MINNESOTA FAMILY IMPACT SEMINARS

Minnesota Family Impact Seminar Briefing Report:

POLICY ISSUES IN SPECIAL EDUCATION FINANCE

Families are the Cornerstone

Families are the economic, moral, and social cornerstones of society. Families bear and rear the next generation, economically support their members, teach moral values, and care for the elderly, sick and disabled in ways that no other institution can do or do as well. Yet families can be damaged by the pressure of stressful conditions—when they can't earn a living, afford health care, find quality child care, or send their kids to good schools. To ensure that children have a solid foundation, policies that support families as a whole have proven nine times more effective than working only with the children. When the family cornerstone is strong today, children develop the solid foundation they need for tomorrow—to become competent contributors to a sound economy and caring, committed citizens in a strong democracy.

Karen Bogenschneider

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MINNESOTA FAMILY IMPACT SEMINARS: POLICY ISSUES IN SPECIAL EDUCATION FINANCE

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CYFC'S FAMILY IMPACT POLICY INITIATIVE (FIPI)

- Promoting a family perspective in policy development
- Analyzing the impact public policies have on families
- Convening dialogue among policymakers through Family Impact Seminars
- Connecting family-relevant research and state policy-making

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MINNESOTA FAMILY IMPACT SEMINAR BRIEFING REPORT: POLICY ISSUES IN SPECIAL EDUCATION FINANCE

Prepared by: The University of Minnesota's Children, Youth, and Family Consortium (CYFC), February 2009

Overview

This is the second in a series of annual Family Impact Seminars in Minnesota. Following a national model used in 25 other states, Family Impact Seminars connect research and state policymaking by providing state-of-the-art information in an objective, non-partisan manner. Each topical seminar includes forums, briefing reports, and follow-up activities explicitly for legislators, key agencies and staff. *Rather than lobbying for particular policies, the seminars offer a range of policy options and provide opportunities for participants to identify common ground.*

The Family Impact Seminars (FIS) are a project of the University of Minnesota's Children, Youth, and Family Consortium (CYFC) and seek to promote a family perspective in policy development, convene dialogue among policymakers, analyze the impact public policies have on families, and connect family-relevant research and state policymaking.

The inaugural seminar, *Options for a Responsive and Accountable Early Childhood Education System in Minnesota,* took place in April 2008 and was co-sponsored by the Bipartisan Early Childhood Caucus and featured national expert Louise Stoney, co-founder of the Alliance for Early Childhood Finance, who presented *Smarter Reform: Beyond Single Program Solutions to an Early Care and Education System*. The seminar drew forty-eight attendees, twenty-six of whom were legislators (other attendees were largely legislative staff, state and county agency representatives, and University advisors to CYFC). According to the Policy Institute for National Family Impact Seminars (PINFIS), the significant legislative presence helped CYFC obtain one of the highest turnouts for a first-time Family Impact Seminar.

Because CYFC's work is responsive to the needs and research interests of policymakers, legislators present at the 2008 seminar were asked for their input on topics for the next seminar. Special education was the most requested topic. In following conversations with attendees and other legislators from both sides of the aisle, the topic was narrowed down further to create and shape the 2009 seminar *Policy Issues in Special Education Finance*.

For more information about the 2009 seminar (including the accompanying briefing report, speaker slides and other resources), or the Policy Institute for National Family Impact Seminars, please visit: www.cyfc.umn.edu/policy.

Executive Summary

This report provides a written background for the FIS speakers' presentations. It includes two new ways of examining public policy through 1) the lens of the ecological model and, 2) by using the Family Impact Checklist. It also contains populations of Minnesota children enrolled in special education and information on allocation of special education funding, based on the work of Dr. Thomas Parrish, who has helped many states evaluate finance systems for special education. The report concludes with potential policy solutions and a glossary. The full report along with a more comprehensive list of resources, and a complete bibliography, is available at www.cyfc.umn.edu/policy/fisreport09.pdf.

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Handouts intended to supplement this briefing report are available and include the presenters' slides, a list of additional resources, and a copy of the Family Impact Checklist.

SECTION ONE: SPECIAL EDUCATION POLICIES THROUGH AN ECOLOGICAL AND FAMILY IMPACT LENS

By Karen Cadigan and Madge Alberts

A family impact perspective in policymaking analyzes the consequences of any policy or program, even if it is not explicitly aimed at families, for its impact on family well-being. This includes the ways in which families are affected by the issue, ways in which families contribute to the issues, and how families need to be involved in solutions. In the same way that policy makers evaluate the economic or environmental impact of policies, there are methods for examining the family impact.

A family impact perspective is different from family policy (policy that directly impacts family makeup and is designed to have specific effects on family). A family perspective examines implicit or unintended consequences policies have on families. Policies developed at all levels have an impact on families. Policies such as "No Child Left Behind" (NCLB) or "Welfare to Work" have an obvious relationship to families. Worksite policies have a clear relationship to the employee's ability to relate to his/her family. Others, such as transportation or feedlot zoning issues may not seem to have an obvious impact on families, but if one looks beneath the surface to the intended and unintended consequences for families of all kinds, an unmistakable relationship is present.

Most policymakers are familiar with the more typical family advocate approach. Advocates campaign for an under-represented group or a particular policy alternative that they believe may potentially enhance family well-being. In doing this, advocates examine options in light of their own value system, using a personal interpretation of the scientific evidence, with the aim of promoting a single policy option that they deem most desirable for families. In contrast and complement to this advocacy approach of influencing policies, policy educators do not lobby for a single policy, but attempt to inform policy discourse by clarifying potential consequences of several policy alternatives. They make an effort to educate by presenting research findings objectively without relaying personal preferences. The University of Minnesota's Children, Youth and Family Consortium is a natural fit for portraying this perspective because of its role and responsibility within a nonpartisan institution whose goal is to advance the welfare of the state.

Family Impact is an Example of an Ecological Perspective in Policymaking

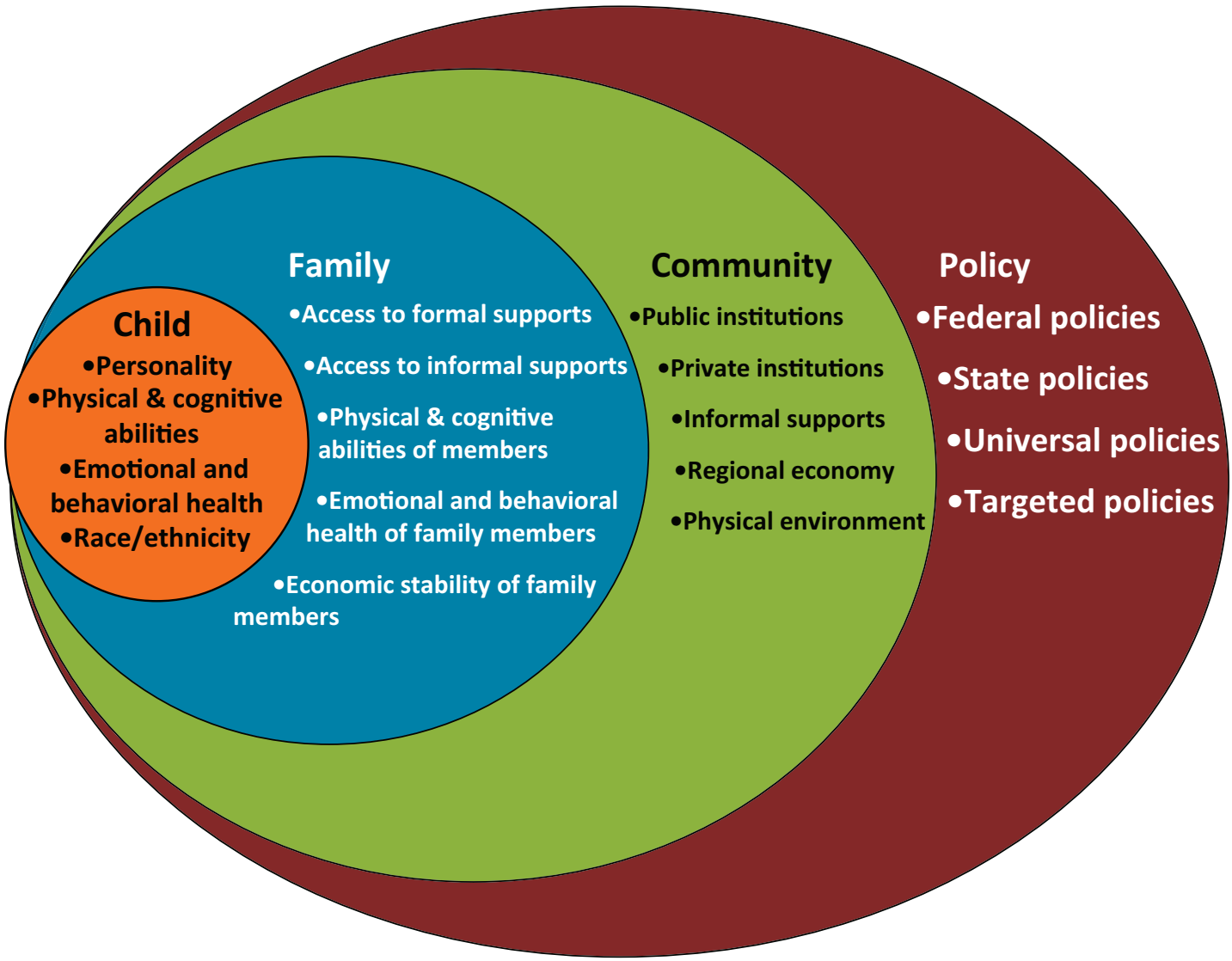
The family impact perspective recognizes that things that happen to individual family members, as well as things that occur outside the family have a profound effect on the quality and nature of the relationships and actions within the family. This idea is grounded in the ecological model of human development.

The original ecological model developed by Urie Bronfenbrenner in the late 1970s is well-known to most family scholars and practitioners. The model has had many permutations and interpretations over the years, but at base level, it recognizes that each individual, as well as the family as a unit, is significantly affected by interactions among a

number of overlapping contexts, systems or environments. This includes systems in which the family and/or its members are directly involved, such as neighborhoods, child care settings or schools, as well as systems that are more distant from direct interaction or influence, such as society, culture, and policy.

A model is illustrated here, using the language of individual, family/informal supports, community, and policy. A detailed example of the "Circles of Influence" model is available from the University's Children, Youth and Family Consortium (www.cyfc.umn.edu/eddisp). No matter how one describes it, some fundamental principles apply:

- The influence of all contexts/systems/environments on the individual and the family must be recognized in order to completely understand and assist in family functioning.
- Individuals and families also have an influence on the systems beyond themselves.
- As children grow and develop, they interact directly with more and more systems.
- The larger, macro systems such as society and policy, may not interact directly with families, but they still have a significant influence on families. Some of these influences are unintentional.
- The most effective approach leading to healthy behaviors is a combination of efforts at all levels.



CIRCLES OF INFLUENCE IN CHILD DEVELOPMENT
Adapted for Family Impact Seminars by the University of Minnesota Children, Youth and Family Consortium.
Based on Bronfenbrenner's Ecology of Human Development.

Assessing the Impact of Policies on Families: The Family Impact Checklist

The first step in developing family-friendly policies is to ask the right questions:

- What can government and community institutions do to enhance the family's capacity to help itself and others?
- What effect does (or will) this policy or program have for families? Will it help or hurt, strengthen or weaken family functioning?

The National Consortium of Family Organizations developed a framework to assess the intended and unintended consequences of policies and programs on family stability, family relationships, and family responsibilities. Each of the six principles serves as a criterion to assess the ways in which policies and programs are sensitive to and supportive of families. The principles are not rank ordered and sometimes they conflict with one-another, requiring trade offs. Cost effectiveness also must be considered. Some questions are value-neutral and others incorporate specific values. People may not always agree on these values, so sometimes questions will require rephrasing. This tool, however, reflects a broad nonpartisan consensus, and it can be useful to people across the political spectrum.

Where Can I Learn More About the Family Impact Checklist?

A copy of the framework, titled "Family Impact Checklist", can be found as an insert with this briefing report, as well as at www.cyfc.umn.edu/policy/fis.html.

Although specific details about how to use the checklist is beyond the scope of this report, CYFC can provide training with more information on its use.

Policies are most beneficial to families when they:

- Foster and support rather than hinder or replace the major functions of families - family creation, economic support, childrearing, and caring for their members
- Encourage and reinforce family membership and stability
- Recognize the interdependence and strength of family relationships, even when those relationships may be conflicted
- Encourage families to be involved in addressing issues that affect them
- Recognize that there are many forms and configurations of families, and the effects of policies on diverse families may be very different
- Recognize and act on the need to support families who are vulnerable economically and/or socially

The intent of the framework is to provide individuals or groups with a tool to help think in more depth about a policy or program in relation to the family. It provides the user an opportunity to formally or informally assess the possible benefits, as well as the possible negative impact, of a policy or program on families.[1] Sometimes, it might be used to compare and contrast two or more different policy or program options. In other cases, it may be used solely to identify the reasons for and reasons against one specific policy or program. The framework can also be used to help in the initial stages of policy or program development as a way to encourage critical thinking about the potential policy or program and the possible impact it may have on families. The framework is not designed to be an evaluation tool in the sense of determining if the goals of a policy or program have been met.

The checklist can be very helpful in pinpointing specific changes that need to be made in policies or programs. The family impact assessment or analysis process can range from a simple paper and pencil exercise—lasting a couple of hours—to an in-depth study that reviews existing data and gathers new information—which may take several months or even years.[17]

Special education financing is an example of an issue that is directed more at the educational *system* than specific children or families. But policies that are made regarding the funding of special education are most felt at the local level, and have a direct effect on families who have children in public schools. Their opportunities, actions and decisions regarding special education for their children are impacted by funding decisions at the federal, state and local level.

SECTION TWO: MINNESOTA'S SPECIAL EDUCATION POPULATION

By Thomas B. Parrish & Madge Alberts

The Beginnings of Special Education

Special education is part of the public education system in the United States. Prior to 1965, children with special needs were served only sporadically nationwide, and mostly by community organizations outside the school system. In the mid-1960s, parents of children with disabilities "began to organize and demand educational services for their children" and Congressional hearings found that "only about one-third of children with disabilities nationwide were receiving appropriate special education services." [8]

Two federal acts established the special education system as it is today.[8] In 1965, *the Elementary and Secondary Education Act* was established to provide grants for state operated schools, and later public schools, to serve students with disabilities.

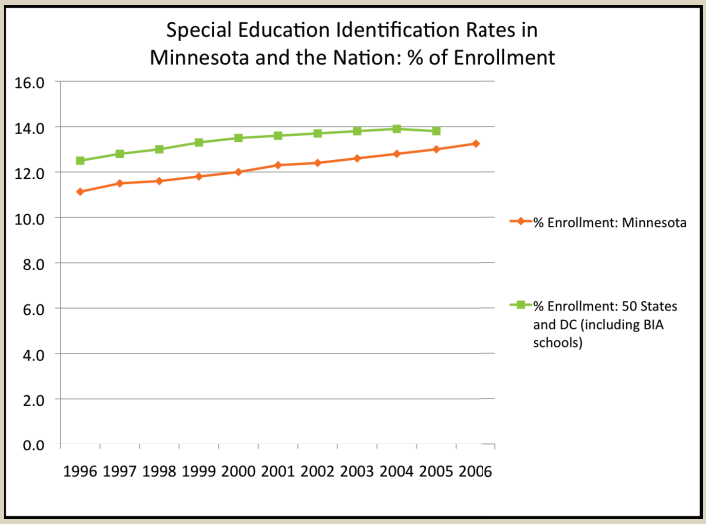
In 1975, Congress passed *the Education for All Handicapped Children Act,* later renamed *the Individuals with Disabilities Education Act (IDEA)*. IDEA guaranteed that ALL students eligible for special education were entitled to free and appropriate public education (FAPE), and created processes for ensuring that FAPE occurred. IDEA also established the requirement that each student enrolled in special education would have an individualized education plan (IEP) based on his or her specific needs, and that special education students would be educated in the least restrictive environment (LRE); specifically they would be educated with non-disabled children as much as their needs allowed. Since the 1997 reauthorization, IDEA also requires that states provide services to all eligible infants and toddlers and their families.[16]

IDEA was re-authorized by Congress in 1991, 1997 and 2004. In the 2004 authorization, two significant changes were made: a change in the way in which students with specific learning disabilities (SLD) are identified[8] and a provision allowing (but not requiring) "up to 15% of federal funds to be used for early intervention services for students not identified for special education". [8] States' ability to allocate the money this way has been limited due to the high excess special education costs.

It must be noted that Minnesota has a much longer-standing commitment to public education for all children. The Minnesota Legislature enacted its special education program in the 1950s, more than 20 years before Congress mandated a free, appropriate public education for every child.[25]

Minnesota's Current and Future Special Education Populations

The percentage of students enrolled in special education has trended upward since the program was established (see graph below). Nationwide, special education students were 8.3% of the total student population in 1976-77, the first year data were collected. The percentage has risen every year, to 13.9% in 2004-05. [8]



Source: Thomas Parrish and the Minnesota Department of Education (MDE)

In Minnesota, 123,269 children 0-21 were enrolled in special education in 2007, roughly 14.9% of the total student population. As with the national trends, the number of special education students in Minnesota has increased: in December 1982, there were 77,455, (9.6% of the total student population) and in December 2003 the number had increased to 117,711 (12.6%).[8]

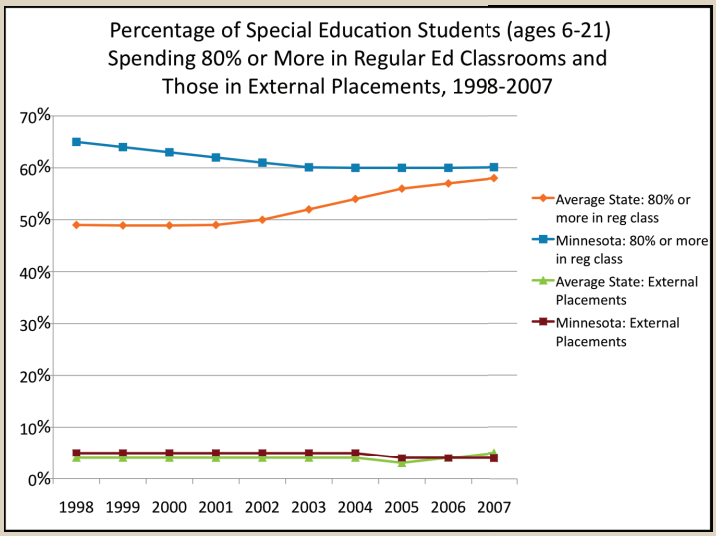
Factors contributing to the increasing numbers include: increased identification of needs at earlier ages (based partly on IDEA requirements that children 0-5 also be served), greater identification overall, and increases in some specific disability categories.[8, 24] In addition, "greater accountability under state and federal standards-based education reforms, such as No Child Left Behind, may encourage low achieving students into special education."[20] Demographic

Minnesota Children Enrolled in Special Education 2007				
Race	Number of Special Ed Students *(COL. 1)*	Total K-12 Students *(COL. 2)*	% Special Ed *(COL. 3)*	Largest Three Disability Categories KEY: ASD - Autism Spectrum Disorder; D/D - Developmental Delay; EBD - Emotional-Behavioral Disturbance; OHI - Other Health Impairment; SLD - Specific Learning Disability; SLI - Speech or Language Impairment
American Indian	4,265	17,759	24.02%	SLD – 1,063; EBD – 1,045; SLI - 598
Asian	4,653	50,427	9.23%	SLD – 1,477; SLI – 1,071; ASD - 462
Black	15,318	78,359	19.55%	SLD – 4,463; EBD – 3,693; SLI – 1,582
Hispanic	7,949	50,721	15.67%	SLD – 2,894; SLI – 1,287; D/D – 1,179
Caucasian	91,084	640,312	14.22%	SLD – 21,453; SLI – 17,409; OHI – 11,616
TOTAL	123,269	837,578	14.72%	

Source: Col. 1 – Minnesota Department of Education Child Count Reports
Source: Col. 2 – Minnesota Department of Education Student Fall Enrollment, 2007-08
Col. 3 – Percentages calculated based on Col. 1 and Col. 2

factors such as children at risk due to poverty and low-birth weight, and medical factors such as the increased life span of children with severe disabilities may also contribute to the increase.[21]

There are thirteen federal disability categories.[8] They are: autism, deaf-blindness, deafness, emotional disturbance, a hearing impairment, mental retardation, multiple disabilities, orthopedic impairment, other health impairment, specific learning disability, speech or language impairment, traumatic brain injury, visual impairment including blindness. Although descriptions of these categories are beyond the scope of this report, they are specifically defined in the IDEA statute. Minnesota uses an additional category, developmental delay, that is allowed by IDEA.



Source: Thomas Parrish and the Minnesota Department of Education (MDE)

What is important to note is that some students require a much costlier set of services than others, for example sometimes requiring very intensive services or extensive supplemental services.

Special education students are served in a variety of settings within and outside of schools. Over the last ten years, more than 60% of Minnesota's special education students spent 80% or more of their time in regular classrooms. This is above the national average, although as the graph to the left shows, the percentage in Minnesota has been decreasing while the percentage nationally has been increasing. In addition, a small number of students are served in external placements – outside the school. The rest spend more than 20% of their school day receiving special education services within a regular public school.

Students who qualify for special education have several important attributes: 1) as noted earlier, they represent a growing proportion of the population; 2) they have a legal right under federal law to a free and appropriate public education under federal law, so school districts are legally bound to provide services based on an IEP, without cost being a barrier; 3) they have very diverse educational needs, with "specific learning disability" (SLD) being the largest category at over 45% nationally in 2005-06.[8] Specific learning disability is the largest category in Minnesota as well.[12]

SECTION THREE:
THE MULTIPLE LAYERS OF SPECIAL EDUCATION FINANCING

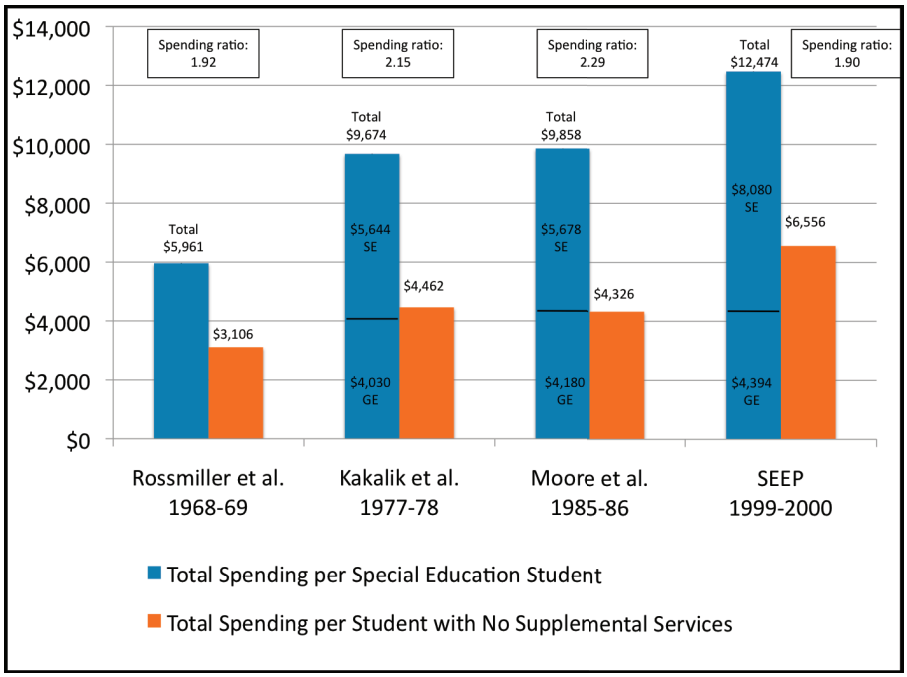
By Thomas B. Parrish & Madge Alberts

Funding for Special Education

The financing of special education is a complex combination of federal, state and local monies using a variety of formulas and adjustments.

Although it is extremely difficult to obtain accurate data to compile national averages for spending on special education due to the wide range of accounting procedures and reporting by individual states, there have been several attempts to collect data nationwide. Based on the most recent national information available (from 1999-2000), spending for special education students averaged $12,474, as compared to $6,556 for students not receiving any supplemental services.[8] This figure is more than double the average special education expenditure (in constant dollars) since the late 1960s when it was first calculated.[20]

Total Spending per Special Education Student Over Time (in Comparison to the Average Student Receiving No Supplemental Services)



Source: Thomas Parrish

In Minnesota, the cost of special education and special transportation per special education student averaged $12,371 in 2006-07. This excludes the cost of general education services provided to special education students, many of whom are served in the regular classroom for most of the school day. The actual per student cost of special education and special transportation varies widely, depending on the unique needs of the child as spelled out in the IEP. State and federal categorical special education aid provided an average of $6,873 per special education student in 2006-07. School districts funded the remaining cost, at an average of $5,498 per special education student, from state and local general education revenues.*

The average general fund cost per student for 2006-07, including special education, was $9,364. Excluding special education and special transportation, the average general fund cost per student for all students was $7,545 for 2006-07.*

While the costs of educating special education students have increased substantially over time, the cost per general education student has increased at a comparable rate so that the ratio of total spending per special education and general education student has remained fairly constant over time at about two to one (see graph above).[8] Thus, increases in total special education spending appear to be due more to the increase in special education as a percentage of total enrollment than other factors.

When responding to a national survey about the most crucial issues regarding funding for special education, the majority of states identified four major themes: overall inadequate funding, inadequate funding for students with particularly high cost needs, the failure of the federal government to reach the 40% spending target (more detail on this in the following section), and the difficulty local school districts face in providing services to the increasing number of high needs students.[20]

Information provided by the Minnesota Department of Education

Special Education Formula Types

- Census-based: Funding is based on a specific amount of funding per student, counting all students in a district (or total enrollment). The primary advantage cited for this approach is that its detachment from any count of special education students, needs, or services reduces fiscal incentives that may be associated with increased identification or certain types of placement.[8] The disadvantage is that it does not account for the higher costs associated with certain disabilities.

- Percentage Reimbursement: Funding is based on actual district special education spending with eligible expenses determined by the state. The district is then reimbursed for a set percentage of this amount. There may be caps on the total amount reimbursed to a district, or the number of students who can be claimed. The advantage of percentage reimbursement is that it accounts for the varied costs of different categories of disabilities. A possible disadvantage is that the required cost accounting may be considered somewhat burdensome by districts.

- Pupil Weights: Funding is allocated per student, and is based on "some characteristics of the special education student, such as category of disability, location of primary placement, or a combination." [8] The benefit of this formula is that it recognizes the difference in cost to districts depending on factors such as the disability of the child or the setting where most of their education services are provided.[8] Possible disadvantages are that the higher reimbursement rates for some disabilities may create incentives to over-identify those disabilities or to place students in higher cost (which may also be more restrictive) settings.

- Resource-based: Funding is based on the resources used to serve students with disabilities, such as teacher or aide salaries and supplies. This method takes into consideration the varying costs that depend on type of disability or placement.

Two lesser used formulas, flat grant and variable block grant, are not included here but can be found in the glossary.

Allocation of Special Education Funding

Six different funding formulas are used to calculate special education money distribution. The four primary formulas are shown in a box to the left. States use one or a combination of these formulas in allocating funding.

*Federal Funding**

Prior to 1997, federal funding was based on the actual special education child count of a state. In 1997, it was changed to a census-type system (see funding formula types). Under this type of system, the funding to states and districts generally is the same: the federal government distributes 85% of the IDEA grants to the states according to the total age-relevant population, with and without disabilities. The remaining 15% are allocated according to the relative degree of poverty in the state.[8] The funding to states and districts is the same regardless of the count of students in special education or the nature of the services received.[8] Since this change had a significant effect on the funding received by some states, a transition period was established to lessen any negative impact.

A recurring issue related to federal funding is that when the IDEA was first passed, it authorized the federal government to appropriate funding for each special education student up to a level of 40% of the average per pupil expenditure (APPE). Note that this is *not* per special education student, but rather 40% of the average cost across all students, including those in special education. While it has increased somewhat in recent years, it is still estimated to be less than about 20%.[8] "Full funding" of special education is a recurrent policy discussion at the federal level.

Prior to the 2004 IDEA reauthorization, districts could not use federal funds to take the place of state and local funds. IDEA 2004 allows some of the *increase* in federal funding to be used to offset local special education spending.[8]

The federal special education funding for Minnesota is based on the Child Count Report prepared by the Minnesota Department of Education. Funding for the current year is based on the previous year's report. For instance, funding for 2008 is based on the 2007 report.[12]

The federal funding is paid directly to the state. A portion of it is used for administration and state level activities including monitoring, enforcement, complaint investigation, mediation, technology development and technical assistance to support the special education community. The balance is distributed monthly to local districts based on the formula (see Minnesota section, next page), and the eligible expenditures they report to MDE. Allocations for poverty and enrollment also come from federal dollars.

The last paragraph of this section summarized from information provided by the Minnesota Department of Education (MDE).

Minnesota Funding *

Minnesota special education funding to local districts has several parts.

1) Districts receive the same "per student" allotment for special education students that they receive for all students in the district.

2) Next, Minnesota uses the percentage of expenditure formula to calculate special education aid for districts based on their actual allowable special education costs submitted to MDE. The following are some of the eligible expenses and the percentage of those expenditures that comprise initial aid for districts:

- ***Salaries:*** 68% of special education based salaries of teachers, instructional aides, and other staff providing direct services to students (only salary; not benefits).
- ***Supplies:*** 47% of supplies and materials used for special education, up to $47 per student.
- ***Equipment:*** 47% of equipment, with no cap.
- ***Contracted services:***
  - 52% of the amount spent for "supplementary special education provided through a contract with an agency other than the school district;"[26]
  - 52% of the "difference between the contract amount for special instruction and services and the general education revenue allowance for pupils who receive special education through a contract with an agency other than a school district."[26]
  - 52% of contracted services with other school districts for vocational evaluation.
- ***Transportation costs:*** A portion of transportation costs including buses and travel for teachers to transition sites.
- ***Transition programs*** for children with disabilities.

The sum of the items above makes up a district's initial special education aid. However, the total amount of special education aid provided by the state is capped as the result of state statute ($694 million for fiscal year 2008). If the total initial aid to districts is less than the cap, each district receives an inflationary increase. If the total initial aid to districts is more than the cap (which is currently the case), districts receive a deflationary decrease. The statewide adjustment factor is projected to be .86 for FY 2008 and .85 for FY 2009.

3) There is also an excess cost provision intended to give additional funding to districts that have high levels of unreimbursed special education expenses. For fiscal year 2008, the excess cost aid is 75% of the district's unreimbursed costs minus 4.36% of the district's general education revenue.[11] There is a state cap on the amount available for excess cost aid. The statewide adjustment factor for excess cost aid is projected to be .74 for FY 08 and .65 for FY 09.

Local funding

Since the 1999-2000 school year, special education revenue has been provided to districts through state and federal reimbursements, and thus districts have not had a local levy component for special education. Expenditures for special education programs provided by local school districts, charter schools, intermediate school districts and special education cooperatives, are funded with a combination of state and federal aid,

Examples of Possible Fiscal Disincentives From Selected States

GA: Complexity and rigidity of special education funding provisions may limit more inclusive student placements

NY: Higher funding weights for certain types of instructional settings were thought to drive more restrictive placements

DC: Funding based on hours of direct service from a special education professional may drive service provision in separate special education classes

CA: Fiscal incentives were found to be driving the placement of children in foster care into private special education schools

MO: Full special education transportation reimbursement by the state sometimes made separate special education schools appear more "cost effective" than neighborhood placements

Source: Parrish, Thomas. "Considering Special Education Funding in Nevada: State and National Trends." State Advisory Committee Meeting. Nevada. 11 Dec. 2008.

** Most of this section is summarized from information provided by the Minnesota Department of Education (MDE).*

third party billing revenues and state and local general education revenues.[25, 26]

Local school districts are reimbursed for special education costs as described in the Minnesota section, but a portion of the expenses must be borne by the district. It is increasingly the case that districts must dip into their general education budgets to cover special education costs – referred to as cross-subsidy or encroachment. In Minnesota, cross-subsidy is the difference in actual special education expenses and special education revenue. This difference is due to a variety of factors – increasing numbers of special education students, increasing special education costs overall, districts providing more services than are actually required, and state and federal funding that does not keep up with the actual costs. Some districts that have a very high percentage of special education students, or high number of students with disability categories that are more costly to serve, may have much higher unfunded costs per student.

SECTION FOUR: COST DEFERMENT, EQUITY AND SAVINGS ISSUES

By Karen Cadigan

This section touches on special education cost deferment, equity, and savings issues that are not directly related to the structure of the formula.

Cost Deferment: Third Party Billing

IDEA and Minnesota statutes require school districts to seek payments from a student's health plan when assessments and other services are covered by that plan. To accomplish this mandate, districts must integrate complex health plan requirements with the intricate details of IDEA. Since July, 2000 Minnesota districts have been mandated to access liable third parties. Primarily, these recouped dollars come from federal Medicaid revenue when districts submit claims to Minnesota Health Care Programs (MHCP). According to the Minnesota Department of Education, the total amount Minnesota school districts received from third party billing has increased from $541,966 in the 2000-2001 school year to $22,147,406 in the 2007-2008 school year. These amounts are a small percentage of actual expenditures. The net cost recouped can be reduced significantly by the cost of documenting and processing correct paperwork for the many varied health plans. Some districts use outside contractors for the paperwork and this can help reduce the cost of doing third party reimbursement. While these school-based services do not count toward Medicaid or Medicare service limits, they may impact service limits and fees for some private insurance providers. It should also be noted that when the costs are reimbursed by public health plans, it is not a pure cost savings to the public system, rather a deferment from education to health.

Cost Equity: Open Enrolled and Charter School Students

Minnesota's public school system increasingly offers parent and student choice (e.g., charter schools, open enrollment, post-secondary enrollment options). While there are certainly benefits to this model, a consequence for special education funding is that resident districts have little control over what services and what spending occurs in out-of-district and charter school placements, even though resident districts still pay the bill. Those settings are permitted to bill back the resident district whatever costs are not covered by the state. This is different from students enrolled in parochial schools, where the resident district is still the lead in deciding services (and costs) for special education students.

Minnesota Snapshot: Forest Lake

Forest Lake Area Schools has approximately 1000 students who either attend a charter school or are open enrolled into 25 different school districts. Approximately 150 of those students have Individual Education Programs (IEPs).

Although Forest Lake is financially accountable for their programs we have little voice in how those services are delivered. Tuition bills are calculated by MDE based on data that are submitted through MARSS and student IEPs and resident districts are required to pay the "excess cost" or the unreimbursed cost. What that cost is, is unpredictable.

Deb Wall, Director of Special Education, Forest Lake Area Schools, President, Minnesota Administrators for Special Education

Cost Savings: Long and Short Term

Response to Intervention (RTI)

Response to Intervention is a relatively recent adaptation of longstanding special education and related services practices. Rather than waiting for individual children to demonstrate high levels of failure, and then qualify and start receiving special education services, Response to Intervention is a more dynamic set of practices for monitoring children's achievement, identifying those children who may need some greater level of assistance soon after their achievement problems begin, and allocating more intensive services as needed – increasing services to help struggling learners, and reducing services back to general education levels as those learners' achievement returns to expectations.[10]

Major components of RTI include:

a) a very high quality "Tier 1" classroom, where effective educational practices are implemented to advance achievement for as many students as possible;

b) a frequent, universal, and relatively low-cost assessment system that marks individual children's progress and identifies those in need of more intensive services;

c) "Tier 2" services where students with moderate achievement delays can receive extra help to return to Tier 1 levels of achievement; and,

d) "Tier 3" services, where students with more pronounced achievement delays can receive more intensive special education services again intended to return them to Tier 1 services.

Research conducted to date, primarily with elementary and secondary students and evaluating academic and social behavioral interventions, show that RTI increases achievement and adaptation, reduces special education referrals and placements, and improves school performance against Adequate Yearly Progress (AYP) expectations.[5]

Alternative Delivery of Specialized Instructional Services (ADSIS)

The purpose of ADSIS is to provide instruction and services to K-12 pupils that need additional academic and behavioral supports to succeed in the general education environment and who may eventually qualify for special education if the prevention services were not available. An approved program may provide instruction and services in a regular education classroom or an area learning center to eligible pupils. Pupils may be provided services during extended school days and throughout the entire year. The state application for ADSIS requires the district to propose cost implications from the additional funding and to outline how parents will be involved. For the 2008-2009 school year, 57 charter schools, school districts and other educational service cooperatives are receiving ADSIS, totaling $8.8 million.

Early Identification and Intervention

Research is clear that in many cases, early identification and appropriate intervention for delays can ameliorate small learning problems before they become larger ones.[22] As children become older, changing course is still doable but can be more difficult and more costly. Even for children with lifelong disabilities such as Autism Spectrum Disorders (ASD), appropriate early intervention can keep children closer to the path of typical development.[14] For example, 75-95% of children with ASD who receive early, intensive behavioral interventions develop useful speech by age five[23] and efforts at identifying the markers of ASD early and preventing the full syndrome from developing seem more plausible every year.[4]

Minnesota Snapshot: St. Croix River

The St. Croix River districts have been collecting general outcome measurement data in basic skill areas since 1996. The percentage of students reaching benchmark target scores has increased significantly over the past decade from 35 percent to 70 percent. In the Chisago Lakes School District 2144 in Lindstrom, Minn., the percentage of 2nd grade students reaching benchmark target scores has increased from 38 percent to 82 percent over the past decade.

Over the same period, our district has been tracking the performance of students performing at the 10th percentile. The results indicate that at every grade level, student growth rates in reading have at least doubled and in some instances tripled. For example, the median score of 1st graders at the 10th percentile was 15 words read correctly in one minute in 1996 but had risen to 39 words in 2007.

In addition, the percentage of students reaching the grade-level standard on the statewide assessment increased from 51 percent at the model's inception to 80 percent in 2005. This is a slightly faster increase than that of the state overall. Finally, the percentage of students identified as learning disabled has dropped dramatically over the past decade, by 50 percent.

We believe these data trends provide strong evidence of the preventive nature of the RTI framework. Moreover, with the implementation of a multitiered service delivery model, teachers realize they are able to get effective interventions in place for students without having to request an evaluation for special education services.

Kim Gibbons, Executive Director, St. Croix River Education District

Per the federal Office of Special Education, Minnesota has included early identification numbers as part of the annual Part C Monitoring report. Minnesota identifies and serves infants at rates below national and similar state averages. The expected rate of early identification is the average range for other states that use similar eligibility criteria for developmental delay. (States are permitted to make these early criteria even broader and include children who are at-risk for delay, but due to funding challenges fewer states are doing that).

The most recent data on this population is for fiscal year 2007 when Minnesota's rate of identification for children up to age one was .62% of the population (450 infants). The national range is .28% - 5.00%, with an average of 1.05% of a state's infant population. States with eligibility criteria similar to Minnesota's serve a range of between .62% and 2.29% of infants, with an average of .97%.

Percentage of Minnesota children under age one who were served by Part C				
FFY 2004 Baseline	FFY 2005	FFY 2006	FFY 2007 Target	FFY 2007 Actual
.41%	.46%	.63%	.60%	.62%

Source: Minnesota Department of Education, "Minnesota Part C Annual Performance Report, FY 2007," Feb. 2009

Likewise, Minnesota has been working to improve the numbers of children from birth to age three who are served by Part C. The most recent data is for fiscal year 2007 when Minnesota's rate of identification for children up to age three was 1.83% of the population (3,924 infants and toddlers). The national range is 1.19% - 6.94%, with an average of 2.43% of a state's infant population. States with eligibility criteria similar to Minnesota's serve a range of between 1.46% and 4.61% of infants, with an average of 2.99%.

Percentage of Minnesota children three years and under who were served by Part C				
FFY 2004 Baseline	FFY 2005	FFY 2006	FFY 2007 Target	FFY 2007 Actual
1.50%	1.56%	1.70%	1.90%	1.83%

Source: Minnesota Department of Education, "Minnesota Part C Annual Performance Report, FY 2007," Feb. 2009

While Minnesota appears to be making progress on this monitoring goal for infants, for FY 2007 the state fell short of the monitoring goals of 1.90% of infants and toddlers. Even with meeting the set goals, our state would remain in the below average range for numbers of children who receive early intervention services. Though one might conclude that Minnesota has an actual population of infants and toddlers with delays that is below average, it is not clear that this is the case. Given that the early childhood risk factors for Minnesota's infants and toddlers (e.g., poverty rates, prenatal care, low birth weight) are not significantly different from other states,[15] our state's population of children three and under with delays is likely to be similar to other states.

SECTION FIVE: POSSIBLE POLICY SOLUTIONS

Financing special education while meeting the multifaceted needs of students is a complicated issue faced by Minnesota and many other states. Despite the complexities there are a host of possibilities that can help meet the needs of the children in our state. These possibilities include:

- *More emphasis on and funding for prevention/early intervention outside of the special education system.* This includes enlisting and integrating the expertise of local communities, the medical field and public health structures.
- *Consider remedial options other than special education as the program of choice for students with relatively minor learning difficulties.*[21] Response to Intervention (RTI) is one such example.
- *Pool funding to serve all students in need.*[21] Qualifying high poverty schools can merge categorical funds from multiple sources (Title I, school wide projects, etc.). Many of the students enrolled in such schools may be in one special needs category or another. Breaking them into silos of service may not be as effective in meeting their needs as combining these categorical funds for use in more comprehensive and well integrated ways.
- *Conduct a broad and comprehensive evaluation of the effectiveness of various approaches to special education.* As of 2004, not a single state had "linked special education funding to the measured performance of students with disabilities, despite the current federal and state push for increased education accountability."[21] Although No Child Left Behind (NCLB) has a provision for measuring results and planning for state improvement, no state has yet tied funding to these things.[21]
- *In setting policies about special education funding, states should look very carefully at the unintended incentives that may be created by the funding mechanism.* For example, possible incentives to enroll more students, or to serve them in certain ways, ensuring that the results align with the states' intended objectives.[21]
- *Encourage and create incentives for cooperation between districts.* Minnesota already has some examples of this (e.g., District 287, Educational Service Cooperatives, etc.).

Some other possibilities for consideration include:

- *Attend to explicit funding policies around the growing sector of charter schools and incorporate the same conceptual framework as used for non-charter schools.*
- *Examine the relationship between state investments in special education in varying districts across the state and the results obtained* by *the students designed to benefit from these supplemental revenues.*
- *Attend to issues of early identification (birth to three-year-old) rates and provide additional supports, community incentives, etc. to increase these rates.*
- *Evaluate cost effectiveness of Alternative Delivery of Specialized Instructional Services, Response to Intervention and other models of prevention and tiered intervention and expand as appropriate.*

Overarching Special Education Formula Goals

Adequate: How much funding is needed to reach the education goals set for the state's SE students?

Equitable: Are these funds being fairly distributed based on variations in student needs?

Efficient: Are funds distributed to (1) produce reasonable reporting burden, and (2) foster best practice?

Source: Parrish, Thomas. "Considering Special Education Funding in Nevada: State and National Trends." State Advisory Committee Meeting. Nevada. 11 Dec. 2008.

CONCLUSIONS

Like all seminars, the 2009 Family Impact Seminar aims to encourage policy makers to think about policy choices related to special education through the lens of how they impact families.

The Family Impact Seminars provide information and perspective to inform policy choices. The questions asked and the options explored during the seminar are intended to encourage policymakers to think more intentionally about the ways policies affect Minnesota families. Now and in the future, Minnesota Family Impact Seminars are here to provide policy makers with a new frame and new information on the issues important to Minnesota families.

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SECTION SIX: GLOSSARY

[1]**Adequate Yearly Progress (AYP):** As defined by each state under section 1111(b)(2) of the No Child Left Behind Act, "adequate yearly progress" is the measure of yearly progress of the state and of all public schools and school districts in the state toward enabling all public school students to meet the state's academic content and achievement standards.

[1]**Average Per Pupil Expenditure (APPE):** The expenditure per pupil for the cost of general education, defined in 34 CFR 300.702.

[1]**Charter School:** A nonsectarian, tuition-free, public elementary or secondary school that is exempt from significant state or local rules that inhibit the flexible operation and management of public schools. Charters are created by a developer as a public school or adapted by a developer from an existing public school, and are operated under public supervision and direction. They operate under state charter laws in pursuit of a specific set of educational objectives determined by the school's developer and agreed to by the authorized public chartering agency. All charters have a written performance contract with a public chartering agency that includes a description of how student performance will be measured pursuant to state assessments that are required of other schools. Charters also comply with federal civil rights laws and IDEA, and applicable federal, state and local health, safety and audit requirements. (sec. 5210(1)).

[2]**Cross-Subsidies:** In Minnesota they measure the difference between special education expenditures and corresponding revenues. The *Gross Cross-Subsidy* is the difference between total special education expenditures and categorical special education revenues and is the portion of special education expenditures not covered by categorical special education revenue. The *Adjusted Net Cross-Subsidy* equals the gross cross-subsidy minus the amount of general education revenue attributable to special education students for time spent receiving special education services outside of the regular classroom for 60% or more of the school day.

Education for All Handicapped Children Act (EAHCA): See "Individuals with Disabilities Education Act (IDEA)"

[1]**Excess Cost:** The costs that exceed the average annual per-student expenditure in a local educational agency during the preceding school year for an elementary or secondary school. (34 CFR 300.184(b).

[3]**Flat Grant Formula Type:** A fixed funding amount per student or per unit.

[4]**Free and Appropriate Public Education (FAPE):** In addition to establishing funding for special education, the IDEA guarantees eligible students with disabilities the right to a free and appropriate public education (FAPE) and created due process procedures for ensuring FAPE.

[1]**Individual Education Program (IEP):** A written statement for a child with a disability that is developed, reviewed and revised in a meeting in accordance with the provisions of IDEA.

[1]**Individuals with Disabilities Education Act (IDEA):** Public Law 101-476. Amended the Education for All Handicapped Children Act (EAHCA), Public Law 94-142. The Act ensures that all children with disabilities have available to them a free appropriate public education that includes special education and related services designed to meet their unique needs.

[4]**Least Restrictive Environment (LRE):** The extent to which students are educated with non-disabled children to the maximum extent appropriate to their needs.

[1]**Local Education Agency (LEA):** A public board of education or other public authority legally constituted within a state for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state, or for a combination of school districts or counties as are recognized in a state as an administrative agency for its public elementary or secondary schools. (34 CFR 300.18).

[5]**Maintenance of Effort (MOE):** An applicant for funds under Part B may not reduce the level of expenditures for support of special education below the level of expenditures for support of special education for the preceding fiscal year. Reductions in expenditures are allowed, only if they meet certain provisions.

[1]**Monitoring and State Improvement Planning (MSIP):** Carries out activities related to the IDEA formula grant programs. MSIP is responsible for review of state eligibility documents, and for monitoring the Office of Special Education Programs (OSEP's) formula grant programs to ensure consistency with federal requirements and to ensure that states and other public agencies continue to implement programs designed to improve results for infants, toddlers, children and youth with disabilities. Additionally, MSIP leads OSEP's technical assistance to the states through the Regional Resource Centers, the State Improvement Grant program and the General Supervision Enhancement Grant program.

[1]**No Child Left Behind Act (NCLB):** Public Law 107-110. President Bush signed the No Child Left Behind Act into law on January 8, 2002. The Act is the most sweeping reform of the Elementary and Secondary Education Act (ESEA) since ESEA was enacted in 1965. It redefines the federal role in K-12 education and will help close the achievement gap between disadvantaged and minority students and their peers. It is based on four basic principles: stronger accountability for results, increased flexibility and local control, expanded options for parents and an emphasis on teaching methods that have been proven to work.

[1]**Part B:** Part of IDEA that provides formula grant assistance to state education agencies for the education of children with disabilities, ages three through 21.

[1]**Part C:** Part of IDEA that provides funds to state lead agencies to assist in the provision of early intervention services to infants and toddlers with disabilities, ages birth through two.

[1]**Part D:** Part of the IDEA that assists State Educational Agencies (SEAs) and others in reforming and improving their systems for providing educational, early intervention and transitional services, including systems for professional development, technical assistance and dissemination of knowledge about best practices, to improve results for children with disabilities.

[6]**Response to Intervention (RTI):** Strategies and tools that enable educators to target instructional interventions to children's areas of specific need as soon as those needs become apparent.

[7]**Special Education (SE):** Classes or instruction designed for students with special educational needs.

[1]**Title I:** Refers to the first title of the Elementary and Secondary Education Act, and includes programs aimed at disadvantaged students. Title I Part A provides assistance to improve the teaching and learning of children in high-poverty schools to enable those children to meet challenging state academic content standards and academic achievement standards. (20 USC 6311 et seq.)

[8]**Third Party Billing:** Reimbursement from insurers and similar third parties for the cost of services provided by the district whenever the services provided by the district are otherwise covered by the child's health coverage.

[9]**Variable Block Grant Formula Type:** Describes funding approaches in which funding is determined in part by base year allocations, expenditures, and/or enrollment. Adjustments may be made for growth in enrollment, revenues, or inflation.

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NOTES

NOTES

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