

(The following was written before the passage of AB 602 in September 1997)

## **WHY THE CONCERN ABOUT A NEW FUNDING SYSTEM FOR SPECIAL EDUCATION?**

The failure of SB 1678 (Greene) in 1996 was the latest in a series of attempts to address the problems inherent in the current funding model for special education in California.

There have been at least four major efforts to revise special education's fiscal support system over the last 15 years: The Riles Technical Task Force in 1981–82; the Special Education Advisory Commission's effort in 1982–83; The Special Education Fiscal Task Force in 1987–89; and, the Tri-agency Report of 1994–95 which culminated in SB 1678. All four attempts have failed—largely because of the lack of a unified support for change by those of us in the field and consequent disinterest on the part of legislators.

What are the problems and how did we get here?

### **A LOOK BACK IN TIME**

By the beginning of the 1970's, a wide variety of programs and services addressing specific disabilities had been established in response to pressures from parents and professionals. Each program and service had its own funding level and there was no logical interrelationship among them. However, one thing was true and predictable; students were disproportionately identified as having those disabilities that generated greater amounts of funding. This is a common factor found in funding systems which provide for "weighted funding" as a means of funding their special education programs and services. It also resulted in a somewhat rigid delivery system.

Then, about a quarter of a century ago, the Legislature passed a joint resolution which put a moratorium on any new special education legislation, established a commission on special education, and called for a new system of supporting and providing special education services throughout California. It was responding to a growing discontent with the erratic system of funding and providing special education programs and services in California. It should be noted here that California state Federation/Council for Exceptional Children and the California subdivision of CASE were key players in obtaining that resolution.

The result was the development of a "Master Plan for Special Education" which was adopted by the State Board of Education on January 10, 1974. The published "Plan" was commonly referred to as the "Sunburst document."

Enacted as AB 4040 (Lanterman), the intent of the "Master Plan" was to provide a wide variety of placement options for disabled students. It called for the "de-labeling" of disabled students and set forth the term "individuals with exceptional needs." And it changed the funding methodology from the "weighted" ADA system to a resource-based system which provided funding for special classes and centers, resource specialist programs, and designated instruction and services. While this may sound familiar, this early funding system provided a fixed amount per class or center, a fixed amount per resource specialist program, and an amount per hour of designated

instruction and/or service provided to a student. Additionally, it provided a set amount per identified child for the purposes of identification, assessment, and instructional planning, a set amount per child for management and support services, and a set amount per child for transportation.

All funding would flow to the Responsible Local Agency (the Administrative Unit of the SELPA) and be disbursed to program operators in accordance with the SELPA budget.

The implementation of the “Master Plan” was “piloted” in seven areas of the state and these areas received considerable fiscal and logistical support from the State Department of Education.

Two years later, the “Master Plan” was extended and the number of implementing areas increased through AB 1250 (Lanterman). In this phase, funding was effectively changed to a “per identified pupil” basis. Again, two things predictably happened. A proportionately greater number of students were being identified and more students were being served in “low-cost” programs so that funds would be available for “high-cost” programs. In some cases areas were identifying more than twenty percent of their students.

By 1979, about forty percent of the state was providing services under the “Master Plan.” The remaining areas were still operating under the “pre-Master Plan” funding and delivery system. These other areas were considered by many to be “poor-siblings” to those areas implementing the “Master Plan.” Many of them were having to use significant subsidies from their general revenue to pay for special education programs and services—a situation which would soon become permanent.

### **SETTING THE STAGE FOR TODAY**

In 1980, legislation, SB 1870 (Rodda), was enacted to bring the entire state under the “Master Plan” funding and delivery system over a two-year period. It also marked a return to a “resource-based” funding mechanism. But the funding base would not be a set of single state-wide rates for classes and centers, the resource specialist programs, and designated instruction and services. Instead, each program operator would have its own set of funding rates based on program cost information for 1979–80 and the funding would flow directly to the program operator unless the all the program operators within a SELPA chose to have the funding continue to flow to the Administrative Unit of the SELPA.

It is important to note that 1979–80 was the first year in which a “system” of reporting special education costs was implemented. Reporting practices throughout the state were erratic and the reliability and accuracy of the information obtained from them remain highly suspect.

Simply stated each program operator was to determine the total costs of special education, the portion of those costs that were funded by subsidies from the district’s general fund, the total costs of salaries and benefits for teachers and aides, the average cost of salaries and benefits for teachers in special classes and centers, the average cost of salaries and benefits for resource specialist teachers or learning disability group teachers, the average cost of salaries and benefits for providers of designated

instruction and services, and the average cost of salaries and benefits for six hours (or the actual average number of hours if it exceeded six) of instructional aide time.

These “average” costs of salaries and benefits were to be called Instructional Service Personnel Unit (IPSU) Rates and are the building blocks of the current funding system for special education.

Herein lies the first major flaw and the underlying cause for the inequity that plagues the current funding system. Since each district has a salary schedule for teachers, there is little or no justification for three distinct IPSU rates for the three placement categories. All this does is reflect the status of seniority as it may affect a given placement category at that moment in time and then perpetuate that reflection in an ongoing funding system. As a result, a program operator can have three widely varying IPSU rates and would probably be more apt to emphasize placing students in those settings with the highest IPSU rate. One IPSU rate for teaching personnel and one IPSU rate for aides would have been far more practical and simpler.

The second major flaw in the underlying cause for inequity rests in the wide variance of these rates among the program operators throughout the state. Obviously, salary schedule differences exist throughout the state and “locking in” those differences into a funding system would lead to some inequity over time. But, “locking in” the effects of individual placements on those differing salary schedules greatly magnifies the inequities that will evolve.

Consequently, the basic building blocks of the funding system, the IPSU Rates, are seriously flawed which can only result in a flawed system.

But instructional personnel salaries and benefits alone do not represent the cost of special education programs and services. Over and above these costs are the costs of identification and assessment, the costs of administrative support, the costs of facilities, supplies, equipment, and numerous other factors that make special education a very expensive program. Funding for these costs were to be based on the calculation of a ratio between the costs of salaries and benefits for instructional personnel and the other costs of the special education program in 1979–80—a Support Service Ratio (SSR). This was accomplished by subtracting the total cost of those salaries and benefits from the total costs of the program and dividing the remaining costs (the support costs) by the total salary and benefits cost. Thus, whatever costs reported as associated with the provision of special education in 1979–80 were “locked into” the SSR regardless of the reporting accuracy or the uniqueness of a given cost. This point is not lost on those districts that have a SSR of zero because no costs in excess of salaries and benefits were reported in 1979–80. By the way, the resulting range of SSR’s was from zero to over 2.2!

Finally, the amount subsidized by the district’s general fund was given a name—the Local General Fund Contribution (LGFC). It, too varied all over the map and was also “locked in” the funding system. Consequently, a district that made such a “contribution” in 1979–80 continues to make such a “contribution” today. There are cases reported, by the way, in which a district has a zero support service ration but has a LGFC.

So that's the stage. Each program operator has a unique set of IPSU Rates, a unique SSR, and maybe a LGFC. Then reality set in. Funding for the first year of the implementation was short by more than \$160 million. The State did not have the funds to cover that shortfall and the legislature elected to "trim" the system somewhat arbitrarily. In enacting SB 789 (Sieroty), the SSR was "squeezed down so as not to exceed .5997 for non-severely disabled programs and .7823 for severely disabled programs, the instructional aide IPSU Rates were reduced by seventeen percent (though they were subsequently returned to 100 percent several years later), and several other "economies" were effected.

### SO HERE WE ARE

Although there have been some other "modifications" over the intervening years, we are, essentially, still operating under the information described above. To determine an "entitlement" the IPSU Rate is multiplied by 1.0 plus the SSR ( $E = \text{IPSU} \times 1.0 + \text{SSR}$ ). If the IPSU were \$1,000 and the SSR was .75, you would multiply \$1,000 by 1.75 which would result in an entitlement of \$1,750. (And you thought you didn't understand special education finance.)

Well, it's easy to understand that, since we have widely varying IPSU Rates throughout the state and widely varying SSR's throughout the state, we will have widely varying "Entitlements" throughout the State. As illustrated in the following excerpt from a "draft" amendment to SB 1678, there is a wide variance:

(b) Significant inequities in funding for special education exist in California, Special education funding derives from the value of a local education agency's various instructional personnel services unit rates plus the funds it generates from multiplying the total unit values by the agency's support services ratio. Since these values and ratios vary greatly among the local education agencies, widely disparate funding amounts are generated for the same type of program among local education agencies. In 1995-96, the following range in funding amounts exists for each of the four types of instructional personnel services units providing services to the nonseverely disabled:

Unit Type Lowest Highest

Special Class \$31,896 \$82,229

Resource Specialist \$26,776 \$87,217

Designated Inst./Serv. \$26,628 \$94,266

Instruct, Aide \$ 8,089 \$51,249

The range is even greater for instructional personnel services units funding special education services for severely disabled pupils in special classes.

Of course there are other major flaws in the current funding system, but for our purposes here I will only address two more.

The first is the inescapable fact that the funding system “drives” the service delivery system and, therefore, affects placement and service decisions. This should not be the case. A funding system should, as much as possible, be neutral in its affects upon the service delivery system. The second is that the current system for providing fiscal support for growth is simply not working. There is a statutory basis for calculating growth and limiting the level of growth which qualifies for inclusion in the funding system. But it is not working and has not worked for at least the last five years during which the funding for growth has been continually less than forty–five percent of that necessary to fund permissible growth. At times it has only funded about thirty percent.

Let’s see how that has played out for 1996–97, the current year. Based on the unduplicated count of students served in April of 1996 and simply using divisors of 10 for SDC, 24 for RSP, and. 24 for DIS, we were serving enough students to justify 4,000 additional IPSU’s for 1996–97.

But, there are funding “caps” which restrict the number of units to be added to the funding system. Applying these “caps”, the number of additional IPSU’s for 1996–97 dropped to 1,800. In other words, the funding “caps” precluded funding for 2,200 additional IPSU’s to serve the population already receiving services in April of 1996.

So, we have a need for 4,000 more IPSU’s but we can only legally fund 1,800 more IPSU’s. How many did we fund? There were 794 IPSU’s funded for growth for 1996–97. This is only forty–three percent of the funding growth provided by the statute (1,800 IPSU’s) and less than twenty percent of what was needed to assure service to students who were already identified.

If you wonder why special class sizes are increasing and folks in your district are complaining about the increasing dollar demands that special education is making on the district’s general fund (you may have heard the word “encroachment” from time to time), you now have some understanding what is causing their concern.

The system needs additional funds to address the inequities and it needs new mechanisms to assure adequate growth and to assure that service decisions are not unduly affected by the funding system.

We have what appears to be a somewhat limited window of opportunity to successfully address this issue. In order to do so, we are going to have to resolve or accommodate differences, strive for general agreement regarding key elements, develop a strong system of accountability throughout the delivery system at all levels, and present a united front. There is much to do and little time in which to do it, but the future of special education in California demands that we do it. Get involved. You can start by letting your Assemblyperson and State Senator know, as soon as they are elected in November, that the funding system is out of whack and needs to be replaced.

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