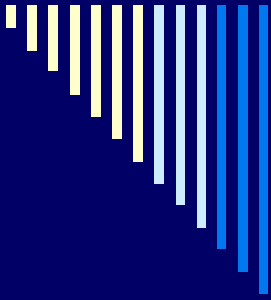


It's Raining Stimulus Dollars:
Will This Solve Your Special
Education Funding Problems?





Education Law Center-PA
429 Fourth Avenue, Suite 702
Pittsburgh, PA 15219
412-258-2120

1315 Walnut Street, 4th Floor
Philadelphia, PA 19107
215-238-6970
www.elc-pa.org



Overview of Presentation

- Importance of the **Opportunity to Learn** for all students;
- Pennsylvania's academic challenges;
- Pennsylvania's school funding system: solutions, progress, and challenges;
- A new opportunity to fix the special education funding system;
- Economic crisis and stimulus dollars; and
- Your ideas and suggestions

Resources as Part of Opportunity to Learn

Has the Pennsylvania school funding system (basic education and special education) provided an opportunity to learn since 1991-1992?

- Equity
- Adequacy
- Efficiency
- Accountability
- Predictability





2007 Costing Out Study Mandate

- Under Act 114 of 2006 adopted by PA General Assembly, the State Board of Education requested a contractor to conduct “a comprehensive statewide costing out study to arrive at a determination of the basic cost per pupil to provide an education that will permit a student to meet the state’s academic standards and assessments.”
- The contractor was also to consider whether the resources spent in Pennsylvania on public schools were distributed in such a way that all children have an equal opportunity to succeed in school.

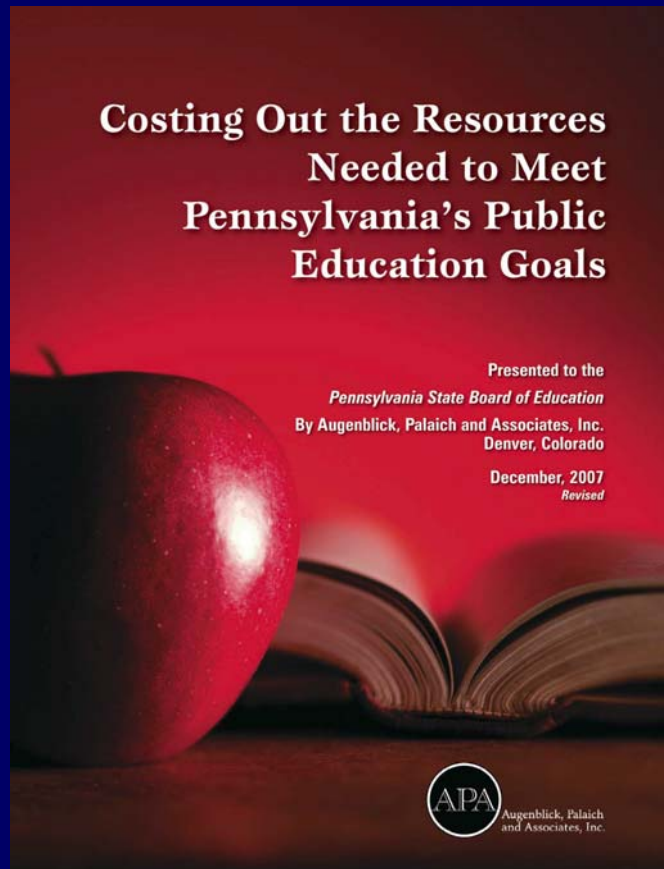


Overview of 2007 Study

- The following would be identified the to develop a specific cost for each school district:
 - A **base cost figure** for educating a student with no special needs going to school in an average district
 - Several **student-based cost adjustments** for students with special needs (to address poverty, English language learners, and special education)
 - Several **district-based cost adjustments** (to address differences between districts in terms of size, cost of living, and enrollment change)



Costing Out Report Released December, 2007





Findings

- Base cost of \$8,003 in 2005-06
- Adjustment factors for students and districts
 - Student Adjustments (added per-student cost weights above the base cost):
 - Poverty (.43)
 - Special education (1.30)
 - English language learners (varies by district size with a minimum of 1.48)
 - Gifted (varies by district size with a minimum of .20)
 - District Adjustments
 - Size (cost factor increases as district size decreases)
 - Enrollment change over time (cost weights decrease going back in time)
 - Regional cost of living differences (county weights vary around 1.00)

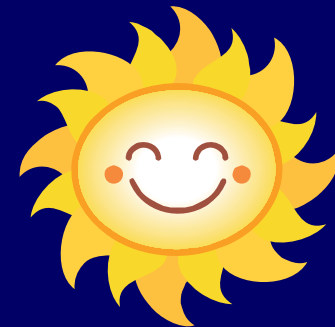


Statewide Cost

- In 2005-06, the Commonwealth would have needed to provide \$21.63 billion, or \$11,926 per student (excluding transportation, food services, community services, adult education, and capital expenditures).
- This amount is \$4.38 billion above comparable spending for that year.



What a Difference a Day Makes!



- In July 2008 the Pennsylvania General Assembly passed into law Act 61 of 2008--education funding reform legislation which:
 - Created a formula for allocating state aid to districts taking into account differences in wealth and student need;
 - Increased funding to match the overall level of student performance expected by the state;
 - Recognized there are higher costs associated with educating two specific types of students: those who live in *poverty* and those who are *English language learners*; and
 - Included strong accountability provisions for the use of new dollars above an inflation index.
- **The legislation, however, did not address students eligible for special education.**

THE REALITY OF THE FORMULA!

EDUCATION LAW CENTER PENNSYLVANIA'S NEW 2008-2009 BASIC EDUCATION FORMULA

PART I—CALCULATING THE ADEQUACY TARGET

$$\begin{aligned}
 & \frac{\$8,355}{\text{Base Cost Per Student for 08-09 school year}} \times \text{Modified Average Daily Membership (ADM) (5 yr. average Student Enrollment)} = \underline{\hspace{2cm}} \\
 + \\
 & (\text{Poverty Supplement}) \quad \frac{\hspace{2cm}}{\# \text{ Students in Poverty}} \times \frac{\$8,355}{\text{Base Cost}} \times \frac{0.43}{\text{Weight for Poverty}} = \underline{\hspace{2cm}} \\
 + \\
 & (\text{ELL Supplement}) \quad \frac{\hspace{2cm}}{\# \text{ ELL Students}} \times \frac{\$8,355}{\text{Base Cost}} \times \frac{1.48 \rightarrow 2.43}{\text{Weight for ELL}} = \underline{\hspace{2cm}} \\
 + \\
 & (\text{District Size OR } \$8,355 \text{ Supplement-- Greater of Zero}) \quad \frac{\hspace{2cm}}{\text{Base Cost}} \times \frac{\hspace{2cm}}{\text{06-07 Adjusted ADM}} \times \frac{\hspace{2cm}}{\text{Sum of 0.483 \& the natural logarithm OR 06-07 Adjusted ADM Multiplied by -0.05}} = \underline{\hspace{2cm}} \\
 \times \\
 & \frac{\hspace{2cm}}{\text{Adjustment for Geographic Price Differences}} = \underline{\hspace{2cm}} \text{ ADEQUACY TARGET}
 \end{aligned}$$

PART II—CALCULATING THE ADEQUACY SHORTFALL

$$\text{Greater of Zero OR ADEQUACY TARGET} \quad \text{MINUS} \quad \text{DISTRICT'S ACTUAL SPENDING 06-07} = \underline{\hspace{2cm}} \text{ ADEQUACY SHORTFALL}$$

PART III—CALCULATING THE STATE FUNDING TARGET

$$\text{ADEQUACY SHORTFALL} \times \frac{\text{08-09 MV/PI AID RATIO}}{\hspace{2cm}} \times \frac{\text{Lesser of 1.00 or its 06-07 Equalized Millage}}{\text{Divided by 23.5 (Equalized Millage at 75}^{\text{th}} \text{ percentile)}} = \underline{\hspace{2cm}} \text{ STATE FUNDING TARGET}$$

- ◆ Each school district whose 06-07 equalized millage is equal to or greater than 24.7 (equalized millage at 80th percentile) will receive a state share phase-in allocation equal to 16.75% of its state funding target. (Highest local tax effort)
- ◆ Each school district whose 06-07 equalized millage is less than 24.7 will receive a state share phase in equal to 10% of its state funding target. (Lower local tax effort)
- ◆ Districts receive "transition funding" guaranteeing at least a minimum increase of 3%.



What is the current state system for funding special education?

□ Background—Excess Cost System

- Prior to 1991-92, the state reimbursed school districts for 100% of the “excess costs” of special education above the average cost per student for basic education.
- At that time, two-thirds of all students with disabilities were educated by Intermediate Units away from the regular classroom or school.



What is the current state system for funding special education?

- **Background - Switch to Census System**
 - After 1991-92, the state made a transition to a Census System.
 - There are two parts to the Census System:
 - An overall cap on annual state spending for special education; and
 - A division between districts of overall state funding based on relative student population. In recent years, the state has simply assumed that 16% of all students need special education services.



What is the current state system for funding special education?

□ System used in 2008-09

- Base Supplement - Each school district received a pro rata share of the capped state funding level based on its 2008-2009 market value/personal income aid ratio (MV/PI AR) multiplied by 16 percent of its 2007-2008 total average daily membership (ADM).
- Inflation Index Supplement - A district received additional funding, if necessary, so that the total increase, including the base supplement, equaled a minimum 4.4 % multiplied by its MV/PI AR over its 2007-2008 Special Education Funding allocation.
- Minimum Increase - A district received additional funding, if necessary, so that the total increase, including the base supplement and inflation index supplement, equaled a minimum 2.0 % increase over its 2007-2008 Special Education Funding allocation.



What is the Status of Special Education Funding in Pennsylvania?

In recent years, state funding for special education has fallen behind state funding for basic education, receiving much smaller annual increases.

STATE FUNDING FOR PUBLIC EDUCATION IN PENNSYLVANIA

Year	Special Education		Basic Education	
	Increase	Amount	Increase	Amount
2004-05	2.24%	\$869 million	3.56%	\$4.36 billion
2005-06	2.42%	\$890 million	2.98%	\$4.49 billion
2006-07	2.70%	\$914 million	6.46%	\$4.78 billion
2007-08	1.31%	\$926 million	3.56%	\$4.95 billion
2008-09	1.62%	\$941 million	5.66%	\$5.23 billion
2009-10	0.00%	\$941 million	9.00%	\$5.70 billion

Source: PA Dept. of Education, Financial Summaries. NOTE: The 2009-10 basic education increase is from federal stimulus and assumes an increased base amount of state funding as proposed for future years.



Districts Facing Expanding Special Education Demands

PENNSYLVANIA SPECIAL EDUCATION ENROLLMENT			
Year	Percent of Overall PA Student Enrollment that is in Special Education	Total Special Education Enrollment	Percent of Students Eligible for Special Education Who Are Served in Regular Classrooms at Least 80% of Day (<i>national rank from the top</i>)
2002-03	13.5%	245,000	43% (<i>42nd</i>)
2003-04	14.0%	255,000	44% (<i>47th</i>)
2004-05	14.4%	264,000	47% (<i>48th</i>)
2005-06	14.8%	270,000	50% (<i>46th</i>)
2006-07	14.9%	271,000	53% (<i>40th</i>)

Sources: PA Dept. of Education, Special Education Data Reports and U.S. Dept. of Education, IDEA Data Accountability Center. (See Appendix E for citation.)



Resources Make a Difference

Pennsylvania Academic Performance Results by District Wealth	2007-08 Combined Average Reading and Math Passing Rate on PSSA	2008-09 Property Market Value/Personal Income Aid Ratio <i>(greater poverty indicated by higher ratio)</i>
50 Poorest School Districts	24.95% (Students in Special Education)	0.77
50 Most Wealthy School Districts	50.35% (Students in Special Education)	0.21
Statewide average	70.70% (All Students)	0.55

Sources: PA Dept. of Education, PSSA Results and Aid Ratios (See Appendix E for specific citations).



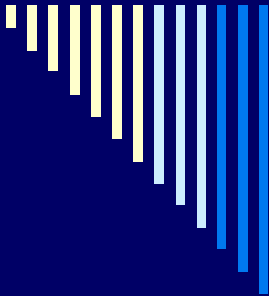
What is the Status of Special Education in Pennsylvania?

- PA's state share of funding for special education is low.
- Local school districts pay most of the cost.
- This puts pressure on local property taxes in many communities.

SPECIAL EDUCATION EXPENDITURES 2007-2008

Local	\$1.5 billion (54%)
State	\$926 million (32%)
Federal	\$400 million (14%)
Total	\$ 2.8 billion

Sources: PA Dept. of Education, Financial Summaries and U. S. Dept. of Education, Funding Allocation State Tables



*Costing-Out the Resources Needed to
Meet Pennsylvania's Education Goals
for Students with Disabilities*



Special Education
Solutions Based
on the 2007
Costing-Out Study by
the Commonwealth

Augenblick, Palaich
and Associates, Inc.
Denver, Colorado

February, 2009



2008 Special Education Costing Out Study

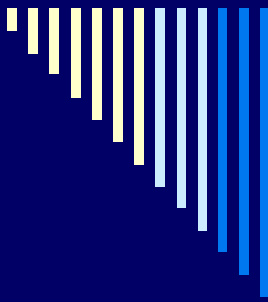
In October 2008, Augenblick, Palaich and Associates (APA), Inc. of Denver, Colorado gathered together experts from across Pennsylvania. Two panel meetings were held to help answer key questions:

- Why does special education cost more?
- How might resources for special education be used?
- What benefits can be expected by making the special investment called for in the Costing-out study?
- Can current accountability systems be strengthened?



Why Does Special Education Cost More?

- Meeting education needs of children with disabilities requires extra services and programs not needed by other students.
- Even students with “mild” special education needs incur added cost
- Significant evaluation costs
- Many aspects of special education required by state and federal law have cost impacts.
- Inclusion/Least Restrictive Environment
- Individualized Education Plans
- Required assistive devices and technology



How Might Added Resources Be Used?

1. Personnel
2. Professional development and training
3. Assistive technology devices and equipment
4. Specialized programs



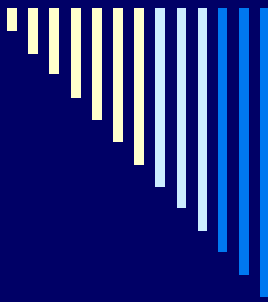
What Benefits Are Expected?

1. Benefits to school districts and the state
2. Benefits to teachers and staff
3. Benefits to all students
4. Benefits to students eligible for special education and their families



How Can Accountability Systems be Strengthened?

- Target sanctions and supports at districts with poor compliance records;
- Increase program monitoring;
- Provide more state technical assistance and sharing of best practices; and
- Conduct additional data analysis to better evaluate district special education program effectiveness.



Is there political will to fix the special education funding system?





STATUS OF FUNDING SHORTFALL

- Approximately 390 school districts have a potential shortfall in annual spending for special education.
- The average, annual, per pupil shortfall is \$1,947, based on a 2006-07 statewide total of 194,862 students in districts with a potential shortfall.
- Statewide, the total potential shortfall in annual spending for special education is \$380 million.



2007 Study Findings

- For students eligible for special education, the added cost weight was 1.3.
- Because the cost weight is above the base cost, the full cost for each student is *2.3 times* the base.
- Weight represents *average* across all disability groups. Some students will cost more, others less.
- Added cost will provide the *basic tools* so students can meet standards.



Looking Back at the Costing Out Study and Funding Reform Enacted

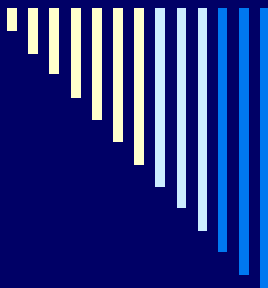
- The special education cost weight is an integral piece of the overall costing-out findings.
- Funding is needed to ensure school districts can achieve state academic standards for all students.
- Incorporating a special education weight into the state funding formula will allow the system to accurately account for actual resource needs of students and schools.



MOVING FORWARD

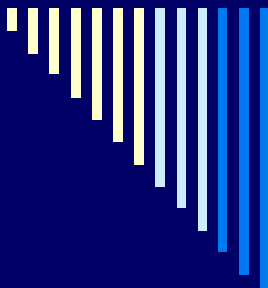
- Principles
- Endorsements
- <http://reformspedfunding.org/>

- Introduction of House and Senate Bills
- HB 704 and SB 940
- House Education Committee Hearing



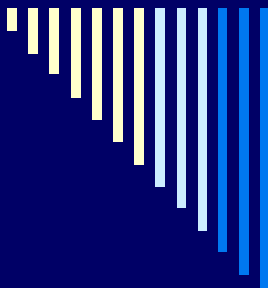
Why are these bills a good solution to the funding problems for special education?

- Bills are based on the costing-out study commissioned by the General Assembly.
- Bills use the variables and weights recommended in the study.
- Bills are consistent with the basic education funding reforms adopted by the General Assembly in 2008. Its formula can be adopted as a separate line item in the budget or could be merged with the main education formula.



Why are these bills are a good solution to the funding problems for special education?

- Bills count real students (5 year average), rather than assuming every district has the same percentage of students with disabilities.
- Bills provide an additional multiplier providing funding for districts that raise their average rate and quality of educating eligible students in regular classrooms.
- Bills base the special education funding shortfall as \$380 million, with \$220,000 million to be the state share. This would mean about \$31 million per year to fully implement the formula during a six year phase-in.
- Bills more fairly divide costs between the state and local districts.
- Bills direct more new funding to the under-funded districts with the highest local costs, the highest poverty, and the highest property taxes. 400 total districts are currently under-funded.
- Hold harmless provision included.



Why are these bills a good solution to the funding problems for special education?

- Bills fix the **Contingency Fund** by placing it in statute, providing legislative oversight, and requiring Department reports. The Fund is necessary, because no formula can anticipate the extraordinary expenses needed for the most costly students.
- Bills provide **improved accountability** for special education expenditures. The bill incorporates and strengthens the current accountability system, which already requires districts to implement three-year plans for special education.



... Paying for it all

Current Budget Proposal--Under Governor Rendell's budget proposal, there are no increases for special education for 2009-2010.

HB 704--Federal stimulus dollars for special education make it possible to phase in H.B. 704 over 6 years without incurring excessive obligations in the year following the stimulus.

SB 940—Senator Dinniman proposes to flat-line special education for two years and then begin implementation.

Negotiations, negotiations, negotiations!



American Recovery and Reinvestment Act of 2009 (ARRA)



Education Principle: Improve student achievement through school improvement and reform

- Making progress toward rigorous college and career-ready standards and high quality assessments that are valid and reliable for **all** students, including English language learners and **students with disabilities**;
- Establishing Pre-K to college and career data systems that track progress and foster continuous improvement;
- Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly **students who are most in need**; and
- Providing intensive support and effective interventions for the **lowest-performing** schools.

Federal Stimulus Funding for Education, (Amounts in thousands)

Source: PA Dept. of Education

State Fiscal Stabilization Fund Education	Total: \$1,558,798
State Fiscal Stabilization Fund Education Fund Elementary & Secondary	Subtotal: \$1,470,146
BEF 2009-2010	\$418,000
BEF 2010-2011	\$735,073
SFSF (Title I formula)	\$317,073
State Fiscal Stabilization Fund Education Fund Higher Education	Subtotal: \$88,652
Penn State	\$40,604
Pitt	\$20,488
Temple	\$21,060
Lincoln	\$1,740
Thaddeus Stevens	\$4,760

Education for the Disadvantaged Title I, Part A	Total: \$398,775
LEA Allocations	\$382,824
School Improvement Grants	\$15,327
Other	\$624
Education for the Disadvantaged Title I - School Improvement	Total: \$121,000
School Improvement Programs Education Technology - Title II D	Total: \$25,320
LEA Allocations	\$12,027
Competitive Grants	\$12,027
Other	\$1,266
Special Education IDEA Part B	Total: \$427,178
LEA Allocations	\$390,179
Early Intervention	\$30,597
Equitable Participation (nonpublic)	\$3,401
Other	\$3,000
Special Education IDEA B Part B Preschool	Total: \$14,495



Buzz Phrases

- Pennsylvania's Reauthorization of Federal Funds
- Supplement not Supplant
- Maintenance of Effort



Supplemental IDEA Funds

- Supplemental IDEA must be used consistently with the current IDEA, Part B statutory and regulatory requirements.
- A portion of the supplemental IDEA funds must be distributed to Intermediate Units for equitable participation activities.
- LEAs may reduce the level of expenditures for the education of children with disabilities made by the LEA from state and local funds by up to 50% of the amount of supplemental IDEA funds, as long as the LEA uses freed-up local funds for ESEA authorized activities.
- Supplement and supplant requirements remain applicable for the use of supplemental IDEA Funds.



Examples of Permitted Uses for Supplemental IDEA Funds

- State-of-the art assistive technology devices and training in their use
- Intensive district-wide professional development to improve outcomes for students with disabilities
- Capacity to collect and use data to improve teaching and learning
- Transition coordinators to work with employers in the community to develop job placements for youth with disabilities



Examples of Permitted Uses for Supplemental Title I Funds

- ❑ Identify and train highly effective teachers to be instructional coaches
- ❑ Intensive year long professional development to build teacher capacity
- ❑ Align Title I Pre-k programs with early learning K-3 standards
- ❑ High quality online courseware for high school math and science
- ❑ Use longitudinal data systems for continuous improvement at classroom level
- ❑ Building capacity for parental involvement programs



Online Resources

- PDE Stimulus Website:
 - <http://www.pde.state.pa.us/stimulus>
- PA Stimulus Website:
 - <http://www.recovery.pa.gov>
- USDE Stimulus Website:
 - <http://www.ed.gov/recovery>
- Federal Stimulus Website:
 - www.recovery.gov



Why is this the right time for fixing the state's special education funding system?

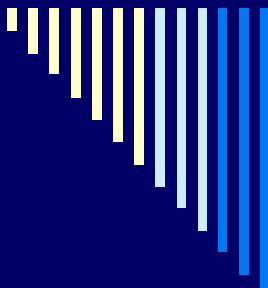
- If we do not fix the system, the upward pressures on local property taxes will continue.
- The basic education funding and accountability reforms adopted in 2008 are incomplete without similar reforms for special education.
- Federal stimulus dollars for special education make it possible to implement changes to the state formula without incurring excessive obligations in the year following the stimulus.



Conclusion



- ❑ Pennsylvania's special education funding formula is broken.
- ❑ Students with disabilities were left out of the education funding reforms adopted by the General Assembly in 2008.
- ❑ Special education has been an under-funded area for years.
- ❑ The state should act this year to address these problems.
- ❑ Bills in both the House and Senate provides an excellent opportunity to adopt a new formula and strengthen the accountability system.
- ❑ The federal stimulus resources make this possible even during these difficult times.



www.elc-pa.org

