SPECIAL EDUCATION FINANCE AT THE FEDERAL, STATE AND LOCAL LEVELS

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION REFORM

OF THE

COMMITTEE ON EDUCATION AND THE WORKFORCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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HEARING ON SPECIAL EDUCATION FINANCE AT THE FEDERAL, STATE AND LOCAL LEVELS

Thursday, April 18, 2002
U.S. House of Representatives,
Subcommittee on Education Reform,
Committee on Education and the Workforce,
Washington, D.C.

The committee met, pursuant to notice, at 2:00 p.m., in Room 2175, Rayburn House Office Building, Hon. Michael N. Castle [chairman of the subcommittee] presiding.

Present: Representatives Castle, Hilleary, Tancredo, Biggert, Osborne, Kildee, Scott, Woolsey, McCarthy, Solis, Davis, Roemer, and Kind.

Ex officio present: Representative Miller.

Staff present: Blake Hegeman, Legislative Assistant; Charles Hokanson, Professional Staff Member, Patrick Lyden, Professional Staff Member; Krisann Pearce, Deputy Director of Education and Human Resources Policy; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Heather Valentine, Press Secretary; John Lawrence, Minority Staff Director; Charles Barone, Minority Deputy Staff Director; Ruth Friedman, Minority Legislative Associate/Education; Maggie McDow, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/Education; Joe Novotny, Minority Staff Assistant/Education; and Dan Rawlins, Minority Staff Assistant/Labor.

Chairman Castle. Good afternoon, everybody. The Subcommittee on Education Reform will come to order.

We are meeting today to hear testimony on how special education finance works at the federal, state and local levels. Under Committee Rule 12(b), opening statements are limited to the chairman and the ranking minority member, Mr. Kildee, of the subcommittee. Therefore, if other

members have statements, they may be included in the hearing record.

With that, I ask unanimous consent for the hearing record to remain open 14 days to allow member statements and other extraneous material referenced during the hearing to be submitted in the official record.

Hearing no objection, that's so ordered.

OPENING STATEMENT OF CHAIRMAN MICHAEL CASTLE, SUBCOMMITTEE ON EDUCATION REFORM, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

Let me just say good afternoon to our witnesses, who have been jerked around a little bit because of our schedule changes. Believe me, I am having my problems today, too. I consider this subcommittee hearing to be of extraordinary importance, and I am going to have to come and go because of previously scheduled things, too. We appreciate your circumstances. We had hoped to go this morning and we could not.

We thank everybody here for joining us in a series of hearings that this subcommittee will be holding on issues related to the reform and re-authorization of the Individuals with Disabilities Education Act, better known as IDEA.

Over the next few months, this subcommittee will explore ways of reforming the IDEA to ensure that every student with special needs receives access to a high quality education as the President and Congress continue their efforts to improve America's schools.

As successful as the IDEA has been in guaranteeing access to a free, appropriate public education for students with disabilities, IDEA is not without its problems. This subcommittee will be addressing these problems during the re-authorization, and we begin that process this afternoon by examining special education finance issues.

Looking at special education finance is important because Congress has dramatically increased federal spending on special education. In fact, since 1995, Congress has nearly tripled funding for IDEA. More recently, the House of Representatives passed the fiscal year 2003 budget, which provides a $1 billion increase in funding for IDEA Part B next year and a 12 percent increase every year after that for the next nine years.

Given our recent focus on IDEA, local school districts should have seen some benefit from the large increases in federal spending. Yet some districts, such as Los Angeles Unified, have said that these increases may only have marginally increased the federal share of special education costs. In fact, LA Unified has informed me that despite recent increases, federal dollars as a source of the district's funding for special education only increased approximately 25 percent, from 4.9

percent to 6.1 percent.

As many of us know, under current law, federal money received by the states may not be used to supplant or substitute for state funds. Instead, federal dollars are required to be used to supplement or increase the funding of special education and related services, with the exception of the 20 percent reserved for administration and state level activities. More plainly, this requirement prohibits states from using their IDEA funds to relieve state and local-level financial obligations, and it ensures that funds will increase the level of expenditures on special education and related services.

This requirement recently received some attention when Governor Gray Davis of California decided that, due to this year's budget crisis in his state, he would maintain, not increase, state funding for special education. Instead, he would use federal dollars as the sole source of increased special education funding next year and free up dollars that were expected to make up a state increase in special education funding for other budget purposes.

While this does not technically violate IDEA law, I am concerned that other states will follow his lead. His actions also raise questions in my mind, such as: Where does the money go? How have states and local communities used the significant federal funding increases provided for special education in recent years? Has all the money that was intended to get to the local level gone to the districts? And, has all special education funding actually been used for special education or even education generally?

It is my hope that our witnesses today will be able to provide some of the answers to these questions, especially as pressure continues for Congress to further increase its share of special education funding.

I might add, although it is not a subject of this hearing, that I am concerned that some of these funding shifts and manipulations, if you will, are occurring at other education areas beyond IDEA. This is not the tip of the iceberg; this is a pretty major iceberg. But it is a problem, I think, in terms of our ability to deliver services to children.

Today, we are fortunate to welcome three witnesses, all experts in special education finance at the federal, state and local levels. With their help, it is my hope that members will better understand the expenditures that states and local districts incur in providing special education services. In that way, they provide a valuable service as we seek to further our discussion on the re-authorization, as well as future appropriations increases.

In a moment, I will proceed with the introduction of our witnesses, but I will now yield to the distinguished Ranking Minority Member of the subcommittee, Mr. Kildee, for whatever opening statement he may wish to make.

WRITTEN OPENING STATEMENT OF CHAIRMAN MICHAEL CASTLE, SUBCOMMITTEE ON EDUCATION REFORM, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C. – SEE APPENDIX A

OPENING STATEMENT OF RANKING MINORITY MEMBER DALE E. KILDEE, SUBCOMMITTEE ON EDUCATION REFORM, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

Mr. Kildee. Thank you. I am pleased to join with Chairman Castle on the first in a series of hearings on re-authorization of the Individuals with Disabilities Education Act.

I have been involved in this for many, many years back in Michigan and since 1977 here in the Congress of the United States. I am looking forward to finding a bipartisan consensus, no matter how difficult that may be.

IDEA is the cornerstone which ensures that children with disabilities receive a free, appropriate education. As many of you know, prior to the passage of 94 - 142, our disabled children were not provided with access to an education. Too many were literally kept in closets and shut out of schools.

I believe it is important to keep in mind that many of the problems we hear about IDEA are largely difficulties with implementation of the law rather than the statute itself.

I believe as we move forward on this re-authorization that we need to keep this thought in mind and ensure that we do not roll back protections for schools and disabled children alike simply for the sake of change.

To implement this law effectively, school districts and schools need resources. For us here in Congress, it means critically looking at how federal special education funding is provided and used by our states. But it also means honoring our commitment to fully fund IDEA by providing 40 percent of the excess cost. We came very close this year in the Conference Committee on H.R. 1 but did not quite achieve this goal.

In examining the finance systems that fund special education in our states and localities, I believe we need to ensure that Medicaid and other programs also are covering their appropriate share of costs.

Schools have historically had a difficult time in claiming legitimate administrative and medical costs from the Medicaid program. We need to make sure that both schools and Medicaid are required to work together to solve these difficulties.

We should also examine the impact that high cost disabled children have on the budgets of our school districts. Modern technology has kept alive children who many years ago would not have lived. This presents challenges for our schools, and many states have risen to that challenge for these very special need children among those with special needs. We should look at this need while also maintaining our commitment to full funding.

In closing, I want to thank the witnesses for coming here today. And I yield the balance of my time to Mr. Miller.

WRITTEN OPENING STATEMENT OF RANKING MINORITY MEMBER DALE E. KILDEE, SUBCOMMITTEE ON EDUCATION REFORM, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C. – SEE APPENDIX B

Mr. Miller. Thank you, Mr. Kildee, Mr. Chairman. Mr. Castle, Mr. Kildee, I want to thank you very much for your very strong support of IDEA. I just quickly want to mention a couple of things I am deeply concerned about, and that is that we - as you know, we tried to get full funding in H.R. 1 last year. We were unsuccessful.

I was very disappointed that none of our Republican colleagues, even those who have been very strong proponents, vocal proponents of full funding, did not join us in this effort. We have had tremendous bipartisan success under Mr. Castle's leadership and others of increasing funding for IDEA, but we must get on the road to full funding. We've continued to fall behind. And I would hope that we would be able to do that.

At the same time, I want to echo what Mr. Castle just said about the concern about states starting to supplant the new monies that we are providing. Those monies were provided to increase the opportunities for children with disabilities and to make sure that we don't make other educational programs poorer.

I want to join Mr. Kildee in making sure that we don't weaken the rights of these children and these families in securing the reforms that many people are talking about.

And finally, I want to make sure that we understand that we've got to provide the full funding so that we don't have these programs and the necessary services come out of other educational programs that are just as necessary for the children participating in them.

So I look forward to this hearing. And again, Mr. Chairman, I want to thank you very much for holding it.

Chairman Castle. I thank the distinguished Ranking Member of the full committee and the Ranking Member of the subcommittee. I think we all feel this is a highly important subject.

Let me try to explain the ground rules. You will each have five minutes, which will be reflected by the colors in that clock system in front of you. As you can imagine, they are green, yellow, and red. Yellow you start to wind down. Red you hopefully will start to wind up fairly swiftly.

And after all three of you have testified, then the individual members will have a round of questions. And depending on time, et cetera, you may even have an additional round of questions as people may want to ask questions.

And there is going to be a vote on the floor fairly soon. I'm going to have to leave fairly soon. And hopefully, we won't hold you up too long. We know this was delayed, so there's just one vote, as I understand. So, hopefully, we can vote and not take a 20-minute break or whatever, just break for five or 10 minutes and get right back to the testimony.

So with that, let me introduce the witnesses.

The first is Dr. Jay Chambers. Dr. Chambers is a Senior Research Fellow and Director of the Special Education Expenditures Project at the American Institutes for Research. In addition, he presently serves as a consulting professor at the Stanford University School of Education, President-Elect of the American Education Finance Association, and is a member of the President's Commission on Excellence in Special Education. Dr. Chambers holds a Ph.D. from Stanford University.

Mr. Paul Goldfinger is in the middle. Mr. Goldfinger is Vice President of School Services of California, Inc., a private school finance consulting firm. Prior to becoming Vice President in 1989, he served the organization as a director and consultant. Mr. Goldfinger was a self-employed school finance consultant before joining School Services of California, Inc. Mr. Goldfinger holds a Master of Science degree from the University of California, Berkeley.

And the final witness is Dr. John Lawrence. Dr. Lawrence is President-Elect of the American Association of School Administrators and Superintendent of the Troy R-III School District in Troy, Missouri. He served two terms as the Chairman of the Missouri State High School Activities Association Committee on Public and Private School Relations. For his excellent work in education, Dr. Lawrence was named Missouri Superintendent of the Year in 1998. He holds a Ph.D. from the University of Missouri, Columbia.

We welcome all of you to what we consider to be a subject of some importance. And with that, Dr. Chambers, we'll turn to you for your testimony, sir.

STATEMENT OF JAY G. CHAMBERS, DIRECTOR, SPECIAL EDUCATION EXPENDITURE PROJECT AND SENIOR RESEARCH FELLOW, AMERICAN INSTITUTES FOR RESEARCH, PALO ALTO, CALIFORNIA

Mr. Chambers. Thank you. Good afternoon, Mr. Chairman, Members of the Subcommittee. I am very pleased to be here today and honored to testify before you. I am testifying before you as the Director of the Special Education Expenditure Project, which every once and a while I will refer to as SEEP, S-E-E-P. That project was funded by the Office of Special Education Programs out of the one-half percent set aside that is provided under Part B and permits us to do the kind of large scale work reflected by this project.

This is the fourth study over the last four decades of its kind directed at trying to determine how much is being expended on special education services. Just to give you some background on

the Special Education Expenditure Project, the project involves or is centered on data from approximately 10,000 students from approximately 300 school districts around the country, over a thousand schools, and includes data from 10,000 general education and special education teachers and related service providers.

Major questions that the study intended to answer were: How much are we spending on special education services? What additional expenditures are being provided to serve special education students? And how do federal funds support spending for special education?

I would like you to refer to the testimony Exhibit 1 if you will on page two of my written statement. I should point out that the data are for the 1999-2000 school year. These data are a snapshot, a point in time. During the 1999-2000 school year, we spent approximately $78.3 billion to provide educational services to special education students. That reflects that total expenditure required to provide services to these students, not just the special education portion.

Fifty billion dollars of that $78 billion was for services that are designated as special education services. That means instructional personnel, related service personnel and administrative and support personnel who are specifically designated as special education service providers.

An additional $27.3 billion was spent on regular education services for these students. And an additional approximately $1 billion was spent on other special needs programs such as Title I and programs for bilingual students.

It is important to remember that these data reflect expenditures as opposed to cost, and this will become more apparent when you look at the second exhibit.

On page three, I have an exhibit with two bars. I want to look at the first vertical bar first. This is another way of viewing these same dollar figures that I have just presented to you in terms of the $78 billion.

Let's look at it in terms of the typical special education student. How much are we spending in total to provide services to that student? The average was $12,639 including everything from administration to transportation to instruction and related services.

Special education services amounted to $8,080; regular education services, $4,394; and another $165 on other special programs.

However, another way of looking at that is trying to determine what the additional expenditure was to serve these children. The second vertical bar shows that same total, $12,639. And if I remove from that the expenditure necessary to provide services to the average regular education student, which amounts to $6,556, and I remove further from that the additional expenditure attributable to other special programs, the additional expenditure associated with being a special education student amounted to $5,918.

Now why are the regular education expenditures different in these two bars? In one instance, I am trying to get you to recognize the fact that some of what special education does is provide services and instructional programs that would have been provided by regular education were that student a regular student.

The spending ratios that come out of this suggest that we're spending about 90 percent more on the average special education student than we are on a regular education student. If you include the other special programs, that number is 1.93, about 93 percent more than a regular education student. If you remove the estimated costs of facilities, that ratio comes to about 2.08. The reason I remove that number is because often in local state school finance formulas, they regard capital facilities and total current expenditures as two separate components of total spending.

How are we spending the special education dollars? About nine percent of it goes for the preschool programs, 72 percent for school age programs, 1.6 percent for summer school programs, a total of about 10 percent for administration and support, and about $3.7 billion for transportation.

I already see I've got my red light here, so I'm going to finish up here very quickly. How do federal funds support the special education program? The amount of federal IDEA funds in 1999-2000 was $4.5 billion, of which $3.7 billion reached the local education agencies. And that's what my analysis focuses upon, the dollars spent at the local level, not state dollars.

Looking at the incremental expenditure on special education students, the $3.7 billion amounts to about a little more than 10 percent of that additional total expenditure on special education students. If you add the amount for Medicaid, which was not included in that original federal expenditure, it brings federal funding up another 1.8 percent to a total of about 12 percent.

Finally, with regard to how federal funds are used, our numbers show that the relative allocation of federal funds is very similar to the allocation of total dollars for special education, that is the $50 billion, that the relative allocation among instruction related services in the administration is pretty much the same.

In closing, special education spending has changed over time. Our analysis suggests that the increases in special education spending are largely attributable to increases in the number of students identified and not on the basis of increases in the cost or the expenditure per pupil for services. Thank you.

WRITTEN STATEMENT OF JAY G. CHAMBERS, DIRECTOR, SPECIAL EDUCATION EXPENDITURE PROJECT AND SENIOR RESEARCH FELLOW, AMERICAN INSTITUTES FOR RESEARCH, PALO ALTO, CALIFORNIA – SEE APPENDIX C

Mr. Hilleary. [presiding] Thank you, Dr. Chambers. And I apologize for that dreaded red light, but we all have to live by that. I thank you for your testimony, and I apologize for the distraction while we change seats here.

I am Congressman Hilleary from Tennessee. I am very interested in your subject. Thank you for coming to testify.

Mr. Goldfinger, you are welcome to testify. Thank you very much, and welcome to the subcommittee.

STATEMENT OF PAUL GOLDFINGER, VICE PRESIDENT, SCHOOL SERVICES OF CALIFORNIA, INC., SACRAMENTO, CALIFORNIA, AND ON BEHALF OF THE COALITION FOR ADEQUATE FUNDING FOR SPECIAL EDUCATION

Mr. Goldfinger. Well, thank you. Good afternoon, Mr. Chairman and members of the subcommittee. My name is Paul Goldfinger. I am Vice President of School Services of California, Inc., a school finance consulting firm. I am also representing the Coalition for Adequate Funding for Special Education. That is a coalition of California school agencies in California that advocates for increased funding for special education programs. I am a registered California lobbyist for this coalition.

I have been actively involved with special education finance issues for almost 30 years. In 1975, I was a strong supporter for the Education for the Handicapped Act. But today I see a system that is seriously flawed.

In short, we've gone from a system where, prior to 1975, disabled pupils had fewer rights than others, they could even be excluded from school, to a system where they have more rights. But the system is very much out of balance in my opinion. In fact, we have created a system that is so complicated and over regulated that 100 percent compliance is virtually impossible. It is certainly time for reform.

My remarks today focus on trying to create a more balanced system. In particular, schools do not have unlimited funding, and this is the reason that I am raising the following points.

Our primary issue is clearly that of funding. The Federal Government has mandated a very expensive program but has failed to pay its promised share. In California, the shortfall in special education funding, that is the difference between total expenditures and total revenues, is more than $1.3 billion per year. Increasing federal aid to the 40 percent level would dramatically reduce the strain on general education dollars and also allow for needed program expansion. But funding alone will not create a balanced system, and reforms are definitely needed especially in the following areas.

First, I believe Congress needs to clarify what is FAPE. That is four words, Free and Appropriate Public Education. And I believe only the first of those four words, ``Free'' is clearly understood. In particular, what is the dividing line is indicated by the Rowley case between appropriate and exceeds appropriate. A lot of conflicts could be avoided if this dividing line were

clearer.

And what are the limits to a school agency's obligation to provide educational services? Should schools have to pay for health and mental health services, or should other public agencies be required to step up and pay for those services?

And what about requests for some related services such as equestrian therapy or even dolphin-human therapy?

Second, there needs to be some cap put on legal reimbursement. In California, legal fees for special education cases are so lucrative that legal costs are dominating decisions. School districts are making decisions based on avoiding expensive litigation rather than on what is best for children. One school district recently spent $300,000 on legal fees for a 25-day hearing on which it won every point.

Congress has wisely set limits on legal fees for the District of Columbia school district. Shouldn't the same standard apply across the nation?

Third. Because schools have limited resources, every spending decision must be cost-effective. And I'd like for you to consider an example. Suppose that a district offers a program with an annual cost of $40,000, but the parents request another program that costs $100,000. There is no evaluation as to whether this marginal cost of $60,000 is a good use of scarce resources, and nobody is considering the impact on the rest of the pupils in that school district if it spends the extra $60,000 on that one pupil. There is no other federal redirective program where cost-effectiveness is not considered.

Under the Americans with Disabilities Act, an employer's responsibility is to provide reasonable accommodation. But under IDEA, there is no upper bound on accommodation. There needs to be a cap placed on school spending for special education. One form of a cap would allow a school agency to limit its total spending for special education to some percentage, say 15 percent of its budget. Another form of a cap would be a limit on the cost per pupil. Along with that, I believe there should be a federal safety net that would reimburse some percentage, such as 50 percent or more, for the cost of individual placements in excess of that established limit.

Fourth. The issue of the differential standard in discipline needs to be addressed. The current system is being badly abused when for many students who are being subjected to discipline, the claim is made for the first time that they are disabled and shouldn't be punished.

I'd like to share the comments of Joe Gillentine, a special education director from Orange County, California. Joe said, ``I used to love working with teachers and parents to provide FAPE for disabled students. Today, FAPE has taken a back seat to litigation, and it is no longer fun or rewarding to me."

I believe it's time to restore balance to the system. Together, ideas I've discussed above and the others included in my written statement will serve to create a more balanced system, a system

that works for disabled pupils and non-disabled pupils alike. Thank you.

WRITTEN STATEMENT OF PAUL GOLDFINGER, VICE PRESIDENT, SCHOOL SERVICES OF CALIFORNIA, INC., SACRAMENTO, CALIFORNIA, AND ON BEHALF OF THE COALITION FOR ADEQUATE FUNDING FOR SPECIAL EDUCATION – SEE APPENDIX D

Mr. Hilleary. Thank you very much, Mr. Goldfinger. Great testimony.

Dr. Lawrence, thank you for coming. Welcome to the Committee. Please proceed.

STATEMENT OF JOHN R. LAWRENCE, PRESIDENT-ELECT, AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS AND SUPERINTENDENT, TROY R-III SCHOOL DISTRICT, TROY, MISSOURI

Mr. Lawrence. Thank you, Mr. Chairman and members of the committee, for the opportunity to discuss the Individuals with Disabilities of Education Act.

My name is John Lawrence, Superintendent of Troy, Missouri Public Schools, a K-12 district of just under 5,000 students. I am completing my 18th year as superintendent in Troy, and I've had the privilege of serving as a school superintendent for 26 of my 28 years in the profession.

Recently, I was elected President of the American Association of School Administrators, which is why I'm here today representing the over 14,000 AASA members across the country.

I'd like to begin with some general observations that we of AASA have gathered as we prepared for the re-authorization. Foremost is the fact that America's public schools serve 6 million children with disabilities, usually in general classrooms, who are succeeding in every sense of the word. Students who were once warehoused in state schools are graduating from high school and going on to college or training for rewarding careers. Yet, drafting a complex new service like special education out of the base of existing schools has been challenging.

The mission has been more acute because of countless additional needs placed on the public schools by our culture. The process of re-authorizing IDEA in the early stages is within the spirit of AASA. And in that context, we'd like to make some general observations of the current law in terms of its fiscal impact, and close with some recommendations for the re-authorization.

First, AASA perceives that inherent contradictions exist between the funding needs for all students to experience quality education and the occasionally staggering costs necessary to meet the requirements of IDEA for special education students.

Some school districts with fewer resources must drop programs for non-disabled students to accommodate special ed's costs. Whereas other school districts say no to services that special education parents really want because the requests are simply unaffordable in local mid-year

budget cycles.

Accordingly, at some point in the school year, nearly every school district is out of compliance with IDEA. That is why AASA's delegate assembly and executive committee have made getting the federal share of IDEA funding up to the original 40 percent promised our highest legislative priority.

Money is not in and of itself the complete answer, but it is critical to providing the level of education desired by No Child Left Behind and required by IDEA. However, full compliance with the provisions of IDEA is not possible under current fiscal support. When parents and their advocates tell you that America's schools are not wholly implementing the IDEA and its regulations, regretfully they are correct. We are not because we cannot. We cannot because children with disabilities often require related services utilizing highly specialized healthcare professionals. We cannot because disabled children sometimes need unique transportation and continual facility modifications required by changes to student IEPs. WE cannot because the enormous cost often incurred for even one high-need student served by in-district programs and the equally expensive cost when schools use alternative private placements. We cannot simply because the money isn't there to do the job right.

When I return home, one of my first decisions that I'll make is to determine whether or not to develop an on-campus program for a highly aggressive autistic student in space with our growing district that I don't have and at a projected cost I cannot defend to parents of non-disabled students.

We estimate the cost of serving this student, including multiple therapies and structural equipment, the teacher and personal assistant for his physical restraint and his diapering needs to be $73,000. However, contracted services in nearby St. Louis are only slightly less at $50,000, and this excludes necessary transportation comprised of the school van and the bus driver and the accompanying paraprofessional all in place, so that Bobby - and that's not his name, but we'll call him that here - so that Bobby can ride to school an hour-and-a-half each day.

Now please don't read any lack of compassion in this account. Bobby needs the best we can give him, but so do a great many others who have a per-pupil student cost of $68,000 in our district less than his. In this light, we must turn to you to provide the resources necessary to bring IDEA to near full compliance everywhere in the following steps.

One. Elevate the federal share to 40 percent as soon as possible. We project at AASA the fiscal need over six years to be $2.45 billion per year increases. Conversely, the prospect of appropriation increases in the neighborhood of a billion dollars per year ultimately generates to the schools only $125 per student. And in Troy, the process and costs of the IEP alone is $400. Thus, at that rate of only $1 billion annual allocation increase, it will take three years of surplus per diem capital per student to pay for a single IEP, not just the services but the planning process which leads to those services.

As a result, unless the Federal Government appropriates funds to reach the 40 percent benchmark, a greater and greater fiscal burden will fall upon the local schools. To illustrate this

point, I'm offering the following data from my home state of Missouri indicating that from January 1, 1992 to January 1, 2002, special ed. costs increased $379 million.

Now, during that decade, the state support increased by only $22 million, whereas the Federal Government contributed $88 million to the equation. But of the total $379 million increase, $269 million of that expense was shouldered at the local schoolhouse door.

Second, and finally, we ask that state maintenance of effort language be strengthened. Rigid guidelines assure the local public schools that increases in federal funding will result in a true net gain for schools and not be simply a window for states to reduce the respective prior fiscal year support.

In the interest of brevity, I would like to add that AASA has several other recommendations that we will provide to the appropriate staff member. And I thank you very much for the opportunity.

WRITTEN STATEMENT OF JOHN R. LAWRENCE, PRESIDENT-ELECT, AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS AND SUPERINTENDENT, TROY R-III SCHOOL DISTRICT, TROY, MISSOURI – SEE APPENDIX E

Mr. Hilleary. Thank you, Dr. Lawrence, for your testimony.

What I would like to do is start the questioning. You've heard all the beeps going on. We have some votes on the House floor right now as well, but we have decided to carry on as opposed to adjourning for a few minutes. I would like to begin the questioning and direct a question to all three of you, and I wish all of you would take a stab at it.

You know, we have had some fairly significant increases in IDEA funding. Not enough, I think people will agree, but it has been better in the last several years than it was for the many years prior to that. How do you feel like the state and local communities have utilized those funds? Have they done it well? And have we had problems in our local communities of those funds being used for something besides special education? I hear that on occasion from some of my local schools. I will start with Dr. Chambers. And if anybody has a comment, please chime in.

Thank you very much for your testimony, all three of you.

Mr. Chambers. Well, I'm hoping in the near future we'll be able to answer that question. Unfortunately, the data that we currently have, as I mentioned earlier, is a snapshot at a point in time. We don't really have time series data.

However, we have been discussing, I guess up until recently, post 1999-2000, the increases in federal funding haven't been substantial enough to really track. It's awfully difficult to track how those funds are used at the local level. The funds often become blended with other funds. Many districts can't answer that kind of a question.

However, we are in the process of trying to develop some approaches to addressing these questions on a smaller scale, and more specific studies tailored to address that issue given the major increase that has occurred. We are in discussion with folks at OSEP to do just that.

Mr. Goldfinger. I can really only speak to the experience in California. In California, special education funding is essentially one big pot, and the federal aid, plus the state aid, plus the - in some cases local property taxes earmarked for special education are considered one pot of funds - and so it's very hard to track what is federal and non-federal. People really don't think of it that way.

I do want to comment on the issue that Chairman Castle mentioned in his opening remarks about California Governor Gray Davis. The coalition that I represent shares the concern that the dollars that the Federal Government allocated as an increase in federal aid for special education for California is being used instead to offset what would be normally a state cost for funding of costs of living adjustments, COLAs, and growth in this next budget year.

I recognize California has to have a balanced budget and is facing a budget shortfall of 15 billion, 17 billion. If it hits 20, I think we ought to sell.

[Laughter.]

Mr. Goldfinger. And it's just a huge issue. But education has this piece that's protected in California under a constitutional measure known as Proposition 98. And so education gets a certain number of dollars out of the state budget. What the government's proposal is doing, in effect, is saying that we're going to use the federal dollars to save state dollars that we would have otherwise provided for COLA and growth for special education, and those dollars must be spent for education, but we're going to spend them on other educational programs. They're not going to go into highways or welfare, they will stay within education. The problem is they don't stay within special education.

And just as we're looking to the Federal Government to increase funding to resolve some of the imbalance, we are lobbying hard at the state level. And we ask for any help that you at Congress can give in that regard to say, Governor Davis, we respectfully disagree. We would support your help in that regard.

Mr. Hilleary. I hope that some of these reforms will make it through this year. And Dr. Lawrence, I am going to yet again apologize. I am going to have to go vote. Congressman Osborne is going to sit in the chair and preside. He is a former coach out at Nebraska, and they have routinely beaten the University of Tennessee. So I am glad he is here instead of there.

Thank you very much for your testimony. And I will read the answer to my question in the minutes. Thank you very much.

Mr. Lawrence. Thank you.

Mr. Osborne. [presiding] I apologize for the delay here. We had to do some votes.

I appreciate you gentlemen being here today. Dr. Lawrence, did you have a response?

Mr. Lawrence. I did. And I'll first say that the University of Nebraska beats more schools than just simply Tennessee, being from the Big 12 Conference in Missouri.

[Laughter.]

Mr. Osborne. We were pretty lucky one time. Is that what you were trying to get around to?

[Laughter.]

Mr. Lawrence. The question originally dealt with whether or not there was any misuse of the IDEA subsidy. And I would say to that very clearly to my knowledge there certainly is not. The concern here is that the demand for expensive services, in my mind, is simply escalating at a quicker pace than even the recently approved allocations that we've received from Congress. And I know school superintendents and administrators truly from across the country, and I just know of no one that would not try to, at an optimum level or certainly at a level beyond appropriate, provide services to meet the needs of kids.

There is, however, Mr. Chairman, an associated issue that I think is important and that deals with Medicaid. Medicaid not only connects public education and the delivery of related services and depicts that we can certainly all work together for the common need for children, but it also provides, especially recently, an emerging source of revenue that's critically important to us as well. So we would ask further considerations of Medicaid itself to continue to grow as it relates to a fiscal component within meeting the needs for these very special children.

Mr. Osborne. Thank you for that response. I'm going to ask another general question. Any of you or all of you can answer this. Can you explain why some states are so slow to draw down their current and past fiscal year appropriations under Part B despite constant lobbying for more Part B funds? Is that an unanswerable question, whoever would like to take a shot at it.

Mr. Lawrence. Mr. Chairman, it's unanswerable by me. I cannot respond. I don't know the answer to that.

Mr. Osborne. It must have been a tremendous question.

Mr. Goldfinger. I would ask the Department of Education in California that very question. I know some years it's very, very late in the school year before the Department of Education releases the federal funds, and this clearly causes cash flow problems at the local levels. So I share your concerns, sir.

Mr. Osborne. So it's more the timing that is the problem. Is that what you see?

Mr. Goldfinger. That's my understanding. Yes, sir.

Mr. Osborne. Dr. Chambers?

Mr. Chambers. Sorry, I don't have an answer to that question.

Mr. Osborne. I'm afraid I don't, either. This is a question for Dr. Chambers. How much variation is there among states regarding the cost of educating the average student eligible for special education? And what explains that variation?

Mr. Chambers. We are in the process of looking at that right now. The SEEP report that you have is one of numerous reports that will be eventually coming out. So we have, at this point, we have not completed that analysis. However, I can say to you that in some of the states that we have looked at where we have information at the - of representative districts at the state level - the ratio of average special education expenditures to regular education has ranged from 1.6 to 2.6 or thereabouts.

I think what that says is less that those ratios tell you anything about the cost of providing special education services as much as what we are spending on special education services. And I think that's an important distinction. Because whenever you say it costs 90 percent more to serve a special education child, you're telling me that you have some concept of what it means to educate that child, and I don't think we've defined that yet.

I heard Mr. Goldfinger refer to kind of defining the standard of service or what it means to provide education. So it's important to recognize that the numbers that we're providing are expenditures not cost figures. Because when I look at variations like 1.6 to 2.6, it's telling me more about what the states are doing than it is necessarily about what it really costs to provide a certain service to a certain child.

Mr. Osborne. Thank you. This is for Dr. Lawrence. What should be done about high cost litigation that can have a devastating impact on a school director's budget?

Mr. Lawrence. Well, certainly in many school districts that is critical, and my colleague, Mr. Goldfinger, certainly indicated one recently in California. I think your reference was to $300,000, and they won the case.

One of the difficult decisions I think that school administrators make is a very simple one. That is, sitting across the table from very caring parents and making a decision as to whether or not to expend money that might be, by that administrator, perceived to be outside of equity to other students, or perhaps in their own mind outside of even the special needs for these children, or to draw the line and, therefore, bring on almost certain due process and the litigation costs that you mentioned.

In our system, we've been very fortunate. We have had zero. And I would imagine there's not another school district that can say that. We have had zero due process cases. And as I

indicated in my presentation, I've been there for 18 years.

I would, however, say that preparing to make the decisions now involve legal fees, not simply the litigation but the legal advice that's necessary to make the choices which will stand the future potential test of law.

Our legal expenditures have increased four or 500 percent over the last two years, and I would believe that in the last two years, we've spent in aggregate more than in the prior 16 years of my tenure.

So I think it gets down to quality decisions for kids and weighing the options. But the proof also may fall into occasionally agreeing to the services as long as it's not hugely disproportionate. These kids need the best that we can give them. And in that process, quite frankly, you're going to avoid that litigation. That's not buying out of it, that's just making a quality choice not only for the children but from a budgetary standpoint as well.

Mr. Osborne. Thank you.

Mr. Kildee?

Mr. Kildee. Thank you, Mr. Chairman. Dr. Lawrence, how many special education students do you have in your district? You have a K-12 district?

Mr. Lawrence. We have a K-12 district, sir. Sixteen percent of our 5,000 students are in special ed. categories.

Mr. Kildee. Basically, what would the effect be if Congress did appropriate the 40 percent of excess cost? How would that affect a school district like yours?

Mr. Lawrence. If our research is accurate, and I'm sure that it is, as I indicated in my testimony, $1 billion when it's divided and disbursed among the some 56 million students in our country, after the state takes away their share, which is 20 percent by the Chairman's earlier comment, we would receive at $1 billion $125 per student. We're asking that to be increased to $2.45 billion.

Logistically, will it change the world with that proportionate increase? It will not. But what is happening in schools across America, I know of no states right now that are not looking at some form of reduction, small or large, that will come from state budgets as it relates to the overall funding that schools within those respective states would draw. And so now more than ever, when we have the economic problems that we have across states, all 50 in this country, this federal support, you know, is much more central to take its proper place as a revenue source.

But to directly answer your question, I don't believe, sir, that that would be an overnight renaissance within our system, but I do know that it's more critically needed now than ever due to the global economy.

Mr. Kildee. There is no question that state legislatures are having a difficult time with revenue. Some of the revenue lost is due to what we have done here in Congress, elimination of the estate tax, for instance. There are some real problems out there in the states.

Let me ask you this. How can we improve the effect of Medicaid reimbursement, and how would that be shared with the local school districts?

Mr. Lawrence. Until about 12 months ago, we did not participate in the Medicaid program, and we didn't initially because it was our perception, accurate or not, that the bureaucratic components of that were less than the inevitable return of funds. We were wrong in that assessment. I don't know whether or not there's been a streamlining or whether or not we just initially misjudged it.

We use the Maximus Organization, which I believe is a nationally active organization, taking a look at random moments for our people that work in those programs. We deal with direct reimbursables by basis of scrip. It's made an enormous difference to us in terms of overall revenue. Everything is relative. But I will say that it's brought forth slightly under $200,000 per year for us. And even in the critical situation I mentioned a little bit ago, dollars, frankly, in a co-budgetary sense are just dollars. And I mentioned a very special case at 73,000 and that was very true. That was within dollars of total accuracy. Bringing in the Medicaid component certainly goes a long way to meeting those kinds of expenditures for children.

Mr. Kildee. Some school districts are early and creative, and some were more than creative in generating some Medicaid dollars. But that certainly is a legitimate source, and I am happy that you're tapping that source because some of these children certainly qualify in the most strict interpretation of the Medicaid laws. So I'm very happy, and I do encourage school districts to draw from that source.

Dr. Chambers, approximately 1,000 schools responded to your survey. Did you collect data from them regarding Medicaid? And do you know what percentage of these schools billed for Medicaid?

Mr. Chambers. That's on a district basis. And actually, we do have information. For those districts that responded to the question, 44 percent of the districts reported recovering funds from Medicaid. It was a limited sample. Not everybody responded to the question. For those that did respond, it was an estimated 44 percent.

Mr. Kildee. Again, I would encourage those school districts to tap into Medicaid because Congress wrote the legislation. The program is administered by the states, but federal dollars flow into that program. And these students certainly who qualify for Medicaid would be themselves - not only the school districts - but themselves be cheated if you are not drawing up on that. So I am happy that you are drawing on Medicaid.

Mr. Goldfinger, you mentioned that we have capped the attorney fees in the District of Columbia. I know that's always a controversial issue, but actually that cap was repealed last year. The Appropriations Committee had included the cap in previous years, but they took the cap off last

year.

Mr. Goldfinger. I'm sorry, I misunderstood. A colleague of mine was watching C-Span one day and heard the debate.

Mr. Kildee. You have to watch us every day. We do it, and then we undo it.

[Laughter.]

Mr. Kildee. Your mistake is very understandable.

Thank you very much, Mr. Chairman.

Mr. Osborne. Mr. Tancredo?

Mr. Tancredo. Thank you, Mr. Chairman. I thank the members of the panel for their interesting and elucidative testimony.

I taught in a different lifetime and a different age and different era. Public school - I started in 1970. So I recognize that my experiences, vis-à-vis special education, are probably not to be relied upon as indicative of what is happening today.

With that said and recognizing the fact that costs are driven by numbers, it was always intriguing to me when I sat in on a staffing when I was a teacher, and recognize the fact that all of the momentum at the table at the time of that staffing was directed toward putting the child in. Whether it was the teacher who brought the attention or the parent who brought to the staff's attention the child's particular problem or the special ed. teacher or the counselor, even someone from the administration, all the momentum was to put the child in. And in fact, every child was put in. As long as I was there, I do not recall a time in which we did not actually put the child who was being staffed into a program.

Now, I'm sure things have gotten better in terms of identification. And I pose this to you because your task is to help us deal with the problem of dollars and, as I say, dollars are driven by numbers. And so I am wondering if you have taken into consideration, and forgive me if some or all of this is redundant - I apologize, I wasn't hear when this was brought up. But I wonder if you can tell me to what extent a standardized process for staffing children into the program - nationally standardized process would be beneficial in terms of being able to - because as I say, I can go back now and I have talked to people in my own district and I know it's quite a bit different. I know there is a lot that happens before today. There is a lot that happens before that child ever gets to the point of being staffed that may be a windowing effect.

But I'm wondering, that's different everywhere. It's different in every district. It's different sometimes in every school. So that to me is a problem, at least I perceive it as such. And I'm wondering how you feel about that? Is it okay that every district has their own process for staffing? Doesn't that mean that some kids in one district will end up staffed in and in another would not? Do we know that the ones that were not don't need it or that they were being unfairly treated?

What's your observation? Anybody and all of you actually.

Mr. Lawrence. I'll jump in here, Congressman. And I think that what you're saying, first of all, has merit. It's a noble thought.

In public education on a state level and certainly on a local level, there is a great focus on autonomy, a great focus on the local district's ability to make decisions for their school district. And as a result, I think that's one of the reasons that we have such disparity as you mentioned.

I would indicate that in Missouri recently, to the first part of your comment to where you were indicating, and I think it historically true, that many, many children would be entering special ed. identities, for lack of a better term. In Missouri recently, we actually raised the qualifying standards to enter the program. I think they are still fair for kids, but it has had an effect on the number, even in our school district, of children that qualify for services. I don't think that same mantra could or would be shared necessarily in other states?

Mr. Tancredo. Why not?

Mr. Lawrence. Congressman, I think it would be like agreement on any of the other number of things that you deal with every day and reaching consensus in school issues is not any easier than the complexities of the legislation that you men and women deal with.

Mr. Tancredo. Well, that is an absolutely accurate and candid response, but it doesn't suggest that we should not tackle it. I mean, if you're saying to me that the standards that you're using in Missouri are appropriate, you believe, for the majority of - for all of the children in your state. Those who are getting served deserve it, and those that don't, aren't getting in.

If that's good, then I don't know why we wouldn't try at least to have that replicated everywhere so that we have some sense of what works, at least in this case and perhaps in a way that could be helpful to other states who are looking perhaps for that kind of guidance, although I wouldn't suggest that anybody look to the Federal Government for guidance. I'm saying that somehow or other we actually end up with a process that everybody agrees, at least to the greatest extent possible, is one that accurately identifies the children that need the help.

Mr. Lawrence. Well, I would agree. And I wouldn't want to send the wrong message to individuals in other states that Missouri's current standards are the answer. We feel they're better than what we had, but I would certainly agree that dialogue between the states in some format to try to become more like each other - because when you really think about children, and with the mobility that we have today in this country as well, their basic core, their basic outlook, and certainly all of their futures are not that much different whether or not they reside in Florida, New Mexico or Missouri. So the idea of dialogue to try to arrive at a more consensus position I think is a very strong idea. And it's a response perhaps we should take.

Mr. Tancredo. Mr. Chairman, I know I am out of time for questions, but with the indulgence of the Chairman, would it be all right to let somebody else answer if they have input?

Mr. Goldfinger. Congressman, I think there were two issues that need to be resolved. One is who is eligible for special education, and the other is once they are eligible, what services should they be getting? And I hear very different statistics from different states.

In California, out of the school age population, about 10.2 or 10.3 percent are identified for special education. At the commission hearing, where I was with Dr. Chambers, there was somebody from Washington State indicating that there between 12 and 13 percent were eligible. I see a huge variation within California from district to district. Districts where I would say the demographics are similar, and I see a huge variation.

I think that's one issue. And I certainly support the President's educational reforms, and we have a great example in California. Oak Grove unified school district has implemented a program it calls ``Neverstreaming," which has provided a very high level of intervention at the first sign of failure rather than when failure gets to be so great that children are eligible for special education. Their percentage, their incidence of pupils in special education, is among the lowest of the larger school districts in California.

But I think the other issue is that once students are eligible, what services should they get? And that's the crux of so much of the litigation that we have in California.

Chairman Castle. Thank you. Oh, I'm sorry, somebody else was going to speak.

Mr. Chambers. This is getting outside of my range of expertise very quickly as an economist in this field, but I would say that given what I've begun to learn on the commission and serving on the President's Commission on Excellence in Special Education, and the discussions I've had with local folks over the last eight to 10 years when I've been working in this field, is that we ought to be encouraging a lot more pre-referral activities across the United States. That's going on in numerous places under different names. But I would argue those are the kinds of processes that I would like to see happen so that, again, instead of waiting to fail, we can begin to address problems and issues of people who are having difficulty learning quite early before they get identified in special education.

Mr. Tancredo. Thank you.

Chairman Castle. Thank you, Mr. Tancredo.

Mr. Scott?

Mr. Scott. Thank you, Mr. Chairman. Dr. Lawrence, were you - how long have you been in administration?

Mr. Lawrence. I've been in administration 26 years.

Mr. Scott. Did that include a time when disabled children often would not get any education?

Mr. Lawrence. During the early years, Congressman, certainly the services that we were providing kids in this country were less than they should have been.

Mr. Scott. And they are getting much better attention because of the federal mandate?

Mr. Lawrence. I think they're getting much better attention because fortunately we've achieved an education and consciousness that all children are equally important.

Mr. Scott. And the federal mandate kind of helped that conscience?

Mr. Lawrence. It couldn't have hurt it.

[Laughter.]

Mr. Scott. In your remarks, you mentioned the problem - I assume it would be particularly acute for small school systems of the high cost-low incidence disabilities.

Mr. Lawrence. Yes.

Mr. Scott. What should we do to accommodate those?

Mr. Lawrence. Congressman, in the smallest of schools, there's probably not a funding vehicle that can assuredly protect the smallest of schools if indeed they are unfortunate enough to have an extremely high incident rate of very significantly needy kids.

Having said that, not just on the broad brush approach, but I really do believe, as also is stated in my testimony, that although the effort at increasing the allocation by $1 billion is certainly, based on the history of Congress, a step forward, full funding of IDEA, which goes back essentially to 1975 in terms of at least the perceived commitment by Congress, would over time do as much to protect those schools against critical needs, high expense situations as anything that Congress could embark upon.

Mr. Scott. It seems to me that even at 40 percent for a small system, a 20, 30, $50,000 hit, you would have to raise countywide taxes to absorb that in a small school system. Is there some kind of insurance or pooling that may be appropriate for the high cost-low incidence situation, particularly for small school systems?

Mr. Lawrence. Congressman, honestly, I don't know, but I do agree with what you said in terms of the magnitude of impact that would take place in a very small school if they were unfortunate enough to have a large incident rate of high need kids.

Without knowing the answer, it certainly does bode itself to be one of the areas that we need to get outside of the box in our assessment in Missouri and not just in Missouri. I know in New Jersey, it's perceived by many to be, especially out of the Midwest, a high population industrial state. I happen to know, because I have a lot of friends in New Jersey, that that's not really true. There are many small schools in that state as well. And so not just in our state but in

many others such as that eastern one, three, four or five critical incidents in a student population of less than 1,000 - the economic ramifications are going to spiral throughout the organization and further impact the ability to deal with compensation issues needed by staff to maintain quality teachers.

So I don't know the answer. I do agree with your assessment of the problem, and I think it's time that we get out of the box and look for some solutions.

Mr. Scott. Perhaps, particularly for the small systems, some kind of insurance - I know in my area there are several school systems that pool the resources and everybody contributes their proportional share. Some smaller counties participate, and when they get hit, well, they are in the pool, so it doesn't hurt them any worse. I mean they are already in the pool.

Mr. Lawrence. One of my really good friends once told me that teachers are great thieves. And I need to talk to you after this hearing to get an idea of how those dynamics works, because that's a good solution or at least a step that certainly makes sense in light of the problem.

Mr. Scott. I think Mr. Goldfinger wants to answer.

Mr. Goldfinger. Yes. I agree this is a problem. I think it's a problem not just for small school districts but also for large school districts. They get hit with a number of these children with exceptional needs, and it's very huge dollars for them as well.

One suggestion that's included in my written testimony is to have a federal safety net that if the 40 percent - if the Federal Government funds the 40 percent level and distributes that uniformly to states who then distribute it uniformly to school districts, it doesn't provide an insurance concept that you've talked about, sir. But if the Federal Government were to set aside some dollars for a safety net, an extraordinary cost pool for placements over some threshold, 20,000, 40,000 a year - in California, we have cases of 100,000 and people don't blink anymore. Two hundred and fifty thousand gets our attention. And so there are extraordinary needs there. And I would think that creating an extraordinary cost pool at the federal level and setting aside some of the hopefully new federal dollars that Congress will be appropriating in the coming year for that insurance pool would help to resolve this issue.

Mr. Lawrence. Congressman, would you indulge me to add to my original answer, because I forgot something that I think is important.

In many states - again, Missouri being one, but I think there are many more that participate - there are extraordinary cost provisions within state support. Specifically in Missouri, when the cost per student achieves a level five times the amount of the average cost per student, the state then steps in to fund the balance of those expenditures.

Now again, though, what is happening is in the tight budgets that we see in the states across the country - and again using Missouri, because it's the one I know best, as the example - we're seeing next year's proposed allocation already approved, in fact, by the Missouri House to be less than the prior year. And yet, we know the incidence rates are going to be greater. So I'm afraid

that even that provision is going to be prorated because it would be under funded at the state level. But states do have, and Missouri certainly is one that has that extraordinary cost provision that does aid on these critical cases if state funding is there to be able to pay for it.

Mr. Chambers. Can I address that question as well.

Chairman Castle. Certainly, Dr. Chambers.

Mr. Chambers. First, I should mention that as a member of the President's commission and also a member of the task force on finance, that that issue is clearly under consideration by the task force. We have not resolved how one might do this, but it is an issue that is on the table. So I just wanted to at least communicate that.

Second, with respect to high need, it is not a simple issue. It is one that leaves us in a quandary defining what we mean by ``high need." Where does one draw that line?

I think your concept of insurance makes a lot of sense, but at what level. Is that a national level? Is it a state level? I don't think we know the answer to that yet. We are still looking into it. How do you implement that program?

And third, what kinds of districts might be targeted. You mentioned, and I think my colleague, Dr. Lawrence, mentioned that small districts might be most impacted by this. So we need to think very carefully through any recommendations as to how one might do this.

I can provide just some quick information that may be useful, as this has come up in our deliberations, and given the data set that I have as a result of SEEP, we have done some estimation of what the total additional expenditure associated with the top one percent and the top half of one percent of special education students.

In other words, if I took the 60,000 most expensive special education students approximately, we're talking about an additional expenditure of about $3.9 billion. It's not to say that that would be the obligation of the Federal Government, but it is an estimate of what that total expenditure might be between the two, state and federal. If we took the top half of 1 percent, that number is about 2.4 billion.

So I guess the issue is you've got to determine what the sharing arrangements are, what kind of contributions might be made by the states, the local, as well as the federal.

Mr. Scott. Thank you, Mr. Chairman.

Chairman Castle. Thank you, Mr. Scott.

Mrs. Biggert?

Mrs. Biggert. Thank you, Mr. Chairman. This question is for Dr. Chambers. And I think you were just getting into part of my question that you didn't address in your prepared statement, but I

understand that you and your colleagues at the Special Education Expenditures Project are preparing additional reports on special education finance issues that will delve more deeply into specific aspects of special education finance. And I wondered if you could tell us, the subcommittee, something about the following.

First of all, how does U.S. spending on special ed. vary across the types of public schools, districts, as well as students by disabilities, age level, and then functional disabilities?

And I've got two more parts, but maybe if you could start on that.

Mr. Chambers. We will be addressing those issues in reports that are to come.

Mrs. Biggert. We always want a preview, you know.

Mr. Chambers. Variations across districts, we have looked at variations related to district size, urbanicity. And just in general, the strongest pattern that comes out of this, which I would not think of as causal, but you find that the smallest districts have higher ratios and higher expenditures per pupil which we assume are associated with the dis-economies of small scale operations, which in some cases are of no choice to the district because of remote locations.

With respect to other variables, well, higher income districts - the higher two-thirds in terms of income levels appear to show some higher spending. We haven't been able to control for other factors at this point. This is, again, more of a descriptive study at this point than an analytical study. We were hoping to delve in, after looking at some of the descriptive information, into more detail in that regard.

By disability, obviously, we've been talking about the typical special education student as if there was one. We've looked at variations across disability categories, and the ratio of expenditures ranges from about 1.6 to as high as 3.9, I believe. I'd have to check my data, and I'd be glad at some point in the near future to provide that information for you.

Mrs. Biggert. That would be great. Thank you.

Mr. Chambers. We have some graphs that I do not have in front of me. And that focuses on school age population for children served within the public schools. That does not include those served in the non-public schools where the ratio increases substantially.

Mrs. Biggert. How about age level? Is there a big difference in the finances?

Mr. Chambers. I am not prepared to address that at this point, but I certainly - in our disabilities study, in the analysis by disability, we have information on preschool. The problem is, again, it's kind of talking about that typical student that really does not exist.

One thing that's important is to realize that disability as a classification system doesn't tell you a great deal about the expenditures or the needs of a child. There is a lot more in terms of functional abilities or needs that are not reflected by that classification. And I should point out that

we are looking into that as well, because when we collected our data, we asked the teachers who were completing the surveys on behalf of students to tell us something about the functional abilities using a scale that has been developed at the University of North Carolina by Rone Simeonsson and Donald Bailey. So we will be able to report on that as well.

Mrs. Biggert. How about, then, looking at what would be spent on identification, due process, transportation services and preschool programs?

Mr. Chambers. We have estimates in report number one on expenditures. On the first of those elements, what we call expenditures on assessment, evaluation and IEP related activities, we spent about $6.7 billion on all of those activities combined out of the 50 billion, which averages out to about a little under $1,100 per special education student.

However, it is important to recognize that that doesn't necessarily reflect the cost for every single student. The denominator in that does not include students who may have gone through the process and were not considered eligible. But it is an average figure.

We are working on a report right now that gives us some information on what is being spent. I would call it more of a lower bound estimate of what is being spent on due process, mediation and litigation services. And the estimate there was something in the neighborhood of $150 million, which is less than a half of one percent of the total.

The reason I say it's a lower bound estimate is because we don't know how much time - we do - we estimated how much time central office staff and folks like that were spending on it and combined that with our expenditure data to estimate that number. And we had some information on the expenditures for legal services. What we don't have is how much time was spent by teachers specifically on due process, mediation, and litigation.

Mrs. Biggert. And then transportation?

Mr. Chambers. Transportation. We do have information on that. Let me refer to my figures. The average per pupil expenditure for special transportation was about $4,400 or approximately nine time what is required for regular transportation expenditures. That amounted to about 3.7 billion out of the 50.

Mrs. Biggert. I see my time has expired. Could I ask just the third part of this question?

Chairman Castle. Sure. Please, finish up.

Mrs. Biggert. How does the special ed. spending vary across states classified by the funding formula, the student poverty and income levels?

Mr. Chambers. That, I would like to get back to you on. I actually have run some numbers like that. I don't have them with me today. That report, I'm hoping, will be available in the next month or so, but I think we can provide some numbers with the permission of our monitors at OSEP.

Mrs. Biggert. Thank you very much. Thank you, Mr. Chairman, for your indulgence.

Chairman Castle. Ms. Davis will be next.

Mrs. Davis. Thank you, Mr. Chairman. If I may just note a personal privilege, in the audience is one of my constituents, Katie Roberson, who is a special ed. teacher, a principal of the VIP Preschool and also a board member of Coronado Unified. Good to have you here, Katie, thank you.

And I also wanted to acknowledge and thank you all very much for being here. I had the privilege of working with Mr. Goldfinger in California, and I know that he's been such a strong advocate of education for kids and special education as well.

I wondered if I could just ask you to follow up with some of the work that we did in California. One of the important changes in the way we fund special education students there had to go from funding the people, basically the units, the personnel units who are engaged in special education to funding the child and having that funding follow the child. And I am wondering, in light of your testimony and what's been said today, whether that has really been a plus overall for students or whether it has exacerbated some of the concerns that you raised today?

Mr. Goldfinger. It is a pleasure to see you, Congresswoman, and it was a pleasure to work with you in California.

Ms. Davis was co-author of Assembly Bill 602, which was a landmark bill in California that changed the special education funding model from an old system that was driven by pupil count, loading factors, personnel units, obsolete funding rates, to a funding model that is based on K-12 population. And this change, I believe, has been very, very positive in that we have gotten away from the crazy incentives under the old funding model.

Now because dollars are given out based upon general education counts, it is no longer beneficial, if it ever was, to identify more pupils in special education. And also, those districts that are successful, through interventions focused on intensive reading programs and supplemental services, in keeping students out of special education don't suffer any financial loss. I feel that that is the major benefit of going to a neutral criteria like overall population for this funding model.

Also within California, under the old system, there were incentives to place pupils in non-public schools because districts got additional reimbursement. There were incentives to place pupils in a setting, whether it was a specialty class or some other setting, that may have generated additional funding. We have gotten away from all of that. We have the most incentive-free system that I've ever seen. I just wish we had some more money.

Mrs. Davis. Yes. Well, that's the down side, I guess, of all of it. But I certainly was open to the down side as well and some of the more negative impacts, if any, that have occurred as a result of that and how we can, I guess, learn from that experience as well.

Mr. Goldfinger. In terms of negative impacts, the way that that legislation works in California is that the state is going to dedicate future growth in federal aid to fund equalization. We're going to equalize funding among the service regions in California where they're known in California as special education and local plan areas or SELPAs. And so for three years, all of the new federal money, about $200 million worth, went only to those SELPAs that had below average funding. And to those that had average or above average funding, they didn't get any benefit of the federal dollars. They still got a funding advantage, but they didn't get any of the new money.

As we move forward, the coalition that I represent would like to see that all of the increases in federal dollars be automatically passed through to the SELPAs so that all SELPAs get the benefit of additional federal funds.

Mrs. Davis. Thank you. If I could - just quickly to Dr. Chambers as well. And perhaps it is here in the notes, and I am trying hard to find it quickly. You talk about the additional expenditure for special education students. Do you all break down the percentage for specific healthcare under that? What percentage of the 5,918 - how much of that is directed at what we would call certainly for a non-special education students? We might identify those healthcare dollars. Where is - do you have a handle on that?

Mr. Chambers. We are in the process of doing the analysis by disability. And in that analysis, we have broken the dollars down a little bit more finely. I don't have that. That report is not complete yet, but that is something that we are working on that I am hoping will be available shortly. It will give you a better idea - for example, now, in the current report, we can tell you how much was on instruction versus related services but, of course, some of related services are not necessarily health related. But we've broken down related services and more finely into the specific service provider, speech therapist, audiologist, nurses, physical/occupational therapists and so on. So we'll have a better idea.

Mrs. Davis. Do you believe that it would be helpful to know that, even in terms of general education? I think that for the public, it is difficult to understand that schools are doing, as we know, much more today, and they are assisting children with health. And in fact, we know in many of our schools that the school is the primary care provider for that child. And I am just wondering, to the extent that it would be helpful and we might in time separate out those healthcare dollars for special ed as well as for general education. Or do you believe that in some way that would create more problems if we did that?

Mr. Chambers. I guess my feeling is more information is always better than less information. And the more we can know about what the dollars are going for or how they are being used, I think the better off we are. I don't have any strong opinions or any value judgments about whether health expenditures are good for the schools or bad for the schools, but I think it's important that we know that so that those in Dr. Lawrence's position and those more on the ground can make assessments and judgments about what is appropriate and what is not.

Mrs. Davis. Yes. Thank you very much. And thank you, Mr. Chairman. I think that would be helpful to have a better handle on that, because I think for the general public, people assume that all

the money going into education is educational services, and that's just not the case. Thank you.

Chairman Castle. It's not the case. And it is helpful to have that information.

Let me yield to myself for five minutes. Let me tell you what I'm going to try to do here. Let me make a disclaimer up front. You know, when you have a hearing like this and you ask hard questions about overidentification or whatever, and everyone says oh, my gosh, he's against educating kids with disabilities - which none of us here are as far as I can ascertain. And I think these recent Congresses have made a huge effort to try to increase the funding. I also realize that a part of your answers is if we had full funding from the Federal Government, it would help us greatly relieve some of the problems. That's a given. I understand that going into it. And I think ultimately this bill will at least go in that direction.

But having said that, it doesn't mean that we are as efficient as we could be. And it bothers me that when we ask hard questions, everyone points the finger and says you're just against special education. The bottom line is I am willing to spend the money, but I want it spent efficiently. And I want to ask you some questions along those lines, and I don't want all three of you to answer all questions or we might be here until six o'clock.

But I want to ask about overidentification in general. I want to ask about the cost of administration, legal decisions, developments and maintenance of the IEPs. I want to ask about the whole business of how we handle the legal aspect of all this, and should we have a more structured system for that. And I want to ask about the issue of overly expensive treatments. And I'll go back and ask them individually, but I just wanted to give you a preview so we could think about what you might want to particularly speak about. And I don't know who is an expert on what. You know, I have read your testimony, so I'm going to ask them generally, and perhaps one of you can answer, and perhaps another short answer so we can go on to the next question.

But let's talk about overidentification first of all. I was unfortunately out of the room for a lot of the questions, but there's been more and more discussion of overidentification of children with disabilities for a whole variety of reasons, some which may be economic or whatever. There is also a discussion of overidentification in the minority communities in this country of which there are many, many, many minority communities, sometimes with English as a second language being the barrier or whatever.

Is this an area with which we should be concerned, or are we going to down a blind alley that isn't going to do us much good in terms of savings, and do you truly believe there is overidentification or however else you want to address the area of overidentification.

Mr. Lawrence. I'll address a part of that. The movement I think recently, as I indicated earlier, to raise standards and, therefore, reduce the size of the door might indirectly aid to what has been an overidentification concern. And I would be very candid to indicate that I think a decade or so ago, particularly, that a lot of public schools and public school teachers specifically would be looking at kids that were problematic within the classroom causing difficulties for others. And one of the easiest things to do is to shift that student down the hallway to a special program. That has changed immensely in my mind in the recent generation, which is a very good thing. But I think

that as a result, we are pulling away from, in my mind, globally, the level at least, of overidentification that's been a part of our history.

Chairman Castle. Well, let me ask it the other way, then, which I had not expected to ask. That is, are we underidentifying because there is pressure, either administratively or cost-wise, not to identify. Are you seeing that at all, or do you think it's a fair balance at this point?

Mr. Lawrence. It would appear to me to be a fair balance. It's an extremely difficult question to answer. But the conditions, the external conditions of finance might have a tendency in a futuristic way to lead to an underidentification.

Chairman Castle. I also realize that by state, by district there are going to be different answers, so I am cognizant of that.

Mr. Lawrence. Exactly.

Chairman Castle. Let me go on to my next question, which is the whole cost of all this - I hear this a lot from local people concerned with the whole cost of the administration of IDEA, the development of the IEPs, and the whole business of dealing with the legal costs. I want to ask a further question about the legal costs dealing with the hearings and then dealing with lawyers et cetera, and how costs really drain the program. Any comments on that?

Mr. Goldfinger. Yes. If Congress were to address one aspect, that's the one I would wish Congress to address.

In California, we've seen so many cases where school districts weigh whether to challenge what the parents are asking for on the basis that they feel it's excessive, or they feel it's not in the best interest of the child, or they evaluate what will it cost us to go into a hearing, due process, litigation. And the legal costs are so staggering that even if they win, it is phenomenal. And of course, if they lose, they have to pay the opposing attorney and provide the placement.

Many times, over and over again, I have heard anecdotally people say it's just not worth it for us to say no.

Chairman Castle. Let me ask my other question now, then. I have a theory. This is just a theory. This is not something I am preaching at this point. And the theory is, I mean I practice law and you know, there are a couple of cards of liability cases. Well, maybe more than a couple. But the couple I'm familiar with are workman's compensation cases, which you may be familiar with. But basically, if a worker is injured and they injure their arm and they can't use it for two months, they receive so much compensation. They receive say $50 or $100 a week for eight weeks or however long it takes to cure it. And if you lose a thumb or hand or something, there's actually compensation for that. I mean so much - at least in Delaware where I am from, it's pretty statutorily done. As a result, the hearings are run by lay people. They are done relatively quickly. There is legal involvement, but it is much more limited, or you can have just, you know, a regular medical liability or a liability suit where somebody is injured that may go on for months and run

into the millions of dollars and that kind of thing.

It seems to me that a workman's comp type situation - I'm not trying to make too direct a comparison here - but just to show you a less expensive way of running the legal system versus the more expensive open-ended system makes some sense. Should we at the Federal Government be looking at what's happening across this country and be making a determination of how to reduce the cost of special education litigation and due process proceedings? We could eliminate the arbitrations and the legal matters, because it just seems to be scattered where you go in this country. There seems to be a different view of how to handle these different concepts. I'm not trying to dictate for the Federal Government's point of view, but would this be helpful to the whole disabilities community? Would it be helpful to us in terms of managing our finances, et cetera? Or am I way off base with this theory?

Mr. Goldfinger. From the school/agency perspective, I feel that would be very, very helpful. As I indicated in my testimony, I've heard of cases going for 25 days. I've heard a murder trial is going for shorter. It just doesn't make any sense to me that these cases are dragged out for such a long period of time.

An attorney colleague of mine was saying in the San Francisco Bay area, if there are attorneys fees - because these are interpreted to be civil right cases - the prevailing rate for civil rights cases attorneys' fees is $400 an hour. It is so lucrative that people are pursuing these cases. And the attorney-colleague said ``We, were ready to settle at an IEP." The opposing attorney said ``But wait, I spent four days preparing for the IEP. I need $10,000 for my legal fees." And if there is no settlement at the IEP, it just goes on.

One case in Northern San Diego County where a school district said we have an appropriate program for children with autism. The parents felt that only a private placement would be appropriate. The school districts, the consortium of school districts in that area said we're going to stand up. They put up a legal defense of over half a million dollars and they want - so now it is deemed that they have an appropriate program for children with autism.

How do you justify this kind of expenditure or this kind of club hanging over the head of the school agencies to say, “If you don't agree with me, here's what it's going to cost you if you win.”

It just doesn't make any sense to me, and this is an area where reform is very critically needed. If we can do it in a less controversial way, I am all for it.

Chairman Castle. Let me throw my final point on the table. Anybody may wish to comment on all of these things. You sort of touched on it a little bit, Mr. Goldfinger, in your answer. But is this treatment too expensive?

Now, I well understand that if one has a child with disabilities, you want that child to receive the appropriate education. And it's going to be expensive in many incidences to make sure that happens, and it involves, frankly, a heck of a lot more than education to make that happen.

On the other hand, we are hearing incidences of cases of over $200,000 now, of incredible treatments, people traveling a long ways for treatments or whatever, and some of this is getting very expensive. And, you know, within reason I am willing to do that. But when it starts to detract from other kids with disabilities being educated properly or other children in general being educated properly, I start to have a problem with that.

I mean, we wrestle with finances and education, period. Every school district out there could use an extra $300 a kid or $500 a kid or whatever the heck it may be. And then all of a sudden we're putting huge sums of money into - and those are obviously an aberration. They're not all the cases, but they are enough cases that people are starting to raise some questions. So I throw that into the mix as well.

Is that an area that we have to legislate in? As you said, all this arose from civil rights to begin with. That's how all this began, civil rights. So there are a lot of civil rights elements in what we are dealing with here. And that makes it very difficult to do that. And I think that's about the last thing I think Congress really wants to do. But are we in a situation where things are running away from us so that we are having cost control problems and, therefore, the overall educational level is suffering as a result?

Do any of you want to take a stab at that? I've run badly over my time, so please try to help me by being fairly brief.

Mr. Goldfinger. I certainly share your concerns, and I would request that the chair add to your time, sir.

Chairman Castle. Except Mr. Kildee.

Mr. Goldfinger. There is one area where there is a cap in special education, and that's for children who are placed voluntarily in private or parochial schools, where the federal regulations say to a school district, identify the pro rata share of the federal aid for the special education population attending those schools. That's all that you have to spend. And at that point, you can say no. And so school districts get together with the private and parochial schools, with parent groups, and figure out the most cost effective way of spending those dollars. They don't have to provide unlimited services.

I would ask that there be a similar approach for a school district to say we don't have unlimited resources. Yes, the parent of a disabled child wants the best for that child. The parent of the gifted child wants the best for that child. The parent of the bilingual child wants the best for their child, and so on. Every parent wants the best. And my concern is that when extraordinary dollars are being put behind certain children, then there's not enough for the others. And by setting an overall cap, it would say school districts and special education communities, you need to work together. Here are the dollars; let's spend them in the most cost effective way. And at that point, that's all the dollars that we have to spend.

Chairman Castle. Dr. Chambers, you've looked at all this sort of economically. Do you have any comments on it or - Dr. Lawrence? You seem to want to touch it with a ten-foot pole the way -.

Dr. Lawrence. I agree largely with Mr. Goldfinger, with the exception of the cap provision. I do think when I look at the general litigation arena that you bring forward - that two things come to mind. First of all, in one of the western federal courts in our state, a recent ruling within the last 45 days moved the definition from appropriate to maximized opportunities when we're really making judgments on services for some of the kids with special needs. I think that's a whole new arena if that becomes more commonplace across jurisdictions to open up still additional litigation.

And when I think of the one thing that has always really amazed me, it is simply this. Taking nothing away from the needs of special kids - they need everything we can give them. But after all these years, I still cannot understand how more parents of non-disabled children have not brought litigation against us for disproportionate spending. I just don't see how that hasn't taken place. I think it's maybe a statement to the heart of the American people, but in terms of the logistics, it amazes me that that hasn't been more commonplace.

Chairman Castle. Let me thank you. I am going to ask Mr. Kildee if he has any further questions. But I just want to personally thank you for your answers. As I said, I don't have solutions for these things, but I think they are areas that we do need to ask questions about and delve in to.

Mr. Kildee, do you have any further questions?

Mr. Kildee. I have no further questions, but I do think, Mr. Chairman, that we have assembled a very, very helpful panel today. We are at a busy time of the year right now, but we decided we wanted to have this hearing. The Governor insisted upon it, and his decision was very, very good, and you've all been very, very helpful to us. And I thank you very much.

Chairman Castle. Let me add my thanks also to you for your valuable time and testimony. Some of you come from afar, and for being here today, we appreciate that. It's a difficult subject matter. We understand that. There's a lot of interested people in this audience, as well as those of you who have testified, as well as the members of the subcommittee and the full committee, and we will continue to look at this in the next few weeks as we get ready to go into probably a markup on this. So if you have additional writings or information, feel free to correspond with us.

If there is no further business, the subcommittee stands adjourned. Thank you.

[Whereupon, at 3:42 p.m., the subcommittee was adjourned.]

APPENDIX A - WRITTEN OPENING STATEMENT OF CHAIRMAN MICHAEL CASTLE, SUBCOMMITTEE ON EDUCATION REFORM, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

Chairman Michael N. Castle
Subcommittee on Education Reform

Opening Statement

April 18, 2002

Good afternoon. Thank you for joining us for the first in a series of hearings that the Subcommittee on Education Reform will conduct on the reform and reauthorization of the Individuals with Disabilities Education Act, or IDEA. Over the next few months, this subcommittee will explore ways of reforming IDEA to ensure that every child with special needs receives access to a high quality education as the President and the Congress continue their efforts to improve America's schools.

As successful as IDEA has been in guaranteeing access to a free, appropriate public education for students with disabilities, IDEA is not without its problems. It is my hope that this Subcommittee will address these problems during the upcoming reauthorization and we begin that process today by examining special education finance issues.

Looking at special education finance is important because Congress has dramatically increased federal spending on special education. In fact, since 1995, Congress has nearly tripled funding for IDEA. More recently, the House of Representatives passed its FY03 budget resolution, which includes a $1 billion increase in funding for IDEA, Part B next year and a 12 percent increase every year after that for the next nine years.

Given our recent focus on IDEA, local school districts should have seen some benefit from the large increases in federal spending. Yet some school districts, such as Los Angeles Unified, have informed me that these increases may not have increased the federal share of special education costs. In fact, LA Unified has informed me that, despite the increases in recent years, federal dollars as a source of the district's funding for special education only increased approximately 25 percent, from 4.9 percent to 6.1 percent.

As many of us know, under current law, federal money received by the state may not be used to supplant, or substitute, state funds. Instead, federal dollars are required to be used to supplement, or increase, the funding of special education and related services, with the exception of the 20 percent reserved specifically for administration and state level activities. More plainly, this requirement prohibits states from using their IDEA funds to relieve state and local level financial obligations, and it ensures that funds will be used to increase the level of

expenditures on special education and related services.

This requirement recently received some attention when Governor Gray Davis of California decided that, due to the budget crisis in his state, he would maintain – but not increase – state funding for special education. Instead, he would use federal dollars as the sole source of increased special education funding next year and free up dollars that were expected to make up a state increase in special education funding for other budget purposes.

Although this does not technically violate IDEA law, I am concerned that other states will follow his lead. His actions also raise questions in my mind, such as:

- Where does the money go?
- How have states and local school districts used the federal increases provided for special education in recent years?
- Has all the money that was intended to go to the local level gone to the districts?
- Has special education funding been used for special education – or even education generally?

It is my hope that our witnesses today will be able to provide some of the answers to these questions – especially as pressure continues for Congress to increase its share of special education funding.

Today, I am fortunate to welcome three witnesses who are experts in special education finance at the federal, state and local levels. With their help, it is my hope that members will better understand the expenditures that states and districts incur in providing special education and related services. To that end, I am hopeful that the testimony today will inform our discussion on the reauthorization as well as future appropriations.

In a moment, I will proceed with the introduction of our witnesses, but I will now yield to the distinguished Ranking Member of the Subcommittee, Mr. Kildee, for whatever opening statement he may wish to make.

APPENDIX B - WRITTEN OPENING STATEMENT OF RANKING MINORITY MEMBER DALE E. KILDEE, SUBCOMMITTEE ON EDUCATION REFORM, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

Statement of
The Honorable Dale E. Kildee
Ranking Member, Subcommittee on Education Reform
Hearing on Special Education Finance
April 18, 2002

GOOD AFTERNOON, I AM PLEASED TO JOIN GOVERNOR CASTLE AT WHAT IS OUR SECOND IN A SERIES OF HEARINGS ON REAUTHORIZATION OF THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT, OR IDEA. I HAVE BEEN WORKING ON SPECIAL EDUCATION FOR THE 27 YEARS I HAVE BEEN IN CONGRESS, AND BEFORE THAT DURING MY TIME IN THE MICHIGAN LEGISLATURE. IN MICHIGAN I SPEARHEADED THE ENACTMENT OF MICHIGAN'S FIRST SPECIAL EDUCATION LAW, PRIOR TO THE FEDERAL ENACTMENT OF IDEA.

TODAY'S TESTIMONY WILL BE EXTREMELY USEFUL TO US AS WE BEGIN OUR WORK ON REAUTHORIZING IDEA IN THE COMING WEEKS AND MONTHS AND I APPRECIATE THE WITNESSES APPEARING BEFORE US TODAY.

NO SINGLE LAW HAS DONE AS MUCH AS IDEA TO ENSURE THAT DISABLED CHILDREN RECEIVE AN EDUCATION. PRIOR THE PASSAGE OF 94-142, THE EDUCATION OF DISABLED CHILDREN WAS IGNORED, PROHIBITED, OR OUTRIGHT DENIED. INSTEAD OF WORKING TO KEEP DISABLED CHILDREN OUT, SCHOOLS NOW SEEK TO EDUCATE DISABLED CHILDREN ALONGSIDE THEIR NON-DISABLED PEERS IN MAINSTREAM CLASSROOMS.

AS REAUTHORIZATION OF IDEA GETS UNDERWAY THIS CONGRESS, SOME CLAIM THAT IDEA IS BROKEN, THAT IT NEEDS TO BE COMPLETELY OVERHAULED AND IS TOO COMPLEX AND DIFFICULT TO IMPLEMENT. I BELIEVE THIS SIMPLY ISN'T CORRECT. IT IS CRITICAL TO REMEMBER THAT MANY OF THE PROBLEMS WE HEAR ABOUT REGARDING IDEA ARE LARGELY IMPLEMENTATION PROBLEMS, RATHER THAN THE PROBLEMS WITH THE STATUTE ITSELF.

CERTAINLY CONGRESS WILL CONSIDER LEGISLATIVE CHANGES TO IDEA IN THIS REAUTHORIZATION CYCLE.

HOWEVER, WE CANNOT AND SHOULD NOT ROLL BACK PROTECTIONS FOR SCHOOLS AND DISABLED CHILDREN ALIKE, SIMPLY FOR THE SAKE OF CHANGE. SCHOOLS HAVE BEEN IMPLEMENTING THE 1997 AMENDMENTS FOR ONLY 2 YEARS. TO CONSTANTLY SUBJECT SCHOOLS, PARENTS AND TEACHERS TO A COMPLETE OVERHAUL OF THIS LAW EVERY 5 YEARS MAKES IT IMPOSSIBLE TO MEET IDEA'S REQUIREMENTS.

TOO IMPLEMENT THIS LAW EFFECTIVELY, SCHOOL DISTRICTS AND SCHOOLS NEED RESOURCES.

FOR US HERE IN CONGRESS, IT MEANS HONORING OUR COMMITMENT TO FULLY FUND IDEA BY PROVIDING 40% OF THE EXCESS COST OF EDUCATING A CHILD WITH A DISABILITY.

UNFORTUNATELY, MAINTAINING OUR CURRENT LEVEL OF ANNUAL INCREASES FOR THIS PROGRAM WILL DELAY FULL FUNDING FOR SEVERAL DECADES. WE NEED TO ACT NOW IF WE ARE TO ENSURE FAPE FOR OUR DISABLED CHILDREN.

ALONG WITH FUNDING, WE MUST ENSURE A STRONGER MONITORING AND ENFORCEMENT SYSTEM.

THE DEPARTMENT OF EDUCATION DOES NOT HAVE ADEQUATE TOOLS TO ENFORCE NON-COMPLIANCE WITH IDEA. WE SHOULD BUILD UPON EFFORTS IN THE 1997 AMENDMENTS AND CONSIDER JUSTICE DEPARTMENT ENFORCEMENT AND OTHER MEANS TO STRENGTHEN COMPLIANCE WITH IDEA. COUPLED WITH THIS FEDERAL FOCUS IS THE NEED FOR STATES TO UPGRADE THEIR OWN MONITORING AND ENFORCEMENT SYSTEMS.

LASTLY, CHILDREN WITH DISABILITIES ONLY RECEIVE A HIGH QUALITY EDUCATION IF THEIR TEACHERS AND RELATED SERVICE PERSONNEL ARE WELL TRAINED AND KNOWLEDGEABLE.

TOO MANY OF OUR REGULAR EDUCATION TEACHERS DO NOT HAVE SUFFICIENT TRAINING TO PROVIDE INSTRUCTION TO DISABLED CHILDREN, INCLUDING HOW TO DEAL WITH BEHAVIOR PROBLEMS. TOO MANY OF OUR SPECIAL EDUCATION TEACHERS ARE LEAVING THE FIELD DO TO FRUSTRATION, POOR WORKING CONDITIONS, TOO MUCH PAPERWORK AND INADEQUATE PAY. OUR REAUTHORIZATION SHOULD FOCUS ON UPGRADING THE QUALITY OF OUR TEACHERS AND RELATED SERVICE PERSONNEL, INCLUDING THE CONDITIONS UNDER WHICH THEY WORK.

IN CLOSING, I WANT TO THANK THE WITNESSES FOR APPEARING BEFORE THE COMMITTEE TODAY AND LET YOU KNOW THAT I LOOK FORWARD TO YOUR TESTIMONY. THANK YOU MR. CHAIRMAN.

APPENDIX C - WRITTEN STATEMENT OF JAY G. CHAMBERS, DIRECTOR, SPECIAL EDUCATION EXPENDITURE PROJECT AND SENIOR RESEARCH FELLOW, AMERICAN INSTITUTES FOR RESEARCH, PALO ALTO, CALIFORNIA

Statement of Jay G. Chambers, Director,
Special Education Expenditure Project and
Senior Research Fellow,
American Institutes for Research, Palo Alto, CA

Testimony Before the Subcommittee on Education Reform,
House Committee on Education and the Workforce

"Special Education Finance at the Federal, State and Local Levels"

April 18, 2002

Note: Exhibit numbers correspond to placement in full SEEP report from which this is drawn.

Good morning Mr. Chairman and Members of the Subcommittee. My name is Jay Chambers and I am a Senior Research Fellow at the American Institutes for Research (AIR). AIR is a not-for-profit organization devoted to social science research supported by federal, state, and local governments and private agencies, directed toward improving the information available for the determination of social policy.

I am pleased to be able to testify to this Subcommittee today in my capacity as the Director of the Special Education Expenditure Project, which you will hear me refer to as SEEP during my testimony. This project was conducted by AIR with funding from the U.S. Department of Education, Office of Special Education Programs. The basis for my testimony this morning is the first of a series of reports on SEEP, and SEEP is the fourth study of its kind to be supported by the U.S. Department of Education over the past four decades.

SEEP is based on analyses of extensive data collected for the 1999-2000 school year across the 50 states and the District of Columbia. SEEP included 23 different surveys to collect data at the state, district, and school levels. Survey respondents included state and district directors of special education, district directors of transportation services, school principals, special education teachers and related service providers, regular education teachers, and special education aides. Survey responses were combined with other requested documents and data sets from states, schools, and districts to create databases that represented a sample of approximately 10,000 students with disabilities, 5,000 special education teachers and related service providers, 5,000 regular education teachers, 1,000 schools, and 300 local education agencies.

The SEEP report on which I am testifying addresses three major questions:

- *How much is the nation spending on services for students with disabilities?*
- *What is the additional expenditure used to educate a student with a disability?*

- *To what extent does the federal government support spending on special education?*

How much is the nation spending on special education services?

Exhibit 1 shows that the *total spending to educate all students with disabilities* (students found eligible for special education programs) was $78.3 billion during the 1999-2000 school year. Of this, about $50 billion was expended on special education services, which includes special education instructional and related services for school-aged and preschool children, administration of the special education program, and special transportation services. Another $27.3 billion was expended on regular education services, which includes the time spent by special education students in regular instruction as well as the administration and support of regular programs at the district and school level, and regular transportation services. An additional $1 billion was spent on other special needs programs such as Title I or English language learner programs.

It is important to point out that these figures do not include expenditures of funds expended by state departments of education to administer or support the special education programs provided by local public and private educational agencies.

Exhibit 1.
Total Spending On Students With Disabilities Who Are Eligible For Special Education Services in the U.S., 1999-2000

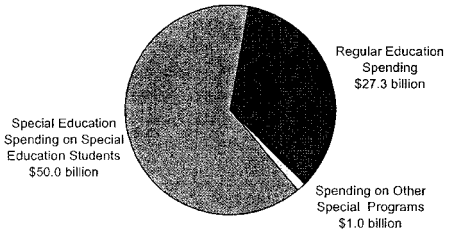

Exhibit One reads: The total expenditure to provide regular, special, and other special needs education services to all eligible students with disabilities amounts to $78.3 billion, with $50 billion expended on special education services.

How much are we spending on the average special education student?

Exhibit 2 provides another way to look at expenditures on special education students. The first vertical bar on the left illustrates how the per pupil expenditures for special education students break down. In per pupil terms, the *total spending used to educate the average student with a disability* is $12,639. This amount includes $8,080 per pupil on special education services, $4,394 per pupil on regular education services, and $165 per pupil on services from other special need programs (e.g., Title I, English language learners, or Gifted and Talented Education). The regular and special education services subtotal is $12,474 per pupil.

Exhibit 2.
Calculation of Additional Expenditure on a Student With a Disability, 1999-2000

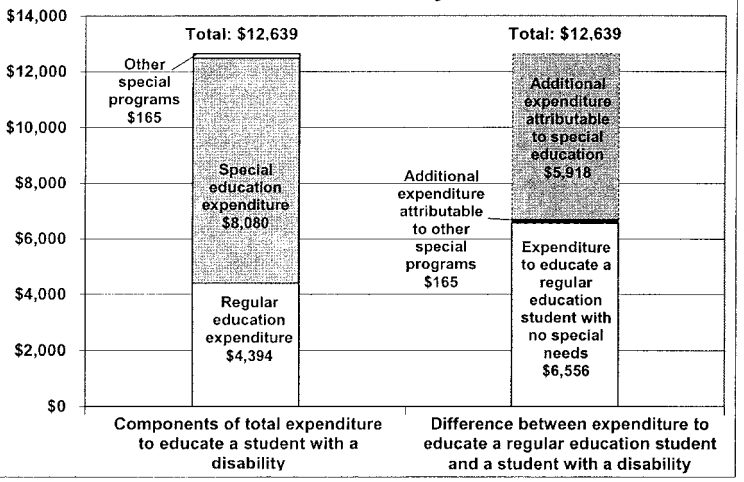

Exhibit Two reads: The additional expenditure to provide regular and special education services to students with disabilities is estimated to be $5,918 (=$12,639 - $165 - $6,556). This concept of *additional expenditure* means the same thing as the concept of *excess cost* used in a previous study (Moore *et al.,* 1988) of special education expenditures. For a more complete discussion of the use and meaning of these terms, see the section on the *conceptual framework* presented in the current report.

What is the additional expenditure used to educate the average student eligible for special education?

The second vertical bar in exhibit 2 compares how much is being expended to serve the average special education student to the amount expended to serve a regular student with no special programmatic needs. The data derived from SEEP indicate that the base expenditure on a regular education student amounts to $6,556 per pupil. Comparing this figure to the average expenditure for a student eligible to receive special education services, the additional expenditure amounts to $6,083 per pupil (i.e., $12,639 less $6,556). This additional expenditure reflects the amounts attributable to both the special education and related service needs of the typical student with disabilities as well as the needs of this student for other special programs such as those designed for economically disadvantaged students or English language learners. If one excludes the other special needs programs, the additional expenditure attributable to special education and related services for this student amounts to $5,918 per pupil (i.e., $12,639 less $165 less $6,556).

While the first vertical bar shows the dollars expended on regular education services for the average special education student, the second vertical bar shows the average expenditure on a regular student with no special programmatic needs.

Alternatively, one can use these figures to estimate a spending ratio for a special versus a regular education student. Two alternative spending ratios may be calculated. The full spending ratio includes all additional expenditures used to educate the typical student with disabilities (including special education and related services as well as other special needs programs) and is estimated to be 1.93 ($12,639/$6,556). The ratio of additional expenditures attributable exclusively to special education may then be estimated as 1.90 ($12,639-$165)/$6,556). This suggests that, on average, the nation spends 90 percent more on a special education student than on a regular education student.

In most states, school funding formulas are designed to provide revenues necessary to support current operating expenditures for schools and school districts.[1] Expenditures on capital facilities such as school and central office buildings are funded separately from the standard school funding formulas. The expenditure figures reported above include both current operating expenditures and estimates of capital expenditures for serving special and regular education students. If one excludes expenditures on capital facilities from the figures above, the ratio of current operating expenditure to educate a special education student relative to a regular education student is 2.08 (or 2.11 if other special programs are included).[2] In other words, the ***additional current operating expenditure*** to

---

[1] Current operating expenditures include salaries, employee benefits, purchased services, supplies, tuition, and other annual expenditures for operations. Examples of items not included are capital outlays, debt service, facilities acquisition and construction, and property expenditures.

[2] This ratio is calculated by dividing *total current expenditures used to educate students with disabilities* (excluding facilities) from Table B-1 ($11,096) by *total current expenditure for a regular education student with no special needs* (excluding facilities) from Table B-3 ($5,325). Thus, the ratio is 2.08 = 11,096 / $5,325. This 2.08 ratio compares to the 1.90 reported previously and the 2.11 ratio compares to the 1.93 ratio reported in the text (which includes other special needs programs).

educate a special education student is 108 percent of the current operating expenditure to educate a regular education student with no special needs. The reason this ratio increases from 1.90 to 2.08 is that the additional time and personnel required to meet the needs of special versus regular education students exceeds the additional amount of classroom space necessary to serve these needs in relative terms.[3]

How are special education expenditures allocated among various functions?

Exhibit 5 shows how the $50 billion expended on special education services is allocated among various functions.

Exhibit 5.
Allocation of Special Education Expenditures, 1999-2000

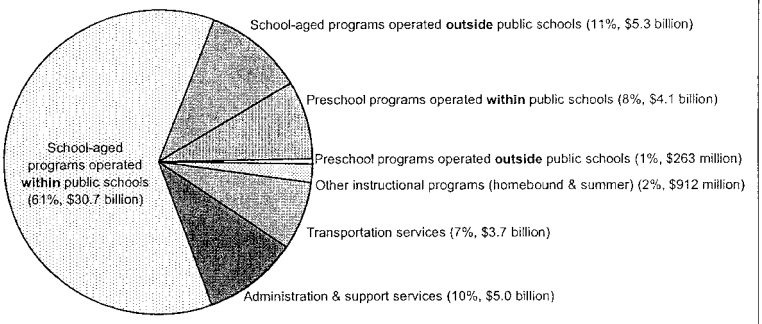

Exhibit Five reads: Of the $50 billion spent on special education services, 61 percent or $30.7 billion was expended on school-aged special education programs in public schools.

[3] Consider the example of a special education student whose needs are met by adding the time of a resource specialist in the regular classroom. There is virtually no additional classroom space required (e.g., capital expenditure), while there is an increase in the time required of professional staff to provide services (e.g., operating expenditure).

- ***Direct Instruction and Related Services.*** During the 1999-2000 school year, over 80 percent of total special education expenditures were allocated to direct instruction and related services.

  - *Preschool programs* account for 9 percent or $4.4 billion ($4.1 billion for services within public schools and $263 million used for tuition for non-public schools)

  - *School-aged programs* amount to $36 billion (or 72 percent of the total) serving 5.4 million students and this is split between $31 billion for services in public schools and $5 billion for students placed outside the public schools

  - *Summer school programs* amount to $815 million (1.6 percent) and serve about 10 percent of the students

  - *Homebound and hospital programs* account for $98 million (or 0.5 percent) of the total expenditure

- ***Administration and Support.*** Overall, administration and support account for about 10 percent, or $5 billion, of total special education spending, which includes

  - *Central office administration and support of the special education program--$4 billion, or 8.2 percent, of total special education expenditures*

  - *Certain categories of related service personnel assigned to the school site--$745 million, or 1.5 percent, of total special education expenditures*

  - *Administration and support activities of special education schools--$131 million, or less than 0.3 percent, of total special education spending*

- ***Transportation.*** It is estimated that more than 800,000 students with disabilities receive special home-to-school transportation services at a total expenditure of more than of $3.7 billion. These numbers suggest that less than 14 percent of students with disabilities received special transportation services during the 1999-2000 school year, representing about one-fourth of total expenditures on all home-to-school transportation services provided in the U.S.

To what extent do federal funds support special education?

Amount of federal funding. Out of the $4.5 billion distributed to the states under IDEA, local education agencies received $3.7 billion in 1999-2000. This accounts for 10.2 percent of the additional total expenditure on special education students (or $605 per special education student), and about 7.5 percent of total special education spending. If Medicaid funds are included, federal funding covers 12 percent of the total additional

expenditure on special education students (i.e., 10.2 percent from IDEA and 1.8 percent from Medicaid).

Use of federal funding. Exhibit 8 shows how these federal IDEA funds—basic and preschool—are allocated to instruction, related services, and administration, and it compares the use of federal funds to the use of all federal and non-federal funds that support special education spending.[4] The first vertical bar shows that 63 percent of total special education spending is used for instruction, 27 percent is allocated to related services, and the rest (10 percent) is allocated to administration.

The second and third vertical bars in Exhibit 8 show how federal Part B-basic grants and preschool grants are used. Of those districts reporting the allocation of Part B basic grant funds, 64 percent of the funds were allocated to instruction, 25 percent were distributed to related services, and the remaining 11 percent were spent on administration and support services. In districts reporting how the preschool funds were spent, almost three-fourths of the funds were used for instruction, 21 percent were allocated to related services, and the remaining 6 percent were expended on administration and support services.

Exhibit 8.
Allocation of Special Education Funds by Function, 1999-2000

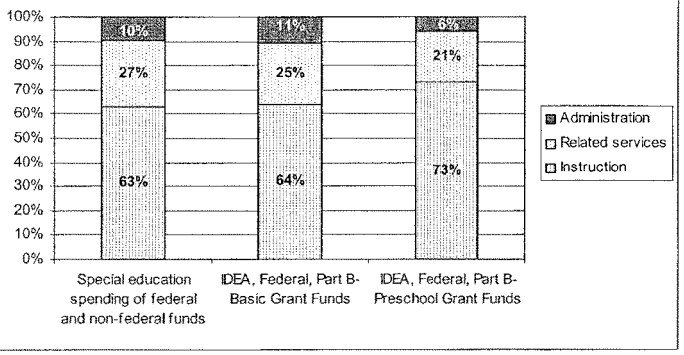

Exhibit Eight reads: In 1999-2000, 64 percent of the $4.2 billion IDEA Basic grant was allocated to instruction, 25 percent to related services, and 11 percent to administration. This is comparable to how all special education funds were spent, with 63 percent on instruction, 27 percent on related services, and 10 percent on administration.

[4] It should be noted that data on federal allocation was available for only a subset of the sample districts. For the basic grant, 155 districts reported on the use of federal funds, while 135 districts reported how the preschool grant funds were expended.

How has special education spending changed over time?

Over the period from 1977-78 to 1999-2000, total spending to educate special education students has increased from 16.6 percent of the budget to 21.4 percent of the budget, about a 30 percent increase. Over the same period, students identified as eligible for special education services increased from 8.5 to 13 percent of the school-aged population, a more than 50 percent increase. At the same time, the additional spending ratio for special education students has declined from 2.17 to1.90. Thus, the increase in special education spending that has occurred over the past twenty plus years appears to be largely a result of increases in the number of students identified as eligible for the program.

What Are We Spending on Special Education Services in the United States, 1999-2000?

Advance Report #1

Special Education Expenditure Project (SEEP)

Prepared by:
Jay G. Chambers, *Senior Research Fellow and a Managing Director, Education Program, and Project Director, Special Education Expenditure Project (SEEP)*
Tom Parrish, *Managing Research Scientist and Deputy Director, Education Program, and Director, Center for Special Education Finance*
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American Institutes for Research

Submitted to:
United States Department of Education, Office of Special Education Programs

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March 2002

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The authors also acknowledge the support for this research received from nine states that contributed to the data collection effort for SEEP. State directors of special education for the nine states included in the extended sample of districts, schools, teachers, and students are listed at the end of these acknowledgements.

The authors would like to express their gratitude to a large team of American Institutes for Research (AIR) staff who contributed to the completion of this report. First and foremost is Maria Perez who spent countless hours organizing the student database and developing the computer programs necessary for conducting the analysis on which much of this report is based. Her dedication to "getting it right" and her care in reviewing the numbers she produced have contributed significantly to the quality of this analysis. Thanks also go to Gur Hoshen who provided significant support to Maria in the conduct of this analysis and who was involved in the development of the programs necessary to create the sampling weights.

Irene Lam guided the process of cleaning the various databases used in this report, conducted the analysis of transportation expenditures, and worked on analyzing the school database. Irene's work ethic and her high degree of competence have contributed substantially to this report. Irene also worked in close collaboration with Bob Morris, who spent most of his waking hours during the last year constructing the school personnel database, using the primary data collected as part of the SEEP, as well as countless state personnel data systems, and various other state and federal data sources.

The authors also thank Jamie Shkolnik who pulled together the district level fiscal data from state fiscal files and from the original SEEP data collection.

Roger Levine, as always, provided tremendous support in helping design and implement the sample selection process and in helping to construct the sampling weights necessary to develop population estimates.

Others who contributed in various capacities during the data collection, database development, and analysis phases of this project include Amynah Dhanani, Leslie Brock, Cheryl Graczewski, and Sandra Smith.

It is also important to recognize the significant efforts of the data collectors and analysts who helped obtain the original sources of data on which this entire project is based. The authors acknowledge the special contributions of Marie Dalldorf, who managed the data collection effort, and Rafi Youatt and Kristi Andes-Peterson, who managed the data coordinators. Thanks are also due to James Van Campen and Rafi Youatt for playing significant roles in designing the procedures and training for the data collection.

Thanks also go to Jean Wolman who provided many valuable comments and suggestions, many of which have been incorporated into the final report.

Finally, the authors wish to acknowledge Phil Esra for his significant contributions to report production. Phil played a major role in editing and formatting this document, and was responsible for the development of the graphic exhibits contained in this report. His diligence and care are greatly appreciated and contribute immeasurably to the quality of the final product.

The following is a comprehensive list of all the individuals who have contributed to the SEEP during the course of the past two years and their various capacities with the project.

Project Design Team: Jay Chambers (Project Director), Tom Parrish (Director, Center for Special Education Finance), and Roger Levine (Task leader for Sample Design).

Senior Consultants: Margaret McLaughlin, Institute for the Study of Exceptional Children and Youth, University of Maryland; Margaret Goertz, University of Pennsylvania, Philadelphia, Pennsylvania.

Technical Work Group: Stephen Chaikind, Gallaudet University; Doug Gill, Office of Superintendent of Public Instruction, Washington State; Diane Gillespie, Virginia Tech, Blacksburg, Virginia; Bill Hartman, Pennsylvania State University, University Park, Pennsylvania; John Herner, Division of Special Education, Ohio Department of Education; Donald Kates, Georgetown University, Child Development Center; Brian McNulty, Adams County School District 14, Commerce City, Colorado; Jim Viola, New York State Education Department.

State Directors of Special Education in the nine extended sample states: ***Alabama,*** Mabrey Whetstone, State Director and Barry Blackwell, liaison; ***Delaware,*** Martha Brooks, State Director and Debbie Stover, liaison; ***Indiana,*** Robert Marra, State Director, Hank Binder, liaison; ***Kansas,*** Bruce Passman, State Director, and Carol Dermyer, liaison; ***Missouri,*** Melodie Friedebach, State Director, and Bill Daly, liaison; ***New Jersey,*** Barbara Gantwerk, State Director, and Mari Molenaar, liaison; ***New York,*** Larry Gloeckler, State Director, and Inni Barone, liaison; ***Ohio,*** Ed Kapel, State Director; ***Rhode Island,*** Tom DiPaola, State Director, and Paul Sherlock, member, Rhode Island legislature.

Managers of data collection and processing: James Van Campen, Rafi Youatt, Marie Dalldorf, and Kristi Andes Peterson.

Data collectors and support teams include the following:

Team leaders: Peg Hoppe, Michael "Chad" Rodi, Jennifer Brown, Andy Davis, Leslie Brock, Jeanette Wheeler, and Jean Wolman. **Team members:** Mary Leopold, Claudia Lawrence, Patrice Flach, Bette Kindman-Koffler, Brenda Stovall,Danielle Masursky, Ann Dellaira, Eden Springer, Jack Azud, Nancy Spangler, Melania Page-Gaither, Raman Hansi, Chris White, Lori Hodge, Freya Makris, Megan Rice, Amynah Dhanani, Melinda Johnson, Carmella Schaecher, Iby Heller, Hemmie Jee, and Irene Lam.

Data collection support team: Emily Campbell, Ann Win, Sandra Smith and Diana Doyal.

Data Analysis Team: Maria Perez, Gur Hoshen, Jamie Shkolnik, Amynah Dhanani, Irene Lam, Bob Morris, and John DuBois.

Report production teams: Phil Esra, Jenifer Harr, Leslie Brock, Cheryl Graczewski, Jamie Shkolnik, Irene Lam, and Maria Perez.

SEEP Reports

This document is a part of a series of reports based on descriptive information derived from the Special Education Expenditure Project (SEEP), a national study conducted by the American Institutes for Research (AIR) for the U.S. Department of Education, Office of Special Education Programs. SEEP is the fourth project sponsored by the U.S. Department of Education in the past 40 years to examine the nation's spending on special education and related services.[1]

The SEEP reports are based on analyses of extensive data for the 1999-2000 school year. The SEEP includes 23 different surveys to collect data at the state, district, and school levels. Survey respondents included state directors of special education, district directors of special education, district directors of transportation services, school principals, special education teachers and related service providers, regular education teachers, and special education aides.[2] Survey responses were combined with other requested documents and data sets from states, schools, and districts to create databases that represented a sample of more than 9,000 students with disabilities, more than 5,000 special education teachers and related service providers, approximately 5,000 regular education teachers, more than 1,000 schools, and well over 300 local education agencies.

The series of SEEP reports will provide descriptive information on the following issues:

- What are we spending on special education services for students with disabilities in the U.S.?
- How does special education spending vary across types of public school districts?
- What are we spending on identification and due process for students with disabilities?
- What are we spending on transportation services for students with disabilities?
- How does educational spending vary for students by disability and age level and what factors explain differences in spending by disability?
- What role do functional abilities play in explaining spending variations for students with disabilities?
- What are we spending on preschool programs for students with disabilities?
- Who are the teachers and related service providers who serve students with disabilities?
- How are special education teaching assistants used to serve students with disabilities?
- What are we spending on special education services in different types of schools?
- How does special education spending vary across states classified by funding formula, student poverty, and income levels?

One of the SEEP reports will also be devoted to describing the methodology for the conduct of the project.

[1] Kakalik *et al.* (1981), Moore *et al.* (1988), Rossmiller *et al.* (1970).
[2] See Appendix A for further discussion of the sampling for SEEP.

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Appendices

Appendix A: The Samples
Appendix B: Data Used for Report
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Highlights of Advance Report #1

- **Total special education spending.** During the 1999-2000 school year, the 50 states and the District of Columbia spent approximately $50 billion on special education services, amounting to $8,080 per special education student.
- **Total regular and special education spending on students with disabilities.** The total spending to provide a combination of regular and special education services to students with disabilities amounted to $77.3 billion, or an average of $12,474 per student. An additional one billion dollars was expended on students with disabilities for other special needs programs (e.g., Title I, English language learners, or gifted and talented students), bringing the per student amount to $12,639.
- **Additional expenditure on special education students.** The additional expenditure to educate the average student with a disability is estimated to be $5,918 per student. This is the difference between the total expenditure per student eligible for special education services ($12,474) and the total expenditure per regular education student ($6,556).
- **Percent of total expenditure.** The total regular and special education expenditure for educating students with disabilities represents almost 22 percent of the 1999-2000 spending on all elementary and secondary educational services in the U.S.
- **Total spending ratio.** Based on 1999-2000 school year data, the total expenditure to educate the average student with disabilities is an estimated ***1.90 times*** that expended to educate the typical regular education student with no special needs (this ratio has actually declined since 1985, when it was estimated by Moore *et al.* (1988) to be 2.28).
- **Total current spending ratio.** Excluding expenditures on school facilities, the ratio of current operating expenditures on the typical special education student is ***2.08 times*** that expended on the typical regular education student with no special needs.
- **Federal funding.** Local education agencies received $3.7 billion in federal IDEA funding in 1999-2000, accounting for 10.2 percent of the additional total expenditure on special education students (or $605 per special education student), and about 7.5 percent of total special education spending. If Medicaid funds are included, federal funding covers 12 percent of the total additional expenditure on special education students (i.e., 10.2 percent from IDEA and 1.8 percent from Medicaid).

I. Introduction

- *How much is the nation spending on services for students with disabilities?*
- *What is the additional expenditure used to educate a student with disability?*
- *To what extent does the federal government support spending on special education?*

These three questions are the primary focus of this report. All data, unless otherwise indicated, correspond to the 1999-2000 school year.[3]

A Conceptual Framework for Analyzing Special Education Spending

Before presenting the numbers, it is important to distinguish between *total special education spending* and *total spending to educate a student with a disability*. *Total special education spending* includes amounts used to employ special education teachers, related service providers, and special education administrators, as well as spending on special transportation services and non-personnel items (e.g., materials, supplies, technological supports) purchased under the auspices of the special education program. Some portion of special education spending is used for instructional services that normally would be provided as part of the general education curriculum offered to regular education students.

In contrast to total special education spending, *total spending to educate a student with a disability* encompasses *all* school resources, including both special and regular education and other special needs programs, used to provide a comprehensive educational program to meet student needs. Most students with disabilities spend substantial amounts of time in the regular education program and benefit from the same administrative and support services as all other students.

With this distinction in mind, the additional expenditure attributable to special education students is measured by the difference between the *total spending to educate a student with a disability and* the *total spending to educate a regular education student* (i.e., a student with no disabilities or other special needs). This concept of additional expenditure emphasizes that what is being measured is a reflection of actual spending patterns on special and regular education students and not a reflection of some ideal concept of what it should cost to educate either student. The numbers presented in this report represent *"what is"* rather than necessarily *"what ought to be."*

An extreme example helps clarify this concept of additional expenditure: consider a student who is served entirely within a special class designed for students with disabilities. This kind of placement is typically provided only to students with severe disabilities and the most significant special needs. In such cases, virtually all of the instructional and related service personnel would be included under special education spending. However, some of the services these students receive in a special class replace

[3] All figures presented in this report are based on a sample of students designed to generalize to the entire population of students with disabilities in the 50 states and the District of Columbia.

instruction that is provided to other students in a regular education classroom. Thus, the only way to measure the additional expenditures used for such severely disabled students is to compare the total spending used to educate these students to the total spending used to educate their regular education counterparts.

Another important conceptual issue that needs to be addressed before presenting the results of the analysis arises from the use of the term *expenditure*. The previous studies of special education have used the term *cost* rather than *expenditure*.[4] However, all of these previous studies and this current study are actually *expenditure* studies. This report has deliberately used the term *expenditure* instead of *cost* to emphasize the fact that all that is being measured is the flow of dollars. The word *cost*, in contrast to *expenditure*, implies that one knows something about results. To say it *cost* twice as much to educate a special versus a regular education student implies that one is holding constant what is meant by the term "educate." All of these studies (including the present study) are focused on expenditures with no implications about the results. The expenditure figures presented represent an estimate of the current behavior of the schools and districts across the nation and imply nothing about what spending is required to provide similar results for students with disabilities.

Overview of Report

The report is divided into the following four sections:

- Total Sending on Students with Disabilities
- Allocation of Special Education Expenditures
- Allocation and Use of Federal Funds
- Summary and Conclusions

Appendix A of this report provides additional information on the samples used for this project. Appendix B presents detailed versions of the tables on which all of the numbers presented in this report are based. Appendix C presents a brief discussion of the data sources.

II. Total Spending on Students with Disabilities

During the 1999-2000 school year, the U.S. spent about $50 billion on special education services. Another $27.3 billion was expended on regular education services and an additional one billion dollars was spent on other special needs programs (e.g., Title I, English language learners, or Gifted and Talented Education) for students with disabilities eligible for special education. Thus, *total spending to educate all students with disabilities* found eligible for special education programs amounted to $78.3 billion (see Exhibit 1).

[4] See Kakalik *et al.* (1981), Moore *et al.* (1988), Rossmiller *et al.* (1970).

Exhibit 1.
Total Spending On Students With Disabilities Who Are Eligible For Special Education Services in the U.S., 1999-2000

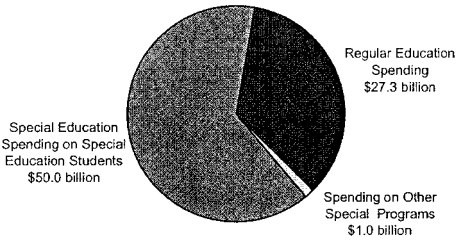

Exhibit One reads: The total expenditure to provide regular, special, and other special needs education services to all eligible students with disabilities amounts to $78.3 billion, with $50 billion expended on special education services.

In per pupil terms, the *total spending used to educate the average student with a disability* amounts to $12,639 (see Exhibit 2). This amount includes $8,080 per pupil on special education services, $4,394 per pupil on regular education services, and $165 per pupil on services from other special need programs (e.g., Title I, English language learners, or Gifted and Talented Education). The total including only the regular and special education services amounts to $12,474 per pupil.

Based on these figures, the total spending to educate students with disabilities including regular education, special education, and other special needs programs combined represents 21.4 percent of the $360.6 billion total spending on elementary and secondary education in the U.S. (see Table B-1, Appendix B). Total special education spending alone accounts for 13.9 percent of total spending and 15.4 percent of total current spending.[5]

[5] Total current spending is equal to total spending less the amounts expended on school and district facilities (e.g., school buildings and district offices).

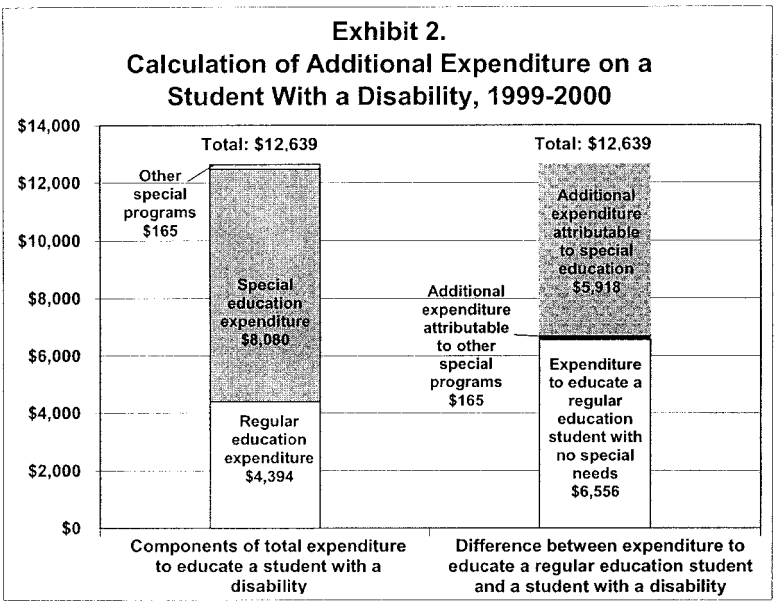

Exhibit Two reads: The additional expenditure to provide regular and special education services to students with disabilities is estimated to be $5,918 (=$12,639 - $165 - $6,556). This concept of *additional expenditure* means the same thing as the concept of *excess cost* used in a previous study (Moore *et al.,* 1988) of special education expenditures. For a more complete discussion of the use and meaning of these terms, see the section on the *conceptual framework* presented in the current report.

Additional Expenditure to Educate a Student with Disability

How much more is being expended to educate a student with a disability than a student with no special programmatic needs? In other words, what is the additional *spending* on a student with a disability? Addressing this question permits a comparison of the special education student to a consistent benchmark—the regular education student who requires ***no*** services from any special program (e.g., for students with disabilities, students from economically disadvantaged homes, or students who are English language learners).

The data derived from SEEP indicate that the base expenditure on a regular education student amounts to $6,556 per pupil. Comparing this figure to the average expenditure for

a student eligible to receive special education services, the additional expenditure amounts to $6,083 per pupil (i.e., $12,639 less $6,556). This additional expenditure reflects the amounts attributable to both the special education and related service needs of the typical student with disabilities as well as the needs of this student for other special programs such as those designed for economically disadvantaged students or English language learners. If one excludes the other special needs programs, the additional expenditure attributable to special education and related services for this student amounts to $5,918 per pupil (i.e., $12,639 less $165 less $6,556; see Exhibit 2).

Alternatively, one can use these figures to estimate the ratio of expenditure to educate a special versus regular education student. Two alternative ratios may be calculated. The full ratio of additional expenditures used to educate the typical student with disabilities (including special education and related services as well as other special needs programs) is estimated to be 1.93 (=$12,639/$6,556). The ratio of additional expenditures attributable exclusively to special education may then be estimated as 1.90 ($12,639-$165)/$6,556). This suggests that, on average, the nation spends 90% more on a special education student than on a regular education student.

In most states, school funding formulas are designed to provide revenues necessary to support current operating expenditures for schools and school districts.[6] Expenditures on capital facilities such as school and central office buildings are funded separately from the standard school funding formulas. The expenditure figures reported above include both current operating expenditures and estimates of capital expenditures for serving special and regular education students.[7] If one excludes expenditures on capital facilities from the figures above, the ratio of current operating expenditure to educate a special education student relative to a regular education student is 2.08 (or 2.11 if other special programs are included).[8] In other words, the ***additional current operating expenditure*** to educate a special education student is 108 percent of the current operating expenditure to educate a regular education student with no special needs. The reason this ratio increases from 1.90 to 2.08 is that the additional time and personnel required to meet the needs of special versus regular education students exceeds the additional amount of classroom space necessary to serve these needs in relative terms.[9]

[6] Current operating expenditures include salaries, employee benefits, purchased services, supplies, tuition, and other annual expenditures for operations. Examples of items not included are capital outlays, debt service, facilities acquisition and construction, and property expenditures.

[7] For more details on sources, see footnote 4 to Tables B-1 and B-2 in Appendix B of this report.

[8] This ratio is calculated by dividing *total current expenditures used to educate students with disabilities* (excluding facilities) from Table B-1 ($11,096) by *total current expenditure for a regular education student with no special needs* (excluding facilities) from Table B-3 ($5,325). Thus, the ratio is 2.08 = 11,096 / $5,325. This 2.08 ratio compares to the 1.90 reported previously and the 2.11 ratio compares to the 1.93 ratio reported in the text (which includes other special needs programs).

[9] Consider the example of a special education student whose needs are met by adding the time of a resource specialist in the regular classroom. There is virtually no additional classroom space required (e.g., capital expenditure), while there is an increase in the time required of professional staff to provide services (e.g., operating expenditure).

Changes in Spending Over Time

Exhibit 3 illustrates how expenditures have changed over time by comparing the findings from this study with those from the previous three studies of special education spending sponsored by the U.S. Department of Education. In constant dollars, total spending on special education has increased from an average of $9,858 per pupil in 1985-86 to $12,474 in 1999-2000, an annualized growth rate of 0.7 percent.[10] During this same period, total expenditure per pupil (including all students) in public elementary and secondary schools increased from $5,795 to $7,597, an annualized growth rate of 0.8 percent.

Exhibit 3.
Changes In Special Education Spending Per Pupil Over Time

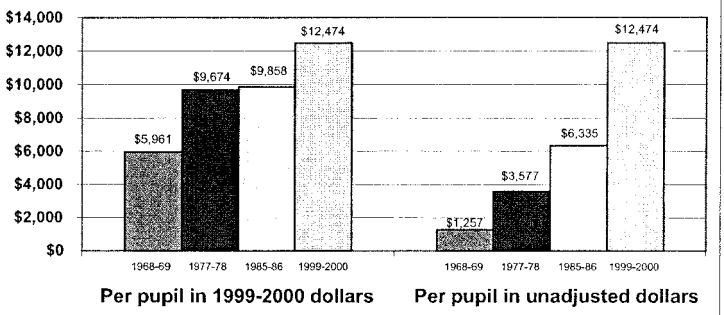

Exhibit Three reads: In constant dollars, special education spending increased from an average $9,858 per pupil in 1985-86 to $12,474 per pupil in 1999-2000.

Since 1968-69, when the earliest study on special education expenditures was conducted, the total per pupil spending on students with disabilities has risen from $5,961 to $12,474 in constant dollars, while total spending per pupil in all public elementary and secondary schools has increased from $3,106 to $7,597. In other words, total per pupil spending on the average special education student has increased by 110 percent, while total per pupil spending on *all* elementary and secondary education students has increased by 140

[10] Total spending to educate the typical student with a disability amounts to $12,639 per student if Title I, English language learner, or Gifted and Talented Education services are included.

percent. The substantial increases in both special and regular education spending may perhaps be accounted for by changes in the supply of, and demand for, school personnel that have affected compensation or changes in the staffing ratios over time. These factors will be explored in a subsequent report based on the data collected for SEEP.

While per pupil spending for all students increased at a faster relative rate than per pupil spending on students with disabilities, total spending on students with disabilities as a percentage of total education spending increased from about 16.6 percent in 1977-1978[11] to 21.4 percent in 1999-2000. Over the same period, the percentage of students aged 3-22 who were receiving special education services increased from about 8.5 percent to almost 13 percent of the school-age population. The implication is that the growth in the numbers of students served in special education programs accounts for the increase in spending on special education.

Changes in Spending Ratio Over Time

For the past decade, policymakers, researchers, and practitioners familiar with special education finance have estimated the ratio of *total expenditure to educate a student with a disability* to the *total expenditure to educate the typical regular education student* to be about 2.3.[12] That is, the additional expenditure (i.e., the spending ratio) on a student with disabilities was estimated to be 130 percent more (1.3 times) than the amount spent on a typical regular education student.

Using the 1999-2000 school year SEEP data, this spending ratio is now estimated to be 1.90 or 90 percent more than the amount spent on a typical regular education student. Expressed in dollars, the additional expenditure amounts to $5,918 per pupil over the base expenditure of $6,556.[13] Exhibit 4 shows how the estimated expenditure ratio has changed over the time-span of the four special education expenditure studies. The ratio appears to have increased from 1.92 in 1968-69, to 2.17 in 1977-78, to a high of 2.3 in 1985-86. Since 1985-86, the ratio appears to have declined to 1.90.[14]

[11] The 1977-78 school year was two years after passage of the Education for All Handicapped Children Act, PL 94-142, the predecessor to the Individuals with Disabilities Education Act, or IDEA.

[12] The actual number cited later in this report is 2.28, but most individuals who have quoted the number have rounded it to 2.3.

[13] Estimates of per pupil expenditure for a regular education student are based on a combination of data from the SEEP school surveys and the surveys for those special education students who spend the vast majority of their time in the regular education classroom. Expenditures for these students include both direct instruction as well as administration and support services provided to the typical regular education student.

[14] In addition to estimates based on the current SEEP, these ratios are derived from Kakalik *et al.* (1981), Moore *et al.* (1988), and Rossmiller *et al.* (1970). For a summary of these three previous studies, see Chaikind *et al.* (1993). The ratios are estimated from data derived from Chaikind *et al.* (1993), Table 7.

Exhibit 4.
Ratio of Spending Per Special and Regular Education Student Over Time

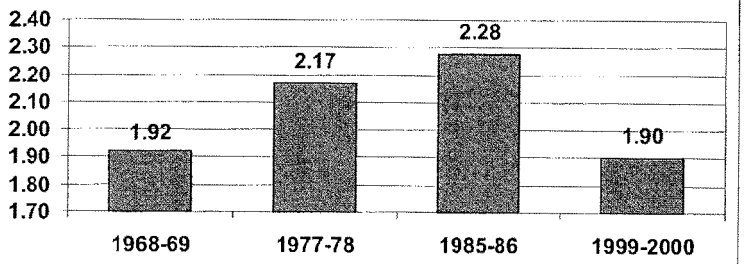

Exhibit Four reads: In 1985-86, the total expenditure to educate a special education student was 2.28 times that spent on a regular education student. In 1999-2000, this ratio decreased to 1.90.

Several factors have likely affected the changes in this ratio over time. First, there has been a substantial increase in the proportion of students identified with less intensive service needs over recent decades. Since 1975, the proportion of students with learning disabilities has increased from about one-fourth of the population of students with disabilities to almost one-half. The special educational services necessary to meet these students' needs may not be as costly as other disability categories, thus lowering the overall incremental expenditure.

Second, over the past ten years, there has been a decline in the extent to which special education students are served outside of the regular education classroom and in separate school facilities. These trends toward less restrictive placements may have resulted in somewhat lower per pupil expenditures on special education instruction and related services (e.g., home-to-special school transportation).[15]

Working in the opposite direction to *increase* the incremental expenditure are the successes in medical science that have reduced mortality among students with certain severely disabling conditions who might not have survived long enough to be enrolled in special education programs. Some of these students may be among the most severely

[15] See Figure III-1 in the 22nd Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, U.S. Department of Education, Office of Special Education and Rehabilitative Services, Office of Special Education Programs, 2000.

disabled populations served currently under the IDEA, tending to increase the per pupil expenditure necessary to serve students with disabilities overall.[16]

III. Allocation of Special Education Expenditures

Components of Special Education Spending

Focusing on the $50 billion of special education spending, it is useful to see how funds are allocated among different spending components. Special education spending includes central office administration and support of the program, direct instruction and related services for preschool (ages 3 through 5) and school-aged (ages 6 through 22) students, special education summer school, programs for students who are homebound or hospitalized, and special transportation services. Exhibit 5 shows the dollar amount and percentage of special education spending on each of these components.

Exhibit 5.
Allocation of Special Education Expenditures, 1999-2000

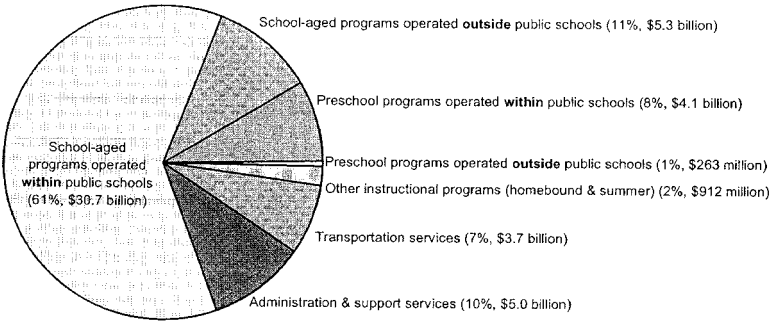

Exhibit Five reads: Of the $50 billion spent on special education services, 61 percent or $30.7 billion was expended on school-aged special education programs in public schools.

[16] Further analysis of these trends and their implications will be carried out in subsequent reports based on the SEEP database.

Direct Instruction and Related Services

During the 1999-2000 school year, over 80 percent of total special education expenditures were allocated to direct instruction and related services. This figure includes preschool programs, school-aged programs, summer school programs, and homebound and hospital programs. It takes into account the salaries of special education teachers, related service personnel, and special education teaching assistants. It also includes non-personnel expenditures (i.e., supplies, materials, and capital outlay for specialized equipment) necessary to provide direct special education instruction and related services to students with disabilities.

Direct instruction and related services for special education preschool programs represent approximately 9 percent of total special education expenditures, or $4.4 billion. The majority of preschool spending ($4.1 billion) occurs in public schools operated by the school districts in which students reside. Most of the remaining funds allocated to preschool programs ($263 million) are used to pay tuition and fees for preschool programs operated in non-public schools or public agencies other than the public school district in which the student resides, and to support direct expenditures for additional related services.

At $36 billion, instruction and related services for school-aged students (ages 6-22) account for 72 percent of total special education expenditures. Direct instruction and related services for programs operated by the student's home district amount to approximately $31 billion. This represents more than 60 percent of total special education expenditures, serving almost 5.4 million of the 6.2 million special education students in the 50 states and the District of Columbia. For the approximately 200,000 students placed in non-public school programs or programs operated by public agencies or institutions other than the public school district in which they reside, the expenditure is $5.3 billion. These expenditures include tuition, fees, and amounts allocated for other related services that are provided by the home district.

Other instructional programs include homebound and hospital programs, as well as summer school programs for students with disabilities. It is estimated that, for the 1999-2000 school year, just under 40,000 students with disabilities are served in homebound and hospital programs, and that these programs account for less than 0.5 percent, or $98 million, of the total special education spending. Summer school programs serve about 10 percent of the total number of students (623,000) in special education programs, and account for about 1.6 percent ($815 million) of the total special education expenditures.

Administration and Support

Overall, administration and support account for about 10 percent or $5 billion of total special education spending. Administration and support expenditures include three components:

- *Central office administration and support of the special education program -- $4 billion, or 8.2 percent of total special education expenditures.* This expenditure

includes salaries of central office employees, fees for contractors, and non-personnel expenditures to support staff in the performance of central office functions for the special education programs. These functions include administration, coordination, staff supervision, monitoring and evaluation, due process, mediation, litigation support, assessment of student progress, and eligibility determination.

- *Certain categories of related service personnel assigned to the school site--$745 million, or 1.5 percent of total special education expenditures.* These categories of school-site staff spend a substantial portion of their time involved in various indirect support activities related to assessment and evaluation of students with disabilities.[17]

- *Administration and support activities of special education schools--$131 million, or less than 0.3 percent of total special education spending.* These schools are designed explicitly and exclusively for serving students with disabilities—generally the most severely disabled students.[18]

Transportation

It is estimated that more than 800,000 students with disabilities receive special home-to-school transportation services at a total expenditure of more than of $3.7 billion. These numbers suggest that less than 14 percent of students with disabilities received special transportation services during the 1999-2000 school year, representing about one-fourth of total expenditures on all home-to-school transportation services provided in the U.S.[19]

Since 1985-86, the percentage of students receiving special transportation has dropped by more than half, and the per pupil expenditure (expressed in constant dollars) has increased from about $2,463 to $4,418 (an increase of 180 percent).[20] These comparative data suggest that fewer students are being transported today to separate special education schools and that perhaps only the most severely disabled students, who require more costly accommodations, are currently receiving special transportation services. The evidence further suggests that more students with disabilities are receiving regular transportation services.

[17] See the section about expenditures on assessment later in this report for a more complete discussion.
[18] Special schools include those operated by public school districts as well as state special education schools.
[19] According to figures reported by the sample districts, it is estimated that total transportation expenditure (regular and special transportation combined) amounts to more than $13 billion per year. Based on these figures, special education transportation represents about 27 percent of total transportation expenditure.
[20] Moore *et al.* (1988) reported that 30 percent of students with disabilities received special transportation services at an average expenditure per student of $1,583. Using the *Consumer Price Index* (CPI) adjusted to the school year, per student expenditure adjusted to 1999-2000 dollars amounts to $2,463 [=1,583/(108.8/169.3) where 169.3 is the CPI for 1999-2000 school year and 108.8 = the CPI for the 1985-86 school year].

Per Pupil Spending on Special Education Services

Exhibit 6 provides another perspective for exploring special education expenditure by dividing the total expenditure within each special education program component by the number of students served within that component to arrive at per pupil spending. These figures include only the special education expenditures associated with each component; they do **not** include the full expenditure to educate these students since *no regular education instruction or administrative expenditures are included in these numbers*. The full expenditures on these various categories of students will be explored in one of the other reports in this series that will examine expenditures by placement.

Exhibit 6.
Per Pupil Special Education Spending, 1999-2000

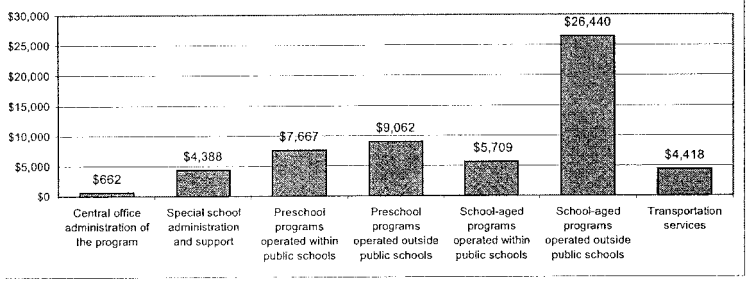

Exhibit Six reads: An average $7,667 was spent per special education pupil in preschool programs operated within public schools, in contrast to $9.062 for preschoolers in programs operated outside public schools.

Average special education spending on a student served in programs outside the public schools amounted to $26,440. This figure includes spending on the tuition for non-public schools and expenditures on any direct related services that might be provided by the district of residence. In contrast, special education spending on direct instruction and related services for school-aged students served within public schools amounted to $5,709 per pupil. For preschool students, the special education spending on students served in programs operated **outside** public schools amounted to $9,062 per pupil compared to $7,667 for those students served in programs **within** public schools.

The expenditures on central office administration of the special education program (i.e., the operations of the office of the director of special education within local education

agencies) amounted to $662 per pupil. Administration and support expenditures for operation of a special education school averaged $4,388.[21]

Expenditures on Assessment, Evaluation, and IEP Related Activities

Previous studies have suggested that expenditures for the processes that determine the eligibility of students to be served in the special education program take up a substantial share of total special education spending.[22] For the purposes of this study, determination of eligibility involves a variety of activities including pre-referral and referral activities; initial screening; ongoing assessment, evaluations, and reviews; and preparation of the individualized education program (IEP).[23]

An estimate of expenditures on the determination of eligibility requires additional detailed information on how various types of school and district personnel allocate time among various direct and indirect activities that benefit the students they serve. First, with respect to school-level personnel, the estimates of expenditures on direct instructional and related service personnel reflect both compensation for time spent in direct contact with students and additional non-contact time. This non-contact time includes preparation for instruction and participation in formal and informal meetings, pre-referral activities, screening activities, and other activities involved in initial and ongoing eligibility determination. In essence, the expenditure estimates for certain instructional and related service activities include a multiplier that reflects the ratio of total paid hours of service by the school district to the total hours of direct service or contact with students.

Second, with respect to district-level staff, expenditures on initial and ongoing eligibility determination activities are, for the most part, already reflected in the total salaries and benefits of these central office administration and support staff. Many central office staff, including directors of special education and other professionals, spend substantial portions of their time involved in activities related to eligibility determination.

Third, it is necessary to include expenditures for eligibility determination activities by staff (e.g., psychologists, counselors, social workers, and consulting teachers) assigned by districts to school sites, who spend most of their time involved in assessment activities.

Finally, it is important to recognize that regular education teachers spend some portion of their time involved in activities related to eligibility determination for the special education program. Combining data on how special and regular education personnel allocate their time with the total expenditure estimates of their salaries and benefits, it is

[21] This figure includes both special education schools operated within local school districts as well as those operated by the state such as the state schools for the deaf and blind.
[22] See the discussion in Moore *et al.* (1988), p. 100.
[23] The IEP contains, among other components, information about the student's progress, a statement of educational goals, an evaluation of the student's needs, and a listing of the types and intensity of services to be provided to the student to meet these needs.

possible to estimate how much of these expenditures were made on various aspects of eligibility determination.

Based on these combined data, it is estimated that total spending on eligibility determination activities, during the 1999-2000 school year, was about $6.7 billion, or $1,086 per special education student.[24] As Exhibit 7 indicates, 28 percent of the total expenditure on these activities is accounted for by salaries and benefits of special education related service providers at the school site, while 27 percent is spent on special education teachers, 23 percent on regular education teachers, and 22 percent on central office special education staff.

Exhibit 7.
Assessment, Evaluation, and IEP Related Expenditures, 1999-2000

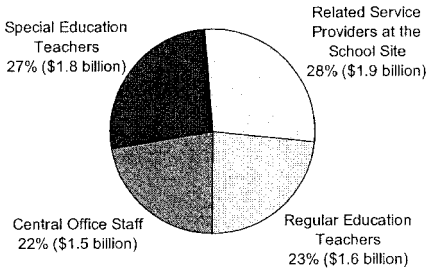

Exhibit Seven reads: Of the approximately $6.7 billion spent on eligibility determination activities, $1.9 billion (28 percent) were spent on the salaries and benefits of related service providers based at the school site.

It is important to recognize that the $1,086 per pupil does not represent the expenditure to determine the eligibility for any given student. While the figures above reflect the best estimates of the total dollars supporting these activities, the denominator is simply the count of special education students. Some students who go through this process for determining eligibility are found ineligible to receive special education services. On the other hand, re-evaluations of students who are already in the special education program can, in many instances, be done with relatively limited effort on the part of staff. Further data and analysis would be necessary to estimate differences in spending on this process

[24] Estimates from previous studies of assessment expenditures are extremely difficult to compare given the different methodologies employed.

of eligibility determination for ongoing versus new special education students and for students with varying types of disabilities or with varying severity of needs.

IV. Allocation and Use of Federal Funds

In 1999-2000, local school districts received a total of $3.7 billion (or $605 per student) in federal IDEA funds for the purpose of providing special education services.[25] As such, federal funds supported 7.5 percent of total special education expenditures at the local level and 4.9 percent of total expenditures used to educate a student with disabilities. When taken as a percent of the additional expenditure on a special versus regular education student, federal IDEA funds amounted to more than 10 percent of the additional expenditure on students with disabilities for the 1999-2000 school year.[26]

Exhibit 8 shows how these federal IDEA funds—basic and preschool—are allocated to instruction, related services, and administration, and it compares the use of federal funds to the use of all federal and non-federal funds that support special education spending.[27] The first vertical bar shows that 63 percent of total special education spending is used for instruction, 27 percent is allocated to related services, and the rest (10%) is allocated to administration.

The second and third vertical bars in Exhibit 8 show how federal Part B-basic grants and preschool grants are used. Of those districts reporting the allocation of Part B basic grant funds, 64 percent of the funds were allocated to instruction, 25 percent were distributed to related services, and the remaining 11 percent were spent on administration and support services. In districts reporting how the preschool funds were spent, almost three-fourths of the funds were used for instruction, 21 percent were allocated to related services, and the remaining 6 percent were expended on administration and support services.

[25] These only include federal IDEA Part B funds, basic and preschool grant, that flow through the state education agencies to the local school districts. The average per pupil amount of federal funding awarded to the states for 1999-2000 was about $734 (or $4.5 billion, including $4.2 billion from the basic grant and $371 million for the preschool grant). Approximately 17 percent of the federal funds were retained at the state level.

[26] In fact, federal IDEA funding to local education agencies is 10.2 percent of additional total expenditure (=$605/$5,918) and 10.5 percent of additional total current expenditure (=$605/$5,769) used to educate the average special education student.

[27] It should be noted that data on federal allocation was available for only a subset of the sample districts. For the basic grant, 155 districts reported on the use of federal funds, while 135 districts reported how the preschool grant funds were expended.

Exhibit 8.
Allocation of Special Education Funds by Function, 1999-2000

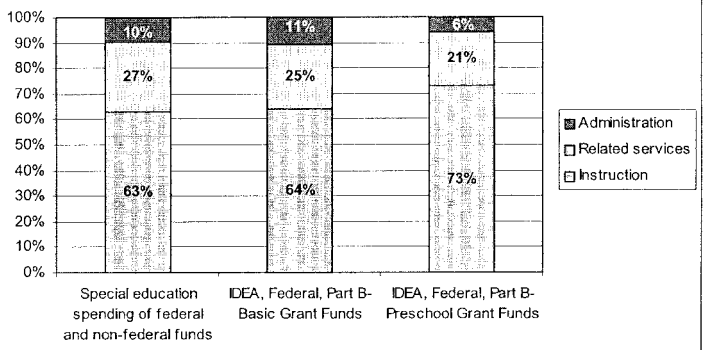

Exhibit Eight reads: In 1999-2000, 64 percent of the $4.2 billion IDEA Basic grant was allocated to instruction, 25 percent to related services, and 11 percent to administration. This is comparable to how all special education funds were spent, with 63 percent on instruction, 27 percent on related services, and 10 percent on administration.

Medicaid is another source of federal funding for providing special education services. Using the data for the subset of reporting districts, 44 percent of districts recovered funds spent on special education services from Medicaid, with an average of $105 per special education student. This represents an estimated national total of $648 million from Medicaid sources, or about 1.3 percent of total special education expenditure or about 1.8 percent of additional spending on the average student with disabilities.

Thus, as of the 1999-2000 school year, total federal IDEA and Medicaid support of special education spending at the local level represents about 8.8 percent of total special education spending or about 12 percent of additional spending on special education students.

V. Summary and Conclusions

During the 1999-2000 school year, the 50 states and the District of Columbia spent approximately $50 billion on special education services, amounting to $8,080 per special

education student. However, the total spending to provide a combination of regular and special education services to students with disabilities amounted to $77.3 billion, or an average of $12,474 per student. This total expenditure for educating students with disabilities represents over 21 percent of the 1999-2000 spending on all elementary and secondary educational services in the U.S.

The data presented for this report also suggest that the expenditure used to educate the average special education student is about **1.90** times that expended to educate a regular education student with no special needs. In other words, the **additional expenditure** on the typical special education student is about 90 percent of spending on a regular education student with no special needs. Focusing only on total current operating expenditures (i.e., if one excludes the estimated replacement costs of school facilities), this ratio increases to **2.08**, or 108 percent of the spending on a regular education student.

Over the period from 1977-78 to 1999-2000, total spending to educate special education students has increased from 16.6 percent of the budget to 21.4 percent of the budget, about a 30 percent increase. Over the same period, students identified as eligible for special education services increased from 8.5 to 13 percent of the school-aged population, a more than 50 percent increase. At the same time, the additional spending ratio for special education students has declined from 2.17 to 1.90. Thus, the increase in special education spending that has occurred over the past twenty plus years appears largely a result of increases in the number of students identified as eligible for the program.

Federal support for special education services comes for the most part from the IDEA. In 1999-2000, local education agencies received $3.7 billion in federal IDEA funds, and these funds represent 10.2 percent of the additional expenditure to educate a special education student. In addition, more than two-fifths of districts reported recovering funds spent on special education from Medicaid, and this amounted to an additional $105 per special education student or 1.8 percent of additional expenditure. The combination of federal IDEA and Medicaid funds, therefore, accounted for about 12 percent of additional expenditures on special education students.

This report represents the first in a series of reports that will explore in greater depth the factors that underlie special education spending patterns across local jurisdictions, over time, and on different categories of students. These analyses will show the tremendous diversity of needs represented among students identified as eligible for special education services. The analyses will also explore how student characteristics and the characteristics of districts and states are related to variations in spending on students with disabilities. Further analysis will also examine specific components of special education expenditures such as due process, assessment and the processes surrounding the development of individualized education programs, and transportation services.

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Appendix A

The Samples

The SEEP surveys were administered to stratified, random samples of respondents (see the introduction to this report) that include representatives from more than 40 of the 50 states and the District of Columbia. Samples of school districts were selected within each of the states (a minimum of two districts in each state). Larger states included more districts. Intermediate education units (IEUs) were selected from among IEUs serving the districts included in the sample. IEUs were surveyed only if they received funds directly from the state for serving their students and essentially operated independently of the school districts in the region they serve.

Samples of elementary, secondary, and special education schools were selected from among the sampled districts and IEUs (where appropriate). In addition, state special education schools were also sampled for the purposes of this project.

Expanded samples of districts, IEUs, and schools were also selected for SEEP through a series of nine separate contracts with individual states.[28] These states provided additional support for data collection in these expanded samples of districts and schools. These expanded samples are included in the data reported for the national SEEP.

From within the sample schools, SEEP collected data from all special education teachers and related service providers assigned to these schools. In addition, samples of regular education teachers and special education teacher aides were selected from the staff in these schools.

Finally, the special education teachers and related service providers were each asked to select a sample of two students with disabilities from their the rosters of students they serve. To prevent the possibility of a student being selected multiple times, the research team developed sample selection procedures so that students were only selected from the most restrictive placement possible for any given student. The sample selection procedures were designed to ensure that the service provider most knowledgeable about any student was asked to complete the survey about the student.

The student sample on which much of the analysis is based comes from 1,053 of the 1,767 schools included in our original sample. The student sample in which much of the expenditure analysis is based represents 1,053 of the sample schools, 330 regular local educational agencies, 14 IEUs, and 7 state special education schools. Analysis of the patterns of response suggests that the samples on which these estimates are based do not appear to exhibit any response bias.

[28] These nine states include Alabama, Delaware, Indiana, Kansas, Missouri, New Jersey, New York, Ohio, and Rhode Island. These states volunteered to participate in SEEP and to support data collection in the additional districts and schools.

Appendix B

Data Used for Report

Table B-1
Total Education Spending to Educate Students with Disabilities in the U.S., 1999-2000
(including regular education and special education but excluding other special needs programs)[1]

Spending Components	Expenditure per student served[2]	Standard error	Total estimated population of special students in this category[2]	Total expenditures[2]	Percent of the total expenditure	Total special education spending	Percent of total special education expenditure
Special Education Central Office Administration and Support[3]							
Professional staff	$477	$83	6,186,822	$2,950,997,900	3.82%	$2,950,997,900	5.9%
Non-certified staff	$90	$10	6,186,822	$555,630,442	0.72%	$555,630,442	1.1%
Contracted personnel	$27	$5	6,186,822	$168,016,184	0.22%	$168,016,184	0.3%
Non-personnel expenditures	$47	$6	6,186,822	$288,739,869	0.37%	$288,739,869	0.6%
Annualized Facilities Expenditures--Central Office Administration of Special Ed Program[4]	$21	$2	6,186,822	$131,380,133	0.17%	$131,380,133	0.3%
Total special central office administration and support	**$662**	**$93**	**6,186,822**	**$4,094,764,528**	**5.30%**	$4,094,764,528	**8.2%**
Regular Education Central Office Administration and Support[3]							
Total regular central office administration and support	$503	$14	6,186,822	$3,090,487,909	**4.00%**		
Annualized Facilities Expenditures--Central Ofc Administration of the District[4]	$27	$3	6,186,822	$165,144,376	**0.21%**		
Total General District Administration and Support	**$530**	**$14**	**6,186,822**	**$3,255,632,276**			
Special Education School Administration and Support[4]							
Professional staff	$1,938	$226	29,848	$57,848,438	0.07%	$57,848,438	0.1%
Non-certified staff	$1,764	$234	29,848	$52,660,771	0.07%	$52,660,771	0.1%
Non-personnel expenditures	$246	$41	29,848	$7,328,372	0.01%	$7,328,372	0.0%
Annualized Facilities Expenditures--non-class special education school facilities[4]	$440	$23	29,848	$13,122,741	0.02%	$13,122,741	0.0%
Total special school administration and support	**$4,388**	**$402**	**29,848**	**$130,960,322**	**0.17%**	**$130,960,322**	**0.3%**
Regular Education School Administration and Support[4]							
Professional staff	$506	$22	5,894,111	$2,982,491,737	3.86%		
Non-certified staff	$329	$13	5,894,111	$1,940,246,358	2.51%		
Non-personnel expenditures	$47	$5	5,894,111	$276,294,422	0.36%		
Annualized Facilities Expenditures generated by General School Admin.[4]	$794	$40	5,894,111	$4,682,115,302	6.06%		
Total regular school administration and support	**$1,676**	**$35**	**5,894,111**	**$9,881,147,819**	**12.79%**		
Assessment Expenditures at the School Site on Selected Special Education Staff[4]							
Assessment on sp ed consulting tchr/psyc/cnslrs/soc wkrs	$126		5,923,959	$745,150,102	0.96%	$745,150,102	1.5%
Total Assessment	**$126**		**5,923,959**	**$745,150,102**	**0.96%**	**$745,150,102**	**1.5%**
Preschool Services in Schools Operated by Public School Districts[5]							
Preschool-Regular Education Instructional Services							
Preschool - Regular Teachers	$2,009	$283	264,404	$531,098,536	0.69%		
Preschool - Regular Paraprofessional and aides	$167	$27	256,354	$42,777,538	0.06%		
Preschool Regular- Non-personnel expenditures	$158	$20	290,599	$46,521,455	0.06%		
Annualized Facilities Expenditures Generated by Preschool Regular Classroom Teachers[4]	$417	$43	256,354	$107,018,271	0.14%		
Annualized Facilities Expenditures Generated by Other Preschool Teachers Providing Special Needs Programs (Title I, ESL, GATE)[4]	--	--	--	--	--		
Preschool-Special Education Instruction and Related Services							
Preschool - Special Teachers	$4,107	$466	391,051	$1,606,236,673	2.08%	$1,606,236,673	3.2%
Preschool - Related service staff	$3,389	$490	478,078	$1,620,327,864	2.10%	$1,620,327,864	3.2%
Preschool - Special Paraprofessional and aides	$556	$99	377,150	$209,510,883	0.27%	$209,510,883	0.4%
Preschool - Non-personnel expenditures	$666	$77	539,399	$359,503,379	0.47%	$359,503,379	0.7%
Annualized Facilities Expenditures Generated by Preschool Special Education Teachers[4]	$835	$69	326,518	$272,624,229	0.35%	$272,624,229	0.5%
Annualized Facilities Expenditures Generated by Preschool Resource Specialist & Related Service Providers (pull out)[4]	$203	$49	331,704	$67,482,256	0.09%	$67,482,256	0.1%
Total Preschool Services Operated by Public School Districts	**$9,015**	**$748**	**539,399**	**$4,663,101,075**	**6.30%**	**$4,135,685,284**	**8.3%**
Preschool Services in Operated in Non-public Schools[5]							
External preschool - Tuition and fees	$7,797	$1,145	29,100	$226,876,339	0.29%	$226,876,338	0.5%
External preschool - Related services provided by district	$2,281	$617	16,147	$36,837,822	0.05%	$36,837,822	0.1%
Total Preschool Services Operated by Non-public Schools	**$9,062**	**$1,263**	**29,100**	**$263,714,161**	**0.34%**	**$263,714,161**	**0.5%**
School-Aged Services in Schools Operated by Public School Districts[5]							
School-Aged-Regular Education Instructional Services							
School-aged - Regular Teachers	$2,553	$135	4,141,909	$10,574,985,370	13.69%		
School-aged - Regular Paraprofessional and aides	$191	$24	2,043,075	$389,900,828	0.50%		
School-aged Regular - Non-personnel expenditures	$214	$13	4,226,592	$903,605,998	1.17%		
Annualized Facilities Expenditures Generated by School-Aged Regular Classroom Teachers[4]	$242	$12	3,972,206	$959,385,341	1.24%		
Annualized Facilities Expenditures Generated by Other School-Aged Resource Teachers Providing Special Needs Programs (Title I, ESL, GATE)[4]	--	--	--	--	--		

Spending Components	Expenditure per student served[2]	Standard error	Total estimated population of special students in this category[2]	Total expenditures[2]	Percent of the total expenditure	Total special education spending	Percent of total special education expenditure
School-Aged-Special Education Instruction and Related Services					0.0%		
School-aged - Special Teachers	$3,765	$157	4,888,726	$18,404,998,580	23.82%	$18,404,998,580	36.8%
School-aged - Related service staff	$3,143	$506	2,378,816	$7,476,420,523	9.68%	$7,476,420,523	14.9%
School-aged - Special Paraprofessional and aides	$338	$28	4,884,156	$1,652,783,046	2.14%	$1,652,783,046	3.3%
School-aged - Non-personnel expenditures	$196	$9	5,384,560	$1,055,862,177	1.37%	$1,055,862,177	2.1%
Annualized Facilities Expenditures Generated by School-Aged Special Education Teachers[4]	$623	$45	2,555,988	$1,591,768,876	2.06%	$1,591,768,876	3.2%
Annualized Facilities Expenditures Generated by School-Aged Resource Specialist & Related Service Providers (pull out)[4]	$143	$7	3,918,071	$560,069,170	0.72%	$560,069,170	1.1%
Total School-aged	**$8,092**	**$232**	**5,384,560**	**$43,569,927,783**	**56.40%**	**$30,741,902,372**	**61.4%**
School-Aged Services in Operated in Non-public Schools or Other Public Agencies[5]							
External school-aged - Tuition and fees	$25,568	$2,369	200,292	$5,121,113,394	6.63%	$5,121,113,394	10.2%
External school-aged - Related services provided by the district	$2,346	$420	74,376	$174,514,452	0.23%	$174,514,452	0.3%
Total External School-aged	**$26,440**	**$2,341**	**200,292**	**$5,295,627,846**	**6.85%**	**$5,295,627,846**	**10.6%**
Homebound and Hospital Programs[6]							
Homebound professional staff	$1,915		38,557	$73,845,729	0.10%	$73,845,729	0.1%
Homebound Non-certified staff	$128		38,557	$4,923,430	0.01%	$4,923,430	0.0%
Homebound contracted personnel	$197		38,557	$7,595,908	0.01%	$7,595,908	0.0%
Homebound non-personnel expenditures	$292		38,557	$11,265,653	0.01%	$11,265,653	0.0%
Total Homebound	**$2,532**		**38,557**	**$97,630,720**	**0.13%**	**$97,630,720**	**0.2%**
Summer Programs[7]							
Summer - Professional staff	$881	$51	623,373	$549,400,083	0.71%	$549,400,083	1.1%
Summer - Non-certified staff	$351	$19	623,373	$218,843,936	0.28%	$218,843,936	0.4%
Summer - Contracted personnel	$51	$4	623,373	$32,097,964	0.04%	$32,097,964	0.1%
Summer - Non-personnel expenditures	$23	$3	623,373	$14,497,730	0.02%	$14,497,730	0.0%
Total Summer School	**$1,307**	**$66**	**623,373**	**$814,839,714**	**1.05%**	**$814,839,714**	**1.6%**
Transportation Services[8]							
Special Transportation	$4,418	$295	839,984	$3,710,889,862	4.80%	$3,710,889,862	7.4%
Regular Transportation	$442	$17	1,125,345	$497,575,993	0.64%		
Total Transportation Services	**$2,141**		**1,965,329**	**$4,208,465,855**	**5.45%**	$3,710,889,862	7.4%
TOTAL EXPENDITURE TO EDUCATE STUDENTS WITH DISABILITIES	**$12,474**	**$336**	**6,191,908**	**$77,252,731,492**	**100.00%**		
TOTAL CURRENT EXPENDITURES USED TO EDUCATE STUDENTS WITH DISABILITIES (excl facilities)	**$11,093**		**6,191,908**	**$ 68,702,640,797**			
TOTAL SPECIAL EDUCATION EXPENDITURES	**$8,080**		**6,191,908**	**$ 50,031,164,911**		**$ 50,031,164,911**	**100.00%**
TOTAL CURRENT SPECIAL EDUCATION EXPENDITURES (i.e., excluding facilities)	**$7,654**		**6,191,908**	**$ 47,394,717,506**			
TOTAL EXPENDITURES ON PUBLIC ELEMENTARY & SECONARY EDUCATION				$360,600,000,000			
Total expenditure to educate a student with a disability as percent of total spending				**21.4%**			
Total special education spending as percent of total spending				**13.9%**			
TOTAL CURRENT EXPENDITURES ON PUBLIC ELEMENTARY & SECONDARY EDUCATION[12]				$307,928,882,000			
Total current expenditure to educate a student with disabilities as percent of total current spending				**22.3%**			
Total current special education spending as percent of total current spending				**15.4%**			
Total federal funds available to LEAs	$605		6,191,908	**$3,746,020,406**			
Percent of Special Education Expenditures supported by federal IDEA funds				**7.5%**			
Percent of Current Special Education Expenditures (excl facilities) supported by federal funds				**7.9%**			
RATIOS OF PER PUPIL EXPENDITURE TO EDUCATE A STUDENT WITH AND WITHOUT DISABILITIES							
Ratio using total expenditure	1.90						
Ratio using total current expenditure	2.08						
ADDITIONAL EXPENDITURES TO EDUCATE A STUDENT WITH DISABILITIES							
Additional total expenditure per pupil	$5,918		6,191,908	$36,643,711,544			
Additional total current expenditure per pupil	$5,769		6,191,908	$35,719,467,857			
FEDERAL IDEA FUNDING AS PERCENT OF ADDITIONAL EXPENDITURE							
As a percent of additional total expenditure per pupil	10.2%						
As a percent of additional total current expenditure per pupil	10.5%						
MEDICAID FUNDING	$105		6,191,908	$648,016,471			
As a percent of total special education spending	1.3%						
As a percent of additional total expenditure	1.8%						
As a percent of additional total current expenditure	1.8%						
FEDERAL IDEA AND MEDICAID FUNDING OF SPECIAL EDUCATION							
As a percent of additional total expenditure per pupil	12.0%						
As a percent of additional total current expenditure per pupil	12.3%						

Table B-1 Footnotes

[1] Excludes Title I, ESL, & GATE and uses same sample approach as Moore *et al.* (1988) for calculating regular education expenditures.

[2] Total expenditures divided by the number of students will not yield the per pupil expenditure that is shown due to rounding.

[3] Special education central administration and support expenditures were estimated from the SEEP District Questionnaire, Part II: Special Education.

[4] Expenditures on facilities are estimated using data 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 life expectancies of school buildings in different parts of the country. Square footage of different types of classrooms and the allocation of space in school buildings estimated from "The School Design Primer: A How-To Manual for the 21st Century." Estimated costs per square foot for school construction derived from "Building for the Boom, 27th Annual Official Education Construction Report." Average age of school buildings derived from "How Old Are America's Public Schools?" Data were combined and annualized using standard present value calculations and a discount rate of 5% to reflect the relatively low interest rates in the current economy.

[5] Regular education central administration and support expenditures were estimated from the SEEP District Questionnaire, Part III: General Education.

[6] Data were derived from existing state and district databases solicited through the study, and supplemented with information from the questionnaires.

[7] These only represent the expenditures on assessment, evaluation, and other IEP related activities that are not already accounted for in the total salaries of teachers and related services personnel providing direct services to students with disabilities.

[8] These expenditures are calculated from the Information About a Special Education Student survey, combined with information about teacher salaries and benefits from the teacher questionnaires and extant data. Estimates of non-personnel expenditures are based on ratios of non-personnel to personnel expenditures derived from the SEEP District Questionnaires.

[9] From questionnaires about students in non-public schools or public institutions or agencies other than the public school district, excluding state special schools, for which the district pays tuitions or transfers funds.

[10] Homebound and hospital program expenditures per pupil are estimated from the section 5 of the SEEP District Questionnaire, Part II-Special Education survey. Numbers of students served in homebound programs are derived from WESTAT data prepared for the 22nd annual report to Congress from the December 1, 1999 counts of students.

[11] Summer school per pupil expenditures are estimated from section 8 of the SEEP District Questionnaire, Part II: Special Education. Numbers of students served in summer school programs are estimated from the SEEP student survey item that asks whether the child received summer school programs.

[12] Transportation expenditures are estimated from the SEEP student survey item that asks whether the child received transportation services.

[13] Total education expenditures are estimated from the Digest of Education Statistics, 2000, Table 163.

NB: The figures in the 'Expenditure per student served' and 'Estimated total number of students served' columns have been rounded to the nearest decimal point and whole number, respectively. The figures in the 'Total expenditure' column were computed with the unrounded figures.

Table B-2
Total Education Spending to Educate Students with Disabilities in the U.S., 1999-2000
(including regular education, special education and other special needs programs)[1]

Spending Components	Expenditure per student served[2]	Standard error	Total estimated population of special students in this category[2]	Total expenditures[2]	Percent of the total expenditure	Total special education spending	Percent of total special education expenditure
Special Education Central Office Administration and Support[3]							
Professional staff	$477	$83	6,186,822	$2,950,997,900	3.77%	$2,950,997,900	5.9%
Non-certified staff	$90	$10	6,186,822	$555,630,442	0.71%	$555,630,442	1.1%
Contracted personnel	$27	$5	6,186,822	$168,016,184	0.21%	$168,016,184	0.3%
Non-personnel expenditures	$47	$6	6,186,822	$288,739,869	0.37%	$288,739,869	0.6%
Annualized Facilities Expenditures--Central Office Administration of Special Ed Program[4]	$21	$2	6,186,822	$131,380,133	0.17%	$131,380,133	0.3%
Total special central office administration and support	**$662**	**$93**	**6,186,822**	$4,094,764,528	5.23%	$4,094,764,528	8.2%
Regular Education Central Office Administration and Support[3]							
Total regular central office administration and support	$503	$14	6,186,822	$3,090,487,900	3.95%		
Annualized Facilities Expenditures--Central Ofc Administration of the District[4]	$27	$3	6,186,822	$165,144,376	0.21%		
Total General District Administration and Support	**$530**	**$14**	**6,186,822**	$3,255,632,276			
Special Education School Administration and Support[5]							
Professional staff	$1,936	$226	29,848	$57,848,438	0.07%	$57,848,438	0.1%
Non-certified staff	$1,764	$234	29,848	$52,660,771	0.07%	$52,660,771	0.1%
Non-personnel expenditures	$246	$41	29,848	$7,328,372	0.01%	$7,328,372	0.0%
Annualized Facilities Expenditures--non-class special education school facilities[4]	$440	$23	29,848	$13,122,741	0.02%	$13,122,741	0.0%
Total special school administration and support	**$4,388**	**$402**	**29,848**	$130,960,322	0.17%	$130,960,322	0.3%
Regular Education School Administration and Support[5]							
Professional staff	$506	$22	5,894,111	$2,982,491,737	3.81%		
Non-certified staff	$329	$13	5,894,111	$1,940,246,358	2.48%		
Non-personnel expenditures	$47	$5	5,894,111	$276,294,422	0.35%		
Annualized Facilities Expenditures generated by General School Admin.[4]	$794	$40	5,894,111	$4,682,115,302	5.98%		
Total regular school administration and support	**$1,676**	**$35**	**5,894,111**	$9,881,147,819	12.63%		
Assessment Expenditures at the School Site on Selected Special Education Staff[6]							
Assessment on sp ed consulting tchr/psyc/cnslrs/soc wkrs	$126		5,923,959	$745,150,102	0.95%	$745,150,102	1.5%
Total Assessment	**$126**		**5,923,959**	**$745,150,102**	**0.95%**	$745,150,102	1.5%
Preschool Services in Schools Operated by Public School Districts[7]							
Preschool-Regular Education Instructional Services							
Preschool - Regular Teachers	$2,009	$283	264,404	$531,098,536	0.68%		
Preschool - Other Teachers (e.g., Title I, ESL, GATE)	$2,320	$931	46,738	$108,418,923			
Preschool - Regular Paraprofessional and aides	$167	$27	256,354	$42,777,538	0.05%		
Preschool - Other Paraprofessional and aides	$54	$13	33,081	$1,772,791			
Preschool Regular- Non-personnel expenditures	$160	$20	290,599	$46,521,455	0.06%		
Annualized Facilities Expenditures Generated by Preschool Regular Classroom Teachers[4]	$417	$43	256,354	$107,018,271	0.14%		
Annualized Facilities Expenditures Generated by Other Preschool Teachers Providing Special Needs Programs (Title I, ESL, GATE)[4]	$603	$134	34,358	$20,705,672	0.03%		
Preschool-Special Education Instruction and Related Services							
Preschool - Special Teachers	$4,107	$466	391,051	$1,606,236,873	2.05%	$1,606,236,873	3.2%
Preschool - Related service staff	$3,389	$490	478,075	$1,620,327,864	2.07%	$1,620,327,864	3.2%
Preschool - Special Paraprofessional and aides	$556	$99	377,150	$209,510,883	0.27%	$209,510,883	0.4%
Preschool - Non-personnel expenditures	$666	$77	539,399	$359,503,379	0.46%	$359,503,379	0.7%
Annualized Facilities Expenditures Generated by Preschool Special Education Teachers[4]	$835	$69	326,519	$272,624,229	0.35%	$272,624,229	0.5%
Annualized Facilities Expenditures Generated by Preschool Resource Specialist & Related Service Providers (pull out)[4]	$203	$49	331,704	$67,482,256	0.09%	$67,482,256	0.1%
Total Preschool Services Operated by Public School Districts	**$9,258**	**$740**	**539,399**	**$4,993,998,462**	6.38%	$4,135,685,284	8.3%
Preschool Services in Operated in Non-public Schools[8]							
External preschool - Tuition and fees	$7,797	$1,145	29,100	$226,876,339	0.29%	$226,876,339	0.5%
External preschool - Related services provided by district	$2,281	$517	16,147	$36,837,822	0.05%	$36,837,822	0.1%
Total Preschool Services Operated by Non-public Schools	**$9,962**	**$1,283**	**29,100**	**$ 263,714,161**	0.34%	$263,714,161	0.5%
School-Aged Services in Schools Operated by Public School Districts[9]							
School-Aged-Regular Education Instructional Services							
School-aged - Regular Teachers	$2,553	$135	4,141,909	$10,574,985,370	13.51%		
School-aged - Other Teachers	$1,940	$224	388,972	$754,595,561			
School-aged - Regular Paraprofessional and aides	$191	$24	2,043,075	$389,900,828	0.50%		

Spending Components	Expenditure per student served[2]	Standard error	Total estimated population of special students in this category[2]	Total expenditures[2]	Percent of the total expenditure	Total special education spending	Percent of total special education expenditure
School-aged - Other Paraprofessional and aides	$179	$46	259,723	$46,514,070			
School-aged Regular - Non-personnel expenditures	$217	$13	4,237,203	$920,101,319	1.18%		
Annualized Facilities Expenditures Generated by School-Aged Regular Classroom Teachers[4]	$242	$12	3,972,206	$959,365,341	1.23%		
Annualized Facilities Expenditures Generated by Other School-Aged Resource Teachers Providing Special Needs Programs (Title I, ESL, GATE)[4]	$216	$56	352,169	$75,986,387	0.10%		
School-Aged-Special Education Instruction and Related Services					0.0%		
School-aged - Special Teachers	$3,765	$157	4,888,728	$18,404,998,580	23.52%	$18,404,998,580	36.8%
School-aged - Related service staff	$3,143	$506	2,378,816	$7,476,420,523	9.55%	$7,476,420,523	14.9%
School-aged - Special Paraprofessional and aides	$338	$28	4,884,156	$1,652,783,046	2.11%	$1,652,783,046	3.3%
School-aged - Non-personnel expenditures	$196	$9	5,384,560	$1,055,862,177	1.35%	$1,055,862,177	2.1%
Annualized Facilities Expenditures Generated by School-Aged Special Education Teachers[4]	$623	$45	2,555,968	$1,591,768,876	2.03%	$1,591,768,876	3.2%
Annualized Facilities Expenditures Generated by School-Aged Resource Specialist & Related Service Providers (pull out)[4]	$143	$7	3,918,071	$560,069,170	0.72%	$560,069,170	1.1%
Total School-Aged	**$8,258**	**$231**	**5,384,560**	$44,463,515,654	56.81%	$30,741,902,372	**61.4%**
School-Aged Services in Operated in Non-public Schools or Other Public Agencies[5]							
External school-aged - Tuition and fees	$25,568	$2,369	200,292	$5,121,113,394	6.54%	$5,121,113,394	10.2%
External school-aged - Related services provided by the district	$2,346	$420	74,376	$174,514,452	0.22%	$174,514,452	0.3%
Total External School-Aged	**$26,440**	**$2,341**	**200,292**	$5,295,627,846	6.77%	$5,295,627,846	**10.6%**
Homebound and Hospital Programs[6]							
Homebound professional staff	$1,915		38,557	$73,845,729	0.09%	$73,845,729	0.1%
Homebound non-certified staff	$128		38,557	$4,923,430	0.01%	$4,923,430	0.0%
Homebound contracted personnel	$197		38,557	$7,595,908	0.01%	$7,595,908	0.0%
Homebound non-personnel expenditures	$292		38,557	$11,265,653	0.01%	$11,265,653	0.0%
Total Homebound	**$2,532**		**38,557**	$97,630,720	0.12%	$97,630,720	**0.2%**
Summer Programs[7]							
Summer - Professional staff	$881	$51	623,373	$549,400,083	0.70%	$549,400,083	1.1%
Summer - Non-certified staff	$351	$19	623,373	$218,843,936	0.28%	$218,843,936	0.4%
Summer - Contracted personnel	$51	$4	623,373	$32,097,964	0.04%	$32,097,964	0.1%
Summer - Non-personnel expenditures	$23	$3	623,373	$14,497,730	0.02%	$14,497,730	0.0%
Total Summer School	**$1,307**	**$66**	**623,373**	$814,839,714	1.04%	$814,839,714	**1.6%**
Transportation Services[8]							
Special Transportation	$4,418	$295	839,984	$3,710,889,862	4.74%	$3,710,889,862	7.4%
Regular Transportation	$442	$17	1,125,345	$497,575,993	0.64%		
Total Transportation Services	**$2,141**		**1,965,329**	$4,208,465,855	5.38%	$3,710,889,862	**7.4%**
TOTAL EXPENDITURES ON STUDENTS WITH DISABILITIES	**$12,640**	**$335**	**6,191,908**	$78,260,724,897	100.00%		
TOTAL CURRENT EXPENDITURES ON STUDENTS WITH DISABILITIES (excl facilities)	**$11,243**		**6,191,908**	$69,613,942,143			
TOTAL SPECIAL EDUCATION EXPENDITURES	**$8,080**		**6,191,908**	$50,031,164,911		$ 50,031,164,911	**100.00%**
TOTAL CURRENT SPECIAL EDUCATION EXPENDITURES (excl facilities)	**$7,654**		**6,191,908**	$47,394,717,506			
TOTAL EXPENDITURES ON PUBLIC ELEMENTARY & SECONARY EDUCATION				$360,600,000,000			
Total expenditure to educate a student with a disability as percent of total spending				21.7%			
Total special education spending as percent of total spending				13.9%			
TOTAL CURRENT EXPENDITURES ON PUBLIC ELEMENTARY & SECONDARY EDUCATION[13]				$307,928,882,000			
Total current expenditure to educate a student with disabilities as percent of total current spending				22.8%			
Total current special education spending as percent of total current spending				15.4%			
Total federal funds available to LEAs	$605		6,191,908	$3,746,020,408			
Percent of Special Education Expenditures supported by federal funds				7.5%			
Percent of Current Special Education Expenditures (excl facilities) supported by federal funds				7.9%			
RATIOS OF PER PUPIL EXPENDITURE TO EDUCATE A STUDENT WITH AND WITHOUT DISABILITIES							
Ratio of total expenditure	1.93						
Ratio of total current expenditure	2.11						

Table B-2 Footnotes

[1] Includes Title I, ESL, & GATE and uses same sample approach as Moore et al (1988) for calculating regular education expenditures.

[2] Total expenditures divided by the number of students will not yield the per pupil expenditure that is shown due to rounding.

[3] Special education central administration and support expenditures were estimated from the SEEP District Questionnaire, Part II: Special Education.

[4] Expenditures on facilities are estimated using data 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 life expectancies of school buildings in different parts of the country. Square footage of different types of classrooms and the allocation of space in school buildings estimated from "The School Design Primer: A How-To Manual for the 21st Century." Estimated costs per square foot for school construction derived from "Building for the Boom, 27th Annual Official Education Construction Report." Average age of school buildings derived from "How Old Are America's Public Schools?" Data were combined and annualized using standard present value calculations and a discount rate of 5% to reflect the relatively low interest rates in the current economy.

[5] Regular education central administration and support expenditures were estimated from the SEEP District Questionnaire, Part III: General Education.

[6] Data were derived from existing state and district databases solicited through the study, and supplemented with information from the questionnaires.

[7] These only represent the expenditures on assessment, evaluation, and other IEP related activities that are not already accounted for in the total salaries of teachers and related services personnel providing direct services to students with disabilities.

[8] These expenditures are calculated from the Information About a Special Education Student survey, combined with information about teacher salaries and benefits from the teacher questionnaires and extant data. Estimates of non-personnel expenditures are based on ratios of non-personnel to personnel expenditures derived from the SEEP District Questionnaires.

[9] From questionnaires about students in non-public schools or public institutions or agencies other than the public school district, excluding state special schools, for which the district pays tuitions or transfers funds.

[10] Homebound and hospital program expenditures per pupil are estimated from the section 5 of the SEEP District Questionnaire, Part II-Special Education survey. Numbers of students served in homebound programs are derived from WESTAT data prepared for the 22nd annual report to Congress from the December 1, 1999 counts of students.

[11] Summer school per pupil expenditures are estimated from section 8 of the SEEP District Questionnaire, Part II: Special Education. Numbers of students served in summer school programs are estimated from the SEEP student survey item that asks whether the child received summer school programs.

[12] Transportation expenditures are estimated from the SEEP student survey item that asks whether the child received transportation services.

[13] Total education expenditures are estimated from the Digest of Education Statistics, 2000, Table 163.

NB: The figures in the 'Expenditure per student served' and 'Estimated total number of students served' columns have been rounded to the nearest decimal point and whole number, respectively. The figures in the 'Total expenditure' column were computed including all decimals.

Table B-3
Total Expenditure for a Regular Education Student with No Special Needs Served in the U.S., 1999-2000 (School-Aged)

Education Spending Components	Expenditure per student served	Standard error
Regular Education Central Office Administration and Support[1]		
Non class capitalization costs generated by regular district administration	$48	$1
Total regular central office administration and support	**$510**	**$15**
Regular Education School Administration and Support[2]		
Professional Staff	$493	$16
Non-certified staff	$323	$11
Non-personnel expenditures	$50	$4
Annualized Facilities Expenditures generated at the school[2]	$806	$26
Total regular school administration and support	**$866**	**$28**
Regular Education Instruction Services[3]		
School-aged - Regular Teachers	$3,343	$92
School-aged - Paraprofessional and aides	$205	$14
School-aged Regular – Non-personnel expenditures	$273	$9
Annualized Facilities Expenditures generated by classroom teachers	$379	$20
Total School-aged	**$4,083**	**$109**
Transportation Services[4]		
Regular Transportation	**$449**	**$16**
TOTAL EXPENDITURE FOR A REGULAR EDUCATION STUDENT WITH NO SPECIAL NEEDS	**$6,556**	
TOTAL CURRENT EXPENDITURE FOR A REGULAR EDUCATION STUDENT WITH NO SPECIAL NEEDS (excluding facilities)	**$5,325**	

Sampling weight used: Student General Weights

[1] Regular education central administration and support expenditures were estimated from the SEEP District Questionnaire, Part III: General Education.

[2] Data were derived from existing state and district databases solicited through the study, and supplemented with information from the questionnaires.

[3] These expenditures are calculated from the Information About a Special Education Student survey, combined with information about teacher salaries and benefits from the teacher questionnaires and extant data. Estimates of non-personnel expenditures are based on ratios of non-personnel to personnel expenditures derived from the SEEP District Questionnaires.

[4] Transportation expenditures are estimated from the SEEP student survey item that asks whether the child received transportation services.

Appendix C

Data Sources

Estimated data on individual students with disabilities and the services they receive are the centerpiece of the SEEP analysis. The student database provides detailed information on the personnel expenditures (i.e., salaries and benefits) necessary to provide direct special and regular education services to students with disabilities. Overall averages for non-personnel expenditures are estimated from the general fiscal information provided by the directors of special education in the sample districts.[29]

Per pupil expenditures on central office administration and support of special education programs, homebound and hospital programs, and summer school programs are derived from data obtained directly from the directors of special education in the sample districts. Per pupil estimates of expenditures on general school administration and personnel support are based primarily on data obtained about individual sample schools attended by the sample students. Estimates of expenditures on general district administration and support and related non-personnel expenditures for general school administration and support and for general instructional expenditures at the school level are based on data derived from the National Center for Education Statistics (NCES).[30]

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.[31]

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[29] It was not possible within the scope of this study to estimate non-personnel expenditures associated with specific disability categories.

[30] National Center for Education States: http://nces.ed.gov/ccd/stfis.html. Public Elementary and Secondary School Revenues and Current Expenditures, by State, Fiscal Year 1998 (IMPUTED FILE). SEEP applied the ratios of non-personnel expenditures to expenditures on instructional salaries and benefit dollars were estimated from columns [(the sum of columns e16 through e18) divided by the sum of columns e11 through e12)] to instructional personnel expenditure data derived from the SEEP data collection to estimate non-personnel expenditures for instruction. Similarly, SEEP applied the ratios of non-personnel expenditures to expenditures on school administration salaries and benefits [(the sum of columns e265, e255, e245, and e235) all divided by the sum of columns e225 and e215] to school administration personnel expenditures derived from SEEP data collection.

[31] Square footage of different types of classrooms and the allocation of space in school buildings estimated from "The School Design Primer: A How-To Manual for the 21st Century." Estimated costs per square foot for school construction derived from "Building for the Boom, 27th Annual Official Education Construction Report." Average age of school buildings derived from "How Old Are America's Public Schools?" Data were combined and annualized using standard present value calculations and a discount rate of 5% to reflect the relatively low interest rates in the current economy.

Committee on Education and the Workforce
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: Jay Chambers

	Yes	No
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee).		X
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: NA		
3. Will you be representing an entity other than a government entity?		X
4. Other than yourself, please list what entity or entities you will be representing: American Institutes for Research is my employer.		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: NA		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: Year 2000 $65,238,679 Year 2001 $82,350,349 Annual Reports available upon request.		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list:		X

Signature: Jay L. Chambers Date: 4/16/2002

Please attach this sheet to your written testimony.

APPENDIX D - WRITTEN STATEMENT OF PAUL GOLDFINGER, VICE PRESIDENT, SCHOOL SERVICES OF CALIFORNIA, INC., SACRAMENTO, CALIFORNIA, AND ON BEHALF OF THE COALITION FOR ADEQUATE FUNDING FOR SPECIAL EDUCATION

Statement of Paul Goldfinger, Vice President
School Services of California, Inc.

Testimony Before the Subcommittee on Education Reform

"Special Education Finance at the Federal, State, and Local Levels"

April 18, 2002

Good morning Mr. Chairman and members of the Subcommittee. My name is Paul Goldfinger. I am vice president of School Services of California, a school finance consulting firm. I am also representing the Coalition for Adequate Funding for Special Education, a coalition of California school agencies that advocates for improved funding for special education. I am a registered California lobbyist for this Coalition.

It is my pleasure to be here today. I have been actively involved in the field of special education finance in California for almost 30 years. I've done a lot of thinking about this area and feel that we've created a system with great intentions, but this system is now seriously out of balance. My remarks today are intended to create a more balanced system.

As I was preparing for today's presentation, I remembered that in 1973 I was working at the University of California, Berkeley, on a research project called the Childhood and Government Project. I did a paper for that project that looked at the places in California law that specifically authorized school districts to exclude special education pupils. I was horrified at what was going on in California and I was a strong advocate of the Education for the Handicapped Act in 1975.

Imbalance Created

Certainly, we've come a long way since 1973. We've gone from a system pre-1975, where special education pupils had fewer rights than general education pupils, to a system where they have much greater rights. Disabled children have the right to a Free and Appropriate Public Education. By contrast, nondisabled children—who have no corresponding rights—may have so few resources available to them that their education is less than appropriate.

This is the imbalance I wish to address. This imbalance creates a lot of frustration on the part of school board members who say, "I'm elected to represent all of the students in this school district." Also, there's frustration on the part of administrators and teachers who feel that it is their job to provide opportunities for all pupils.

The system is even so convoluted that parents get very frustrated as well over how procedurally bound it is.

Funding the 40th Level

My comments today are intended to help Congress work toward a better balance between regular education and special education, while still maintaining necessary protections for special education. The comment I'm going to make both now and later on is that funding the 40-percent level would go a long way toward resolving this imbalance.

In California, special education programs are not fully funded. When I compare the total reported expenditures for special education to all revenues, including the revenues that school districts get for the general education part of the special education population, state aid, federal aid, and other revenues for special education, there is an imbalance of approximately $1.3 billion.

This imbalance means that school districts need to take unrestricted general education dollars and spend them as supplemental support for special education. This is part of the imbalance that needs to be addressed.

Clarify FAPE

In addition to funding, one reform would be to clarify what is "Free and Appropriate Public Education" (FAPE). This term consists of four words, but the first one is the only one that everyone can agree on. "Free" means free.

But what is "appropriate"? The *Rowley*[1] case speaks to this issue when it says that the Individuals with Disabilities Education Act (IDEA) does not require that an educational program maximize a pupil's potential. In different words, "appropriate" is something short of "maximum." But what's the dividing line between "appropriate" and "more than appropriate"? Clarifying this dividing line will help avoid a lot of conflict.

One idea I had a number of years ago was that maybe Congress needs to add a word, and change the standard to "free, appropriate, and *comparable* public education." The word "comparable" is one that I will comment on several times in this testimony.

The second issue is, what is "public"? IDEA '97 makes it very clear that, for pupils enrolled in private and parochial schools, the obligation of school agencies is to spend a prorata share of federal dollars on that population. After that point, school agencies can stop spending and say "no" to the special education pupils who choose to enroll in private and parochial schools. This is the one and only spending cap allowed under IDEA.

So there is some clarity about what "public" means. However, one issue that comes up regarding what is "public" concerns preschoolers. A lot of school districts do not operate public preschool programs. But they have an obligation to serve disabled children with their nondisabled peers. Does this create an obligation to pay for private preschool tuition in order to have that opportunity for interaction?

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[1] Board of Education v. Rowley; 458 U.S. 176 (1982)

Another issue concerns where public programs are provided. Nobody is questioning the obligation of a school agency to provide a home program for medically fragile children who cannot be transported to school.

In some cases, however, for children who are physically able to be transported to school, parents are requesting home-based instructional programs, with some requests for 40 hours a week of services at home. Is this also part of the scope of "public" education?

Finally, what is "education"? That is, what is the boundary line between the services an educational agency needs to provide versus what are really health and mental services? The *Garrett F.*[2] decision highlights this point. The question I raise is, shouldn't other public sector agencies be required to step up and provide the appropriate services within their domain? Why does education have the ultimate responsibility when other public agencies, such as the Health or Mental Health Agency, say, "No, we're not going to provide that service."

One of the issues that just drives me crazy is that Medicare will reimburse school agencies for nursing services, occupational therapy, or physical therapy. Isn't this a clue that these are not educational services?

Included in the issue of what is "education" is the scope of related services. In California, some school agencies are being asked—and required—to provide equestrian therapy. Parents have even asked for dolphin-human therapy. The list goes on. Are these therapies also the domain of public school districts? Music therapy is another example of a related service that is requested. Certainly, music is typically within the scope of education. But if a school district cannot afford a music program for nondisabled pupils, why should it be required to provide a music instruction program for disabled pupils? This is the issue of comparability that I wish to raise.

School agencies generally operate six hours a day, five days a week, for 38-40 weeks per year, plus a summer school or extended-year component. By contrast, some school agencies are being asked to provide special education service in a pupil's home, for 40 hours a week, 50 weeks a year. Why should school agencies be required to provide services beyond the scope of the school day? This is another issue of comparability.

Limited Resources Necessitate Cost Effectiveness

School agencies have limited resources and strive to examine every expenditure and try to make every expenditure cost-effective. Let me give an analogy. President Bush has called for the funding of the Missile Defense Shield, which would cost many billions of dollars, in the name of national security. If we had unlimited resources, certainly we should do that. But it's up to Congress to evaluate, whether this expenditure is cost effective. Or are there other uses of that money that would be better for either national security or the national interest?

By contrast, in the area of special education, school agencies are precluded from evaluating cost effectiveness.

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[2] Cedar Rapids Community School District v. Garrett F.; 526 U.S. 66 (1999)

difference in discipline issues and they are recruiting disabled pupils—mostly high school pupils—to carry weapons or drugs, knowing that they will not get in as much trouble as the gang

Suppose, for example, that a school district assesses a pupil with severe disabilities and, in recognition of the severity of the pupil's disabilities, offers a comprehensive educational program that will cost $40,000 a year. But suppose that, in response, the parents or advocates request another program that costs $100,000 a year. The school agency is precluded from evaluating whether the $60,000 marginal expenditure is cost effective.

Being a numbers person, I like to quantify things. Suppose there were a determination that the $100,000 program was indeed a better program and that it gave 100 percent of what the child needed, while the $40,000 program was 95 percent as good. In different words, the school district would be willing to spend $40,000 to get 95 percent of the benefit of the $100,000 program. Is it reasonable that the district be required to spend another $60,000 for a marginal five-percent advantage for this one child? Nobody is looking at whether this is cost effective or reasonable. Most importantly, nobody is looking at whether there are other uses for that $60,000 that might be better for other pupils with exceptional needs or nondisabled pupils. Maybe the school district had cut its music program because of this kind of situation. Maybe the school district cannot afford preventative services for low-income pupils or pupils who are limited-English speaking because of this situation.

With the Americans with Disabilities Act, there is a requirement that employers provide reasonable accommodation for potential employees or current employees who are disabled. Maybe there is need to have a "reasonable" accommodation standard for special education, not the current unlimited accommodation standard.

Along these lines, in California, special education programs can occasionally cost $100,000 a year; in rare cases, even $250,000 a year. Just as there is a cap on the amount that is required to be spent for pupils in private and parochial schools—and after that point, a school agency can say "no"—might there be some caps imposed on special education costs?

One form of a cap would be on total costs; for example, a cap that would limit a district's obligation in terms of total costs for special education programs to some percentage—say, 15 percent—of a school district's budget. [This is just an example. Fifteen percent might not be the right number.] Then a school agency would work with parents and an advisory group to make the limited resources as cost effective as possible. Of course, a district could voluntarily do more. But at least it would have the right to say "No" after some point.

Alternatively, a cap could be placed on the annual cost of services for one pupil. Yet another approach would be a federal extraordinary cost pool. As an example of how this would work, suppose that $40,000 is determined to be a very high cost for a particular disability. If a placement costs more than that, federal aid would pay for 50% (or some other percentage) of the costs in excess of this threshold. Keeping some local cost would help ensure that the placement is still cost effective.

Legal Costs

The current special education system is so replete with rules and requirements that 100% compliance is virtually impossible. Isn't this a clue that the system is out of balance? It's

frustrating for administrators; it's frustrating for parents. Much of the legal proceedings and the due process hearings focus not on whether a child is being offered a good program, but whether there were procedural errors. We need to get away from this.

In California, due process issues are phenomenally expensive and are frequently used as a club against school agencies. I was talking to an attorney recently, who told me about a hearing that lasted 25 days. The school agency won on every single point, but it had $300,000 in legal fees. This is clearly a huge financial drain on school district expenditures. Also, the administrator and teachers were at the hearing, instead of serving the program. This isn't good for anybody.

There is currently an incentive on the part of some advocates or attorneys to drag out procedures because they get paid more. This creates the scenario where school agencies face the prospect of an expensive hearing if they win—and an even more expensive one if they lose. School administrations are apt to agree to placements they don't feel are necessary—or even a placement they feel is inappropriate—just to avoid legal fees.

One idea that would help to reduce due process and legal proceedings is to put a one-year statute of limitations on compensatory education. Right now, there is a three-year statute of limitations. Currently, parents may have suspected that something wasn't right, but they can wait for almost three years to file a claim. This isn't good for the pupils. It isn't good that there is litigation or a hearing that considers three years of issues. If a placement isn't right, it needs to be brought to light very quickly to get it resolved.

Another idea is to implement a public-defender type of system so there is not an incentive to drag out legal proceedings. Also, parents who don't otherwise have access to private attorneys would have access to the legal system. This would be, I think, a win-win overall.

Cap on Legal Fees

A colleague of mine was watching a CNN program recently that televised a debate in Congress concerning the Washington, D.C. School District. This debate was over whether to extend the cap on attorneys' fees, which is currently $50 per hour, $250 per case. This tells me that when Congress is paying the bill for the Washington, D.C. School District, Congress puts a cap on legal fees. But when school agencies are paying the bill, there's no cap on legal fees. I think there's something out of balance here.

Finally, returning to my earlier comment about what is "appropriate," when an issue goes to hearing, I think the first thing should be a determination as to whether the program the school district is offering is appropriate. If so, the hearing should end. The school district is offering FAPE. There's no need to evaluate whether another program is better or "more appropriate." "Appropriate" means it meets the standard of FAPE.

Student Discipline

Another area of imbalance is student discipline. Recently, I was remembering a conversation I had several years ago with a county counsel. He was talking about how gangs know about the

difference in discipline issues and they are recruiting disabled pupils—mostly high school pupils—to carry weapons or drugs, knowing that they will not get in as much trouble as the gang members themselves.

Certainly, when a student's actions are a manifestation of his or her disability, a different standard should be used. However, the current system is being badly abused when, for many students who are being subjected to discipline, the claim is made that they are disabled and shouldn't be punished.

Fund Research of New Therapies

There are a lot of new therapies that are being proposed for special education, especially for children with autism. I think there's a need to have federally funded research, not just on best practices, but on new experimental therapies. Perhaps just as the Food and Drug Administration doesn't license a drug until it's been tested and proven effective, maybe there should be a system for testing new therapies. For what pupils are they effective? What quantity of services is most effective?

It appears that some people are under the assumption that more is necessarily better. As mentioned earlier, school agencies are getting requests for 40 hours a week of services for 50 weeks a year in some cases.

What intensity of services works well? Obviously, that's going to depend on the child and the circumstances. It would be very helpful for there to be some research to provide guidelines before large doses of experimental (and expensive) therapies are awarded in due process hearings.

Allow Comparable Cuts

I was recently in a school district that has a real budget problem. It needs to cut $7 million out of a $90 million budget. I was consulting for the district on where cuts could be made to the special education budget and still meet FAPE. With district staff, I identified areas where the district had overstaffing, where there were very low caseloads, where cuts could be made. But then I realized that making those cuts would cause the district to be in violation of the federal maintenance-of-effort requirement.

This district overspent, spent down its ending balance, and now needs to make significant cuts. However, the federal maintenance-of-effort requirement says it can't make cuts in special education (except in very limited circumstances).

Some people would say, "That's a good thing. Why should special education pupils suffer from the district's fiscal mismanagement?" To that I say, "Why should any pupil suffer? Why should either the special education pupils or the regular education pupils suffer from the district's fiscal mismanagement?"

The fact is, the district needs to make cuts. Had the district been prudent, it would have had a lower level of expenditure all along. Why shouldn't the district be able to roll its expenditures back to the lower level that it should have had all along?

States can get a waiver of the "supplement and not supplant" standard during times of fiscal crisis. Why can't school districts apply for such a waiver? Or, when a district needs to make significant cuts, why shouldn't it be able to make comparable cuts to the special education and regular education sides of the budget? This is another example of an imbalance under current law.

40-Percent Funding Level

In California, as I said, the shortfall in special education funding is about $1.3 billion. If the 40-percent standard were funded—along with the other reforms that I'm talking about—that would go a long way towards eliminating the drain on general education and would also make dollars available for program improvements and program enhancements.

One of the things that I think is very important is to recompute the 40-percent level. The origin of the 40-percent level was a study from around 1970 that identified that the cost for the average special education pupil was about 100 percent more than for a general education pupil. The promise under the Education for the Handicapped Act was to fund 40 percent of that excess cost.

I believe that, especially on the high-end cost of the spectrum, costs for special education have shot up since 1970. I had been expecting that, when the study of special education costs currently underway by the American Institutes for Research (AIR) is completed, the current average cost for special education pupils will be shown to be more than 100 percent above the average cost for regular education pupils. I was frankly surprised to hear that the preliminary data from AIR indicates that this difference has dropped slightly, and appears to be about 90 percent. However, this decline in the difference is probably because the number of low-cost special education pupils has expanded so dramatically.

I support President Bush's "No Child Left Behind" education reforms. Through improved reading programs and intervention programs, more pupils will learn to read at an earlier age, and this should help keep pupils out of special education. I hope this approach is very successful, and that 20 percent or more of the pupils who would otherwise be labeled as special education students can get the services that they need and avoid that label.

But this does not mean that the cost of fully funding the 40-percent level should go down by 20 percent just because a large number of low-cost pupils are no longer in special education. It is my hope that the AIR study will identify costs in sufficient detail that, if we eliminate 20 percent of pupils on the low-cost end of the spectrum, the difference for the remaining higher-cost pupils can be recomputed.

In short, a 20-percent reduction in the number of pupils in special education on the low-end cost of the spectrum should not lead to a 20-percent reduction in the federal obligation under IDEA.

Greater Flexibility in Spending New Federal Dollars

Along with full funding of the 40-percent level (or whatever the recomputed level turns out to be), I think there's a need for greater flexibility in spending those new dollars at the district level. In California, many school districts have backfilled the shortfall in federal dollars with the local revenue. That's the encroachment I talked about—$1.3 billion worth.

Under current federal regulations, only 20 percent of the new federal aid for special education can be used to offset local revenue. That implies that 80 percent of the new dollars must be used as an augmentation.

Those school agencies that are not doing a good job should certainly be required to augment their special education programs. But school agencies that are doing a good job are paying for it out of their own dollars. To require that 80 percent of the new money be spent as an augmentation, on top of an already expensive program, I think is unnecessary and is a bitter pill for many school agencies to swallow.

California's Use of Increased Federal Aid for Special Education

I know that the issue of how states treat the increase in federal aid for special education is of great significance to Congress. But I can only speak to this issue from the California perspective.

From 1997-98 through 2001-02, California treated the increase in federal aid for special education as an augmentation. That is, these monies have been provided to local educational agencies over and above the funding for growth and cost-of-living adjustments (COLAs). Most of this increase of well over $300 million in federal aid to California was used to equalize funding among educational agencies, as provided for in a state law enacted in 1997 which implemented a new special education funding model in California.[3] This new funding model provides funding on the basis of regions—what are called special education local plan areas or SELPAs—which are formed on a countywide basis in many counties. But since some of the SELPAs had funding above the average, they didn't benefit from the new federal dollars that were allocated for equalization.

For 2002-03, due to the state's huge budget shortfall and the limited resources for education (even under the protections of Proposition 98, which earmarks a certain level of funding for schools), Governor Gray Davis has called for the increase in federal aid for special education to pay for the growth and COLA for special education. If this proposal is enacted as part of the final California Budget for 2002-03, it would mean that most of the increase in federal aid for special education would be used to offset state aid.

It now appears that, out of the estimated $131 million increase in federal aid for special education that California will receive for the 2002-03 State Budget, about $100 million can be used to offset state aid (i.e., by funding growth and COLAs for special education) and still not violate the federal "supplement and not supplant" requirement. The other $31 million must be allocated as an augmentation to existing funding.

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[3] The implementing legislation, AB 602 (1997), was coauthored by then-Assembly Member Susan Davis.

Under the Proposition 98 formulas, the state aid that is thereby freed up must be spent on other education programs for grades K-14, and so cannot be spent on noneducational programs. But it also means that only a fraction of the increase in federal aid for special education will actually be used to augment funding for California's special education programs.

It is hoped that new legislation will be enacted in California to require that all increases in federal aid for special education will be automatically passed through to SELPAs, thereby prohibiting this practice in the future. However, it seems unlikely that this legislation, even if enacted, will take effect before 2003-04.

Charter Schools

I know that charter schools are of great interest to Congress and the Administration. One of the major policy issues that we are struggling with in California (where there are already more than 350 operating charter schools) is how special education services are to be provided by charter schools, many of which are quite small.

It is my understanding that federal regulations require that states treat charter schools just like school districts. In my opinion, this may make sense for many purposes, but not for special education, since there is one fundamental difference between charter schools and school districts.

A school district is obligated to provide special education services to all pupils enrolled in the district—that is, all pupils who live in the territory of the district, unless they attend school elsewhere. This results in a fairly uniform level of special education "need" among school districts. By contrast, charter schools are obligated to provide special education services to all pupils who voluntarily enroll in the charter school. And because of this self-selection process, the level of special education "need" for charter schools is very low for many schools and very high for those few charter schools that cater to the special education population. In California, very few charter schools enroll any pupils with severe disabilities.

Because of this difference, it is fundamentally unfair for the state to have to treat all charter schools in the same way that it treats school districts with regard to special education.

Summary

I'd like to close by sharing comments of Joe Gillentine, a special education administrator from Orange County, California:

"We now have a law that has allowed so much interpretation by the legal system (due process) that most of my time as an administrator is spent on legal issues, not on developing and monitoring programs for disabled students. I worked closely with parents for the first 20 years of this legislation [EHA and IDEA] and we could develop IEPs as a team. Today, IEPs are developed by our legal counsels. I believe this is because parents have been convinced by the myriad of lawyers out there that the state owes them because they have a disabled child. Many

IEPs are developed as a result of due process or in fear of due process and are *not* FAPE for these disabled students."

The current special education system is clearly out of balance. Increased funding will certainly help, but that alone isn't enough. There is also a need for Congress to clarify what FAPE means; to bring about a better balance on the issues of attorneys' fees, due process, and legal conflict; and to bring about a better balance regarding discipline and the use of funds. My hope is that these ideas taken together will help to create a better balance between special education and general education.

In evaluating the Individuals with Disabilities Education Act, Congress needs to look not just at the issues involving special education, but also the implications for regular education. Let's create a better-balanced system, a system that works for disabled pupils and nondisabled pupils alike.

Thank you.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: Paul M. Goldfinger		
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee).	Yes	No x
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: None		
3. Will you be representing an entity other than a government entity?	Yes x	No
4. Other than yourself, please list what entity or entities you will be representing: School Services of California, Inc., a private school finance consulting firm. The Coalition for Adequate Funding for Special Education.		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: I am vice president of School Services of California, Inc. I am a registered California lobbyist for the Coalition for Adequate Funding for Special Education		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: The Coalition for Adequate Funding for Special Education is composed of special education local plan areas which, in turn, are comprised of local educational agencies that receive federal aid for special education.		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: I am representing the Coalition for Adequate Funding for Special Education, not its member school agencies.	Yes x	No

Signature: Paul M. Goldfinger Date: 4/15/02

Please attach this sheet to your written testimony.

APPENDIX E - WRITTEN STATEMENT OF JOHN R. LAWRENCE, PRESIDENT-ELECT, AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS AND SUPERINTENDENT, TROY R-III SCHOOL DISTRICT, TROY, MISSOURI

Statement of

Dr. John Lawrence

Superintendent

Troy County R-III School District

Troy, Missouri

On

Special Education Finance at the Local Level

Given Before the

Subcommittee on Education Reform

The Honorable Mike Castle, Chairman

Committee on Education and the Workforce

United States House of Representatives
Washington, DC

April 18, 2002

Thank you Chairman Boehner and members of the committee for this opportunity to discuss the most important federal education law, the Individuals with Disabilities education act, IDEA.

I am John Lawrence, the Superintendent of the Troy Missouri Public schools. I am completing my 18th year as superintendent in Troy, which is unusual in this day of rapid voluntary and involuntary turnover in the superintendency. I was also recently elected president elect of AASA, which is why I am here today representing AASA members across the country. Troy is a growing school district which used to be thought of as far outside of St. Louis, but now is part of the greater metropolitan area. Like most of the country the people of Troy are very supportive of their public schools. The support comes with very high expectations to deliver a quality education to all children. Like the parents of disabled children everywhere, the parents of disabled students in Troy demand and we provide excellent services for disabled students.

I would like to begin with some general observations that we at AASA have gathered over the past two years, as we prepared for the reauthorization. First the thing that stands out most for me after 28 years in public education is that we have over six million children receiving services usually in the general classroom who are succeeding in every sense of the word. Students who were once warehoused in state schools are graduating from high school and going on to college or training for rewarding careers in fields that do not require a bachelors degree.

Public schools now employee the best trained most experienced cadre of special education professionals we have ever had, and the results show it. As one superintendents said in an AASA forum on IDEA, millions of little miracles happen every day, every where.

Grafting a complex new service like special education onto the existing schools over the past 27 years has been challenging. Any complex and expensive new service would be difficult to add, but the past 25-30 years have demanded many other huge changes that have competed for time, resources and attention.

Public education is a work in progress, like the rest of our rapidly changing world. The part you don't see is how hard teachers and principals are

working to provide the schools our country needs within the constraint that tax payer's unwillingness to spend one cent more than necessary. The inescapable fact every administrator faces every day is that public schools do not have enough money to meet all the challenges in a manner that please the advocates for the various causes.

The process of reauthorizing IDEA is in the early stages. In that light AASA would like to make some general observations on the financing of the current law and how IDEA funding impacts public schools and then make some recommendations for this reauthorization

1. There is a contradiction between need for all students to have an opportunity for a quality education and the need to meet the requirements of IDEA the needs for special education children. This contradiction results in difficult decisions about what schools can do and cannot do for non disabled students and disabled students.

   The result is a dilemma, meaning there is no right or wrong answer, just choices that respond to the issues at hand. School districts with fewer resources sometimes drop programs for non disabled students to accommodate special education costs. Similarly school districts sometimes say no to services that special education services parents really want because the request comes in mid budget cycle and we cannot reprogram dollars for the desired services without massive disruption. In particular the issues of high cost, low incidence disabilities needs to be addressed, by either creating a separate funding stream or dedicating a portion of the state 25% set a side to the high cost, low incidence students.

   The fact is that funds are not sufficient to accomplish every thing policy makers want for disabled and non disabled students. Thus at some point in the year nearly every school district is in non compliance with IDEA.

   This is why AASA's Delegate Assembly and Executive Committee have made getting the federal share of IDEA funding up to the original 40% promise our highest legislative priority. And, this is why many of you have probably been inundated with requests for full funding of IDEA as soon as possible. Money is not the complete

answer but it is absolutely critical for providing the quality of education described in No child Left Behind and IDEA.
For the past six years appropriations for IDEA have increased more than the other large formula based programs. We thank you for that increase but add that increases and the prospect of appropriations in the neighborhood of $1 billion per year result in an increase of about $166 per disabled student. Only 75% of that $166 or $125 flow directly to school districts. In Troy the process of developing an IEP costs about $400. At the rate of $1 billion per year it will take three plus years to pay for one IEP. According the a new report from the Department of Education special education costs 1.9 times more than the average per pupil expenditure. The study estimated average special education costs per student in 1999-2000 at $12,474. We estimate that the federal share of IDEA this school year ought to be $2,850, instead of the $1,056 that was distributed. Special education costs are so great that only a large infusion of resources in a short time period will make a difference. Otherwise we are barely holding our own with the increasing costs of teacher salaries and the huge increases in medically related services.

2. Because of the shortfall in both state and federal special education funds complete compliance with the provisions of IDEA through out the school year is not possible.

   Among the ways funding affects compliance with IDEA are:
   a. Cost
      i. Specialized related services requiring specially trained, licensed health care professionals
      ii. Low staff to student ratios required
      iii. High cost of private placements
      iv. Specialized transportation required
      v. Facility modifications that are continually required by the changes in student requirements
      vi. Unfair school finance systems
   b. Personnel shortages
      i. Uncompetitive pay for related service professionals
      ii. Inability to attract qualified staff to rural isolated schools and high poverty urban schools
      iii. Low pay for teachers in general, particularly for poor states and poor school districts

iv. High rate of teacher burnout because of the complexity and adversarial nature of the procedural safeguards

c. Facility requirements that are very expensive change with new student populations
d. Unwillingness of other federal, state and local agencies to share expertise and funds because they know schools will have to bear costs if they duck their responsibility.
e. The scope of services required which includes wide range of non instructional related services. Further, a hearing officer or judge sometimes requires a service that is simply not available. Schools then must either acquire the service or resort to a private placement which almost always exceeds the average per pupil expenditure by at least a factor of five.

What we recommend to address the issues in IDEA.

As the first and most important step we recommend that you to take four steps that will help provide the resources to bring IDEA to near full compliance everywhere.

1. Bring the federal share to 40% as soon as possible. We think that means six years of $2.45 billion dollar increases. This would bring the federal share to an estimated $3,650 in FY 2008.
2. Strengthen the state maintenance of effort language to insure that all partners contribute appropriately. This will ease the long term burden on local budgets releasing funds to meet the challenge of leaving no child behind. Enforcing the state maintenance of effort provisions of IDEA will also insure that the increase in federal funding will result in a net add to school funding and not simply an opportunity for states to shift more costs to local tax payers. We have included data from two disparate school districts that shows the states have followed the federal lead in shifting costs to the local level for the past 20 years.
3. Bring all other state and federal resources to the table to help share costs for related services not related to instruction or curriculum. This includes federal programs like Medicaid, and state and local services such as mental health and juvenile justice programs. Because poverty is a prominent factor in disabilities and poor children generally lack health insurance the importance of Medicaid and the new SCHIP programs cannot be overstated. Because CMS (formerly HCFA) has been reluctant to help provide

insurance coverage for disabled Medicaid eligible students, schools have borne additional costs and children have been short changed. The connection between Medicaid and school based health care for both disabled and non-disabled students have been a point of contention for more than 20 years. We urge that this committee and the Energy and Commerce committee which has jurisdiction over Medicaid align the two programs and amend both statutes to extend public insurance to more poor children, disabled and non disabled for school based services and administrative costs.

AASA has had a very frustrating experience trying to engage CMS policy makers on the differences between reimbursing schools and medical facilities and emergency rooms. As a result every one of the 47 states that has tried to participate in claiming reimbursement under Medicaid has a different plan. In fact plans frequently vary within the same state. Texas has a successful administrative claiming plan which other states have sought to emulate using the Texas plan verbatim, only to be turned down by CMS. When West Virginia schools tried to use the Vermont school's plan for Medicaid claiming they were turned down. CMS has fought a rear guard action to reduce school based claims for poor disabled students for over 20 years, even though both the Education and Work Force and Energy and Commerce Committees have tried to clear the way for such claims. CMS insists on misunderstanding the nature and purpose of IDEA to hold down Medicaid reimbursements. Since January 2000 CMS has tried to issue administrative claiming and transportation guidelines that would eliminate reimbursements to schools, and been beaten into not making the guides final. However, in their dealings with state Medicaid agencies CMS has insisted the guides be considered final. We urge that congress use IDEA to force issuance of a single set of rules that create a floor for school based Medicaid claims. CMS must become a partner along with other appropriate agencies. We estimate that the total cost of reimbursements to schools could come to $3 billion annually, which is about $1.5 billion more than schools currently collect.

AASA has other recommendations that we will provide to appropriate committee staff.

Thank you for the opportunity to make the case for improving IDEA.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: John Lawrence		
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee).	Yes	No ✓
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: N/A		
3. Will you be representing an entity other than a government entity?	Yes ✓	No
4. Other than yourself, please list what entity or entities you will be representing: American Association of School Administrators (AASA)		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: Pres. Elect -- (Effective 7-1-02) of AASA		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: N/A		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list:	Yes	No

Signature: _____ Date: 4-17-02

Please attach this sheet to your written testimony.

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