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Financing the Rising Costs of Special Education

An analysis of special education funding in the United States reveals that costs have escalated significantly over the past 25 years. In 1977 the national bill for special education services was 1 billion dollars, in 1993 costs had risen to 30 billion dollars and today almost 40 billion dollars is spent on special education instruction and services. The problem of annual increases in special education expenses is not unique to Vermont. In the early 1990s a majority of the states are facing similar problems and have reported that they are investigating ways to reform special education financing.

Approaches to Funding Special Education

Four basic funding approaches to funding special education have been embraced by the states. First, a resource-based system, allocates funds based on specific education resources such as teachers or classroom units. A pupil weight formula, expressed as a multiple of regular education aid is a second method utilized. Other states receive a flat grant that is a fixed funding amount per student or per unit. And finally, states may fund special education programs through a percentage reimbursement scheme that allocates money based on specific education resources. (See table 1 for the approach used in each state.) It is important to note that many specific characteristics of these programs are not reflected in the four general typologies. For example some districts have more latitude in policy decisions once funds are allocated which allows for increased efficiency in the distribution of capital.

Two states, Oregon and Pennsylvania, have recently reformed their special education funding programs. The state of Oregon follows the pupil weight funding approach where as Pennsylvania funds special education programs through a flat grant. The specifics of these programs have the intent of reducing the rate at which special education funding has increased over the past 25 years.

Oregon

Historically, the state of Oregon funded approximately 80% of education funding through local property taxes. This system resulted in vast amounts of paperwork and high levels of inequity across districts—two driving forces in reforming special education funding. Once meaningful discussion of reform occurred, the concept of developing a "funding" formula was replaced with developing a "distribution" formula. In 1991 a new system focused on equal distribution of resources was enacted. The new system provides two times the amount of funding for a special education student as a regular student (a funding weight of 2.0), up to 11% of the total school population. The double weighting formula was designed from research showing that special education students are approximately twice the cost of regular students. A main feature of this formula is money targeted for special education need not be spent solely on students with disabilities.

Pennsylvania

Until the 1991-1992 school year, Pennsylvania funded 100% of the "excess cost" of special education. Regional service agencies played a large role in the operation and implementation of special education programs. Implementation of the special education reforms which began in 1990 emphasized the instructional needs of students and reduction in direct state support for intermediate units (regional service agencies). The first programmatic change was the development of instructional support teams (IST) for all school districts; although additional costs were incurred due to ISTs, they were designed to be phased in and paid for within 10 years. The goal of ISTs was to more appropriately define those students in need of special education by consulting individuals closest to the student, such as the student's teacher, the principle, and a specially trained instructional support teacher. The ISTs proved successful in the first year of implementation in which special education placements were reduced by 48%.

The second programmatic change was a system that decreased the reliance upon intermediate units and channeled money directly to districts based on the average daily membership of students. The change combined the old excess cost system with a new census based funding system. Similar to Oregon the reform was intended to increase district control of funding decisions.

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