per Special Education Student, by Tier and Educational Environment, Ages 3-22, 1999-00<sup>54</sup>**

| <b>Educational Environment</b>   | <b>Tier<br/>2</b> | <b>Tier<br/>3</b> | <b>Tier<br/>4</b> | <b>Overall<br/>Average</b> | <b>Additional<br/>Expenditure<sup>55</sup></b> |
|----------------------------------|-------------------|-------------------|-------------------|----------------------------|--|
| General Education Class          | \$12,910          | \$13,970          | \$17,868          | \$13,834                   | \$4,605  |
| Separate Special Education Class | -                 | -                 | -                 | \$15,780                   | \$6,551  |
| Resource Room                    | \$14,203          | \$14,003          | -                 | \$14,315                   | \$5,086  |

***Special Education Spending by Service Category***

Tables 20a and 20b present data on special education and general education services provided for special education students, for school-aged and preschool students, respectively. These services are divided into a variety of categories: district central office administration and support, facilities, school administration and support, direct instruction and related service personnel, non-personnel, assessment, summer school, and transportation. These tables also provide expenditure information for services provided to students placed in non-public institutions or other public agencies and for whom the public school district pays tuition or transfers funds, and also for students placed in homebound and hospital programs.

For five of the service components for school-aged students (Table 20a), and for four of the components for preschool students (Table 20b), both special education expenditures and general education expenditures are presented. General education spending for special education students is not shown for some components, as it is considered not applicable for special school administration and support, assessment services, and homebound and hospital programs. General education spending is also not shown for students placed in public or non-public institutions or other public agencies and for whom the public school district pays tuition and fees or transfers funds. General education spending is considered as non-applicable because these service categories are specifically designed for special education students. Furthermore, data on general education summer school programs were not collected.

To determine the expenditures associated with each service, data from the district and student files were combined to determine the special and general education expenditures for school-aged and preschool special education students. In Table 20a, column 2 shows the average per student special education expenditure by service for school-aged special education students receiving

<sup>54</sup> The sample sizes by educational environment and ABILITIES Index were only sufficient in size for the 3 educational environments listed above. Dashes in cells indicate an insufficient sample size. Includes preschool; does not include transportation. The total expenditure figures in this table exclude transportation. Does not include external placements, nor students in homebound or hospital programs.

<sup>55</sup> Additional expenditure is the difference between the overall average minus the estimated expenditure per general education student (\$9,229), which is provided in Table 9. This expenditure of \$9,229, however, includes transportation.

services, and column 3 shows the estimated number of students who receive these services. Columns 4 and 5 show the per student general education expenditures for special education students and the estimated number of students receiving each service, respectively. Table 20a also shows the total expenditure by service category and the percentage of total spending that is attributed to each service category (columns 7 and 8). Expenditures by service are also estimated for preschool special education students, as shown in Table 20b. The per student expenditures in both tables were calculated using weighted averages based on the estimated total number of students receiving each type of service.

For school-aged students, Table 20a shows that a total of \$3.2 billion is spent on special and general education services for school-aged special education students in New Jersey. The estimated average expenditure per student for the special education portion of the district central office administration and support is \$1,270, with the general education component of district administration estimated at \$685. Special school administration expenditures refer to spending on the administration of special schools operated by the public school district. This per student expenditure was not reported, as the sample size was too small. General school administration expenditures refer to spending on the administration of general schools operated by the public school district. The general school administration expenditure is estimated to be \$1,529 per special education student.

A fourth category of expenditure is for facilities. The total per student expenditure for facilities is \$1,955 and comprises 11.3 percent of total education expenditures for special education students. Another category of service expenditures includes direct instruction and related service personnel. The total general and special education expenditure for this category of services for a special education student is \$7,756. The total expenditures for direct instruction and related service personnel account for the largest portion (40.4 percent) of the total expenditures for school-aged special education students.

A costly expenditure for school-aged students is tuition, fees, and related service personnel for non-public schools or other public agencies. At \$696 million, this category accounts for almost 22 percent of the total expenditures for school-aged special education students.

Table 20b shows that a total of approximately \$299.8 million was spent on educational services, both special and general, for preschool students in New Jersey in 1999-2000. The total general and special education expenditures per preschool student on direct instruction and related services are lower than expenditures for the same services provided to school-aged students: \$5,001 and \$7,756, respectively. Almost one-fourth of the total expenditures for preschool students are used for direct instruction and related service personnel. The next largest expenditure is for students in non-public institutions or agencies, which account for 21.8 percent of the total expenditures for preschool special education students.

**Table 20a**  
**Special and General Education Spending for School-Aged Special Education Students in New Jersey, by Service, 1999-00<sup>56</sup>**

| Service<br>(1)  | Special Education Services for<br>Special Education Students |  | General Education Services for<br>Special Education Students |  | Total Average<br>General and<br>Special Education<br>Expenditure Per<br>Student Served<br>(6) | Total General and<br>Special Education<br>Expenditures for<br>Special Education<br>Students<br>(7) | Percentage of<br>Total<br>Education<br>Expenditures<br>(8) |
|---|--|--|--|--|---|--|--|
|   | Expenditure Per<br>Student Served<br>(2)                     | Total Estimated<br>Population of<br>Students Served<br>(3) | Expenditure Per<br>Student Served<br>(4)                     | Total Estimated<br>Population of<br>Students Served<br>(5) |   |  |  |
| District Central Office Administration and Support <sup>57</sup>                            | \$1,270  | 186,317  | \$685  | 186,317  | \$1,955   | \$364,249,735  | 11.3%  |
| Facilities <sup>58</sup>  | \$545  | 186,425  | \$1,410  | 186,425  | \$1,955   | \$364,460,875  | 11.3%  |
| School-Aged Students in Schools Operated by the Public<br>School District                   |  |  |  |  |   |  |  |
| Special School Administration and Support <sup>59</sup>                                     | See footnote   |  | Not a general education expenditure                          |  | See footnote  | \$1,349,676  | 0%   |
| General School Administration and Support <sup>60</sup>                                     | Not a special education expenditure                          |  | \$1,529  | 176,943  | \$1,529   | \$270,545,847  | 8.4%   |
| Direct Instruction and Related Service Personnel <sup>61</sup>                              | \$5,698  | 167,411  | \$3,002  | 120,600  | \$7,756   | \$1,298,436,856  | 40.4%  |
| Non-Personnel Items <sup>62</sup>   | \$225  | 120,697  | \$207  | 116,959  | \$426   | \$51,367,338   | 1.6%   |
| Assessment <sup>63</sup>  | \$65   | 186,425  | Not a general education expenditure                          |  | \$65  | \$12,117,625   | 0.4%   |
| Summer School Programs  | \$979  | 5,498  | Data not available <sup>64</sup>                             |  | \$979   | \$5,382,542  | 0.2%   |
| Transportation  | \$5,118  | 23,506   | \$582  | 46,622   | \$3,162   | \$147,437,712  | 4.6%   |
| Homebound and Hospital Programs <sup>65</sup>   | \$2,125  | 1,224  | Not a general education expenditure                          |  | \$2,125   | \$2,600,512  | 0.1%   |
| School-Aged Students Placed in Non-Public Schools or<br>Other Public Agencies <sup>66</sup> |  |  |  |  |   |  |  |
| Tuition, Fees, and Related Service Personnel  | \$39,145   | 17,788   | Not a general education expenditure                          |  | \$39,145  | \$696,311,260  | 21.7%  |
| <b>Total Special and General Education Expenditure for<br/>Special Education Students</b>   | \$11,478   | 186,425  | \$5,764  | 186,425  | \$17,242  | \$3,214,260,466  | 100%   |

<sup>56</sup> The numbers in this table are weighted averages based on the estimated total population of students served in each category. See footnote to Table 2 regarding count of students upon which these analyses are based.

<sup>57</sup> District central office expenditures support all students residing within the district, regardless of placement, except for students in homebound and hospital programs and special schools.

<sup>58</sup> Expenditures on facilities are estimated using data from a variety of sources about the space requirements for different types of classroom and non-classroom buildings within districts, the cost per square foot of construction, and the average ages of school buildings in different parts of the country. Facilities expenditures for students placed in non-public schools or other public agencies include only expenditures for central office facilities. Expenditures for classroom space are only applied to students served within schools operated by the public school district.

<sup>59</sup> Special education expenditures for school administration refer to administration expenditures for special schools operated by the public school district. The estimate for this service is included in the total expenditure calculation, but not per student because the sample size for this estimate is too small to be reported in isolation.

<sup>60</sup> General education expenditures for school administration refer to expenditures for general education schools operated by the public school district.

<sup>61</sup> Students in homebound and hospital programs are not included under this service category.

<sup>62</sup> Associated with direct instruction and related service personnel.

<sup>63</sup> Assessment services included in this figure are provided by special education consulting teachers, psychologists, counselors, and social workers assigned to schools. Expenditures for assessment services provided by other personnel (i.e., district central office staff and general and special education teachers) are included in the expenditure data for district central office administration and support and direct instruction and related service personnel. Note that a substantial portion of the time spent by teachers and district central office staff is for assessment activities. Hence, the majority of expenditures for assessment are associated with these staff members. Thus, these data are not the total expenditures for assessment services. The data do not allow the school-aged and preschool assessment expenditures to be disaggregated. However, the assessment expenditures apply primarily to school-aged students. Students placed in non-public schools or other public agencies and students in homebound and hospital programs are not included in the estimate.

<sup>64</sup> Data are not available for summer school programs funded by general education; therefore no general education expenditure or estimated population served are provided.

<sup>65</sup> Homebound and hospital programs are not funded by general education. The data do not allow the school-aged and preschool homebound and hospital program expenditures to be disaggregated. However, we assume that the homebound and hospital program expenditures apply primarily to school-aged students.

<sup>66</sup> These students are served at a non-public institution or other public agency, excluding state special schools, for which the public school district pays tuition or transfers funds.

**Table 20b**  
**Special and General Education Spending for Preschool Special Education Students, by Service, 1999-00<sup>67</sup>**

| Service<br>(1)   | Special Education Services for<br>Special Education Students |  | General Education Services for<br>Special Education Students |  | Total General and<br>Special Education<br>Expenditure per<br>Student Served<br>(6) | Total<br>Expenditures<br>for General<br>and Special<br>Education<br>(7) | Percentage of<br>Total<br>Education<br>Expenditures<br>(8) |
|--|--|--|--|--|--|---|--|
|  | Expenditure per<br>Student Served<br>(2)                     | Total Estimated<br>Population of<br>Students Served<br>(3) | Expenditure<br>per Student<br>Served<br>(4)                  | Total Estimated<br>Population of<br>Students Served<br>(5) |  |   |  |
| District Central Office Administration and Support <sup>68</sup>                                       | \$1,756  | 14,378   | \$686  | 14,378   | \$2,442  | \$35,111,076  | 11.7%  |
| Facilities <sup>69</sup>   | \$571  | 14,378   | \$1,659  | 14,378   | \$2,230  | \$32,062,940  | 10.7%  |
| Preschool Students in Schools Operated by the<br>Public School District                                |  |  |  |  |  |   |  |
| General School Administration and Support  | Not a special education<br>expenditure                       |  | \$1,629  | 14,378   | \$1,629  | \$23,421,762  | 7.8%   |
| Direct Instruction and Related Service Personnel   | \$4,048  | 11,955   | \$1,537  | 13,970   | \$5,001  | \$69,870,512  | 23.3%  |
| Non-Personnel Items <sup>70</sup>  | \$766  | 11,955   | \$93   | 10,960   | \$851  | \$10,176,810  | 3.4%   |
| Summer School Programs   | \$979  | 4,313  | Data not available <sup>71</sup>                             |  | \$979  | \$4,222,819   | 1.4%   |
| Transportation   | \$4,444  | 13,390   | Data not available <sup>72</sup>                             |  | \$4,444  | \$59,505,160  | 19.8%  |
| Preschool Students Placed in Non-Public Schools or<br>Other Public Agencies <sup>73</sup>              | See Footnote   | 2,340  | Not a general education expenditure                          |  | See Footnote   | See Footnote  | 21.8%  |
| <b>Total Special and General Education<br/>Expenditure for Special Education Students<sup>74</sup></b> | \$15,317   | 14,378   | \$5,538  | 14,378   | \$20,855   | \$299,852,174   | 100%   |

<sup>67</sup> The numbers in this table are weighted averages based on the estimated total population of students served in each category. See footnote to Table 2 regarding count of preschool students upon which these analyses are based.

<sup>68</sup> District central office expenditures support all students residing within the district, regardless of placement, except for students in homebound and hospital programs and special schools.

<sup>69</sup> Expenditures on facilities are estimated using data from a variety of sources about the space requirements for different types of classroom and non-classroom buildings within districts, the cost per square foot of construction, and the average ages of school buildings in different parts of the country. Facilities expenditures for students placed in non-public schools or other public agencies include only expenditures for central office facilities. Expenditures for classroom space are only applied to students served within schools operated by the public school district.

<sup>70</sup> Associated with direct instruction and related service personnel.

<sup>71</sup> Data are not available for summer school programs funded by general education; therefore no general education expenditure or estimated population served are provided for this service.

<sup>72</sup> Data are not available for transportation funded by general education; therefore no general education expenditure or estimated population served are provided for this service.

<sup>73</sup> Due to an insufficient sample size, expenditure data cannot be reported separately. However, total expenditures are included in the total.

<sup>74</sup> Includes students in non-public institutions or agencies, and students in homebound/hospital placements. Sample sizes for these students were insufficient in size to show expenditure information separately.

### III. Response to State Policy Questions

*Research Question a) What is the current distribution of eligibility criteria in each New Jersey tier for state aid?*

The tier eligibility criteria for alternative levels of special education funding per student are shown in Exhibit I. These criteria are largely based on the student's category of disability. For example, most students within the category specific learning disability (SLD) will be assigned to Tier 2, most students with visual impairment will be assigned to Tier 3, and children with autism are assigned to Tier 4. The major exception to alignment between category of disability and funding tier is in the category, mental retardation (MR). Students in this category are designated as mild, moderate, and severe, and are assigned to Tiers 2, 3, and 4, respectively. In addition, students from any category of disability may be designated as eligible for Tier 4 funding if they meet certain service-based criteria, e.g. if they receive certain specified intensive services (see Exhibit I). Tier 1 funding serves as a supplement for students receiving related service, and cannot be a primary assignment. All students receiving Tier 1 funding have a primary assignment in Tiers 2, 3, or 4, and hence receive funds from both Tier 1 and their assigned tier.

It can be seen that these funding criteria are strongly, but not completely, linked to category of disability. Under most categories of disability, students can receive a primary assignment to one of two tiers. For example, a child with SLD can have a primary tier assignment of 2 or 4, but not 3. A child with visual impairment can have a primary assignment of 3 or 4, but not 2. The primary exceptions to the general rule that disability categories link to one of two primary tiers are children with autism and with mental retardation. Autism is specified strictly as a Tier 4 assignment, while, as mentioned, children with MR can be assigned to any one of the three primary tiers.

This range of possible linkages between funding tier and category of disability seems to be one factor underlying the first research question for this study, how does the current distribution of students by tier align with what is specified under state law? (Note that the state does not collect information on this relationship.) As discussed earlier in this report, and as shown in Tables 1a and 1b, the actual assignment of children to tiers does not always conform to state criteria as shown in Exhibit I.

For example, after reassigning the tier assignments given us by the sample districts according to DOE and funding formula criteria, Table 1a shows all students with autism as assigned to Tier 4. However, based on what the districts reported they were actually doing, three of the ten students with autism were shown to have designations of Tier 2 or 3. Similarly, nine of 23 students with emotional disturbance were reported as assigned to Tier 2 even though state criteria seem to rule out such an assignment. As described earlier in this report, 84 of the 269 students for whom districts reported tiers appeared to have assignments that do not conform to the criteria shown in Exhibit I. This suggests a serious disparity in regard to the actual distribution of students by funding tier as compared to what is specified under the state's funding provisions.

Another way to examine tier assignments in relation to student characteristics is the degree to which higher tier assignments correspond to student severity, as indicated by the Abilities Index described earlier in this report. Table 12a shows this relationship for the 601 students for whom Ability Index ratings were provided. Note that the alignment of funding tier and Abilities Index group, shown in this table, is based on tier assignments as adjusted by the DOE criteria, and not those provided by the districts. The data from Table 12a are shown in percentile form in Table 21 below. As shown, as the students' disabilities become more severe, they are more likely to be placed in a higher tier.

**Table 21****Percentage of Special Education Students by Tier and Abilities Index Group, Ages 3-22, 1999-00**

|  | <b>Tier 2</b> | <b>Tier 3</b> | <b>Tier 4</b> |
|--|---------------|---------------|---------------|
| <b>Group I<br/>(Mild to Moderate Disability)</b>     | 82.9%         | 17.1%         | 0.0%          |
| <b>Group II<br/>(Moderate to Severe Disability)</b>  | 64.7%         | 34.0%         | 1.3%          |
| <b>Group III<br/>(Severe to Profound Disability)</b> | 25.1%         | 39.1%         | 35.8%         |

Based on this observation, one might conclude the relationship between severity and funding tier to be fairly strong. However, another point of view might be that this alignment is fairly weak. For example, while one might expect a majority of the “severe to profound” students to be categorized in Tier 4, in fact, a slightly higher percentage of these students is found in Tier 3 (39.1 percent) as compared to Tier 4 (35.8 percent), with the percentage of Tier 2 students (25.1 percent) not far behind. Overall judgment regarding the appropriateness of the relationship between severity and the state’s funding tier system must lie with policy makers in regard to their objectives in formulating this approach to special education funding.

How do these patterns correspond to special education spending? Tables 13a and 13b suggest an overall correspondence between spending per student by degree of severity, with more being spent on average on the “severe to profound” students than on the “mild to moderate.” It is important to keep in mind, however, that this table shows students assigned to tiers according to state criteria rather than actual district practice. Even with state tier assignments, spending within tier does not seem to vary as might be expected by ABILITIES measures of severity for Tier 2, as they do for Tiers 3 and 4.

Also relevant to this discussion is the relationship between eligibility categories and the Abilities Index, as shown in Table 15. Many of the cells in this table are blank because the number of respondent students within a given category of disability, further broken out by three categories of severity, was not large enough to produce an expenditure estimate. Only specific learning disabilities and other disabilities (which includes mental retardation, hearing impairment, orthopedic impairment, visual impairment, and deaf-blindness combined) included enough students to allow breakouts across all three severity groups.

This table also shows a relationship between certain categories of disability, severity, and spending – the basic underlying principle upon which the tier funding system is based. For example, most students with specific learning disability are found in severity groups I and II, which would be expected of this disability, which is normally associated with less severe conditions. On the other hand, more students with specific learning disability are in severity group II than group I. This is somewhat counter intuitive as well as the fact that the average spending per SLD student showing mild to moderate disability is slightly higher (\$13,663) than those showing moderate to severe (\$13,101). However, the categories of disability in the “other disabilities” category, which are generally associated with more severe conditions, show more students in the highest severity group. In addition, spending per student rises across this category as severity increases.

Once again, however, whether the degree of alignment between degree of severity and tiers is sufficient to justify a certain set of policies dependent on this relationship must be determined by the overall goals of the policy makers who developed this approach. A perfectly aligned system is not obtainable and not to be expected. The degree of alignment shown in this table, however, must at least be considered open to question. Nearly two-thirds of students with specific learning disability fall into the higher two severity groupings, while about 40 percent of the students in the more “severe” categories included with “other disabilities” are not in the highest category of severity.

The impression of the research team in reviewing these numbers is that the current eligibility criteria are not particularly well suited to match variation in student need. On the other hand, this is to be expected and therefore may not provide new information for the state. All of the prior national studies on special education spending have shown a considerable range of spending within each category of disability. For example, some students with severe visual impairment require less costly interventions than some students with learning disabilities, even though on average spending for students with visual impairments will be higher. Thus, a formula like the New Jersey tier system, which links funding to category of disability, has this disadvantage from the onset. Again, however, the linkage between state aid and need (severity of condition) is not perfect in any special education funding system, and is just one factor to consider in evaluating the state’s current approach to special education funding.

Other states also have funding linked to categories of disability. In New Jersey, however, this relationship is further complicated by the confusion that appears to accompany the formula. If the tier assignment for a student is supposed to link directly to the category of disability for this child, it seems that this is not well understood by many special education practitioners in the state, as borne out by the data shown in Tables 1a and 1b.

In conclusion, the biggest obstacles to analyzing eligibility criteria by New Jersey funding tier is the ambiguity associated with determining tier assignments for students and the lack of centralized data for evaluating the accuracy of these assignments. Tiers associated with categories of disability have an inherent weakness given the variations in cost for students within these categories, but these problems seem exacerbated, rather than ameliorated, by the further stipulations associated with how students are to be assigned to tiers. The data presented in this report strongly suggest that these criteria are not well understood, or consistently applied, by local districts. In addition, without state-level data regarding the characteristics of children assigned to each tier and the services they receive, it is difficult to evaluate the overall efficacy of this system of classifying children.

The study team recommends clarifying the tier classification criteria so they can be better understood and applied in districts throughout the state, the collection of data regarding the characteristics of children assigned to each tier by district, and the possible use of the ABILITIES Index to obtain a more objective measure of student severity. Once implemented, this index could provide an ongoing check of the alignment between student severity and funding or could eventually replace or supplement category of disability as the primary determinant for the assignment of funding tiers.

*Research Question b) How appropriate are the eligibility criteria in each tier in terms of similarity in the costs of programs typically provided to those student?*

As further elucidated by the NJ DOE, this question asks whether children within varying categories of disability, for example, multiple disabilities and speech and language impairment, have similar costs and, therefore, should be classified in the same tier. The source for considering the appropriateness of the way the categories of disability have been divided into the various funding tiers is Table 16. This table shows total spending by category of disability as well as the relative general and special education components.

As every student is entitled to, and receives, base general education funding, total spending by category of disability appears to be the best indicator of the special education supplement that is needed.

As shown in Exhibit I, the greatest amount of special education funding is for students in Tier 4, with less aid associated with Tier 3 funding, and the lowest level of funding in Tier 2.<sup>75</sup> Based on these data, the grouping by category of disability found in the tier funding system does not appear to be fully in line with their relative expenditures. For example, while traumatic brain injury is included under Tier 2, average spending for children within this category of disability is in the middle range of these shown in Table 16. On the other hand, the category of disability with the lowest level of spending on average, speech and language impairment, is included in Tier 3. Although autism, which shows the highest level of overall spending, is in Tier 4, multiple disabilities shows the second highest level of average spending and is in Tier 3.

Retaining the current tier system, how might category of disability best be aligned by tier? Based on the data shown in Table 16, specific learning disability, speech and language impairment, and other health impairment might best constitute the Tier 2 funding category. Tier 3 might include emotional disturbance and traumatic brain injury. Tier 4 might best include a number of categories for which the sample size of respondents was too small to calculate individual estimates. These categories include mental retardation, hearing impairment, orthopedic impairment, visual impairment, and deaf-blindness. All of these categories might be placed in the highest funding tier, or additional guidance might be sought regarding the average spending across the nation for these categories of disability. Because these national spending estimates by category of disability have not yet been released by the U.S. Department of Education, they are not included in this report. However, they should be released later this year and could provide the basis for a more complete consideration of this question.

*Research Question c) What is the current relationship between state funding and the additional expenditure of programs in each tier?*

The most appropriate measure for evaluating the tier relationship is to consider total spending on special education students by tier in relation to estimates of the total revenues they generate. Nearly all special education students receive a combination of special and general education services and all generate general as well as special education revenues. Therefore, total spending on a special education student as compared to total spending on a general education student would seem the best indicator of whether the amounts of special education funding awarded through the state formula are sufficient to meet the supplemental needs of the state's special education students.

Tables 9a and 9b provide the best source of information for examining this question. The average special education revenues shown in Table 9a are calculated by starting with base revenue amounts by tier as specified in the state formula of \$3,155, \$4,207, and \$12,620 (see Exhibit I). These are shown in row D1 of Table 9a. To add Tier 1 funding to these revenue estimates by tier, an estimate of the average number of Tier 1 services for each sample student was produced. For example, based on the average number of Tier 1 services reported for students with a primary assignment of Tier 2, an estimate of .26 was derived (i.e., about one of every four Tier 2 students also received a Tier 1 service). To derive an estimate of average total special education revenue per student, this average number of Tier 1 services (e.g., .26 for Tier 2) was multiplied by the Tier 1 funding amount per service received of \$300 (see Exhibit I). Using these procedures, a total average state special education revenue amount was derived for Tier 2, 3, and 4 students of \$3,233, \$4,465 and \$12,968, respectively (see line D3 of Table 9a). Combined with an average federal special education revenue amount of \$610 per student, the total average special education

<sup>75</sup> According to the New Jersey special education funding tier system, funding is \$3,155 per Tier 2 student, \$4,207 per Tier 3 student, and \$12,620 per Tier 4 student.



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revenue amount per student is \$3,843 for Tier 2 students, \$5,075 for Tier 3 students, and \$13,578 for Tier 4 students.

In addition to these special education revenue amounts, an estimate of average general education spending in the state was derived. Because general education revenue amounts vary by district and are comprised of local as well as state funds, producing a single measure of general education support is not straightforward. The estimate of average general education spending shown in Table 4, \$9,229, was produced through the SEEP analysis based on the programmatic data and costs provided for the sample of SEEP students. Based on these data, this average expenditure for a “general education child,” i.e. one not in a special categorical program such as bilingual, special, or compensatory education, was estimated.

We believe that this is the most appropriate gauge for measuring marginal spending on special education students by tier because every special education student should be entitled to some level of base funding. Furthermore, a special education student who is also an English learner would be entitled to the same base level of funding as every other child (from some mix of state and local funds) and would generate additional special education and bilingual categorical funding. Hence, in calculating a base amount from which marginal special education spending can be derived, it seems inappropriate to include other categorical funding sources, which would also be added onto this base amount if a student qualifies for more than one categorical program. This estimate of average base-level general education spending is important because it also includes the expected level of local support for special education students, i.e. total base support should be equal to that being allocated, on average, to a general education student. This base amount will come from a combination of state and local funds that will vary substantially by district based on local wealth.

Staff at the New Jersey DOE used fiscal information from the state to try and develop an independent estimate of base funding received by the average general education student in the state. In contrast to the SEEP derived estimate of \$9,229, these analyses produced the base funding estimate of \$10,030, which is presented in Table 9b (sections G & H). Using this same fiscal information from the state, however, the research team for this study derived an alternate estimate of average general education spending of \$8,627 (not shown). One difference between the two estimates is the deduction of spending for bilingual education and state facility tuition, which state staff believe should be included in general education, and the study team did not. AIR also used the full count of school-age children in the state as the divisor for deriving average general education spending, while the NJ DOE divisor subtracts special education students. The SEEP derived estimate of \$9,229 falls midway between these two estimates of \$10,030 and \$8,627 using state data and is the number with which we have the most confidence because it was independently derived using data collected through this study. However, the state may have more confidence in its own base number, and thus Table 9b also reflects the \$10,030 estimate of general education spending per student provided by the state so the impact of both estimates can be seen.

As described by Department officials, the state’s funding tiers are intended to fully cover additional expenditures for special education pupils. To know if this is occurring, an overall general education expenditure estimate is subtracted from the total estimated expenditure by tier to determine marginal expenditures.

Based on the SEEP estimate of what is being spent for a general education child receiving no supplemental categorical resources through local and state funding (\$9,299), marginal spending on all special education students- both those served inside as well as outside their local public school district- for Tiers 2 through 4 is \$4,158, \$8,646, and \$16,521, respectively (Table 9b, line E2). Using the state’s estimate of base general education funding of \$10,030, marginal spending on all special education students is \$3,357, \$7,845, and \$15,720, respectively, for Tiers 2, 3, and 4 (Table 9b, line G2).

If the state tier aid, along with federal special education support, is designed to fully cover the average supplemental cost for special education, the SEEP-based estimates indicate that in the year of this analysis, it was nearly sufficient for this purpose for all Tier 2 students (which includes both those served inside as well as outside their local public school district). Using SEEP data, Table 9b shows marginal Tier 2 spending to exceed average special education revenues, being underfunded by \$315 (\$4,158 less \$3,843, Table 9b, row F1a). Conversely, based on the Department's estimate, Tier 2 students are overfunded by an average of \$486 (row H1a). Both the SEEP and the Department estimates show substantial under funding, on average, for all Tier 3 and 4 students (rows F1a and H1a of Table 9b).

Table 9b also shows marginal spending by type of district placement, which provides a clearer picture as to which students are adequately funded by the current state revenue funding system. For students served inside their local school district, using the SEEP estimate of general education spending, Tier 2 and 3 students appear to be somewhat underfunded, whereas Tier 4 students appear to be overfunded by \$4,854 (row F2a). For students served outside their local school district, Tier 2 students are overfunded by \$3,154, and Tier 3 and 4 students are considerably underfunded, by \$25,981 and \$15,656, respectively (row F3a).

Using the state-derived general education spending amount for students served inside their local public school district, Tier 2 and 3 students are somewhat overfunded, whereas Tier 4 students are overfunded by \$5,655 (row H2a). Tier 2 students served outside their local public school district are overfunded (by \$3,731) and Tier 3 and 4 students are greatly underfunded (by \$25,180 and \$14,855, respectively; row H3a).

Table 22 provides an overall picture of special education spending statewide in relation to special education support. The first line shows total estimated spending, for special and general education services less transportation, for special education students of about \$3.3 billion. The second line shows an estimated level of general education spending on special education students using SEEP and DOE estimates of the average general education expenditure. Depending on which measure is used, these estimates range from \$1.85 to \$2 billion. This results in estimated marginal special education spending statewide of \$1.45 and \$1.29 billion. Total special education funding allocated by the state to districts for that year was reported as \$701 million. In addition, approximately \$128 million in federal special education funds were passed through to districts. Based on these data, \$625 or \$464 million in local revenues were used to support supplemental special education spending this year, depending on the use of the SEEP or DOE estimates of general education support. Based on these estimates, local districts are supporting about 43 or 36 percent of marginal special education spending.

Table 22

**Marginal Special Education Spending in New Jersey, Ages 3-22, 1999-00**  
**[Comparison of General Education Expenditure Estimates from SEEP and NJ DOE]**

|   | <b>SEEP General Education<br/>Expenditure Estimate<br/>(\$9,229)</b> | <b>NJ DOE General<br/>Education Expenditure<br/>Estimate (\$10,030)</b> |
|---|--|---|
| <b>Marginal Special Education Expenditure Less Transportation</b>                                   |  |   |
| Total Expenditure for Special Education Students (ages 3-22, less transportation) <sup>76</sup>     | \$3,307,169,768  | \$3,307,169,768   |
| Total Estimated General Education Spending for Special Education Students (ages 3-22) <sup>77</sup> | \$1,853,210,887  | \$2,014,054,090   |
| Marginal Special Education Expenditure  | \$1,453,958,881  | \$1,293,115,678   |
| <b>Share of Marginal Special Education Spending</b>   |  |   |
| State Special Education Revenues  | \$701,122,576 (48.2%)  | \$701,122,576 (54.2%)   |
| Federal Special Education Revenues  | \$127,610,853 (8.8%)   | \$127,610,853 (9.9%)  |
| Other State and Local Revenues  | \$625,225,452 (43.0%)  | \$464,382,249 (35.9%)   |

*Research Question d) What recommendations can be made regarding the eligibility category composition of each tier, the corresponding additional expenditures in each and the levels of state aid needed to cover the average additional expenditures in each recommended tier?*

One of the most striking findings from the data presented in this report is the apparent lack of understanding of school district staff in regard to eligibility by funding tier. When the New Jersey DOE reviewed the tier assignments for sample students as submitted by districts for the purposes of this study, their best estimate was that over 30 percent of them were wrongly assigned. Many of these errors were for students incorrectly assigned to Tier 2 funding, which seems particularly surprising, as the districts would benefit financially if these students were properly classified in a higher tier. This suggests that misunderstanding is at least as big of a cause for these incorrect assignments as any systematic attempts to maximize revenues.

These data suggest that the state needs to increase and improve information in regard to assigning special education students to funding tiers. It seems that the current system of making these assignments is handled somewhat remotely from where the initial and ongoing assessment of students occurs. For the purposes of this study, we were told that the teachers who provided all of the other information about their students would not know the funding tier to which these students were assigned. Because this information was only maintained in the district office, a rather intricate set of procedures was devised to allow us to find out the tier to which students in our sample were assigned. This substantially complicated

<sup>76</sup> This number is derived by subtracting total transportation expenditures for all students ages 3-22 (\$206,942,872; see Table 11) from total education expenditures for all special education students ages 3-22 (\$3,514,112,640; see Table 2).

<sup>77</sup> Lacking an estimate of general education spending for preschool, estimates for school-aged students were used. These numbers are derived by multiplying the respective general education per student estimate (\$9,229 or \$10,030) by the total population of special education students served in the state (200,803).

our efforts to gain reliable tier information for our student sample, as it does for the state. This distance between those who know the student well and those who make tier assignments partly explains the apparent discrepancies in tier assignments.

Along these same lines, given the strong theoretical linkage between tier and disability in the state formula, it is somewhat surprising that the state does not collect counts of students by tier by disability for districts across the state. Without this, the state appears to have no way to assess the extent to which districts are correctly classifying students by funding tier on an ongoing basis. While we suspect that these kinds of checks may be associated with state compliance reviews for districts, perhaps this is not sufficient to ensure any real accountability in terms of how the state funding tiers are being used by districts.

If the state's objective is to fully support marginal spending on special education through state and federal special education funding, it appears that it was falling short by about \$625 million or \$464 million for the year of this study (1999-2000), depending on whether the SEEP or the DOE estimate of general education spending is used. As mentioned, however, Tier 3 funding has increased by 40% since this time. Based on the revenue to expenditure gaps by tier shown in Table 9b we estimate a 40% increase in Tier 3 funding to fill about 50-60% of the disparity between average marginal special education spending and special education revenues for Tier 3 children. The estimated special education revenue disparity for Tier 4 children, as shown in Table 9b, however, remains. Based on these data, if the current tier basis for funding were retained, additional increases in Tier 3 and Tier 4 funding appears warranted.

A relatively high percentage of special education students in New Jersey are served outside their district of residence and at a much higher average expenditure than those served internally. The state may wish to recognize this expenditure differential in its funding formula, or it may wish to continue to ignore it, fearing the creation of a fiscal incentive to send even more students to placements outside the district. If the state wished to provide a fiscal incentive for districts to serve a greater number of students residing in their boundaries, funding severe, or high cost, students served within the district at a higher rate than those sent out of district for service could be considered.

If the state were to fully fund the marginal cost of special education, how might this best be done? First, regardless of the level of support for special education coming from the state, it is recommended that the state tier system be made less confusing so it can be consistently and uniformly applied by school districts throughout the state. We also recommend that the state collect data on the characteristics of special education children to include the funding tier to which they have been assigned. Without this information, it appears that it will be very difficult for the state to assess over time who is being assigned to what tier and the alignment between the funding allocated and student need for supplemental services.

In addition, if the state wishes to better articulate student need with state funding, some variation on the current tier system may be needed. As mentioned, the classification criteria underlying the current system are confusing and appear not to be well understood or uniformly applied by districts. In addition, category of disability is generally a fairly poor proxy for variations in expenditure. A better measure of severity the state may wish to consider is the Abilities Index, which was applied to the sample of students included in this study. Florida and Ontario, Canada are two jurisdictions currently using systems of this type. Other systems that are much less tightly linked to individual student costs, but can be used to fund students quite adequately on average, are census-based systems. In such a system, localities receive funding for special education based on total student enrollment or total school-aged population. An advantage to this approach is that it is much simpler to apply and maintain, easily understood by all, and it contains no incentives for placing students in one category of disability, or one form of placement, over another. Alternative approaches to special education funding, as well as some of the advantages and disadvantages of each, are described in Appendix G attached to this report.

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## **Appendix A**

### **National Special Education Expenditure Project (SEEP) Research Questions**

*National SEEP Research Questions*

**1. What are the detailed average special education and general education per student expenditures for special education students, and how do they vary by type of student, school, placement, district, and state?**

1.1 How much is spent on the identification and assessment of special education students?

- 1) What are the various forms of pre-referral activities (i.e., determining the initial eligibility of a potential special education student) currently in practice and what is spent on them?
- 2) What is spent on developing an IEP?
- 3) What is spent on maintaining an IEP?
- 4) What is spent on the assessment of special education students?
- 5) What is spent on developing standards to assess student performance?

1.2 What are the per student expenditures for personnel?

- 1) What is spent on instructional personnel?
- 2) What is spent on administrative personnel?
- 3) What is spent on other staff?

1.3 What are the per student expenditures for facilities, supplies, and technological supports?

1.4 What are the per student expenditures for transportation?

1.5 What are the per student expenditures for mediation and litigation?

- 1) What are the per student expenditures for implementation of due process, mediation, and dispute resolution?
- 2) What are the per student expenditures on litigation regarding placement decisions and what potential impact might this have on future expenditures on special education?
- 3) What is the relationship between expenditures on mediation and expenditures on litigation?

1.6 What are the resources devoted to meeting the needs of students diagnosed as severely emotionally disturbed?

1.7 What are the average per student expenditures devoted to encouraging parental involvement?

1.8 What are the per student expenditures for other indirect costs, administrative and otherwise?

1.9 What are the per student general education expenditures for special education students?

1.10 What are the expenditures on the various special education programs and services received by special education students (e.g., general education classroom placement, special classrooms, and therapies)?

1.11 How do the above expenditures vary by type of student, placement, school, district, and state?

1) Student characteristics:

Grade level

Age

Race/ethnicity

Gender

SES

Disability type

Cognitive/physical/behavioral needs

2) Placement type:

Integrated public school

Regular classroom

Resource room

Special classroom

Related service room

Separate public school

Private school

Residential

3) School characteristics:

Size

Type (e.g., elementary, secondary, charter, magnet, alternative, cluster)

Poverty level

Urban/suburban/rural status

Race/ethnicity

Language fluency

Quality (e.g., teacher credentials, teacher mobility, teacher-to-student ratios)

Environment (e.g., violence level, student mobility)

4) District characteristics:

Size

Poverty level



Urban/suburban/rural status

Race/ethnicity

SES (e.g., assessed property values per student, median household income)

District-to-school funding allocation formulas

District philosophy (site-based decision-making, amount of auxiliary services)

5) State characteristics:

State-to-district funding allocation formulas

State regulations regarding service provision

State policies regarding identification

State philosophy (devolution to districts)

**2. How do identification rates vary by type of school, district, and state?**

2.1 What are the identification rates for students with specific types of disabilities?

2.2 How do the above rates vary by type of school, district, and state?

**3. What are the emerging interactions among programs and blending of funds from education and other social service agencies to provide mandated services for students, and how do these vary by school, district, and state?**

3.1 How do special education programs and services interact with general education, Title I, programs for limited-English proficient (LEP) students, and programs for migrant populations?

3.2 What other kinds of social service agencies (e.g., public health, Medicaid, mental health, law enforcement, or social services) are involved in direct provision or financial support of services to special education students? What specific services are provided? To what extent do these other social service agencies provide financial support for services provided within the schools? For example, to what extent have districts pursued Medicaid billing? What are the implications of the schools being the payer of last resort?

3.3 How do these interactions with other programs and other social service agencies vary by level (elementary versus secondary), program (e.g., general education, Title I, LEP), or poverty of students (e.g., percent eligible for free lunch)?

3.4 What impact has the new flexibility to blend funds to implement school-wide projects had on resource allocation to special education?

3.5 What percentage of federal special education “set aside” funds (Sec. 619) is retained at the state and how are these funds utilized? To what extent are these funds utilized for

administration versus technical assistance, professional development, establishment of standards or assessment programs, or coordination with other programs?

**4. What are the expenditure and service implications of the newly reemphasized movement to serve special education students in the least restrictive environment?**

- 4.1 How do integration/mainstreaming practices vary by type of student, school, district, and state?
- 4.2 What are the excess expenditures on special education students in the LRE compared to other environments?
- 4.3 What impact does the movement towards more integrated/mainstreamed placements have on per student expenditures for the population of general education students who are affected?

**5. How does the funding and provision of special education compare to and affect the funding and provision of general education, and how does this vary by type of school, placement, district, and state?**

- 5.1 What is the share of total expenditure that goes to special education?
- 5.2 To what extent are special education resources used to serve general education students?
- 5.3 To what extent are general education resources used to serve special education students?
- 5.4 How do the above shares vary by type of school, placement, district, and state?
- 5.5 How, at the district level, does the amount spent on special education match up with the amount of resources targeted towards special education, and how does this vary by type of district and state?

**6. How has the distribution of resources allocated to special education changed in relation to other resources over time: specifically, how do present findings compare to findings of previous national studies, such as Moore et al. (1988)?**

- 6.1 How have per student expenditures for special education and general education services changed over the past decade, and has the ratio of special-to-general education expenditures per student changed?
- 6.2 How has the percentage of support for special education expenditures from federal, state, local public, and local private sources changed over time?

**7. What are the characteristics of and expenditures on programs and services for preschool special education students?**

- 7.1 What percentage of three-to-five year-old children identified as having special education needs are served in various settings (e.g., segregated public special education preschool, integrated public or private preschools, integrated or segregated public kindergarten)?
- 7.2 What are the per student expenditures for preschool students outlined in Question 1.1-12 above and how do these vary by the settings mentioned above and by the factors mentioned in Question 1.13?
- 7.3 What are the differences in the services provided to preschool special education students and K-12 special education students, and what are the implications of these differences for per student expenditures?
- 7.4 How are preschool services organized and funded by states? What are the implications of these provisions for the special education services provided?
- 7.5 What are state provisions regarding universal preschool, and what are the cost and service implications for the three-to-five year-old special education population?
- 7.6 How do preschool programs interact with other instructional or related service programs (e.g., Head Start) and how are these services coordinated?

**8. What are the total current and projected costs of special education?**

- 8.1 What is the total expenditure for special education services by SEAs? What is the total expenditure for special education services by LEAs? What is the total expenditure (in billions of dollars) for special education services in the U.S.?
- 8.2 What is the amount of fiscal year 1998 increased funding that was offset through states and local districts reducing planned increases in special education funding? Given the exceptions allowed under IDEA 1997 to the LEA requirement to maintain spending at the level of the prior year, what reductions in special education funding occurred in fiscal year 1998?
- 8.3 What is the expected offset of funding once the amounts appropriated for state grants exceed \$4.1 billion? In addition to the new exceptions to LEA maintenance of effort requirements, what is the expected impact of new provisions allowing localities to treat up to 20 percent of the increase in federal funds over the prior year as local funds once the amount exceeds \$4.1 billion?

**Appendix B**  
**National SEEP Sampling Plan**

## **National SEEP Sampling Plan**

The nationally representative study sample collected information about the implementation of special education programs in all of the states and in school districts and schools within those states. The Common Core of Data (CCD) Surveys served as the sampling frame for the selection of LEAs (school districts) and schools. This frame was updated with information, provided by contractors working on ongoing U.S. Department of Education sponsored research efforts. This additional information included lists of state schools for special education students (e.g., schools serving students with severe hearing and visual impairments) and lists of agencies that serve primarily or exclusively special education students (e.g., county offices of education, intermediate educational units, and other regional cooperative agencies).

**State Sample.** For each of the 50 states and the District of Columbia, existing documents and materials were collected on the use of state and federal special education funds (IDEA) at the state level and suballocations of state and federal special education funds to school districts and other agencies.

**District Sample.** A sample of 250 LEAs (school districts) was randomly selected, with a school district's probability of selection proportional to some function (e.g., the square root) of the total number of students enrolled in the district. These LEAs were selected from among the universe of approximately 14,000 general elementary and secondary school districts in the 50 states and the District of Columbia. The district sample was nationally representative of all school districts and was stratified to insure the inclusion of LEAs from every state and the District of Columbia.

**Sample of Intermediate Educational Units (IEUs).** In addition to the 250 general LEAs, we selected up to a maximum of 30 IEUs. These IEUs were selected from among those that serve students who reside in the 250 LEAs selected for the national sample and who were counted for state reporting purposes on the roles of the IEU. That is, only those IEUs that received funding directly from the state to support one or more of the students they served were included in the sample.

**Central office staff.** A 100 percent sample (up to a maximum of 6) central office staff were selected from each LEA to complete a survey about time allocation among various activities related to the administration and support of the special education program. These staff included the director of special education, all psychologists up to a maximum of 2, and the remainder from among other administrative and support staff.

**Base school sample.** The sample included 800 schools comprised of approximately 500 elementary schools, 200 secondary (i.e., middle, junior high, and high) schools, and 100 special education schools. Of the 100 special education schools, 50 were selected from general elementary and secondary school districts, up to 30 were selected from IEUs affiliated with the national sample, and 20 were selected from among the state schools for special education students. The number of elementary and secondary schools selected was proportional to the district's enrollment; however, a minimum of two elementary schools was selected in every district (except for districts with only a single school). This base school sample was used for comprehensive data collection. Information about all personnel and non-personnel resources used by the school to provide both general and special education services was collected. In addition, data from each school campus was collected about any personnel or non-personnel resources deployed through any arrangements with local consortia, cooperatives, or IEUs with which the district is affiliated.

**Clustered school sample.** An additional sample of about 50 elementary and 20 secondary schools offering what we refer to as "clustered programs" was selected. In these clustered programs, we collected data only on special education teachers and related service providers in special programs for high-cost and/or low incidence special education populations who have been clustered in selected elementary and

secondary schools located within the districts selected for the national sample. (That is, these schools were not targeted for the comprehensive data collection planned for the base school sample.) In these cases, special education students with certain low incidence disabilities or who exhibit severely involved disabilities were clustered into selected non-special education schools in order to take advantage of economies of scale in meeting their specific needs. These clustered schools were identified based on discussions with the director of special education in the district. The sample of clustered programs was selected based on a stratified sample determined by the various combinations of disabilities (both low and high incidence) served in each of the schools.

**Teachers and other service providers.** The study sampled five types of school staff: approximately 4,000 general education classroom teachers, 1,150 special class teachers, 2,000 special education resource specialists or teachers, 470 related service providers (e.g., speech/language specialists), and 1,800 special education teachers' assistants or aides. Each of these samples was drawn from two sources: the **base school sample** and the **clustered school sample**. The **base school sample** included general education staff, while the **clustered school sample** did not. Only special education teachers, related service providers, and special education aides were sampled from the **clustered school sample**.

**Special education students with internal placements.** The sample of special education students with internal placements (i.e., served in public schools operated by the district) was drawn from the classes and caseloads of the special education teachers and service providers described above. Each special education classroom or resource teacher and each related service provider was asked to select two special education students at random from their classes or caseloads. Specifically, each teacher or service provider was asked to select one low incidence and one high incidence student from their caseloads. If the individual served only one of these two categories (low or high incidence) of students, both students were selected from that category. The total sample of special education students with internal placements was approximately 7,200.

**Special education students placed in non-public institutions.** The sample of special education students placed in non-public institutions was drawn from the list of students served in schools or agencies not operated by the district. This list was available from the LEA director of special education. A 20 percent sample of special education students (up to a maximum of 6) was randomly selected from each sampled LEA. The sample was split in half among students with high and low incidence disabilities. If the sample did not split evenly, 1 more low incidence student was selected than high incidence students. (For example, if a 20 percent sample turned out to be 5 students, we selected 3 low incidence and 2 high incidence students.) The total sample of special education students with these placements was approximately 1,200.

## **Appendix C**

### **Description of SEEP Data Collection Instruments**

## Description of the SEEP Data Collection Instruments

To minimize the reporting burden, the SEEP relies heavily on existing documents and materials, in whatever form they are readily available. Specifically, are requesting documents related to the use of special education resources. These materials include budgets, enrollment reports, personnel listings, rosters, and schedules. Accompanying instructions explain that the information requested can be provided one of three ways: 1) submitting pre-existing printed reports, 2) providing electronic files on disk, or 3) completing the hard copy forms provided by us. AIR data collectors have been trained to aggregate the data, using telephone follow-ups as needed to ensure accurate identification of data categories.

At the district and school levels, self-administered surveys/questionnaires gather information from the staff most knowledgeable about special education programs, and from general education staff who interact with special education students. These surveys are modular in design so that different sections can be completed by different individuals. There are also surveys for teachers and teacher assistants solicit information on how they spend their time, their participation in professional development, and the resources available in their classrooms. The surveys use multiple-choice questions as much as possible, so that they can be completed and summarized easily.

Specific data collection instruments and their descriptions are as follows:

- **State Questionnaire for the State Director of Special Education Programs**, a questionnaire and request for documents and materials regarding state funding for special education, state budgets for federal education funds retained at the state level, federal funding allocations for all districts and other agencies in the state, and state programs related to special education.
- **District Questionnaire**. This questionnaire is divided into four sections:
  - **Part I** focuses on general demographic and other information about the district.
  - **Part II** focuses on detailed information about the special education program. The data requested include enrollments, levels of service, budgets, expenditures, decision making, professional development, and other related items. We also request backup documentation for all information provided in the questionnaire items.
  - **Part III** is directed toward the director of fiscal services, and includes items about general revenues, expenditures, personnel benefit policies and payroll data for the sample schools. Part of the information is collected by specific questions, while the payroll information is requested in the form of electronic files or hardcopy records.
  - **Part IV** is directed toward the director of transportation in the district, and asks for information to help us determine the total costs of transportation and how much of these funds is used to support special education transportation services.
- **Central Office Staff Questionnaire**. This questionnaire is primarily for gathering information about how central office staff use their time. Specifically, it asks about time spent on coordination with other agencies, due process and mediation, litigation, and IEP activities, and initial eligibility determination. To benchmark this information, we also ask about basic job and background characteristics for each individual.
- **School Questionnaire**. The school questionnaire is a five part instrument, that is analogous to the District Questionnaire, to be completed by persons knowledgeable about the special education programs and/or able to provide school demographic, budget, and staffing information. This



questionnaire will be sent to all 1,000 schools in the sample. Each part is described in more detail below.

- **Part I** covers general information about school characteristics, demographics, and programs. It includes a request for documents and materials that could provide the information needed: a roster of all school employees, a roster of teachers and class sizes or caseloads (or master class schedules), schedule of aide time allocations to classrooms, a list of other personnel (paid or unpaid) who provide services in the school, and school-level budgets for specified federal education programs.
- **Part II** asks for detailed enrollment data for the special education programs at the school. Part II itself is divided into three sections: II-A, II-B, and II-C. Each part is almost identical, but is focused on a different type of special education program that may be operating at the school. Part II-A focuses on the standard special education program that is operating in almost all regular elementary or secondary schools and any special education school. Part II-B focuses on special education programs that may be housed at the school site, but which are operated directly by the district office. Enrollments in these types of programs are generally not regarded as part of the total school enrollment. Part II-C focuses on special education programs that are housed at the school site, but which are operated by external agencies such as a county office of education or other intermediate education agencies. Again, enrollments in these types of programs are generally not regarded as part of the total school enrollment.
- **Part III** of the school data collection instruments is a request for certain documents and materials from the school. Specifically, it requests information on personnel (both general and special education) serving students at the school, and non-personnel budgets for items such as instructional supplies, and equipment. We will be requesting a comprehensive list of personnel in order to obtain a complete picture of all services necessary for the operation of the school as well as to provide specific services to certain general and special populations of students. While electronic files will be requested when available, we will most commonly receive hardcopy materials from the schools, which AIR staff will then use to code personnel and non-personnel expenditure information.
- **Special Education Teacher and Service Provider Questionnaire.** This will be administered to almost all special education teachers and service providers within the sample schools. The questionnaire is a self-administered survey. The major focus of this questionnaire is to obtain information on the specific structure and characteristics of the service delivery system for special education. We want to know how much time special education teachers spend in various settings such as the general education classroom, special classes, and separate resource rooms. We also want to know the class sizes, subjects taught, and composition of students (by disability and by eligibility for other programs such as Title I). In addition, the questionnaire asks for information on the educational background, current job responsibilities, and professional development activities of teachers or related service providers and on the time spent on non-teaching activities and responsibilities.
- **General Education Teacher Questionnaire.** This will be administered to a 20 percent sample of general education teachers (up to a maximum of 6 at the elementary level and 9 at the secondary level) selected from within the sample schools. The questionnaire is a self-administered survey. This questionnaire has the same basic items as the **Special Education Teacher Questionnaire**, but has been customized for general education classroom teachers. A primary goal is to determine the extent to which special education students are served in the general education classroom.
- **Special Education Teacher Aide Questionnaire.** This will be administered to almost all special education teacher aides (about 1,500 respondents) from the sample schools. This questionnaire is a self-administered survey; it is primarily focused on collecting information on how special education aides spend their time, and on their background and training.

- **Special Education Student Information Forms.** These include two different surveys: one for special education students with internal placements, and one for special education students with external placements. We will sample about 15,000 students.
  - **Students with internal placements.** Each special education teacher or service provider included in the sample will be given procedures for selecting a sample of 3 students from within their own classes or caseloads, and will be asked to complete a survey describing the detailed configurations of services provided to children with internal placements. The questionnaire will collect background information on student needs and functional abilities. These teachers and service providers will complete the special education student information form designed for internal placements (i.e., those served in the public schools within the district).
  - **Students with external placements.** A somewhat different form will be completed for a 20 percent sample (up to a maximum of three) of special education students who have been assigned to external placements (i.e., placements in private schools or public schools not operated by the district, for which the district pays tuition or transfers funds). This questionnaire will collect information on student needs and functional abilities along with information on tuition paid or transfers of funds made.

**Appendix D**

**New Jersey SEEP Response Rates**

### Summary of District and School Response Rates in New Jersey

The table below highlights the response rates for district and school surveys as well as district documents. At the district level, the survey with the highest response rate (66.7 percent) was the District Part II Special Education Program survey. The other district surveys also had response rates of over 50 percent. Data show that response rates were generally lower at the school level than the district level. At the school level, the highest response rate was for the Special Education Teacher survey, at 49.1 percent. The General Education Teacher and Special Education Aide surveys had response rates of 46.1 percent and 44.3 percent, respectively. Approximately 48.1 percent of the Student Information Forms- Internally Placed were returned.

|   | COUNT SENT | COUNT RECEIVED | RESPONSE RATE |
|---|------------|----------------|---------------|
| <b>DISTRICT SURVEYS</b>   |            |                |               |
| <b>Part I - District Demographics</b>                           | 30         | 17             | 56.7%         |
| <b>Part II - Special Education Program</b>                      | 30         | 20             | 66.7%         |
| <b>Part III - Fiscal and Payroll Information</b>                | 30         | 17             | 56.7%         |
| <b>Part IV - Transportation</b>                                 | 30         | 18             | 60.0%         |
| <b>Central Office Staff<sup>78</sup></b>                        | 30         | 18             | 60.0%         |
| <b>Student Information Form- Externally Placed<sup>79</sup></b> | **         | 47             | **            |
| <b>DISTRICT DOCUMENTS</b>                                       |            |                |               |
| <b>District Budget</b>  |            | 7              | 23.3%         |
| <b>Non-Personnel Budget</b>                                     |            | 4              | 13.3%         |
| <b>Payroll Report</b>   |            | 5              | 16.7%         |
| <b>SCHOOL SURVEYS</b>   |            |                |               |
| <b>Part I - Programs and Demographics</b>                       | 98         | 42             | 42.9%         |
| <b>Part IIA - School-Operated Special Education Programs</b>    | 98         | 42             | 42.9%         |
| <b>Part IIB - District-Operated Special Education Programs</b>  | 98         | 34             | 34.7%         |
| <b>Part IIC - IEU-Operated Special Education Programs</b>       | 98         | 30             | 30.6%         |
| <b>Part III - Roster Requests</b>                               | 98         | 42             | 42.9%         |
| <b>General Education Teacher</b>                                | 684        | 315            | 46.1%         |
| <b>Special Education Teacher</b>                                | 641        | 315            | 49.1%         |
| <b>Special Education Aide</b>                                   | 264        | 117            | 44.3%         |
| <b>Student Information Form- Internally Placed</b>              | 1,285      | 618            | 48.1%         |

<sup>78</sup> Six Central Office Staff surveys were sent to the number of sample districts, as indicated in the "count sent." The "count received" shows the number of districts responding by returning at least one Central Office Staff survey.

<sup>79</sup> Three Externally Placed Student Information Forms were uniformly sent to each sample district because we did not know the actual population number of this group. For this reason we are unable to calculate a response rate for this survey.

## **Appendix E**

### **Definitions of Educational Environments**

## Definitions of Educational Environments

The educational environments in this report are placement categories, as defined by the Office of Special Education Programs (OSEP), U.S. Department of Education.<sup>80</sup> The method of classifying students into these educational environments is as follows:

(1) *General Education Class*: A general education class includes students receiving special education and related services outside the general education classroom for less than 21 percent of the school day. Therefore, these students spend a majority of their education program with non-disabled peers inside the general education classroom. This may include children and youth with disabilities placed in: (a) a general education class with special education/related services provided within general classes, (b) a general education class with instruction within the general class and with special education/related services provided outside general classes, or (c) a general education class with special education services provided in resource rooms. Optional placement instructions for 3- through 5-year-olds state that a general class includes children who receive services in programs designed primarily for non-disabled children, provided the children with disabilities are in a separate program (i.e., not served with non-disabled children) for less than 21 percent of the time receiving services. This may include, but is not limited to, Head Start Centers, public or private preschool and child care facilities, preschool classes offered to an age-eligible population by the public school system, kindergarten classes, and classes using co-teaching models (special education and general education staff coordinating activities in the general education setting).

(2) *Resource Room*: A resource room includes students receiving special education and related services outside the general education classroom for at least 21 percent but no more than 60 percent of the school day. This may include children and youth placed in: (a) resource rooms with special education/related services provided within the resource room, or (b) resource rooms with part-time instruction in a general education class. Optional placement instructions for 3- through 5-year-olds state that a resource room includes children who receive services in programs designed primarily for non-disabled children, provided the children with disabilities are in a separate program (i.e., not served with non-disabled children) for 21 to 60 percent of the time receiving services. This includes, but is not limited to, Head Start Centers, public or private preschools or child care facilities, preschool classes offered to an age-eligible population by the public school system, and kindergarten classes.

(3) *Separate Special Education Class*: A separate special education class includes students receiving special education and related services for more than 60 percent of the school day in a separate class. This may include children and youth placed in: (a) self-contained special classrooms with part-time instruction in a general education class, or (b) self-contained special classrooms full-time on a regular school campus. Optional placement instructions for 3- through 5-year-olds state that a separate class includes children who receive services in programs in which the children are in a separate program (i.e., not served with non-disabled children) for 61 to 100 percent of the time receiving services. It does not include children who receive education programs in public or private separate day or residential facilities.

(4) *Public Separate Facility*: Public separate facilities include students receiving special education and related services for greater than 50 percent of the school day in a separate special education day school in a public school district, or in a state special education school. This may include children and youth placed in: (a) public day schools for special education students, or

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<sup>80</sup> Source: "OSEP IDEA, Part B Data Collection History" (September 2001).

(b) public day schools for special education students for a portion of the school day (greater than 50 percent) and in general education school buildings for the remainder of the school day. Optional placement instructions for 3- through 5-year-olds state that a public separate school facility includes children who are served in publicly operated programs, set up primarily to serve children with disabilities that are not housed in a facility with programs for children without disabilities. Children must receive special education and related services in the public, separate day school for 50 percent or more of the time receiving services.

(5) *Private separate facility*: Private separate facilities include students receiving education programs in these facilities, including children and youth with disabilities receiving special education and related services, at public expense for greater than 50 percent of the school day. This may include children and youth placed in private day schools for special education students or private day schools for special education students for a portion of the school day (greater than 50 percent) and in regular school buildings for the remainder of the school day. Optional placement instructions for 3- through 5-year-olds state that a private separate school facility includes children who are served in privately operated programs, set up primarily to serve children with disabilities that are not housed in a facility with programs for children without disabilities. Children must receive special education and related services in the private separate day school for 50 percent or more of the time receiving services.

(6) *Home/hospital*: Homebound/hospital placement includes students receiving education programs in hospital programs or homebound programs. Optional placement instructions for 3- through 5-year-olds state that a homebound/hospital placement includes children who are served in either a home or a hospital setting. Unlike the other placements, home/hospital placement does not have a percentage of time served associated with it. For children 3-5 years old receiving special education related services in home settings, include children who receive services in the home provided by a professional or paraprofessional who visits the home on a regular basis. Examples include a child development worker or speech services provided in the child's home. For children 3-5 years old receiving special education or related services in a hospital setting, include children who receive services as inpatients or as outpatients. Also include children who receive services in a clinic as outpatients.

The remaining placements provided by OSEP in the Report to Congress (i.e., public residential facility, private residential facility, and correctional facility) are not included in these analyses due to the nature of the SEEP surveys.

**Appendix F**  
**The ABILITIES Index**



### The ABILITIES Index<sup>81</sup>

Please rate the student's abilities on the table on the following page. Ratings in each area are made on a scale of 0 to 5, with **0 indicating normal ability, 1 (suspected disability) indicating some questions about the child's ability, and 5 indicating extreme or profound disability.** In making each rating, think about the child compared to other children the same age. Guidelines follow to assist you in making each rating.

**Audition (Hearing)** - Think about the child's ability to hear in everyday activities. Score hearing for each ear separately. A score of 5 (Profound Loss) means that the child has no hearing. Rate the child's hearing without a hearing aid. If the child uses a hearing aid, please check this box:

**Behavior and Social Skills** - Two ratings are made in this area, one for social skills and one for inappropriate or unusual behavior. Social skills refer to the child's ability to relate to others in a meaningful manner. Inappropriate and unusual behavior may include fighting, hitting, screaming, rocking, hand flapping, biting self, etc.

**Intellectual Function (Thinking and Reasoning)** - This rating reflects the child's ability to think and reason. Think about the way the child solves problems and plays with toys and compare this to other children of the same age.

**Limbs (Use of Hands, Arms, and Legs)** - Think about the child's ability to use his or her hands, arms, and legs in daily activities. Score left and right limbs separately. A Score of 5 (Profound difficulty) means that the child has no use of a limb.

**Intentional Communication (Understanding and Communicating with Others)** - Two ratings are made, one for the child's ability to understand others and one for the child's ability to communicate with others. This rating includes attempts to communicate in ways other than talking (signs, gestures, picture boards). Think about the child's ability to understand and communicate with others and compare this to other children of the same age.

**Tonicity (Muscle Tone)** - Think about the child's muscle tone. Normal means that the child's muscles are neither tight nor loose. If the child's muscle tone is not in the normal range, place an "X" in each box that indicates the degree of tightness or looseness or both. Two ratings should be made since, in some children, tightness or looseness can vary in different parts of the body or from one time to the next.

**Integrity of Physical Health (Overall Health)** - Think about the child's general health. Normal means the usual health problems and illnesses typical for a child this age. If there is a health problem, ratings should be made indicating the degree to which health problems limit activities. Ongoing health problems may include seizures, diabetes, muscular dystrophy, cancer, etc.

**Eyes (Vision)** - Think about the child's ability to see in everyday activities. Score both the left and right eye. A score of 5 (Profound Loss) means that the child has no vision. Rate the child's vision without glasses. If the child uses glasses, please check this box:

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<sup>81</sup> This section is based on "The ABILITIES Index" developed by Rune J. Simeonsson and Donald B. Bailey of the Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill.

**Structural Status (Shape, Body Form, and Structure)** - This rating reflects the form and structure of the child's body. Normal means that there are no differences associated with form, shape, or structure of the body parts. Differences in form include conditions like cleft palate or clubfoot; differences in structure include conditions like curved spine and arm or leg deformity. Ratings should indicate how much these differences interfere with how the child moves, plays, or looks.

*Student ABILITIES Index*<sup>82</sup>

In each column, place an X in the space that best describes the child. Please note that multiple Xs should be recorded under A (Audition), B (Behavior), L (Limbs), I (Intentional Communication), T (Tonicity), and E (Eyes).

|   | A                               |              | B   |                                | I                           | L   |             |                      |               |              |              | I                                      |                              | T                                      |                        | E   |                       | S                             |                                      |
|---|---------------------------------|--------------|---|--------------------------------|-----------------------------|---|-------------|----------------------|---------------|--------------|--------------|--|------------------------------|--|------------------------|---|-----------------------|-------------------------------|--------------------------------------|
|   | Audition (Hearing)<br>Rate Both |              | Behavior & Social Skills<br>Rate Both       |                                | Intellectual<br>Functioning | Limbs<br>(Use of hands, arms, and legs)<br>Rate All |             |                      |               |              |              | Intentional Communication<br>Rate Both |                              | Tonicity<br>(Muscle Tone)<br>Rate Both |                        | Integrity of<br>Physical health                               |                       | Eyes<br>(Vision)<br>Rate Both | Structural<br>Status                 |
|   | Left<br>Ear                     | Right<br>Ear | Social<br>Skills                            | Inapprop.<br>Behavior          | Thinking &<br>Reasoning     | Left<br>Hand  | Left<br>Arm | Left<br>Leg          | Right<br>Hand | Right<br>Arm | Right<br>Leg | Under-<br>standing<br>others           | Communicating<br>with others | Degree of<br>tightness                 | Degree of<br>looseness | Overall Health  | Left<br>Eye           | Right<br>Eye                  | Shape, Body<br>Form &<br>Structure   |
| 0 | Normal                          |              | All behaviors typical & appropriate for age |                                | Normal for age              |   |             | Complete normal use  |               |              |              | Normal                                 | Normal                       | Normal                                 | Normal                 | General good health   | Normal                |                               | Normal                               |
| 1 | Suspected hearing loss          |              | Suspected disability                        | Suspected inapprop. behaviors  | Suspected disability        |   |             | Suspected difficulty |               |              |              | Suspected disability                   | Suspected disability         | Suspected disability                   | Suspected disability   | Suspected health problems                                     | Suspected vision loss |                               | Suspected difference or interference |
| 2 | Mild hearing loss               |              | Mild disability                             | Mildly inapprop. behaviors     | Mild disability             |   |             | Mild difficulty      |               |              |              | Mild disability                        | Mild disability              | Mild disability                        | Mild disability        | Minor ongoing health problems                                 | Mild vision loss      |                               | Mild difference or interference      |
| 3 | Moderate hearing loss           |              | Moderate disability                         | Moderately inapprop. behaviors | Moderate disability         |   |             | Moderate difficulty  |               |              |              | Moderate disability                    | Moderate disability          | Moderate disability                    | Moderate disability    | Ongoing but medically-controlled health problems              | Moderate vision loss  |                               | Moderate difference or interference  |
| 4 | Severe hearing loss             |              | Severe disability                           | Severely inapprop. behaviors   | Severe disability           |   |             | Severe difficulty    |               |              |              | Severe disability                      | Severe disability            | Severe disability                      | Severe disability      | Ongoing poorly-controlled health problems                     | Severe vision loss    |                               | Severe difference or interference    |
| 5 |                                 |              | Extreme disability                          | Extremely inapprop. behaviors  | Profound disability         |   |             |                      |               |              |              | Profound disability                    | Profound disability          | Profound disability                    | Profound disability    | Extreme health problems, near total restriction of activities |                       |                               | Extreme difference or interference   |

<sup>82</sup> This section is based on "The ABILITIES Index" developed by Rune J. Simeonsson and Donald B. Bailey of the Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill.

**Appendix G**

**State Special Education Funding Formulas**  
**Excerpt from *State Finance Systems and Expenditures, 1999-00***

# 1. State Special Education Funding Formulas

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Under the Individuals with Disabilities Education Act (IDEA), states and localities have primary responsibility for providing special education programs and services to school-age children with disabilities. Based on data from 39 responding states,<sup>83</sup> we estimate that states provide about 45 percent and local districts about 46 percent of the support for these programs, with the remaining 9 percent provided through federal IDEA funding.<sup>84</sup> This report deals with state funding programs for special education. It focuses on the varying types of formulas used by the states to fund special education programs and provides the broadest array of information currently available on special education spending by state across the nation.

This section of the report describes the mechanisms used by states to distribute special education aid to local school districts for school-age children with disabilities for the 1999-2000 school year. It is followed by chapters on special education revenues and expenditures.

## Examples of State Funding Formulas

The formulas used by states to distribute funds for special education vary considerably in their general orientation as well as in the detailed provisions. Although a number of frameworks for classifying state special education funding approaches have been suggested over the past two and a half decades, there is much overlap among categories and substantial variation among states' funding formulas within categories of classification. With these caveats in mind, we attempt to classify state funding formulas into the broad categories shown in Exhibit 1-1. In reality, state funding formulas often utilize a combination of these approaches, as detailed in the state funding abstracts at the end of this report. Following are brief descriptions of each basic type of funding formula, with an example of a formula from a representative state.

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<sup>83</sup> Seven of the 46 states responding to the NASDSE/CSEF 1999-2000 survey did not report data on items used to generate these estimates.

<sup>84</sup> Findings from the national Special Education Expenditure Project (SEEP) indicate that federal IDEA funding accounted for a similar share (7.5%) of total special education spending in 1999-2000.

◆ *Pupil Weights*

Under a weighted special education funding system, state special education aid is allocated on a per student basis. The amount of aid is based on the funding “weight” associated with each special education student. Most weighting systems provide more funding for those special education students who are expected to cost more to serve by assigning them a larger funding weight. These differentials are based on *expected* costs because they may not hold true for any one special education student. Funding weights are differentiated on the basis of student placement (e.g., pull-out, special class, private residential), disability category (as shown below for Kentucky), or some combination of the two.

Kentucky uses a weighted pupil formula to distribute special education funds, which is integrated into the general aid formula. All students generate money for a school district based on average daily attendance (ADA). Special Education Students, ages 5 through 20, generate an exceptional child add-on based on categories of disability. The exceptional child add-on is multiplied by the base amount awarded for ADA (determined annually by the Division of Finance, based on available funds). For the 1994–95 school year, the exceptional child add-ons were as follows:

|  |      |
|--|------|
| Functional Mental Disability, Hearing Impaired, Visually Impaired, Emotional Behavior Disabled, Deaf-Blind, Autistic, Traumatic Brain Injured, and Multiply Disabled | 2.35 |
| Mild Mentally Handicapped, Orthopedically Impaired, Other Health Impaired, Specific Learning Disabled, and 5-year-old Developmentally Delayed Children               | 1.17 |
| Speech or Language Disabled Only   | 0.24 |

◆ *Flat Grant*

Under a flat grant system, funding is based on a fixed funding amount per student. As described below for North Carolina, total state funding available for special education is divided by the special education count for the state to determine the amount of state aid to be received by districts per special education student.

A variation to this approach is based on a count of all students in a district, rather than on the number of special education students.<sup>85</sup> California’s “census-based” approach is described below and discussed in greater detail later in this report.

In North Carolina, state funds for special education are additional to basic education aid, which is based on average daily membership of school districts. Funds for exceptional education (which includes both special education and programs for the academically gifted) are distributed on a per child basis determined by dividing the total available state exceptional children funds by the April 1 student headcounts of disabled and academically gifted students. Each district’s allocation is determined by multiplying the per child amount by the total count of exceptional students.

The counts of exceptional children with disabilities in each local school district are limited to 12.5 percent of the average daily membership.

In 1997, California established a population or census-based funding formula for special education. To adjust for some of the random variation in the concentration of special education students – California has a preponderance of small, rural districts – funding is calculated on the regional level, i.e., by a Special Education Local Plan Area (SELPA).

To convert to the new funding formula, the total amount of funding (state, federal, and local property tax) that all districts in a SELPA received for special education students from age 5 through 22 was divided by the total enrollment for the SELPA (in California “average daily attendance (ADA)”). Students who resided in one SELPA but were educated in another had the funds received by the SELPA of service transferred to the SELPA of residence for the purposes of this calculation. The resulting SELPA rate per ADA formed the basis of the new formula.

<sup>85</sup> Federal funding under the IDEA was originally based on a flat grant system, in which federal aid to states was based on each state’s number of children with disabilities who were receiving special education programs and services, up to 12 percent of a state’s school-age population. The IDEA Amendments of 1997 (P.L. 105-17) established that funding would continue to be based on the same child-count formula until appropriations reached approximately \$4.9 billion. The new formula, which went into effect in 2000-01, is based on total student enrollment (85 percent) and poverty (15 percent) and applies to new monies in excess of the appropriation for the prior fiscal year, subject to certain limitations.

◆ *Resource-based*

Under a resource-based system, funding is based on an allocation of specific education resources, such as teachers or classroom units. Unit rates are often derived from prescribed staff/student ratios by disability condition or type of placement. Resource-based formulas include unit and personnel mechanisms in which distribution of funds is based on payment for specified resources, such as teachers, aides, or equipment. As shown below, in the case of Delaware, allocations are awarded based upon enrollment units.

Delaware administers a special education reimbursement program based upon enrollment units. These units are calculated by the State Board of Education and are based on the total enrollment in the district as of the last day of September. The sum of all units of all programs in a district is multiplied by 93 percent, which becomes the district's guaranteed unit count.

The teacher/pupil ratios for special education instructional units are as follows:

- |                                       |  |
|---------------------------------------|--|
| • Educable Mentally Handicapped       | 1:15   |
| • Socially or Emotionally Maladjusted | 1:10   |
| • Learning Disabled                   | 1:8  |
| • Blind                               | 1:8  |
| • Autistic                            | 1:4  |
| • Severely Mentally Handicapped       | 1:6  |
| • Orthopedically Handicapped          | 1:6  |
| • Trainable Mentally Retarded         | 1:6  |
| • Intensive Learning Center Units     | 1:8.6  |
| • Partially Sighted                   | 1:10   |
| • Partially Blind                     | 1:8  |
| • Partially Deaf                      | 1:6  |
| • Deaf-Blind                          | 1:4  |
| • Homebound                           | From block grant to Local Education Agencies |



### ◆ *Percentage Reimbursement*

Under a percentage reimbursement system, the amount of state special education aid a district receives is directly based on its expenditures for the program. Districts may be reimbursed for 100 percent of their program expenditures (e.g., see Wyoming in Exhibit 1-1), or for some lesser percentage as described below for Michigan. Usually there is some basis for determining what costs are and are not allowable, and there may be overall caps on the number of special education students who can be claimed for funding purposes.

Michigan reimburses school districts 28.6138 percent of total approved costs. Total approved direct special education costs plus indirect costs for operation and maintenance (up to 15 percent of direct costs) are calculated.

## **Formula Types by State**

As shown in Exhibit 1-1, almost 40 percent of the states (n = 19) have formulas based *primarily* on pupil weights. Three states use formulas that are part of their general school aid fund. Most of the remaining states are fairly evenly distributed across flat grant (n = 11), percentage reimbursement (n = 7) formulas, and resource-based (n = 12) formulas during the 1999-2000 school year.

Missouri and Vermont use a combination of funding formula approaches. In these states, differing bases of allocation govern different components of their special education finance systems. Half of Missouri's funding formula is governed by a resource-based approach and the other half is governed by a flat grant approach. In Vermont, some finance system components are governed by a percentage reimbursement formula and others by a flat grant formula.

## Exhibit 1-1. State Special Education Funding Systems and Use of Revenues

| State<br>(n = 50)         | Current Funding Formula   | Basis of Allocation  | Changed As Part of a Broader Program of: |                | Year of Reform, If Changed Since 1994-95 Survey | Considering Additional Changes to Formula |
|---------------------------|---|--|--|----------------|---|---|
|                           |   |  | Program Reform                           | Finance Reform |   |   |
| Alabama                   | Flat Grant  | Average Daily Membership   |  | Y              | 1995/96   | Y   |
| Alaska                    | Pupil Weights   | Classroom Unit by Placement  | Y  | Y              | 1998/99   | Y   |
| Arizona                   | Pupil Weights   | Disabling Condition and Type of Placement  |  |                | 1999/00   | Y   |
| Arkansas <sup>1</sup>     | --  | "Maintenance of Effort" Expenditure Requirement  |  | Y              | 1997/98   |   |
| California                | Flat Grant  | Total District Enrollment  |  | Y              | 1998/99   | Y   |
| Colorado <sup>2</sup>     | Flat Grant  | Special Education Enrollment   |  |                | 1995/96   |   |
| Connecticut <sup>3</sup>  | --  | Total Enrollment/Student Poverty   |  | Y              | 1995/96   |   |
| Delaware                  | Resource-Based  | Classroom Unit   |  |                | --  |   |
| Florida                   | Pupil Weights   | Student Severity/Intensity of Support  | Y  | Y              | 1997/98   |   |
| Georgia                   | Pupil Weights   | Disabling Condition  |  |                | --  | Y   |
| Hawaii                    | Pupil Weights   | Disabling Condition and Type of Placement Units Based on Assumed Levels of Incidence (6% for elementary and 5.5% for secondary special education students) |  |                | --  |   |
| Idaho                     | Resource-Based  | Type of Staff  |  | Y              | 1994/95   |   |
| Illinois                  | Resource-Based  | Disabling Condition  |  |                | 1994/95   | Y   |
| Indiana                   | Pupil Weights   | Type of Placement  |  |                | 1995/96   |   |
| Iowa                      | Pupil Weights   |  | Y  |                | --  |   |
| Kansas                    | Resource-Based  | Number of Special Education Staff  | Y  |                | --  |   |
| Kentucky                  | Pupil Weights   | Disabling Condition  |  |                | --  |   |
| Louisiana                 | Pupil Weights   | Per Special Education Student (single weight of 1.5)   |  |                | 1996/97   |   |
| Maine                     | % Reimbursement   | Allowable Costs  |  |                | --  | Y   |
| Maryland                  | Flat Grant  | Special Education Enrollment   |  |                | --  |   |
| Massachusetts             | Flat Grant  | Total District Enrollment  |  |                | --  | Y   |
| Michigan                  | % Reimbursement   | Allowable Costs  |  | Y              | 1997/98   |   |
| Minnesota                 | Resource-Based  | "Base-Year" Expenditures   | Y  | Y              | 1995/96   | Y   |
| Mississippi               | Resource-Based  | Number of Special Education Staff  |  |                | --  |   |
| Missouri <sup>4</sup>     | Resource-Based (1/2)/ Flat Grant (1/2)                              | Number of Special Education Staff & Total Enrollment   | Y  | Y              | 1998/99   |   |
| Montana                   | Flat Grant  | Total District Enrollment  |  |                | 1994/95   |   |
| Nebraska                  | % Reimbursement   | Allowable Costs  |  |                | 1999/00   |   |
| Nevada                    | Resource-Based  | Classroom Unit   |  |                | --  | Y   |
| New Hampshire             | Pupil Weights   | Type of Placement  |  |                | --  | Y   |
| New Jersey                | Pupil Weights   | Disabling Condition and Services Received  | Y  | Y              | 1999/00   | Y   |
| New Mexico                | Pupil Weights   | Services Received  |  | Y              | 1998/99   | Y   |
| New York                  | Pupil Weights   | Type of Placement  |  |                | --  | Y   |
| North Carolina            | Flat Grant  | Special Education Enrollment   |  | Y              | 1996/97   |   |
| North Dakota              | Flat Grant  | Average Daily Membership   | Y  | Y              | 1995/96   |   |
| Ohio                      | Resource-Based  | Classroom Unit   | Y  | Y              | 1998/99   | Y   |
| Oklahoma                  | Pupil Weights   | Disabling Condition  |  |                | --  |   |
| Oregon                    | Pupil Weights   | Special Education Enrollment   |  | Y              | --  | Y   |
| Pennsylvania <sup>5</sup> | Flat Grant  | Total District Enrollment  |  |                | 1999/00   | Y   |
| Rhode Island <sup>1</sup> | --  |  | Y  |                | 1995  |   |
| South Carolina            | Pupil Weights   | Disabling Condition  |  |                | --  |   |
| South Dakota              | % Reimbursement   | Allowable Costs  |  |                | --  | Y   |
| Tennessee                 | Resource-Based  | Classroom Unit   |  |                | --  |   |
| Texas                     | Pupil Weights   | Type of Placement  | Y  | Y              | 1995/96   |   |
| Utah <sup>6</sup>         | Pupil Weights   | Type of Placement  |  |                | --  | Y   |
| Vermont <sup>4</sup>      | % Reimbursement/Flat Grant  | Special Education Costs/Total District Enrollment  |  | Y              | 1998/99   | Y   |
| Virginia                  | Resource-Based  | Classroom Unit   |  |                | --  |   |
| Washington                | Pupil Weight (single weight to all special education students 3-21) | Special Education Enrollment   | Y  | Y              | 1995/96   |   |
| West Virginia             | Resource-Based  | Special Education Staff  |  |                | --  |   |
| Wisconsin                 | % Reimbursement   | Allowable Costs  |  |                | --  | Y   |
| Wyoming <sup>7</sup>      | % Reimbursement   | 100% of Actual Expenditures  | Y  |                | 1999/00   |   |

**Exhibit 1-1. State Special Education Funding Systems and Use of Revenues**

| State<br>(n = 50)  | Current Funding Formula | Basis of Allocation | Changed As Part of a Broader Program of: |                | Year of Reform, If Changed Since 1994-95 Survey | Considering Additional Changes to Formula |
|--|-------------------------|---------------------|--|----------------|---|---|
|  |                         |                     | Program Reform                           | Finance Reform |   |   |
| <p><b>Pupil Weights:</b> Funding allocated on a per special education student basis, with the amount(s) based on a multiple of regular education aid.</p> <p><b>Resource-Based:</b> On allocation of specific education resources (e.g., teachers or classroom units). Classroom units are derived from prescribed staff/student ratios by disabling condition or type of placement.</p> <p><b>% Reimbursement:</b> Funding based on a percentage of allowable or actual expenditures.</p> <p><b>Flat Grant:</b> A fixed funding amount per student or per unit.</p> <p><sup>1</sup>No funding formula specified because formula is part of general education school aid fund.</p> <p><sup>2</sup>There is a base amount for each local education agency (LEA) that was established by the previous percentage reimbursement funding formula. Dollars beyond that base are allocated on special education enrollment. This formula changed in 1994/95.</p> <p><sup>3</sup>In Connecticut, the bulk of funding is subsumed as part of a larger general funding formula (Education Cost Sharing, or, ECS), but there are also several grants that are distributed separately from other educational services.</p> <p><sup>4</sup>Different components of the finance system are governed by differing bases of allocation.</p> <p><sup>5</sup>Pennsylvania has an adjustment for high-cost districts.</p> <p><sup>6</sup>Formula amounts are now frozen and are based on allocations in prior years.</p> <p><sup>7</sup>Wyoming funds all special education costs.</p> |                         |                     |  |                |   |   |

## Basis of Allocation

In addition to formula type, Exhibit 1-1 shows the basis on which the funding allocation is made. Within the context of the basic funding formula used, the allocation basis sheds further light on state special education policies and priorities. For example, allocations based on special education student placement tend to provide local decisionmakers with less flexibility, while allocations based on more general criteria such as total district enrollment are likely to provide more local discretion in the identification and placement of special education students. In fact, by using total district enrollment as a basis for funding (described further in the next section) states are, at least to some degree, choosing to de-link funding from special education student identification and placement.

We use the following allocation categories to classify state funding systems:

- **Special education enrollment**—The number of children identified as eligible for special education services and for which Individualized Education Programs (IEPs) are in place is the basis of allocation.
- **Total district enrollment**—Funding is based on the total number of students in the district. A percentage of this total district enrollment is assumed to represent the special education population. Also referred to as “census-based” funding, this uniform identification rate serves as the basis for allocation.<sup>86</sup>
- **Type of placement**—Student placement (e.g., in a regular education classroom, a resource room, a special day class, residential program) is the basis for allocation. The allocation generally increases as a function of some standardized estimate of the cost of the service or placement.
- **Disability category, Disabling condition, or Student severity**—The nature of each student’s disability (e.g., learning disability, serious emotional disturbance, profound mental retardation) is the basis for allocation. The allocation generally increases as a function of standardized estimates of the cost of the service required for children within each disability category. Kentucky’s pupil-weighting system, for example, functions in this way.
- **Classroom unit, Classroom unit by placement, Intensity of support**—Districts generate funds based on a number of authorized units. A unit of funding may incorporate part or all of the estimated cost of a teacher, or a teacher and an aide. The classroom unit is one component of Missouri’s resource-based funding system.
- **Actual expenditures**—Allocation is based on actual special education expenditures.
- **Allowable costs**—Reimbursement can only be claimed for allowable costs, as defined, reviewed, and approved by the state.
- **Number and type of special education staff**—Allocation is based on the state numbers of various types of authorized staff (e.g., teachers, aides, therapists). Missouri’s funding system reimburses districts for numbers of aides and professional staff other than classroom teachers.

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<sup>86</sup> The federal government has also incorporated a “census-based” approach into its special education funding formula, under IDEA ‘97. (See previous footnote.)

- **Services received**—Allocation for each special education child is determined from unit rates associated with the mix and quantity of individual services received (e.g., instruction, therapy, transportation).
- **Average Daily Membership**—Allocations are based upon a percentage of the average number of daily attendance (e.g., 5 percent of average daily membership in Alabama).
- **Maintenance of Effort Expenditure Requirement**—The minimum budgeted expenditure per special education student must be equal to the expenditure requirement for the most recent fiscal year for which information is available.
- **Student poverty**—Funding is weighted for poverty (i.e., more money is allocated to poorer districts).
- **Per Special Education Student**—Allocations are determined by multiplying the number of special education students by a single weight, regardless of disabling condition.
- **Base-year Expenditures**—Allocations are calculated by taking the special education revenue for a predetermined base year and adjusting it for enrollment growth in the district and for growth in statewide special education revenue between the current and base years.
- **Special Education Costs**—Funds are provided to districts for all special education costs not covered by federal funds or state or local shares of block grants and extraordinary reimbursements.

## Special Education Finance Reform

Exhibit 1-1 also shows that over one-half of the reporting states (28 of 46) have reformed the way they fund special education since the last administration of this survey in 1995-96. In addition, 46% of the reporting states (21 of 46) are considering future formula changes, and 11 of these are states that already implemented changes in their special education finance systems between 1994-95 and 1998-99. States' most recent changes have been part of program reform (4 states), finance reform (10 states), or both (9 states). These numbers illustrate the dynamic nature of special education funding policy in the recent past – a trend that will apparently continue into the foreseeable future.

When asked what issues were driving special education finance reform in their states, respondents from 16 states described various aspects of their funding systems that are under consideration for reform, as shown in Exhibit 1-2. The focus of these prospective reforms ranged from very broad reform, e.g., in Pennsylvania, to a much more specific and narrow focus on one component of the state's special education program, e.g., Utah.

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**Exhibit 1-2. Areas of Finance Formula Under Consideration for Change**


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| State<br>(n = 16) | Areas Under Consideration for Change  |
|-------------------|---|
| <b>Arizona</b>    | Bipartisan Legislative Subcommittee established – all areas under consideration for change.   |
| California        | Severity adjustment to state's census-based formula will be reexamined in 2003.   |
| Illinois          | Proposal to combine the private tuition and extraordinary services reimbursements, and special transportation with regular and vocational transportation, into single formula is being considered.  |
| Maine             | Special Education Task Force giving consideration to alternative approaches to funding.   |
| Massachusetts     | State is considering whether special education funding percentage should be higher and degree to which high-cost students should be funded separately.  |
| Minnesota         | Considering pupil weights as an alternative funding system.   |
| Nevada            | Examining adequacy, and state versus local share, of special education funding.   |
| New Jersey        | Attempting to match aid to the actual excess cost.  |
| New Mexico        | Considering funding related services on the basis of full-time equivalencies (FTEs).  |
| New York          | Pupil weights are currently being evaluated.  |
| Ohio              | Considering changes to the number of weights and the various factors that comprise these weights, as well as separate weights for related services.   |
| Oregon            | Considering increasing the identification limit for special education funding from 11 percent to 13 percent of total enrollment. Considering modification of distribution of federal funds concerning state-operated regional programs.                                   |
| Pennsylvania      | Considering a broad range of issues in relation to current formula (e.g., district wealth, actual spending, local tax effort, incidence data).  |
| Utah              | Preschool count for generation of state monies is being considered.   |
| Vermont           | Developing recommendations regarding changes to provide a fiscally sustainable formula, and to address additional areas pertaining to cost containment and system improvement of special education.   |
| Wisconsin         | Alternatives are being examined in regard to special education funding (e.g., pupil-weighting, capping enrollment/reimbursement for Speech/Language and Specific Learning Disabilities programs, foundation grants, and special funding formulas for high-cost children). |

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## Census-based Funding: A Closer Look

One emerging trend at the federal and state levels is to use total district enrollment as the basis for allocating special education funds to school districts. “Census-based” funding systems are based on total enrollment rather than on special education counts. For example, under a state census-based funding system, districts with identical student enrollments receive the same special education aid regardless of the number of students placed in special education, the disabilities of these students, where they are placed, or how they are served. Alabama, California, Connecticut, Massachusetts, Montana, North Dakota, and Pennsylvania have implemented various forms of census-based funding systems.

Proponents of census-based funding believe that it provides maximum discretion to local districts in identification and placement of special education students since it eliminates identification as a basis for funding and severs the link between placement and funding. Such advocates sometimes praise census-based systems as incentive-free.<sup>87</sup> However, critics point out that such systems simply replace one set of incentives with another (i.e., under census-based formulas the incentive is to identify *fewer* students for special education services and to place them in *lower cost* programs). They also argue that census-based funding does not accommodate the variability that exists among school districts in terms of true student need.

Nonetheless, anecdotal evidence suggests some positive effects of enrollment-based funding systems, including increased local discretion in identification of students who are eligible for special education. Not as easily supported is the widespread belief that these systems increase flexibility in student placements and will therefore lead to decreases in the proportion of special education students served in separate settings, particularly in states where accompanying programmatic reform has not occurred.

## Criteria for Evaluating Funding Formulas

Criteria for evaluating special education funding formulas, as suggested by Hartman (1992) and expanded by Parrish (1995), appear in Exhibit 1-3. Each of these criteria will hold value for some constituency, although there will be differences in priorities. No single funding formula can easily accommodate all of these criteria, as a focus on one criterion may come at the expense of one or more of the others.

The NASDSE/CSEF survey asked states to evaluate their special education funding formulas according to these 14 criteria. Exhibits 1-4 and 1-5 display the strengths and weaknesses, respectively, reported by respondents to the survey. Two major weaknesses reported across all formula types are the absence of a link between special education funding and student outcomes (n = 39), and lack of cost control mechanisms (n = 22). The data can be viewed in a variety of ways to bolster theoretical arguments about the advantages and disadvantages of each type of funding formula.

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<sup>87</sup> See, for example, National Association of State Boards of Education (NASBE, 1992).

For example, respondents from states with *pupil-weighting systems* describe them as being closely tied to the resource needs of districts in terms of their specific population of special education students. As such, pupil-weighting systems are generally held to be equitable. However, depending on the weighting system used, incentives can be created to misclassify students into specific types of placements or into categories of disability that receive higher reimbursement (e.g., in the case of weights based on placement into more restrictive settings that receive higher funding weights). NASDSE/CSEF survey respondents tended to confirm these notions. Of the 16 states using a pupil-weighting formula, more than 80 percent indicated that its major strengths include understandability, equity, and predictability. Eighty percent or more of these states also indicated as major strengths the local flexibility this approach allows, the flexibility in use of resources it provides, a reasonable reporting burden, fiscal accountability, and the absence of linkages to where services are received (see Exhibit 1-4). At least half of these states reported the weaknesses that such formulas are not linked to student outcomes, have no cost control mechanisms, and are not based on actual costs (see Exhibit 1-5). It should be noted here that only 8 of the 16 states using pupil-weighted funding use special education student placement as a basis for allocating state funds to school districts (see Exhibit 1-1).

All 10 of the states currently using a *flat grant approach* reported as major strengths that the formula allows local flexibility, does not encourage overidentification of students for special education, provides flexibility in use of resources, has reasonable reporting burden, and is understandable and predictable. Fifty percent or more of these 10 states report that major weaknesses of the flat grant approach are that the formulas are not linked to student outcomes, not adequately funded, not based on actual costs, and that they have no cost control mechanisms.



*Exhibit 1-3. Criteria for Evaluating State Special Education Funding Formulas*

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**Understandable**

- The funding system and its underlying policy objectives are understandable by all concerned parties (legislators, legislative staff, state department personnel, local administrators, and advocates).
- The concepts underlying the formula and the procedures to implement it are straightforward and "avoid unnecessary complexity."

**Equitable**

- Student equity: Dollars are distributed to ensure comparable program quality regardless of district assignment.
- Wealth equity: Availability of overall funding is not correlated with local wealth.
- District-to-district fairness: All districts receive comparable resources for comparable students.

**Adequate**

- Funding is sufficient for all districts to provide appropriate programs for special education students.

**Predictable**

- Local education agencies (LEAs) know allocations in time to plan for local services.
- The system produces predictable demands for state funding.
- State and local education agencies can count on stable funding across years.

**Flexible**

- LEAs are given latitude to deal with unique local conditions in an appropriate and cost-effective manner.
- Changes that affect programs and costs can be incorporated into the funding system with minimum disruption.
- LEAs are given maximum latitude in use of resources in exchange for outcome accountability.

**Identification Neutral**

- The number of students identified as eligible for special education is not the only, or primary, basis for determining the amount of special education funding to be received.
- Students do not have to be labeled "disabled" (or any other label) in order to receive services.

**Reasonable Reporting Burden**

- Costs to maintain the funding system are minimized at both local and state levels.
- Data requirements, recordkeeping, and reporting are kept at a reasonable level.

### **Exhibit 1-3. Criteria for Evaluating State Special Education Funding Formulas (continued)**

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#### **Fiscal Accountability**

- Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner.
- Procedures are included to contain excessive or inappropriate special education costs.

#### **Cost-Based**

- Funding received by districts for the provision of special education programs is linked to the costs they face in providing these programs.

#### **Cost Control**

- Patterns of growth in special education costs statewide are stabilized over time.
- Patterns of growth in special education identification rates statewide are stabilized over time.

#### **Placement Neutral**

- District funding for special education is not linked to where services are received.
- District funding for special education is not based on type of educational placement.
- District funding for special education is not based on disability label.

#### **Outcome Accountability**

- State monitoring of local agencies is based on various measures of student outcomes.
- A statewide system for demonstrating satisfactory progress for all students in all schools is developed.
- Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results.

#### **Connection to General Education Funding**

- The special education funding formula should have a clear conceptual link to the general education finance system.
- Integration of funding will be likely to lead to integration of services.

#### **Political Acceptability**

- Implementation avoids any major short-term loss of funds.
- Implementation involves no major disruption of existing services.

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Adapted from *State Funding Models for Special Education* (Hartman, 1992) and *Removing Incentives for Restrictive Placements* (Parrish, 1994).

**Percentage reimbursement formulas** have been reported as the least likely to create incentives to misclassify students by category of disability, since the label assigned a student does not affect funding. In addition, these formulas generally do not provide an incentive for a particular type of student placement. Although these types of formulas are often thought to be administratively burdensome and to result in difficulties with cost control unless cost ceilings are used or the reimbursable percentage is relatively low, these impressions are not borne out by the responses shown in Exhibit 1-5. The most frequently reported weakness of this type of formula is that it is not linked to student outcomes.

**Resource-based formulas** are generally perceived as easy to administer and free of incentives for overidentification or misclassification of special education students. Among the 11 states using a resource-based formula, ease of administration and absence of incentives for overidentification are the primary strengths cited, along with flexibility and predictability.

Across all states, at least 80 percent of respondents reported that the major strengths of current state funding systems were their allowances for local flexibility (n = 42), understandability (n = 42), predictability (n = 42), provisions for flexibility in resources usage (n = 40), reasonable reporting burden (n = 40), provisions for fiscal accountability (n = 40), and equitability (n = 38). Major weaknesses most often reported were that funding is not linked to student outcomes (n = 39), and that funding systems have no cost control mechanisms (n = 22).

**Exhibit 1-4. Strengths of Funding Formulas: Number and Percentage of States Reporting by Type of Formula\***

| <b>Strengths<sup>1</sup></b>             | <i>Type of Formula</i> |     |                   |      |                        |      |                       |      |                          |      |                          |     |
|--|------------------------|-----|-------------------|------|------------------------|------|-----------------------|------|--------------------------|------|--------------------------|-----|
|  | <b>Pupil Weights</b>   |     | <b>Flat Grant</b> |      | <b>% Reimbursement</b> |      | <b>Resource-Based</b> |      | <b>Other<sup>2</sup></b> |      | <b>Total<sup>3</sup></b> |     |
|  | n=16                   | (%) | n=10              | (%)  | n=5                    | (%)  | n=11                  | (%)  | n=3                      | (%)  | n=45                     | (%) |
| Allows local flexibility                 | 14                     | 88% | 10                | 100% | 4                      | 80%  | 11                    | 100% | 3                        | 100% | 42                       | 93% |
| Understandable                           | 15                     | 94% | 10                | 100% | 4                      | 80%  | 10                    | 91%  | 3                        | 100% | 42                       | 93% |
| Equitable                                | 14                     | 88% | 8                 | 80%  | 4                      | 80%  | 9                     | 82%  | 3                        | 100% | 38                       | 84% |
| Adequately funded                        | 11                     | 69% | 4                 | 40%  | 4                      | 80%  | 6                     | 55%  | 3                        | 100% | 28                       | 62% |
| Predictable                              | 14                     | 88% | 10                | 100% | 4                      | 80%  | 11                    | 100% | 3                        | 100% | 42                       | 93% |
| Provides flexibility in use of resources | 14                     | 88% | 10                | 100% | 4                      | 80%  | 9                     | 82%  | 3                        | 100% | 40                       | 89% |
| Does not encourage overidentification    | 10                     | 63% | 10                | 100% | 5                      | 100% | 11                    | 100% | 2                        | 67%  | 38                       | 84% |
| Has reasonable reporting burden          | 14                     | 88% | 10                | 100% | 5                      | 100% | 8                     | 73%  | 3                        | 100% | 40                       | 89% |
| Provides fiscal accountability           | 14                     | 88% | 9                 | 90%  | 5                      | 100% | 9                     | 82%  | 3                        | 100% | 40                       | 89% |
| Based on actual cost                     | 8                      | 50% | 4                 | 40%  | 5                      | 100% | 9                     | 82%  | 3                        | 100% | 29                       | 64% |
| Not linked to where services received    | 13                     | 81% | 8                 | 80%  | 5                      | 100% | 7                     | 64%  | 2                        | 67%  | 35                       | 78% |
| Includes cost control mechanisms         | 5                      | 31% | 5                 | 50%  | 4                      | 80%  | 7                     | 64%  | 2                        | 67%  | 23                       | 51% |
| Linked to student outcomes               | 2                      | 13% | 1                 | 10%  | 0                      | 0%   | 2                     | 18%  | 1                        | 33%  | 6                        | 13% |

\*Note: Due to rounding error, percentage totals in Exhibits 1-4 and 1-5 may not equal 100 percent.

<sup>1</sup>Survey respondents answered “Yes” or “To a Limited Extent.”

<sup>2</sup> The “Other” category includes three states that do not fit into the four major categories above, or have a combination of the four major categories. Missouri has a resource-based/flat grant funding system and Vermont has a percentage reimbursement/flat grant funding system. In Arkansas, the special education funding formula is part of the general education school aid fund. Rhode Island’s funding formula is also part of the general education school aid fund; however, they marked “not applicable” for each of these descriptions.

<sup>3</sup>Total “n” is smaller than in Exhibit 1-1 due to incomplete state participation in survey.

*Exhibit 1-5. Weaknesses of Funding Formulas: Number and Percentage of States Reporting by Type of Formula\**

| Weaknesses                            | Type of Formula |     |            |     |                 |      |                |     |                    |     |                    |     |
|---------------------------------------|-----------------|-----|------------|-----|-----------------|------|----------------|-----|--------------------|-----|--------------------|-----|
|                                       | Pupil Weights   |     | Flat Grant |     | % Reimbursement |      | Resource-Based |     | Other <sup>1</sup> |     | Total <sup>2</sup> |     |
|                                       | n=16            | (%) | n=10       | (%) | n=5             | (%)  | n=11           | (%) | n=3                | (%) | n=45               | (%) |
| Does not allow local flexibility      | 2               | 13% | 0          | 0%  | 1               | 20%  | 0              | 0%  | 0                  | 0%  | 3                  | 7%  |
| Not understandable                    | 1               | 6%  | 0          | 0%  | 1               | 20%  | 1              | 9%  | 0                  | 0%  | 3                  | 7%  |
| Not equitable                         | 2               | 13% | 2          | 20% | 1               | 20%  | 2              | 18% | 0                  | 0%  | 7                  | 16% |
| Not adequately funded                 | 5               | 31% | 6          | 60% | 1               | 20%  | 5              | 45% | 0                  | 0%  | 17                 | 38% |
| Unpredictable                         | 2               | 13% | 0          | 0%  | 1               | 20%  | 0              | 0%  | 0                  | 0%  | 3                  | 7%  |
| Lacks flexibility in use of resources | 2               | 13% | 0          | 0%  | 1               | 20%  | 2              | 18% | 0                  | 0%  | 5                  | 11% |
| Encourages overidentification         | 6               | 38% | 0          | 0%  | 0               | 0%   | 0              | 0%  | 1                  | 33% | 7                  | 16% |
| Has unreasonable reporting burden     | 2               | 13% | 0          | 0%  | 0               | 0%   | 3              | 27% | 0                  | 0%  | 5                  | 11% |
| Provides no fiscal accountability     | 2               | 13% | 1          | 10% | 0               | 0%   | 2              | 18% | 0                  | 0%  | 5                  | 11% |
| Not based on actual costs             | 8               | 50% | 6          | 60% | 0               | 0%   | 2              | 18% | 0                  | 0%  | 16                 | 36% |
| Linked to where services received     | 3               | 19% | 2          | 20% | 0               | 0%   | 4              | 36% | 1                  | 33% | 10                 | 22% |
| No cost control mechanisms            | 11              | 69% | 5          | 50% | 1               | 20%  | 4              | 36% | 1                  | 33% | 22                 | 49% |
| Not linked to student outcomes        | 14              | 88% | 9          | 90% | 5               | 100% | 9              | 81% | 2                  | 67% | 39                 | 87% |

\*Note: Due to rounding error, percentage totals in Exhibits 1-4 and 1-5 may not equal 100 percent.

<sup>1</sup>The “Other” category includes three states that do not fit into the four major categories above, or have a combination of the four major categories. Missouri has a resource-based/flat grant funding system and Vermont has a percentage reimbursement/flat grant funding system. In Arkansas, the special education funding formula is part of the general education school aid fund. Rhode Island’s funding formula is also part of the general education school aid fund; however, they marked “not applicable” for each of these descriptions.

<sup>2</sup>Total “n” is smaller than in Exhibit 1-1 due to incomplete state participation in survey.

## **Adjustment Factors Used in Funding Formulas**

Exhibit 1-6 shows what factors states incorporate into their state special education funding formulas to accommodate variation in local district circumstances. These include provisions to reimburse districts differentially for special situations related to student enrollment, such as population growth or decline, population density or sparsity, or high percentages of poverty. Some factors address issues of funding equity and are designed to address differences among districts in wealth, or variations in cost-of-living or cost-of-education that might exist within regions of a state. The factors most likely to be included in a state's funding formula are measures of district wealth or fiscal capacity (n = 25), adjustments for cost of education (n = 17), and adjustments for population growth (n = 17). A few states include an adjustment for cost of living in their special education funding formulas (n = 5). Also, relatively few states use poverty as an adjustment factor. However, perhaps partly because of the federal government's inclusion of poverty as an adjustment factor in special education funding under the IDEA, the number of states reporting a state poverty adjustment has risen from three to eight states since the last administration of this survey in 1995-96.

In an attempt to control special education costs, nine states also include caps on the number of students who can be identified as eligible for special education funding, or caps on the number of available state dollars. Exhibit 1-7 shows the specific percentages and dollar amounts of those states whose funding formulas include caps or limitations on eligibility (n = 9) or revenue (n = 14).

### Exhibit 1-6. Special Funding Factors Included in State Special Education Funding Formulas

| State<br>(n = 50) | District<br>Wealth | Population<br>Density | Population<br>Sparsity | Cost of Living | Cost of Education | Population<br>Growth | Population<br>Decline | Poverty  |
|-------------------|--------------------|-----------------------|------------------------|----------------|-------------------|----------------------|-----------------------|----------|
| Alabama           | Y                  |                       |                        |                |                   | Y                    |                       |          |
| Alaska            |                    |                       |                        |                |                   |                      |                       |          |
| Arizona           |                    |                       |                        |                | Y                 | Y                    |                       |          |
| Arkansas          |                    |                       |                        |                | Y                 | Y                    | Y                     |          |
| California        |                    |                       | Y                      | Y              | Y                 | Y                    | Y                     |          |
| Colorado          |                    |                       |                        |                |                   |                      |                       |          |
| Connecticut       | Y                  | Y                     |                        |                | Y                 | Y                    | Y                     | Y        |
| Delaware          | Y                  |                       |                        |                |                   |                      |                       |          |
| Florida           | Y                  | Y                     | Y                      | Y              | Y                 | Y                    | Y                     | Y        |
| Georgia           | Y                  |                       |                        |                |                   |                      |                       |          |
| Hawaii            | Y                  | Y                     | Y                      |                |                   | Y                    | Y                     |          |
| Idaho             | Y                  |                       | Y                      |                |                   |                      |                       |          |
| Illinois          |                    |                       |                        |                | Y                 |                      |                       |          |
| Indiana           |                    |                       |                        |                |                   |                      |                       |          |
| Iowa              |                    |                       |                        |                | Y                 |                      |                       |          |
| Kansas            |                    |                       |                        |                |                   |                      |                       |          |
| Kentucky          |                    |                       |                        |                |                   |                      |                       |          |
| Louisiana         | Y                  | Y                     | Y                      |                | Y                 |                      |                       | Y        |
| Maine             |                    |                       |                        |                |                   |                      |                       |          |
| Maryland          | Y                  |                       |                        |                | Y                 |                      |                       |          |
| Massachusetts     | Y                  |                       |                        | Y              | Y                 | Y                    | Y                     | Y        |
| Michigan          |                    |                       |                        |                | Y                 |                      |                       |          |
| Minnesota         |                    |                       |                        |                | Y                 | Y                    | Y                     | Y        |
| Mississippi       |                    |                       |                        |                |                   |                      |                       |          |
| Missouri          |                    |                       |                        |                |                   | Y                    | Y                     |          |
| Montana           | Y                  |                       | Y                      |                | Y                 |                      |                       |          |
| Nebraska          |                    |                       |                        |                |                   |                      |                       |          |
| Nevada            |                    |                       |                        |                |                   |                      |                       |          |
| New Hampshire     | Y                  |                       |                        |                |                   |                      |                       |          |
| New Jersey        |                    |                       |                        |                | Y                 |                      |                       |          |
| New Mexico        |                    |                       |                        |                |                   |                      |                       |          |
| New York          | Y                  |                       |                        |                | Y                 |                      |                       |          |
| North Carolina    |                    |                       |                        |                |                   | Y                    | Y                     |          |
| North Dakota      |                    |                       |                        |                |                   |                      |                       |          |
| Ohio              | Y                  |                       |                        |                |                   |                      |                       |          |
| Oklahoma          | Y                  | Y                     | Y                      |                |                   | Y                    | Y                     | Y        |
| Oregon            | Y                  | Y                     | Y                      |                |                   | Y                    | Y                     | Y        |
| Pennsylvania      | Y                  |                       |                        |                |                   |                      |                       | Y        |
| Rhode Island      |                    |                       |                        |                |                   |                      |                       |          |
| South Carolina    | Y                  |                       |                        |                |                   |                      |                       |          |
| Tennessee         | Y                  |                       |                        |                |                   |                      |                       |          |
| Texas             | Y                  | Y                     | Y                      | Y              | Y                 |                      |                       |          |
| Utah              | Y                  |                       | Y                      |                |                   | Y                    | Y                     |          |
| Vermont           |                    |                       |                        |                | Y                 | Y                    | Y                     |          |
| Virginia          | Y                  |                       |                        |                |                   | Y                    | Y                     |          |
| Washington        | Y                  |                       |                        | Y              |                   | Y                    |                       |          |
| West Virginia     | Y                  | Y                     | Y                      |                |                   |                      |                       |          |
| Wisconsin         |                    |                       |                        |                |                   |                      |                       |          |
| Wyoming           |                    |                       |                        |                |                   |                      |                       |          |
| <b>TOTAL</b>      | <b>25</b>          | <b>8</b>              | <b>11</b>              | <b>5</b>       | <b>17</b>         | <b>17</b>            | <b>14</b>             | <b>8</b> |

### Exhibit 1-7. Maximum Percentages of Students Eligible to Receive State Special Education Funding and Maximum Dollars Available

| State (n=22)   | Student Caps | Maximum Percentage of Students                   | Revenue Caps | Maximum Dollar Amount                           |
|----------------|--------------|--|--------------|---|
| Alabama        | Y            | 5%   |              |   |
| California     |              |  | Y            | \$1,852,023,077                                 |
| Idaho          | Y            | 6% elementary;<br>5.5% secondary                 |              |   |
| Illinois       |              |  | Y            | Not Specified                                   |
| Kansas         |              |  | Y            | \$228,758,744                                   |
| Maryland       |              |  | Y            | \$81,250,000 Formula;<br>\$75,000,000 Nonpublic |
| Massachusetts  | Y            | 15%  |              |   |
| Michigan       |              |  | Y            | \$289,643,000                                   |
| Minnesota      |              |  | Y            | \$463,000,000                                   |
| Missouri       |              |  | Y            | \$230,000,000                                   |
| Nebraska       |              |  | Y            | \$132,575,807                                   |
| Nevada         |              |  | Y            | \$62,985,218                                    |
| New Jersey     | Y            | Unspecified                                      |              |   |
| North Carolina | Y            | 12.5%  |              |   |
| North Dakota   |              |  | Y            | \$22,850,000                                    |
| Oregon         | Y            | 11%  |              |   |
| Pennsylvania   |              |  | Y            | \$719,500,000                                   |
| Utah           | Y            | 12.18%   |              |   |
| Washington     | Y            | 12.7%  | Y            | Unspecified                                     |
| West Virginia  | Y            | 5.4% adjusted enrollment;<br>7.4% net enrollment |              |   |
| Wisconsin      |              |  | Y            | \$275,500,000                                   |
| Wyoming        |              |  | Y            | Unspecified*                                    |
| TOTAL          | 9            |  | 14           |   |

\*Note: In Wyoming, the cap is denoted as a percentage, not a dollar amount. Wyoming did not specify the percentage.

### Separate, Additional Funding Mechanisms

Many states use separate funding mechanisms to target resources to specific populations or areas of policy concern such as extended school year services or specialized equipment. Exhibit 1-8 shows the separate funding mechanisms used by states to provide these targeted resources. These include funds for students placed in separate public and private schools (both day and residential), services for students with serious emotional disturbance (SED), extended school year services, transportation for special education students, specialized equipment, or capital building funds.

Many states also fund preschool and early intervention services using mechanisms different from those used to fund services for school-age special education students. More than a third use separate funding for 0-2 year-olds or 3-5 year-olds with disabilities (n = 19 and n = 17, respectively).

Funding for special education transportation is also commonly supported through a separate funding mechanism (n = 17). The use of these targeted funding strategies is yet another way that states respond to individual policy concerns. However, they can also add complexity and remove flexibility from the



system. In the case of categorical transportation aid, districts choosing to transport students to centralized locations will receive this additional support, while districts choosing more localized service

options (i.e., to invest funds to make their neighborhood schools more accessible) will not. These separate funding provisions can mask enormous variability across states in total special education expenditures if some states include these separate funding streams in calculations of total special education aid and others do not. They can also affect the incentives associated with the basic funding approach. For example, the basic special education funding system may appear to contain no placement incentives. However, when provisions for private school placement and funding, or transportation allotments in support of segregated placement options, are placed outside the basic formula, powerful incentives for their use may still be in place.

## Exhibit 1-8. Separate Funding Mechanisms Used by States for Special Education Services

| State<br>(n = 50) | Private<br>Residential | Private<br>Day | Public<br>Residential | Public<br>Regional | SED<br>Services | Extended<br>School Year | Transpor-<br>tation | Special<br>Equipment | Capital<br>Funds | 3-5<br>Year-olds | 0-2<br>Year-olds | High-Cost<br>Students | Other* |
|-------------------|------------------------|----------------|-----------------------|--------------------|-----------------|-------------------------|---------------------|----------------------|------------------|------------------|------------------|-----------------------|--------|
| Alabama           |                        |                |                       |                    |                 |                         |                     |                      |                  | Y                |                  | Y                     |        |
| Alaska            |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| Arizona           | Y                      | Y              | Y                     |                    | Y               | Y                       | Y                   |                      | Y                |                  |                  | Y                     |        |
| Arkansas          | Y                      |                | Y                     |                    |                 | Y                       |                     |                      |                  | Y                | Y                | Y                     |        |
| California        |                        |                | Y                     |                    |                 |                         | Y                   | Y                    |                  | Y                | Y                | Y                     | Y      |
| Colorado          |                        |                | Y                     |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| Connecticut       | Y                      | Y              | Y                     | Y                  | Y               | Y                       | Y                   | Y                    |                  | Y                | Y                | Y                     |        |
| Delaware          |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       |        |
| Florida           |                        |                |                       |                    |                 | Y                       | Y                   |                      |                  |                  |                  | Y                     |        |
| Georgia           | Y                      | Y              |                       |                    | Y               |                         |                     | Y                    |                  | Y                | Y                | Y                     |        |
| Hawaii            |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       |        |
| Idaho             |                        |                |                       |                    |                 |                         | Y                   |                      |                  |                  | Y                | Y                     |        |
| Illinois          | Y                      | Y              | Y                     |                    |                 | Y                       | Y                   |                      | Y                |                  |                  | Y                     |        |
| Indiana           | Y                      | Y              | Y                     | Y                  | Y               |                         |                     |                      |                  | Y                | Y                | Y                     |        |
| Iowa              |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       |        |
| Kansas            |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| Kentucky          |                        |                |                       |                    |                 |                         | Y                   |                      |                  | Y                | Y                |                       |        |
| Louisiana         | Y                      | Y              | Y                     |                    | Y               | Y                       | Y                   | Y                    |                  | Y                | Y                |                       |        |
| Maine             |                        |                |                       |                    |                 |                         |                     |                      |                  | Y                | Y                |                       | Y      |
| Maryland          | Y                      | Y              |                       |                    |                 |                         | Y                   |                      |                  |                  | Y                | Y                     |        |
| Massachusetts     | Y                      |                |                       |                    |                 |                         | Y                   |                      | Y                |                  |                  |                       |        |
| Michigan          | Y                      |                | Y                     |                    | Y               |                         | Y                   |                      |                  |                  |                  |                       |        |
| Minnesota         |                        |                |                       |                    |                 |                         | Y                   |                      | Y                |                  |                  | Y                     | Y      |
| Mississippi       |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       |        |
| Missouri          | Y                      | Y              | Y                     |                    |                 | Y                       | Y                   |                      |                  | Y                | Y                | Y                     | Y      |
| Montana           |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| Nebraska          | Y                      |                | Y                     |                    |                 |                         | Y                   |                      |                  |                  |                  |                       |        |
| Nevada            |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       | Y      |
| New Hampshire     |                        |                |                       |                    | Y               |                         |                     |                      |                  |                  |                  | Y                     | Y      |
| New Jersey        |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     | Y      |
| New Mexico        |                        |                |                       |                    |                 |                         |                     |                      |                  |                  | Y                |                       | Y      |
| New York          | Y                      | Y              | Y                     |                    |                 | Y                       |                     |                      |                  | Y                | Y                | Y                     |        |
| North Carolina    |                        |                |                       |                    |                 |                         |                     |                      |                  |                  | Y                | Y                     | Y      |
| North Dakota      |                        |                |                       |                    |                 |                         |                     |                      |                  |                  | Y                | Y                     |        |
| Ohio              |                        |                |                       |                    |                 |                         |                     |                      |                  | Y                |                  | Y                     |        |
| Oklahoma          |                        |                |                       |                    |                 |                         |                     |                      |                  |                  | Y                | Y                     |        |
| Oregon            | Y                      | Y              | Y                     | Y                  |                 |                         |                     |                      |                  | Y                | Y                | Y                     |        |
| Pennsylvania      | Y                      | Y              |                       |                    |                 | Y                       | Y                   | Y                    |                  | Y                | Y                | Y                     |        |
| Rhode Island      |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       |        |
| South Carolina    |                        |                |                       |                    |                 |                         |                     |                      |                  | Y                |                  |                       |        |
| South Dakota      |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       |        |
| Tennessee         |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| Texas             |                        |                |                       |                    |                 |                         | Y                   |                      |                  |                  | Y                |                       |        |
| Utah              |                        |                |                       |                    |                 |                         |                     |                      |                  | Y                |                  | Y                     |        |
| Vermont           |                        |                |                       |                    |                 |                         |                     |                      |                  | Y                |                  | Y                     | Y      |
| Virginia          | Y                      | Y              |                       | Y                  |                 |                         | Y                   |                      |                  |                  |                  |                       |        |
| Washington        |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| West Virginia     |                        |                | Y                     |                    |                 |                         |                     |                      |                  |                  |                  |                       | Y      |
| Wisconsin         |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  |                       | Y      |
| Wyoming           |                        |                |                       |                    |                 |                         |                     |                      |                  |                  |                  | Y                     |        |
| TOTAL             | 16                     | 12             | 13                    | 4                  | 7               | 9                       | 17                  | 5                    | 4                | 17               | 19               | 31                    | 12     |

\*Other: **California** - Under a capacity building mechanism, the state funds "Project Workability," a job training program for special education students; services and equipment for students with low-incidence disabilities; personnel development; research and training in cross-cultural evaluations; alternative dispute resolution; and local improvement grants. **Maine** - State wards/state agency clients. **Minnesota** - State Academies for Deaf and Blind; Correctional Facilities. **Missouri** - Funds for severely disabled. **North Carolina** - North Carolina Department of Health and Human Services. **Oregon** - Reimbursement to districts for out-of-state placements; prorated amount, fixed state general fund account. **New Mexico** - Eight state-supported education programs are funded directly by the legislature and are not part of the funding formula. **Nevada** - Out of district/out of state placements for Free Appropriate Public Education (FAPE). **Vermont** - State-placed students. **West Virginia** - Small dedicated special education fund for special education programs/services only, allocated based on a base amount and a per pupil amount. Total amount just over \$6 million. **Wisconsin** - Did not specify.

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## **Funding for High-Cost Students**

Finally, a growing number of states have a separate funding stream that can be accessed by districts experiencing exceptionally high special education costs. Across states, the most common use of a separate funding mechanism is to provide services for "high-cost" students. The definition of "high-cost" students varies from state to state, but these provisions generally entail some form of supplemental support for districts serving students whose services exceed a specified level in terms of total cost. Exhibit 1-9 shows the specific provisions for those states that have a separate funding mechanism for especially high-cost students.

## Exhibit 1-9. States' Provisions for High-Cost Students\*

| State<br>(n = 17) | Description of Provisions   |
|-------------------|---|
| Alabama           | The Department of Education maintains a separate fund (Catastrophic Trust Fund) that local education agencies (LEAs) may apply to for financial assistance for children that are extremely costly.  |
| Alaska            | Intensive funding is provided at approximately \$21,000 per student if the student meets the seven criteria for this category.  |
| Arkansas          | A state appropriation is available to reimburse local education agencies for special education catastrophic occurrences. These funds were appropriated by the Arkansas General Assembly in 1997. Local education agencies must meet a specific set of criteria in order to see reimbursement for special education catastrophic occurrences. This part of the state funding formula took effect beginning with the 1997-98 school year.   |
| California        | Additional funds are available for districts with special circumstances.  |
| Connecticut       | Special Education Equity provides grants to towns with extraordinary special education costs. Within the \$11.5 million appropriation, towns whose prior year special education expenditures exceed the state average when such costs are compared to average spending in regular programs are reimbursed for their excess special education at the rate of their ECS base aid ratio. In addition, the Excess Cost Grant provides 100 percent of the costs of special education in excess of five times the prior year's average cost per pupil for eligible students who are placed in special education programs (in or out of the district) by the local board of education. |
| Florida           | There is a supplement for select students when a school district has less than 10,000 FTE student enrollment and less than 3 FTE eligible students per program.   |
| Illinois          | When an individual student's costs exceed 1.5 times the district per capita tuition charge, then reimbursement is provided for the amount that is in excess of the district per capita tuition charge for the prior year or \$2,000, whichever is less.   |
| Indiana           | When a student is placed in a public residential facility under specified state procedures, the state agency operating the facility assumes the costs of room and board, special education, and related services normally provided by the residential facility.   |
| Kansas            | The school is reimbursed for 75 percent of the cost of implementing a child's individualized education program (IEP) in excess of \$25,000 for the school year.   |
| Maine             | School administrative snits (LEAs) can apply once they exceed three times the secondary foundation for out of district placements. This basically is a loan program and is prorated based upon the amount appropriated by the legislature.  |
| Missouri          | All excess costs associated with educating students with severe disabilities who qualify for enrollment in the State Schools for Severely Handicapped, yet who are educated in a local school district, are paid by the State. All excess costs associated with educating students who are placed out of their domicile by juvenile courts are paid by the State. All costs on behalf of the education of a special education student that exceed five times the average per pupil expenditure of the serving district are paid by the state.   |
| North Dakota      | The system to reimburse extraordinarily high-cost cases follows an insurance-like model in reimbursing high costs that have been incurred in serving a small number of students. This extraordinary cost portion of the state funding makes up roughly 25% of the state support for special education.  |
| Oklahoma          | The Special Education Assistance Fund reimburses eligible expenses for IEP students for whom programs result in extraordinary costs to the providing school or district of residence. Forms must be completed for each student for whom the school district is requesting reimbursement, and each claim is reviewed on a case-by-case basis in accordance with funding priorities and is subject to proration based upon the availability of funds.   |
| Pennsylvania      | The Contingency Fund for Extraordinary Special Education Program Expenses provides partial reimbursement to school districts for the implementation of the IEP for a student with severe disabilities. A contingency fund application may be submitted for partial reimbursement of extraordinary expenses incurred in meeting the educational needs of a child with severe disabilities who requires a highly specialized program or related services in order to receive an appropriate education.  |
| Utah              | Districts submit information related to the students that they serve who cost in excess of \$15,000. Since it always totals much more than the total appropriation, the monies are prorated down according to the amount available, divided by the number of students.  |
| Vermont           | If a school district pays more than \$50,000 for special education services for an individual student for a fiscal year, they report the cost and receive 90 percent reimbursement for the cost in excess of \$50,000.  |
| West Virginia     | Outside the formula, the state education agency provides assistance on a percent age reimbursement basis to districts for the cost of special education students in out-of-state residential placements and for students served out-of-county (district) as a result of placement by a state agency. Percentage varies with total amount available.   |

\*The following states reported that they have provisions for high-cost students but did not specify what those provisions are: Arizona, Colorado, Georgia, Idaho, Maryland, Minnesota, Montana, New Jersey, New York, North Carolina, Ohio, Oregon, Tennessee, Washington, and Wyoming.

## **Interagency Funding Agreement**

As shown in Exhibit 1-10, 21 of the 46 responding states also have an interagency funding mechanism in place to serve children with multiple special needs. This interagency funding mechanism is usually either legislatively mandated (n = 14), or is a voluntary program (n = 5). Some states, such as Nebraska and Nevada, are involved in an interagency funding arrangement with just one other agency, while other states, such as Alabama, Minnesota and Virginia, have as many as five or more agencies involved. States listed a number of different involved agencies, ranging from the Department of Juvenile Justice to the Department of Substance Abuse. More than half of the respondents reported that their state's Department of Health is included in these funding arrangements.

## Exhibit 1-10. Interagency Funding to Serve Children with Multiple Special Needs

| State (n = 21)    | Basis of Mechanism                    | Agencies Involved in Interagency Funding Arrangements  | Perspective on Interagency Funding Arrangement   |
|-------------------|---------------------------------------|--|--|
| Alabama           | Legislatively mandated                | Department of Mental Health and Mental Retardation, Department of Youth Services, Department of Human Resources, Department of Public Health, Department of Education  | It resulted in shared funding of \$4,000,000 for FY99 for multiple needs students.   |
| Arizona           | Legislatively mandated                | Arizona Department of Education, Department of Economic Security, and Department of Health Services  | Arizona pays for educational costs associated with necessary residential placements through the state's formula-driven funding mechanism.  |
| Arkansas          | Arkansas Department of Human Services | Arkansas Department of Human Services  |  |
| <b>California</b> | Legislatively mandated                | County Departments of Mental Health, Health Services, Social Services, and Probation   |  |
| Hawaii            | Voluntary program                     | State of Hawaii, Department of Health  | The arrangement is beneficial to both the Department of Education and the Department of Health and allows for the provision of educational services in Department of Health contracted therapeutic group type facilities.  |
| Maine             | Informal agreement                    | Departments of Mental Health, Mental Retardation, Substance Abuse, Corrections, and Human Services, Bureau of Child and Family Services, Bureau of Medical Services  | Potential of shifting costs from local districts to one or more of the state agencies including the Maine Department of Education. Need clear legislative mandate, too – then agencies to fund it.   |
| Maryland          | Legislatively mandated                | State Department of Education, Department of Health and Mental Hygiene, Department of Human Resources, Department of Juvenile Justice  | Each agency funds their own child being placed in a residential setting except if the placement involves multiple special needs which results in the placement being co-funded by more than one agency. The arrangement seems fair and equitable.                            |
| Minnesota         | Legislatively mandated                | Department of Children, Families, and Learning; Department of Human Services; Department of Economic Security; Department of Commerce; Department of Human Rights; Department of Human Services; Department of Corrections; and more | The fiscal implications of this interagency funding arrangement are for increased and coordinated capabilities in the provision of funding to serve children with multiple special needs.  |
| Mississippi       | Legislatively mandated                | Mississippi Department of Human Services, Department of Mental Health, and Families as Allies per legislative statute.   | We have two funding arrangements: 1. Human Services pays all fees except education costs that are paid by the Mississippi Department of Education. 2. Mississippi Connections Project is blended funding among agencies MH, HS, MDE, the Department of Health, and Medicaid. |
| Missouri          | Voluntary program                     | Department of Education, Department of Mental Health, Department of Social Services and Department of Health   |  |
| Nebraska          | Legislatively mandated                | Health and Human Services - Medicaid   | Medicaid in Public Schools (MIPS) is limited to physical, occupational, and speech therapy services and has allowed for funding of services coordination for infants/toddlers with disabilities through Health and Human Services.   |
| Nevada            | Legislatively mandated                | Department of Human Resources  | This allows us to prioritize students who need out-of-district placements to receive FAPE for in-state placement options under the jurisdiction of DHR.  |
| New Jersey        | Legislatively mandated                | Department of Human Services, Department of Corrections, Juvenile Justice, Katzenbach, A. Harry Moore, Commission for the Blind and Visually Impaired  | Works okay.  |
| New York          | Legislatively mandated                | Office of Children and Family Services, Office of Mental Retardation and Developmental Disabilities  | These are generally arranged to service children in special residential settings.  |
| Oregon            | Legislatively mandated                | State and federal pre-school providers, Oregon Youth Authority (Juvenile Corrections), statutorily recognized hospitals, vocational rehabilitation, Department of Human Services   | These arrangements provide collaboration across agencies so that multiple needs of children are addressed. Fiscal responsibilities, therefore, are identified and coordinated to reach maximum efficiency while providing services.  |
| Pennsylvania      | Legislatively mandated                | Department of Education, Department of Public Welfare, Department of Labor and Industry, Department of Health  |  |
| Rhode Island      | Voluntary program                     | Department for Children & Youth, Local Education Agencies  |  |
| Tennessee         | Voluntary program                     | Department of Education, Department of Health, MHMR, and Medicare  |  |
| <b>Utah</b>       | Voluntary program                     | Department of Education, Department of Health, Department of Human Services, and Workforce Services  | A small amount of money. The cooperative effort is the main benefit.   |
| Vermont           | Legislatively mandated                | Social Welfare and Mental Health and Education make joint decisions on residential placements and have a state level team to problem solve.  | Fairly divides education, treatment and room/board costs for residential, but State Team often unable to solve individual cases because of lack of funds or inflexibility of Agency rules or funding. This area remains a significant problem.                               |
| Virginia          | Legislatively mandated                | Department of Education, Department of Social Services, Department of Mental Health, Mental Retardation, and Substance Abuse Services, Department of Juvenile Justice, Department of Health  | There is no way to determine whether costs have been better managed. However, planning for services and community awareness of service needs has been improved, and the delivery of services is more efficient.  |

## Allowable Uses of Special Education Funds

States sometimes use fiscal policies to affect district practice in the provision of special education services. For example, states may use a variety of fiscal accountability mechanisms designed to control and target special education expenditures. Fiscal controls in well over a third of the states (n = 20)

require that funds distributed through the state's special education finance system be spent only for eligible special education students (see Exhibit 1-11). Eleven states allow state special education funds to be used for any public education service; eight states report that funds may be spent for special education and prereferral services; one state allows such funds to be spent for special education and remedial services; and two states report that funds distributed through their special education funding mechanism may be spent for any public purpose. Restrictions on how districts use special education funds tend to support fiscal accountability, but reduce local control.

Exhibit 1-12 presents states' methods of distributing special education funding. Twenty-one of the 46 reporting states distribute special education funding separately from funding for other education services. Four of the responding states reported that their special education funding is part of a formula that includes funding for other categorical programs such as bilingual education, and 18 stated that their special education funding is subsumed as part of a larger general education formula. This preference for using a separate categorical mechanism for funding special education reflects the historical development of special education as an "add-on" to the regular education system. However, it may also suggest incongruity between fiscal policy and current program practices and goals. There is a natural tension between separate, highly categorical funding streams and overall education reform objectives favoring more "unified" schooling systems (McLaughlin & Warren, 1992). In such systems, the strict barriers between categorical programs begin to disappear and are replaced by a more seamless set of educational programs and services designed to meet the special needs of all students. Yet, while widespread activity currently focuses on the development of a more unified education system at the instructional level, for the most part, funding structures supporting dual systems of regular and special education remain intact.

A question confronting the development of future fiscal policy in special education is the degree to which funding should retain its categorical nature. Reform advocates sometimes question the efficiency of strict categorical distinctions, and are calling for increased flexibility through the blending of funds to best meet the needs of all students.

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**Exhibit 1-11. Fiscal Policies for the Use of State Special Education Revenues**


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| Fiscal Policy                              | Total Number<br>(n = 50) | Percentage<br>of States |
|--|--------------------------|-------------------------|
| Special education programs only            | 20                       | 40%                     |
| Any public education service               | 11                       | 22%                     |
| Special education and prereferral services | 8                        | 16%                     |
| Special education and remedial services    | 1                        | 2%                      |
| Any public purpose                         | 2                        | 4%                      |
| Other*                                     | 8                        | 16%                     |

\*Other - **Alaska** - Vocational education, bilingual, gifted and talented education, and special education. No state money to fund state special education needs in the Department of Education Early Development. The money is all discretionary. School Boards decide how to budget the programs. **Arkansas** - Special education programs, prereferral services, services to students served under Section 504 of the Rehabilitation Act of 1973, and post-dismissal services. **Florida** - 80 percent of funds generated by exceptional students must be spent on exceptional students. **Louisiana** - Funding through the Minimum Foundation Program is in the form of a block grant from the state to the local districts. As such, districts are afforded local flexibility to spend these funds as they determine to be in the best interests of the district while satisfying certain state mandated requirements. Therefore, while a certain amount of money within the program is attributable to the weights assigned to special education students, these funds are integrated into the block grant and cannot be tracked directly to these children. **Nebraska** - Special education/related services and flexible funding option - not to exceed 50 percent of specific education budget. **New Mexico** - All money generated by the state equalization funding formula goes into the local education agency "operational pot." Money generated by special education students is not categorical. **Vermont** - Special education and prereferral services and some services to non special education. **West Virginia** - Public education services are specified within each step of the formula.

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## Exhibit 1-12. Methods of Special Education Funding Distribution

| State<br>(n = 46) | Subsumed as Part of a<br>Larger General Education<br>Formula | Part of a Formula that<br>Includes Funding for<br>Other Categorical<br>Programs | Distributed Funds<br>Separately from Funding<br>for Other Education<br>Services | Other    |
|-------------------|--|---|---|----------|
| Alabama           | Y  |   |   |          |
| Alaska*           |  |   |   | Y        |
| Arizona           |  | Y   |   |          |
| Arkansas          |  | Y   |   |          |
| California        |  |   | Y   |          |
| Colorado          |  |   | Y   |          |
| Connecticut**     |  |   |   | Y        |
| Delaware          |  |   | Y   |          |
| Florida           | Y  |   |   |          |
| Hawaii            | Y  |   |   |          |
| Idaho             | Y  |   |   |          |
| Illinois          |  |   | Y   |          |
| Indiana           |  | Y   |   |          |
| Iowa              | Y  |   |   |          |
| Kansas            |  |   | Y   |          |
| Kentucky          | Y  |   |   |          |
| Louisiana         | Y  |   |   |          |
| Maine             |  | Y   |   |          |
| Maryland          |  |   | Y   |          |
| Massachusetts     | Y  |   |   |          |
| Michigan          |  |   | Y   |          |
| Minnesota         |  |   | Y   |          |
| Mississippi       |  |   | Y   |          |
| Missouri          |  |   | Y   |          |
| Montana           |  | Y   |   |          |
| Nebraska          |  |   | Y   |          |
| Nevada            |  |   |   |          |
| New Hampshire     | Y  |   |   |          |
| New Jersey        |  |   | Y   |          |
| New Mexico        | Y  |   |   |          |
| New York          |  |   | Y   |          |
| North Carolina    |  |   | Y   |          |
| North Dakota      |  |   | Y   |          |
| Ohio              | Y  |   |   |          |
| Oklahoma          | Y  |   |   |          |
| Oregon            | Y  |   |   |          |
| Pennsylvania      |  |   | Y   |          |
| Rhode Island      | Y  |   |   |          |
| Tennessee         | Y  |   |   |          |
| Texas             |  |   | Y   |          |
| Utah              |  |   | Y   |          |
| Vermont           |  |   | Y   |          |
| Virginia***       |  |   |   | Y        |
| Washington        |  |   | Y   |          |
| West Virginia     | Y  |   |   |          |
| Wisconsin         |  |   | Y   |          |
| Wyoming           | Y  |   |   |          |
| <b>TOTAL</b>      | <b>18</b>  | <b>4</b>  | <b>21</b>   | <b>3</b> |

\*Alaska uses a block grant.

\*\* In Connecticut, the bulk of funding is subsumed. It was part of a larger general education funding formula (ECS), but there are also several grants that are distributed separately from other educational services.

\*\*\*Virginia's special education funding is mostly subsumed as part of larger general education formula, with some funding distributed as separate categorical accounts.

Some changes have already occurred. Under Title I of the revised Elementary and Secondary Education Act (ESEA), high poverty schools have been allowed to blend funds from a variety of federal sources to make schoolwide changes for the benefit of all students. Increasing federal support for this concept is indicated by the fact that the poverty threshold eligibility for this program has been continually lowered. Similarly, under the IDEA Amendments of 1997 (P.L. 105-17), local education agencies may use IDEA funds as a part of these Title I schoolwide programs.

### **Other State Policies that Affect Special Education Services**

A significant trend affecting the delivery of special education services in states across the nation relates to increased use of prereferral intervention services (see Exhibit 1-13). Prereferral intervention systems provide short-term educational interventions for students experiencing difficulties in school, some of whom might otherwise be directly referred to special education. They are designed to provide early, systematic support to students in their regular classroom environment; reduce or eliminate inappropriate referrals for testing and placement into special education; and increase the regular classroom teacher's ability to deal with children with special needs (Hartman & Fay, 1996).

As Exhibit 1-13 shows, 32 states have established prereferral intervention systems of some type, and almost 15 percent ( $n = 7$ ) of them report that state funds have been appropriated for these services. These changes in the delivery of services for children with special needs—driven by both programmatic and fiscal concerns—reflect reforms in special education that are integrally tied to those for the education system as a whole.

*Exhibit 1-13. Adoption of Prereferral Intervention Systems, by State*

| State<br>(n = 50) | Established | State Funds Appropriated* |
|-------------------|-------------|---------------------------|
| Alabama           | Y           |                           |
| Alaska            |             |                           |
| Arizona           |             |                           |
| Arkansas          |             |                           |
| California        |             |                           |
| Colorado          | Y           |                           |
| Connecticut       | Y           | Y                         |
| Delaware          | Y           |                           |
| Florida           | Y           |                           |
| Georgia           | Y           |                           |
| Hawaii            | Y           | Y                         |
| Idaho             |             |                           |
| Illinois          |             |                           |
| Indiana           | Y           |                           |
| Iowa              | Y           |                           |
| Kansas            | Y           |                           |
| Kentucky          |             |                           |
| Louisiana         | Y           | Y                         |
| Maine             | Y           |                           |
| Maryland          | Y           |                           |
| Massachusetts     | Y           |                           |
| Michigan          | Y           |                           |
| Minnesota         | Y           |                           |
| Mississippi       |             |                           |
| Missouri          |             |                           |
| Montana           |             | Y                         |
| Nebraska          |             |                           |
| Nevada            | Y           |                           |
| New Hampshire     | Y           |                           |
| New Jersey        | Y           |                           |
| New Mexico        | Y           |                           |
| New York          | Y           | Y                         |
| North Carolina    |             |                           |
| North Dakota      |             |                           |
| Ohio              | Y           |                           |
| Oklahoma          |             |                           |
| Oregon            |             |                           |
| Pennsylvania      | Y           | Y                         |
| Rhode Island      | Y           |                           |
| South Carolina    |             |                           |
| South Dakota      | Y           |                           |
| Tennessee         |             |                           |
| Texas             | Y           |                           |
| Utah              | Y           |                           |
| Vermont           | Y           | Y                         |
| Virginia          | Y           |                           |
| Washington        | Y           |                           |
| West Virginia     | Y           |                           |
| Wisconsin         |             |                           |
| Wyoming           | Y           |                           |
| <b>TOTAL</b>      | <b>32</b>   | <b>7</b>                  |

\* Connecticut appropriated \$250,000. Hawaii appropriated an estimated \$6.9 million. Louisiana appropriated a total of \$24,327,986 (not just for special education). Montana has no earmarked money for this purpose – just an allowable cost for special education money. New York appropriated \$66,600,000. In Pennsylvania, appropriations were only available during start-up training years. In Vermont, appropriations cannot be identified as portion-funded.