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Essential Programs and Services Review: The Special Education Funding Model

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The Maine Education Policy Research Institute (MEPRI), a nonpartisan institute co-located at the [University of Southern Maine](#) and the [University of Maine](#) was established in 1995 to collect and analyze education information and perform targeted research for the Maine Legislature.

Essential Programs and Services Review: The Special Education Funding Model

Introduction

The purpose of this document is to review the special education funding component of the Essential Programs and Services funding model. This component was first implemented in 2005 -2006 and first reviewed in 2007-08. In order to establish a context for this second review, the sections below include an overview of special education and funding in the U.S. and in Maine.

Overview of special education enrollment

The Individuals with Disabilities Act (IDEA-97), first enacted in 1975, requires all states to provide a free and appropriate public education to children with disabilities ages 3 to 21. Children who are eligible for special education are those who are identified by a team of qualified professionals as having a disability that adversely affects their academic performance. Further, these special education programs and services must be provided in the least restrictive educational environment.

From 1975 to 2005 the number and percentage of children ages 3 – 21 in the U.S. who received special education programs increased from 8.3 percent to 13.8 percent. Beginning in 2005 this trend began to reverse and in 2008 the national prevalence rate was 13.4%.

In Maine special education prevalence paralleled the national trend with increasing enrollment until 2005 followed by a gradual decrease. However, the prevalence of Maine students enrolled in special education is higher than the national prevalence during this time period. Table 1 describes special education enrollment in Maine from 2000 to 2010.

Table 1: Special Education Enrollment in Maine 2000 - 2010

| Students | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Public School* | 212,957 | 210,946 | 209,745 | 207,517 | 205,000 | 201,912 | 202,417 | 198,094 | 194,545 | 192,202 | 190,395 |
| Total Special Education ** | 35,633 | 36,580 | 37,139 | 37,784 | 37,573 | 36,522 | 35,564 | 34,425 | 33,284 | 32,766 | 32,258 |
| % Special Education | 16.7% | 17.3% | 17.7% | 18.2% | 18.3% | 18.1% | 17.6% | 17.4% | 17.1% | 17.1% | 16.9% |

Source: Maine Department of Education, Special Services Team, March 2011

Note: Data reflect special education enrollment ages 3 through 21 years while regular education enrollment in Maine is for students' ages 4 through 20 years old.

*Age 4-21, resident enrollment: <http://www.maine.gov/education/enroll/resident/staterespub.htm>

**Age 3-21, special education enrollment: <http://www.maine.gov/education/specdata/14yeardata.htm>

Maine’s prevalence of students with disabilities has consistently been one of the highest in the nation. Table 2 displays U.S. Office of Education data representing Maine’s prevalence, the national prevalence, and the prevalence rates of four other high prevalence states. (Note: The prevalence figures below differ from those in Table 1 because the federal government uses a different method of calculation).

Table 2: The national prevalence (%) of students with disabilities ages 3 to 21 in Maine and in four selected highest ranking states.

| | 2001-2002 | 2003-2004 | 2005-2006 | 2006-2007 | 2007-2008 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| National average | 13.4 | 13.7 | 13.8 | 13.6 | 13.4 |
| Rhode Island | 20.1 | 20.2 | 20.1 | 19.9 | 19.7 |
| New Jersey | 17.1 | 17.5 | 17.6 | 18.0 | 18.1 |
| Maine | 17.8 | 18.7 | 18.9 | 18.3 | 17.5 |
| Massachusetts | 15.4 | 16.2 | 16.6 | 17.1 | 17.3 |
| West Virginia | 17.7 | 18.1 | 18.0 | 17.4 | 16.9 |

Source: U.S. Office of Education http://nces.ed.gov/programs/digest/d09/tables/dt09_052.asp

In Maine, students receive special education services for one of thirteen disabilities. Table 3 displays the number of children enrolled in special education by category of disability and the change in enrollment between 2004 and 2010.

Table 3. Special education disabilities by category 2004 - 2010

| Disabilities | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | % Change 2004 - 2010 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------------|
| Mental Retardation | 898 | 858 | 846 | 798 | 759 | 744 | 722 | -20% |
| Hearing Impairment | 217 | 219 | 215 | 219 | 216 | 245 | 168 | -23% |
| Deafness | 71 | 63 | 60 | 72 | 57 | 65 | 63 | -11% |
| Speech & Language Impairment | 9,797 | 9,487 | 9,118 | 8,612 | 7,842 | 7,515 | 7,075 | -28% |
| Visual Impairment including Blindness | 95 | 90 | 92 | 81 | 82 | 76 | 71 | -25% |
| Emotional Disability | 3,336 | 3,173 | 3,118 | 2,943 | 2,841 | 2,685 | 2,560 | -23% |
| Orthopedic Impairment | 81 | 75 | 68 | 71 | 77 | 66 | 65 | -20% |
| Other Health Impairment | 4,603 | 4,963 | 5,325 | 5,528 | 5,528 | 5,648 | 5,772 | +25% |
| Specific Learning Disability | 12,020 | 11,355 | 10,648 | 10,053 | 9,827 | 9,510 | 9,331 | -22% |
| Deaf Including Blindness | 4 | 5 | 10 | 7 | 3 | 5 | 4 | 0% |
| Multiple Disabilities | 3,317 | 3,274 | 3,152 | 3,082 | 2,955 | 2,892 | 2,878 | -13% |
| Developmentally Delayed | 1,782 | 1,364 | 1,069 | 888 | 665 | 710 | 794 | -55% |
| Autism | 1,255 | 1,471 | 1,760 | 1,990 | 2,231 | 2,471 | 2,646 | 111% |
| Traumatic Brain Injury | 97 | 97 | 83 | 81 | 81 | 76 | 63 | -35% |
| Total all disabilities | 37,573 | 36,522 | 35,564 | 34,425 | 33,284 | 32,766 | 32,258 | -14% |
| Total Resident Enrollment | 205,000 | 201,912 | 202,417 | 198,094 | 194,545 | 192,202 | 190,395 | -7.1% |
| % all Disabilities | 18.3% | 18.1% | 17.6% | 17.3% | 17.1% | 17.1% | 16.9% | -1.4% |
| Ages 6 – 21 with disabilities | 32,767 | 32,174 | 31,419 | 30,536 | 29,584 | 28,923 | 28,438 | -13% |
| % ages 6 – 21 with disabilities | 15.9% | 15.9% | 15.5% | 15.4% | 15.2% | 15.1% | 14.9% | -1% |

Source: Maine Department of Education , Special Services Team, March 2011.

As evident in Table 3, the largest disability category is Specific Learning Disability followed by Speech and Language Impairment and Other Health Impairment. Since 2004 the overall prevalence of children with disabilities as a percent of the total resident enrollment has declined from 18.3% to 16.9%. The prevalence of children with disabilities ages 6 to 21 in the same period declined from 15.9% to 14.9%. Notable increases have occurred in the Other Health Impairment (25%) and Autism (111%) categories.

Special education expenditures 2004 – 2009

Total expenditures for education in Maine for 2008 - 2009 fiscal year were \$2,085,858,086 with regular education and special education comprising 54.77% of the total. Regular education instruction including teacher and support staff salaries, benefits, and supplies and materials accounts for 40.17% of this amount or \$837,794,568. Special education instruction accounts for 14.60% of total education or \$304,548,098. Although special education expenditures as a percentage of total education expenditures have ranged from 13.44% in 2004 to 14.60% in 2008, the percentage increases have been greater than increases in regular education expenditures and total education expenditures as indicated in Table 4.

Table 4. Percentage increases in regular, special and total education expenditures

| | Expenditures 2004-2005 | Expenditures 2006-2007 | Expenditures 2008-2009 | % increase 2005-2007 | % increase 2007-2009 | % increase 2005-2009 |
|------------|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| Regular Ed | \$782,723,296 | \$823,703,553 | \$837,794,568 | 5.24% | 1.71% | 7.04% |
| Special Ed | \$240,437,245 | \$273,025,244 | \$304,548,098 | 13.55% | 11.55% | 26.66% |
| Total Ed | \$1,781,822,683 | \$1,957,709,051 | \$2,085,858,086 | 9.87% | 6.55% | 17.06% |

Source: Maine Department of Education <http://www.maine.gov/education/data/sfinstatewide/statewide%20rvsd2010.pdf>

As indicated in Table 5 per pupil operating expenses for both regular and special education increased between 2005 and 2009. Regular education per-pupil expenses increased slightly more than special education per pupil expenses.

Table 5. Regular and special education per pupil operating expenses

| | 2004-2005 | 2006-2007 | 2008-2009 | % increase 2005-2007 | % increase 2007-2009 | % increase 2005-2009 |
|--------------|-----------|-----------|-----------|-------------------------|-------------------------|-------------------------|
| *Regular Ed | \$6,345 | \$7,063 | \$7,636 | 11.32% | 8.11% | 20.35% |
| **Special Ed | \$8,013 | \$8,719 | \$9,489 | 8.81% | 8.83% | 18.42% |

*Regular Ed excludes Special Ed, CTE, Transportation, Debt Services, & Other exp

**Special Ed includes federal but no Medicaid

Summary of overview key points

- Maine’s prevalence of students with disabilities, 17.5% in 2008) has consistently been among the highest prevalence rates reported in the nation (U. S. Department of Education).
- In Maine, all categories of disability have seen decreases recently with the exception of Other Health Impairment (+25%) and Autism (+110%).
- In 2008-09 special education expenditures constituted 14.6% of the total education budget while regular education accounted for 40.17%
- Since 2004-2005 special education expenditures have increased 26.66% while regular education expenditures have increased 7.04% and total education expenditures increased 17.6%.
- Since 2004-2005 special education per-pupil operating expenses have increased 18.42%, slightly less than regular education per-pupil operating expenses (20.35%).

Special Education Funding Models

Special education funding is the allocation of money to support the education of students with disabilities. Federal law, the Individuals with Disabilities Education Act (IDEA), and state laws specify the processes by which students with disabilities are identified and special education programs are provided. Funds to support special education programs are derived from federal, state, and local sources. How states allocate special education funds to school districts varies tremendously across the nation.

A recent study of state special education funding formulas (Ahern, 2009) categorized each state’s formula into one of eight categories (Table 6).

TABLE 6: STATE SPECIAL EDUCATION FUNDING FORMULAS 2008-2009

| Formula Type | Description | States |
|--------------------------|---|--|
| Multiple student weights | Funding (either a series of multiples of the general education amount or tiered dollar amounts) allocated per special education student that varies by disability, type of placement, or student need | Arizona, Colorado, Florida, Georgia, Indiana, Iowa, Kentucky, New Mexico, Ohio, Oklahoma, South Carolina, Texas (n=12) |
| Census-based | A fixed dollar amount per total enrollment or Average Daily Membership (ADM) | Alabama, California, Idaho, Massachusetts, Montana, New Jersey, Pennsylvania (n=7) |
| Single student weights | Funding (either a single multiple of the general education amount or a fixed dollar amount) allocated per | Louisiana, <u>Maine</u> , New Hampshire, New York, North Carolina, Oregon, Washington (n=7) |

| | special education student | |
|---------------------------------------|---|--|
| No separate special education funding | Funding to support special education is rolled into the overall funding levels | Arkansas, Connecticut, Hawaii, Missouri, North Dakota, Rhode Island, West Virginia (n=7) |
| Resource-based | Funding based on payment for a certain number of specific education resources (e.g., teachers or classroom units), usually determined by prescribed staff/student ratios that may vary by disability, type of placement or student need | Delaware, Kansas, Mississippi, Nevada, Tennessee, Virginia (n=6) |
| Combination | Funding based on a combination of formula types | Alaska, Illinois, Maryland, South Dakota, Vermont (n=5) |
| Percent reimbursement | Funding based on a percentage of allowable, actual expenditures | Michigan, Minnesota, Nebraska, Wisconsin, Wyoming (n=5) |
| Block grant | Funding based on base-year or prior year allocations, revenues, and/or enrollment | Utah (n=1) |

Source: Developed on the basis of descriptions provided on the Survey on State Special Education Funding Systems, 2008-2009, conducted by Project Forum, National Association of Directors of Special Education

Ahern (2009) compared these results to an earlier study (Parish, T. et al., 2003) and drew the following conclusions:

- The most prevalent funding model is based on student weights (19 states in 2009)
- Except for an increase in states using no separate special education funding formula (2 states in 2000, 7 in 2009) and a decrease in states using block grants (4 states in 2000, 1 in 2009), there has been little change in state funding formulas over the past ten years.

Other findings of this study included:

- Eighteen states are currently considering changes to the way they allocate funds for special education.
- Seven states reported a cap on the number of students who can be reported for state aid.
- Eleven states reported a cap on the total amount of state aide per year that is available for special education.

Overview of Maine's Special Education Funding Model

Maine's special education funding model can be described as a single-pupil weight model with adjustments. This model was derived in 2003-2004 by Maine Education Policy Research Institute (MEPRI) staff with consultation from the Working Group on Special Education Issues convened by the Commissioner of Education. Models used in other states were examined and consideration given to the significant differences in the size of Maine school districts, the wide variance in the prevalence of students with disabilities among districts, and the unpredictable need for high-cost programs for some students. The single-pupil weight model with adjustments for specific conditions and circumstances was determined to be the model that best fit the characteristics of Maine school districts and was congruent with the adequacy and equity goals of the Essential Programs and Services (EPS) funding model. The model was approved by the Maine State Legislature for implementation in FY2006.

A single-pupil weight model means that an incremental cost for a special education student is calculated and added to the EPS base rate for a regular education student. The ratio of the cost of a special education student to the cost of a regular education student becomes the basis for the special education allocation to a school district. Adjustments are made for specific conditions or circumstances.

Maine's special education funding model can be viewed as having six components with the following parameters:

- **Base weight:** The EPS base rate for a regular education student is weighted at 1.0. Each special education student, up to 15% of a district's resident enrollment, is weighted at an additional 1.27.
- **Prevalence adjustment:** Special education students above 15% of resident enrollment are weighted at an additional .38.
- **Small district adjustment:** Districts with fewer than 20 students with disabilities receive an adjustment to reflect lower student-staff ratios and higher costs.
- **High cost in-district adjustment:** Districts receive an adjustment for special education students educated within the district when costs are estimated to be more than three-times the special education per-pupil base amount .
- **High cost out-of-district:** Districts receive an adjustment for special education students educated outside the district when costs are estimated to be four-times the special education per-pupil base amount.

- ***Maintenance of effort (MOE)***: Federal law requires that district per-pupil expenditures for special education be at least equal to the previous year per-pupil expenditure. Districts are given a “hold harmless” adjustment that is equal to at least the previous year per-pupil expenditure minus adjustments for the loss of high cost students and shifts in staff.

Review of Components

Data Used in Adjustment Calculations

The following sections summarize a review of each component of the model and provide updated parameters based on available data from the last three years. Some data sources have changed since the original model was created. More accurate attending student counts are now available with the incorporation of special education into MEDMS/Infinite Campus, and more accurate expenditure data became available with the creation of the new financial system in 2007 – 2008. In some cases these new data allow for calculations that were not possible under the old reporting system and in others the new data improve the accuracy of the calculations.

In addition to presenting the updated parameters, the following sections include a number of comparisons between actual expenditures and allocations.

Base Weight

Special education students are currently estimated to cost 2.1 times as much as non-special education students or an incremental weight of 1.1. Recalculating this base weight using the last three years of expenditure data (2006 – 2008) yields an updated ratio of 2.2 (see Table 7).

Table 7. Calculation of Base Weight

| Calculation of Weights Excluding State Ward and State Agency Clients 2006 - 2007 | |
|---|---------------|
| Regular Ed Per-Pupil Expense | \$7,063 |
| Total Special Ed Expenses | \$258,326,561 |
| Medicaid Revenues (General Fund) | \$20,034,102 |
| State and Local Special Ed Costs Excluding Medicaid | \$238,292,459 |
| Federal Expenditures | \$39,632,340 |
| Total | \$277,924,799 |
| Special Ed Pupils December 1, 2006..excluding an estimate of state ward and agency clients) | 31876 |
| Special Ed Added Per Pupil Expense | \$8,719 |
| Total Special Ed Per Pupil Expense | \$15,782 |
| Ratio or Total Special Ed Per Pupil to Regular Ed Per Pupil | 2.2 |

| Calculation of Weights Excluding State Ward and State Agency Clients 2007 - 2008 | |
|---|---------------|
| Regular Ed Per-Pupil Expense | \$7,636 |
| Total Special Ed Expenses | \$265,426,383 |
| Medicaid Revenues (General Fund) | \$24,953,859 |
| State and Local Special Ed Costs Excluding Medicaid | \$240,472,524 |
| Federal Expenditures | \$37,555,124 |
| Total | \$278,027,648 |
| Special Ed Pupils October 1, 2007..excluding an estimate of state ward and agency clients) | 30027 |
| Special Ed Added Per Pupil Expense | \$9,259 |
| Total Special Ed Per Pupil Expense | \$16,896 |
| Ratio or Total Special Ed Per Pupil to Regular Ed Per Pupil | 2.2 |

| Calculation of Weights Excluding State Ward and State Agency Clients 2008 - 2009 | |
|---|---------------|
| Regular Ed Per-Pupil Expense | \$7,891 |
| Total Special Ed Expenses | \$271,731,872 |
| Medicaid Revenues (General Fund) | \$24,645,162 |
| State and Local Special Ed Costs Excluding Medicaid | \$247,086,710 |
| Federal Expenditures | \$33,363,300 |
| Total | \$280,450,009 |
| Special Ed Pupils October 1, 2008..excluding an estimate of state ward and agency clients) | 29556 |
| Special Ed Added Per Pupil Expense | \$9,489 |
| Total Special Ed Per Pupil Expense | \$17,380 |
| Ratio or Total Special Ed Per Pupil to Regular Ed Per Pupil | 2.2 |

| | |
|---------------------------|------------|
| Three-Year Average | 2.2 |
|---------------------------|------------|

Base Weight Conversion

Table 7 exposes the relationship between regular education per-pupil expense and special education per-pupil expense. This relationship must be translated to funding allocation. The current additional incremental cost of 1.1 for special education is converted to a weight of 1.27 to reflect an equivalent relationship between the weighted and non-weighted EPS rates. The updated incremental cost of 1.2 would convert to an incremental weight of 1.39 multiplied by the non-weighted EPS rate in the funding model. Table 1 in the appendix displays the Base weight conversion.

Updated parameter: The incremental weight applied to each special education student based on recent data is 1.39. Note: Title 20A, section 15681-A allows a weight of at least 1.2 but no greater than 1.4.

High-Prevalence Adjustment

Currently, each special education student is weighted at 1.27 for up to 15% of resident enrollment. The current incremental weight used to account for the number of students above 15% of resident enrollment is .38. Recalculation of this weight using 2007 – 2009 data shows that the incremental weight based on students in regular classroom settings has decreased slightly to .36. Table 8 displays a comparison between the original and updated weight calculation.

Table 8. Updated Calculation of the High-Prevalence Adjustment

| | Updated (2008 - 2009) | | Updated (2007 - 2008) | | Original Model | |
|----------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|----------------|-------------------------|
| | Resource Room | Regular Class Placement | Resource Room | Regular Class Placement | Resource Room | Regular Class Placement |
| Students | 8,749 | 16,474 | 8,801 | 18,054 | 10,179 | 18,181 |
| Special Ed Expense | \$115,219,229 | \$34,317,654 | \$112,530,138 | \$35,257,049 | \$69,651,104 | \$31,101,452 |
| Allocated Administration Expense | \$6,868,905 | \$12,933,860 | \$6,533,426 | \$13,402,395 | \$4,773,951 | \$8,526,889 |
| Total Expense | \$122,088,134 | \$47,251,514 | \$119,063,564 | \$48,659,444 | \$74,425,055 | \$39,628,341 |
| Total Expense Per Student | \$13,955 | \$2,868 | \$13,528 | \$2,695 | \$7,312 | \$2,180 |
| Regular Ed Expense Per Student | \$7,891 | \$7,891 | \$7,636 | \$7,636 | \$5,721 | \$5,721 |

| | | | | | | |
|---------------------------|------|-------------|------|-------------|------|-------------|
| Incremental Weight | 1.77 | 0.36 | 1.77 | 0.35 | 1.28 | 0.38 |
|---------------------------|------|-------------|------|-------------|------|-------------|

Updated Parameter: Based on recent data the adjustment for special education students in excess of 15% of resident enrollment is .36.

Small-Size Adjustment

. This adjustment is based on the lower teacher and director ratios and higher per-pupil costs of related services in small districts and applies to districts that enroll fewer than 20 students with disabilities. This method was chosen because at the time there were not accurate attending special education enrollment counts on which to calculate attending per-pupil expenditures.

The current method for calculating this adjustment uses state average ratios for each of three components; students with disabilities per teacher, students per director, and related expenses per student. Proportionate ratios are calculated for districts with fewer than the state average of 15 students per teacher using two enrollment ranges, fewer than 10 students and 10 to 19 students. Adjustments are provided that equate to the difference between the state average cost of each component and proportionate cost for the enrollment group. Table 2 in the appendix provides an example of this calculation. Table 9 displays a side by side comparison of the original parameters used for the adjustment and the updated calculations with 2008 – 2009 staffing and expenditure data.

Table 9. Updated and Original Small District Adjustment Parameters

| | Updated (2008 - 2009) | | | Original Model | | |
|---------------|-----------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------------|
| | Students Per Teacher | Students Per Director | Related Expense Per Student | Students Per Teacher | Students Per Director | Related Expense Per Student |
| State Average | 14 | 213 | \$1,844 | 15 | 216 | \$1,581 |
| Fewer than 10 | 10 | 90 | \$3,972 | 10 | 38 | \$3,640 |
| 10 - 19 | 11 | 75 | \$3,024 | 14 | 80 | \$1,933 |

The original method of calculating this adjustment was created at a time when accurate data for calculating attending per pupil expenditures were not available. We now have more accurate counts on which to calculate these figures. Due to this change, an alternate method for calculating the small size adjustment is possible and suggested below. The current model simply updates the parameters used in the original calculations. The suggested alternative uses per-pupil attending expenditures by enrollment ranges and creates an incremental weight that would greatly simplify the adjustment process.

Suggested alternative. Table 10 displays the mean attending per-pupil expenditure (2008 – 2009) by enrollment group. A comparison of mean expenditures reveals that the per-pupil expenditures for districts with fewer than 20 students with disabilities are significantly higher than expenditures in larger districts.

Table 10. Mean Attending Per-Pupil Expenditures by Enrollment Group

| Enrollment Group | Districts | Attending Per-Pupil Expenditure | Additional Expenditure |
|------------------|-----------|---------------------------------|------------------------|
| Fewer than 10* | 28 | \$14,703 | 29% |
| 10 - 19* | 25 | \$14,784 | 30% |
| 20 – 29 | 17 | \$11,291 | -1% |
| 30 – 39 | 14 | \$10,608 | -7% |
| 40 – 49 | 12 | \$10,543 | -8% |
| 50 – 59 | 10 | \$10,032 | -12% |
| 60 – 69 | 8 | \$10,701 | -6% |
| 70 – 79 | 4 | \$8,334 | -27% |
| 80 – 89 | 8 | \$10,902 | -4% |
| 90 – 99 | 5 | \$9,893 | -13% |
| 100 or more | 88 | \$10,153 | -11% |
| Overall | 219 | \$11,405 | |

*Statistically different from districts with 20 or more students with disabilities.

This analysis suggests that a weight of .29 (the average additional per pupil expenditure) might be used to calculate the small school adjustment for all schools with fewer than 20 students with disabilities. To further examine the relationship between the current calculation and the suggested alternative and actual expenditures we calculated the 2008 – 2009 EPS allocations (without MOE) for districts with fewer than 20 students with disabilities using both methods. Figures 1 and 2, respectively, show these linear

relationships. The suggested alternative, Figure 2, actually explained more of the variance in the actual expenditures than the current version(0.66 vs 0.579).

Figure 1. Relationship between Allocation and Expenditures Using Original Small District Adjustment (Only Small Districts are Displayed)

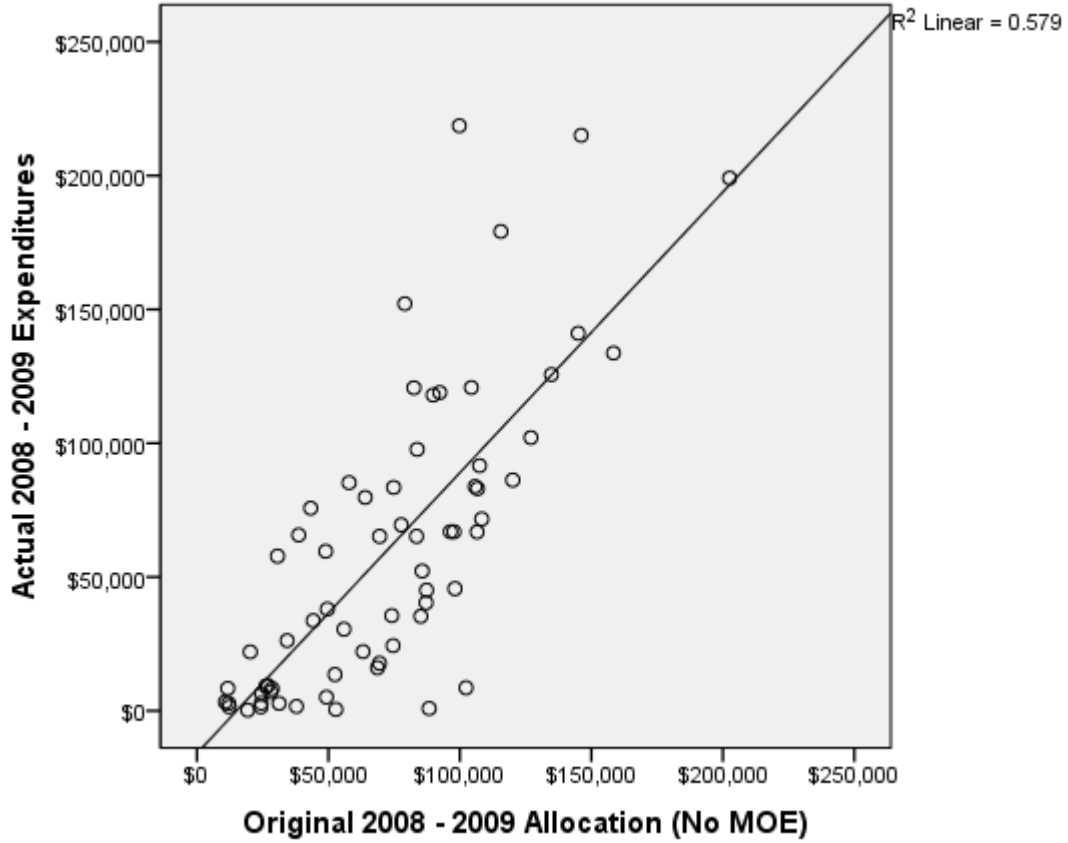
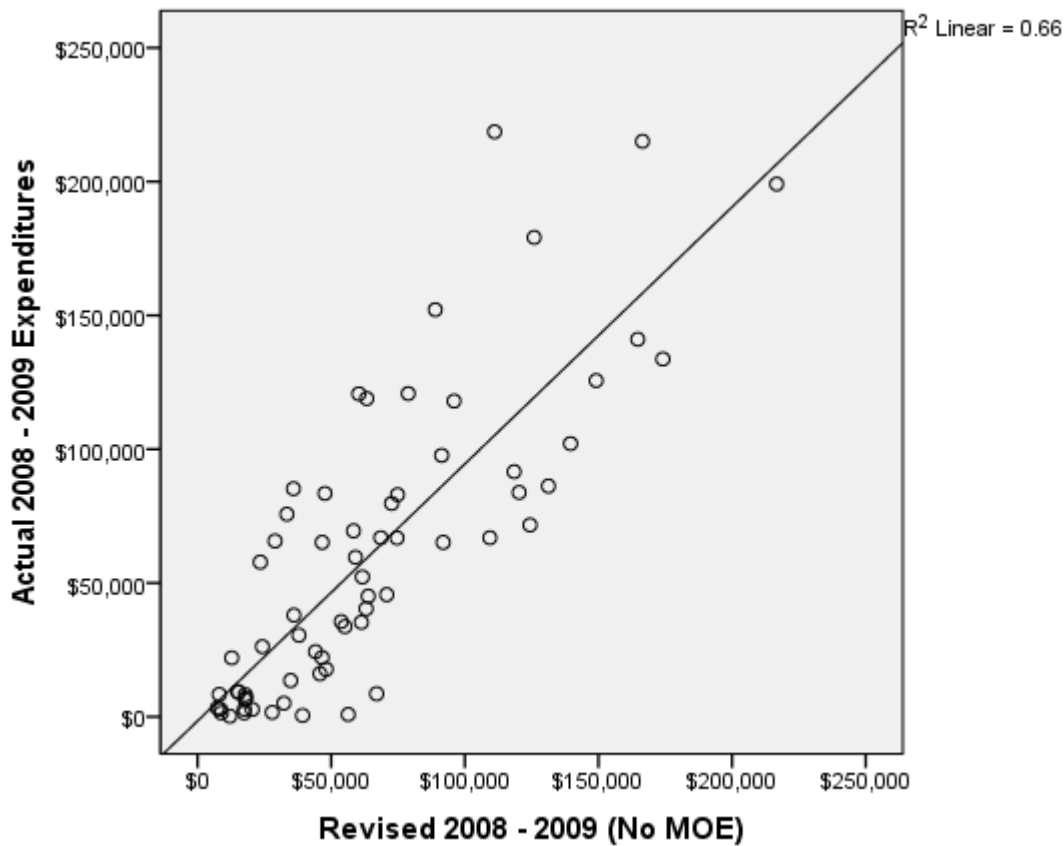


Figure 2. Relationship between Allocation and Expenditures Using Alternative Small District Adjustment (Only Small Districts are Displayed)



Updated Parameter: A weight of .29 applied to per pupil cost could be used to calculate the small size adjustment. The benefit of this alternative calculation is that it can be easily incorporated into the financial system for calculating EPS allocations and is easier to understand than the original option.

High Cost In-District Adjustment

The threshold for high cost in-district students is three-times the special education EPS rate (Base plus Prevalence per-pupil cost). Districts currently receive an adjustment for the estimated costs above that threshold. Two factors are used in the current model to determine which students fall above the threshold; a student’s special education placement (regular, resource, self-contained or homebound/hospital), and the average costs of related services provided to a student (occupational therapy, physical therapy, psychological, etc.). The calculation of both estimated placement and related services costs are described below.

Placement Estimates. The estimates used to calculate per-student placement costs are based on instructional expenditures and an allocated portion of administrative expenses. Dividing the expenditures for regular classroom room placement, resource room placement, and

homebound/hospital placement by the number of special education students in each placement category provides estimates of costs. A proportion of administrative expenditures is added to each placement category. Table 11 displays a comparison of current and updated estimates for each placement category for 2006 – 2007 and 2008 - 2009. The biggest change was in the homebound/hospital category where there was a significant decrease in the per-pupil expenditures. This appears to be a function in the change in the reporting systems.

Table 11. Comparison of Placement Estimates for High Cost In-District Adjustment Calculation

| | Updated (2008 - 2009) | | | | Previous Estimates (2006 - 2007) | | | |
|----------------------------------|-----------------------|-------------------------|--------------------------|---------------------|----------------------------------|-------------------------|--------------------------|---------------------|
| | Resource Room | Regular Class Placement | Self-Contained Placement | Homebound Hospital* | Resource Room | Regular Class Placement | Self-Contained Placement | Homebound Hospital* |
| Students | 8,749 | 16,474 | 3,783 | 61 | 8,774 | 18,502 | 3,706 | 82 |
| Special Ed Class Expense | \$115,219,229 | \$34,317,654 | \$67,186,314 | \$291,700 | \$83,441,511 | \$43,988,911 | \$64,272,049 | \$1,829,438 |
| Allocated Administration Expense | \$6,868,905 | \$12,933,860 | \$2,970,061 | \$47,892 | \$5,755,744 | \$12,137,312 | \$2,431,136 | \$53,792 |
| Total Expense | \$122,088,134 | \$47,251,514 | \$70,156,376 | \$339,591 | \$89,197,255 | \$56,126,223 | \$66,703,185 | \$1,883,230 |
| Total Expense Per Student | \$13,955 | \$2,868 | \$18,545 | \$5,567 | \$10,166 | \$3,034 | \$17,999 | \$22,966 |

* This difference may be due to changes in the change in the financial reporting system.

Related Service Estimates. The MEDMS financial database provides more accurate data on expenditures for related services than was previously available but does not provide visibility to the specific students receiving the services. In order to update the related service estimates the 2008 – 2009 expenditures as reported in MEDMS were used and student counts for each service were estimated by assuming a 4% decline from the student counts reported in 2007 – 2008. The 4% decrease was the overall change in attending students between December 1st 2007 and December 1st 2008. The updated estimates are found in Table 12.

Table 12. Updated Related Service Estimates

| | Updated (2008 - 2009) | | | Updated (2007 - 2008) | | | Previous Estimates (2006 - 2007) |
|--|-----------------------|----------|-----------------------|-----------------------|----------|-----------------------|----------------------------------|
| | Expenditures | Students | Estimated Per-Student | Expenditures | Students | Estimated Per-Student | |
| Psychological | \$12,268,585 | 1,143 | \$10,730 | \$12,477,384 | 1,191 | \$10,476 | \$11,696 |
| Social Worker | \$8,321,050 | 3,076 | \$2,705 | \$7,941,200 | 3,204 | \$2,479 | \$2,946 |
| Occupational Therapy | \$8,367,482 | 5,919 | \$1,414 | \$7,295,161 | 6,166 | \$1,183 | \$1,480 |
| Speech Pathology | \$22,140,123 | 12,535 | \$1,766 | \$21,009,691 | 13,057 | \$1,609 | \$1,662 |
| Audiology* | \$935,856 | 64 | \$14,550 | \$677,017 | 67 | \$10,105 | \$19,836 |
| Physical Therapy | \$2,542,521 | 1,428 | \$1,781 | \$2,066,739 | 1,487 | \$1,390 | \$2,119 |
| Health | \$233,563 | 182 | \$1,283 | \$243,390 | 190 | \$1,281 | N/A |
| Other (total related service/total related services) | \$54,809,180 | 24,347 | \$2,251 | \$51,710,581 | 25,362 | \$2,039 | \$1,247 |

* The EF-S-02 had lines for sign-language interpreters and teachers of the deaf. The new system has a category called audiology where it is expected that districts report such expenditures. Because it is unclear whether all services for students with hearing impairments are included in this category, only students reported as receiving audiology services were included in the denominator.

Disability/Placement Estimates. To update the disability/placement estimates the estimated cost of each in-district student on the 2007 – 2008 special education file was calculated using the updated placement and related service estimates (2008 – 2009) seen in Tables 11 and 12. The mean estimated per-student cost for each disability and placement category was then calculated. Table 13 displays a comparison between the current estimates and the updated estimates. Shaded cells indicate categories that would typically be considered high-cost based on a threshold of three-times the special education per-pupil rate (\$6,897) or \$20,691 for 2008 - 2009.

Table 13. Updated Disability/Placement Estimates

| | Regular Class | | Resource Room | | Self-Contained | |
|------------------------------|-----------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| | Updated Estimates (08 - 09) | Current Estimates* | Updated Estimates | Current Estimates* | Updated Estimates | Current Estimates* |
| Mental Retardation | \$4,644 | \$5,803 | \$16,075 | \$13,105 | \$21,873 | \$22,702 |
| Hearing Impairment | \$5,995 | \$7,483 | \$19,394 | \$15,703 | \$23,681 | \$36,590 |
| Deafness | \$19,223 | \$24,615 | \$32,426 | \$35,822 | \$35,659 | \$41,754 |
| Speech & Language | \$5,091 | \$5,434 | \$16,655 | \$13,407 | \$22,299 | \$22,943 |
| Visual Impairment | \$4,904 | \$5,345 | \$15,846 | \$12,069 | \$23,734 | \$35,768 |
| Emotional Disability | \$5,202 | \$6,293 | \$16,532 | \$13,635 | \$22,068 | \$22,508 |
| Orthopedic Impairment | \$6,256 | \$6,647 | \$16,710 | \$17,229 | \$22,590 | \$25,122 |
| Other Health Impairment | \$4,302 | \$4,907 | \$15,916 | \$12,822 | \$22,132 | \$22,639 |
| Specific Learning Disability | \$3,520 | \$4,014 | \$14,972 | \$11,951 | \$20,808 | \$21,200 |
| Deaf-Blindness | \$7,666 | \$3,209 | \$13,955 | N/A | N/A | N/A |
| Multiple Disabilities | \$5,456 | \$6,151 | \$17,227 | \$14,250 | \$23,054 | \$23,819 |
| Developmentally Delayed | \$5,298 | | \$18,823 | | \$21,634 | |
| Autism | \$6,531 | \$7,296 | \$18,093 | \$14,889 | \$23,993 | \$24,809 |
| Traumatic Brain Injury | \$5,097 | \$6,564 | \$16,704 | \$14,046 | \$23,053 | \$23,451 |

*For comparison purposes these estimates reflect 06 - 07 expenditures inflated to 08 - 09 dollars.

Table 14 Trends in High Cost In-District Allocation

| District | 3* Statewide Special Ed EPS Rate | Estimated High Cost In- District Students | Change in Estimated High Cost In- District Students | Cost of High Cost Students | Change in Cost of High Cost Students | Total Adjustment | Change in Total Adjustment |
|----------|--|---|---|----------------------------------|--|---------------------|----------------------------------|
| 2010-11 | \$22,656 | 2,683 | -1.07% | \$71,687,694 | 1.58% | \$10,901,646 | -5.97% |
| 2009-10 | \$21,747 | 2712 | -12.83% | \$70,571,689 | -9.21% | \$11,593,825 | -13.22% |
| 2008-09 | \$20,691 | 3111 | 22.19% | \$77,730,163 | 22.41% | \$13,360,462 | 21.57% |
| 2007-08 | \$20,623 | 2546 | 107.84% | \$63,497,289 | 125.85% | \$10,990,362 | 188.30% |
| 2006-07 | \$19,839 | 1225 | NA | \$28,114,933 | NA | \$3,812,158 | 171.87% |
| 2005-06 | | | | | | \$1,402,219 | NA |

Table 14 describes how the high-cost in-district allocation has changed from 2005 - 2006 through 2010 - 2011. Beginning in 2009 – 2010 the number of high cost in-district students began to decline as did the expenditure for this allocation. The reason for this is not clear but may be related to the reorganization of school districts allowing larger units to employ specialists who were previously contracted providers. Also during this period Maine’s special education regulations were being re written to include more specific and better defined criteria for identification of students with disabilities. Both of these possible explanations would require further study to determine if either is valid.

The current calculation of the high cost in-district adjustment requires placement data, disability data, and an estimate of the cost of related services. Related services costs are estimated because this data is no longer available in the Infinite Campus financial system. Because of the lack if related services cost data, and to simplify the model, an alternative means of calculating this adjustment was explored. The relationships between the actual 2008 – 2009 expenditures and three estimates were examined. These included:

- 1) Original Estimate** – The 2008 – 2009 allocation (before the MOE adjustment)
- 2) Revised Estimate Option 1** – A revised 2008 – 2009 allocation (before the MOE adjustment) with the high cost in-district adjustment calculated using the updated placement and related service estimates in Tables 12 and 13
- 3) Revised Estimate Option 2** – A revised 2008 – 2009 allocation (before the MOE adjustment) with the high cost in-district adjustment calculated using just the disability and placement estimates in Table 14

Figure 3 displays the relationship between the original EPS allocation (without the maintenance of effort adjustment) and actual expenditures (Option 1 above). The relationships between allocations and expenditures using Options 2 and 3 are displayed in Figures 4 and 5, respectively.

Figure 3. Relationship Between 2008 – 2009 Actual Expenditures and Original Allocation (No MOE)

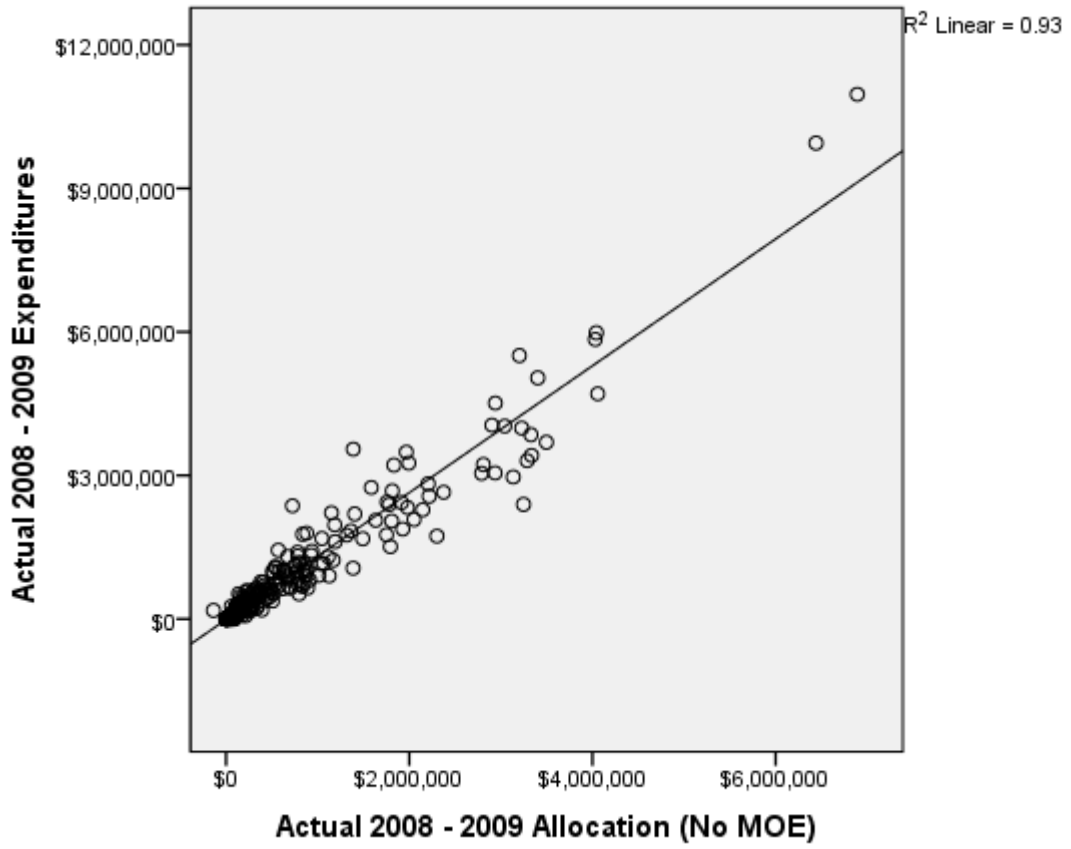


Figure 4. Relationship between 2008 – 2009 Actual Expenditures and Revised Allocation Option 2 (No MOE, placement and related services cost estimate)

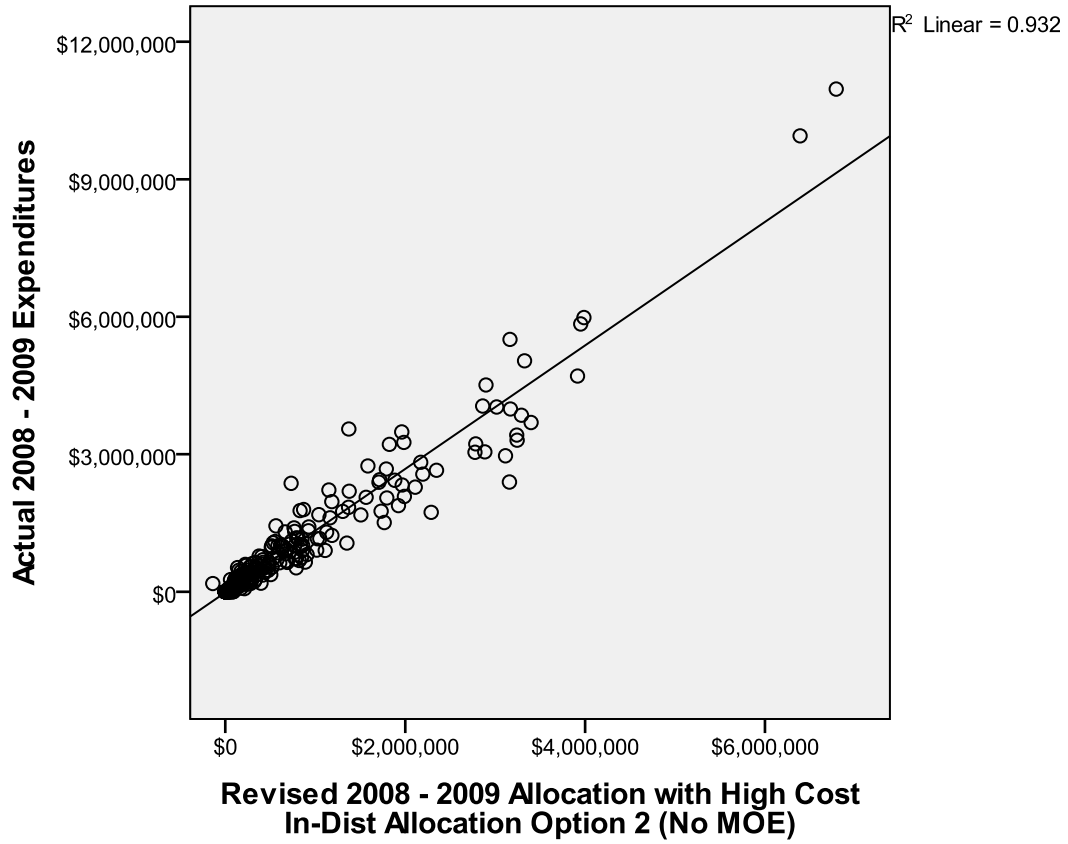
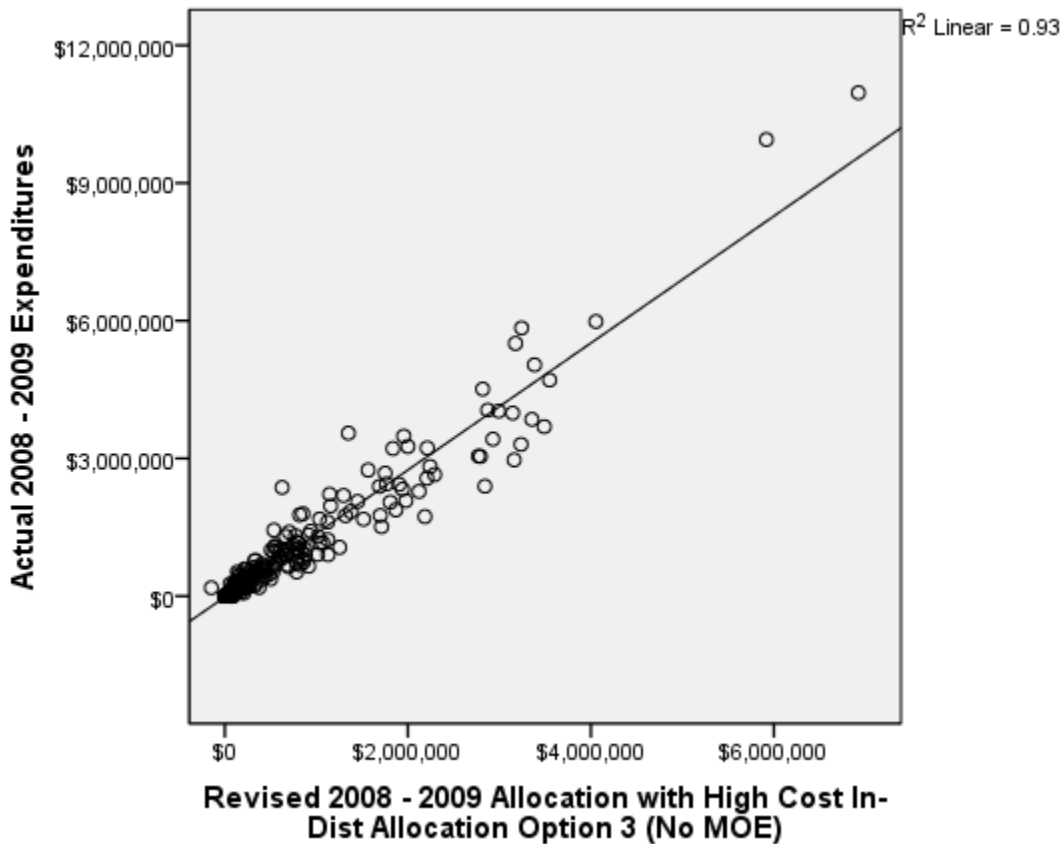


Figure 5. Relationship between 2008 – 2009 Actual Expenditures and Revised Allocation Option 3 (No MOE, placement and disability)



It is clear that there is very little difference in the relationship among the three options. All three options explain approximately 93% of the variation in actual expenditures.

Use of placement and disability data (Option 2 above) which are readily available from the existing financial system provides a more efficient and simpler means of calculating the high cost in-district adjustment with no loss of precision.

High Cost Out of District Adjustment

Districts receive an adjustment for every student placed in a program or facility outside the district when costs per student exceed four times the special education per-pupil rate. Table 15 describes the number of students exceeding this threshold between 2006 – 2007 and 2009 – 2011.

Table 15 Trends in High Cost Out-District Allocation*

| Year | 4* Statewide Special Ed EPS Rate | Estimated High Cost Out- District Students | Change in Estimated High Cost Out-District Students | Total Adjustment |
|-------------|---|---|--|-----------------------------|
| 2010-11 | \$30,208 | | | \$7,086,866 |
| 2009-10* | \$28,996 | 429 | 2.14% | \$7,044,599 |
| 2008-09* | \$27,889 | 420 | 14.75% | \$6,941,510 |
| 2007-08* | \$27,497 | 366 | 1.67% | \$7,010,235 |
| 2006-07 | \$26,452 | 360 | NA | \$5,368,536 |
| 2005-06 | | | | \$3,691,867 |

*Updated to Actual High Cost Out-District within the MOE adjustment

As indicated in Table 15 the number of students placed out-of-district and costing more than four times the statewide special education EPS rate increased significantly between 2007 – 2008 and 2008 – 2009. The cause of this increase is unclear but may be related to the data in Table 3 (2008 – 2009) which indicates increased numbers of students with disabilities in the high cost categories of Hearing Impairment, Deafness, Other Health Impairment, Developmentally Delayed, and Autism.

Maintenance of Effort (MOE) Adjustment

School districts receive federal funds for special education that may be used to supplement, but not supplant, state and local funds. In order to receive federal funds for special education the federal government requires each school district to meet maintenance of effort requirements. Briefly, a school district may not reduce the level of expenditures for support of special education below the level of expenditures for special education for the preceding fiscal year (34 CFR 300.231(a)). Exceptions to this rule include the loss of special education personnel, a decrease in enrollment of special education children, and the termination of programs that are no longer needed.

In Maine, adjustments are made to a district’s EPS allocation when prior fiscal year expenditures exceed the EPS allocation. This adjustment is reduced by proportionate amounts if a district is serving fewer high cost students, certain voluntary personnel

changes have occurred or if programs have been terminated that are no longer needed.

Table 16 reflects the number of districts receiving MOE adjustments and the total amount of these adjustments from 2005-2006 through 2010 – 2011.

Table 16. Trends in Updated Maintenance of Effort Allocation*

| Year | Number of District | Total Adjustment | Change in Total Adjustment |
|-------------|---------------------------|-------------------------|-----------------------------------|
| 2010-11 | 105 | \$37,670,261 | -5.48% |
| 2009-10 | 132 | \$39,855,017 | 9.11% |
| 2008-09 | 151 | \$36,527,916 | -0.52% |
| 2007-08 | 147 | \$36,717,407 | 23.36% |
| 2006-07 | 138 | \$29,764,013 | 1.76% |
| 2005-06 | 141 | \$29,249,831 | NA |

*Updated to Actual High Cost Out-District within the MOE adjustment

Estimating Fit of Model Revisions

To determine the degree to which a revised version of the special education funding model based on the updated parameters included in this report correlates with actual expenditures, the 2008 – 2009 allocations were revised and compared to the actual 2008 – 2009 expenditures.

Revised Allocation with Updated Parameters

Base Weight: 1.27

Prevalence Weight: .36

Small Size: Students in districts with fewer than 20 students with disabilities receive additional .29 weight

High Cost In-District: Estimated costs based on student placement and disability (as seen in Table 8)

High Cost Out-of-District: Estimate the same as original

Maintenance of Effort: At least the same amount per-pupil excluding the loss of high-cost students

Relationship of Actual Expenditures to Model Options. Figures 6 and 7 show the linear relationship of actual expenditures to the original allocation, and the revised allocation. Both regressions explain over 95% of the variance in expenditures.

Figure 6. Relationship of the Original 2008 – 2009 Allocation to Actual Expenditures

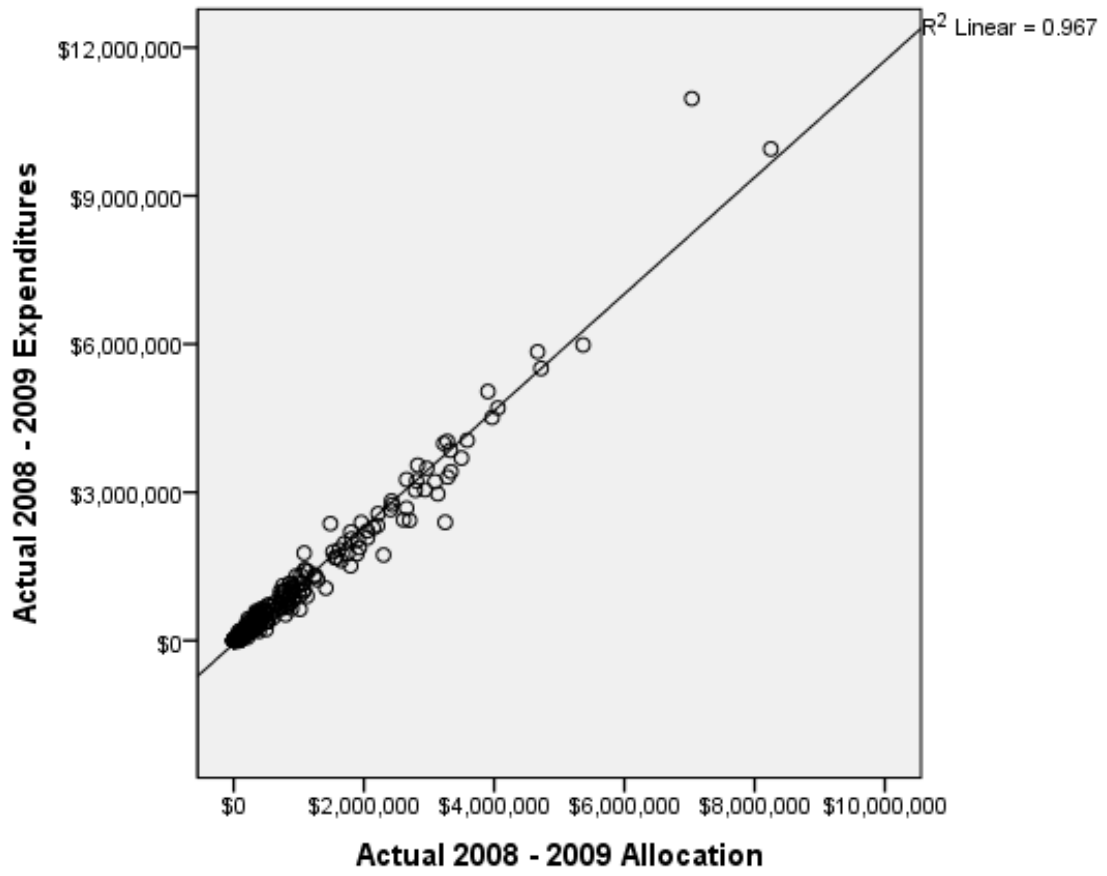


Figure 7. Relationship of the Revised 2008 – 2009 Allocation with Updated Parameters to Actual Expenditures

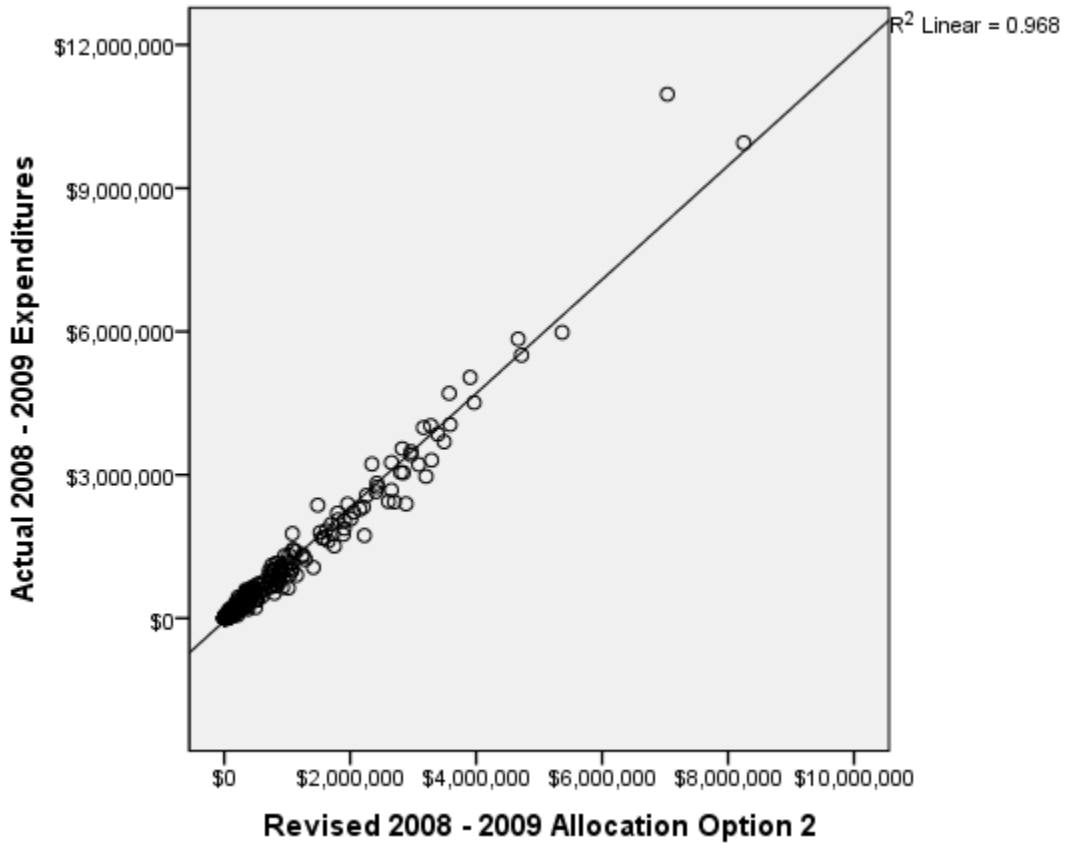


Table 17 displays the number of districts that spent over 5% less, within 5%, or at least 5% more than the actual and revised allocations. Just four more districts are shifted into the “spent above” category with the revised allocation.

Table 17. Distribution among Spending Categories by Model

| | Original 2008 - 2009 Allocation | Revised 2008 - 2009 Allocation |
|------------------------------------|---------------------------------|--------------------------------|
| Spent over 5% less than allocation | 114 | 109 |
| Spent within 5% of allocation | 37 | 38 |
| Spent over 5% more than allocation | 118 | 122 |

These minimal shifts and the above regressions and confirm that the suggested updated parameters and calculations are consistent with actual prior expenditures.

Total 2010 - 2011 Allocation and Revised Allocation. To determine what the financial impact of making these model revisions may be on the overall state allocation the 2010 – 2011 allocation was compared to the revised allocation estimate using the following parameters:

Revised 2010 – 2011 Estimates

Base Weight: 1.27

Prevalence Weight: .36

Small Size Weight: .29

High Cost In-District Adjustment: Used the disability/placement estimates from Table 8, inflated by 2.5% per year to 2010 – 2011 dollars.

High Cost Out-of-District Adjustment: Kept as is

Maintenance of Effort: At least the same amount per-pupil excluding the loss of high-cost students

Table 18 displays the total estimated 2010 – 2011 allocations using the original option, the revised option 1 and revised option 2.

Table 18. Total Estimated 2010 – 2011 Allocations

| | |
|--------------------------|---------------|
| Original Allocation | \$239,404,188 |
| Revised Estimate | \$236,706,906 |
| Difference from Original | -\$2,687,282 |

Suggested Next Steps

The sections above have provided updated parameters for the components of Maine’s special education funding model and suggested changes in certain calculations based on an analysis of the past three years of data. In the process of this review several questions have surfaced that deserve exploration prior to the next three year review.

Can the Base Weight conversion be simplified or eliminated?

The base weight (1.27 or 1.1 of total per-pupil expenditures) is based on total expenditures, not just what would be included in the base. This needs to be recalculated

each year. The creation of a calculation that would not require a transformation should be explored. Federal revenues are currently included in the calculation of the weight and later subtracted. The need to continue this process should be examined and alternatives explored.

Is the 15% limit on enrollment that receives a 1.27 per-pupil weight still appropriate?

This limit was established in 2005 when the prevalence of students with disabilities was at its highest (18.9%). Providing a lower weight (.38) to enrollment above 15% was intended to encourage more judicious interpretation of special education eligibility criteria. Since 2005 the prevalence of students with disabilities has declined although Maine continues to have a higher prevalence rate than most other states. There are many factors other than the 15% limit that may have contributed to this reduction, a reconsideration of the 15% limit is warranted.

Are the High Cost-In District threshold of three times the base EPS and the High Cost Out-of District threshold of four times the base EPS rate serving as incentives to provide in-district programs and services?

These high cost thresholds were intended to encourage in-district and regional programs when appropriate for students' needs. Recent school district reorganization, the increased availability of regional programs and services for students with disabilities suggest the need to reconsider these limits.

How do the characteristics, policies and practices of districts that consistently spend above the allocation an districts that consistently spend below the allocation differ?

An examination of comparable school districts that consistently spend more and less than their allocations may reveal differences in policies and practices that would lead to constructive change.

APPENDIX

Table 1. Base Weight Conversion

| | | |
|--|-----------------|---|
| Total Allocation (100% EPS) | \$1,370,353,857 | A |
| Total Base EPS Allocation | \$1,185,705,717 | B |
| Average EPS Pupil weight | 1.16 | C=A/B |
| Current Special Ed incremental weight | 1.10 | D=Calculated from Special Ed/Regular Ed Expense Ratio |
| Converted Current Special Ed incremental weight | 1.27 | E=C*D |
| Updated Special Ed incremental weight | 1.20 | F= Calculated from Special Ed /Regular Ed Expense Ratio |
| Converted Updated Special Ed incremental weight | 1.39 | G=C*F |

Table 2 . Example of Small Size Adjustment

| | |
|--|-----------------|
| Students with Disabilities | 7 |
| Teachers with State Average Ratio (15:1) | 0.47 |
| Teachers with 10:1 Ratio | 0.70 |
| Additional Teachers Permitted | 0.23 |
| Incremental Adjustment for Teachers* | \$11,919 |
| Directors with State Average Ratio (216:1) | 0.03 |
| Directors with 37:1 Ratio | 0.18 |
| Additional Directors Permitted | 0.15 |
| Incremental Adjustment for Directors** | \$12,238 |
| State Average Expense Per-Pupil | \$1,581 |
| Allowable Related Service Expense Per-Pupil | \$3,640 |
| Additional Related Service Expense Per-Pupil | \$2,059 |
| Incremental Adjustment for Related Service Expenses | \$14,413 |
| Total Small District Adjustment | \$38,570 |

* A teacher salary + 19% for benefits of \$51,082 was used.

** A director salary + 19% for benefits of \$80,618 was used.

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- Parrish, T., Harr, J., Anthony, J., Merickely, A, & Esra, P. (2003). *State special education finance systems, 1999 – 2000 Part I*. Palo Alto, CA: Center for Special Education Finance.
- Ahern, Eileen (2010) *Financing Special Education: State Funding Formulas*, in *In Forum: In Depth Policy Analysis*. Alexandria, VA: Project Forum, National Association of State Directors of Special Education.