

CONNECTICUT
SCHOOL FINANCE
PROJECT

SPECIAL EDUCATION FINANCE POLICY OVERVIEW

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Contact Us

For questions or comments about the information presented today, please contact us:

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To learn more about the
Connecticut School Finance Project, visit us at:
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About the CT School Finance Project

- Founded in 2015, the nonprofit Connecticut School Finance Project aims to ensure Connecticut has a fair and equitable school finance system and be a trusted, nonpartisan, and independent source of accurate data and information.
- Although not a member-based organization, the Connecticut School Finance Project actively works with a diverse group of stakeholders, including education and community leaders, nonprofit organizations, and individuals interested in how school finance impacts their students and schools.
- We aim to develop fair, well-thought-out solutions to Connecticut's school finance challenges that incorporate the viewpoints and perspectives of stakeholders.

CT School Finance Project's Goals

- Build knowledge about how the current school funding system works,
- Bring together stakeholders who are impacted by how schools are funded, and
- Identify solutions to Connecticut's school funding challenges that are fair to students and taxpayers, and strengthen schools and communities.

OVERVIEW OF SPECIAL EDUCATION SPENDING

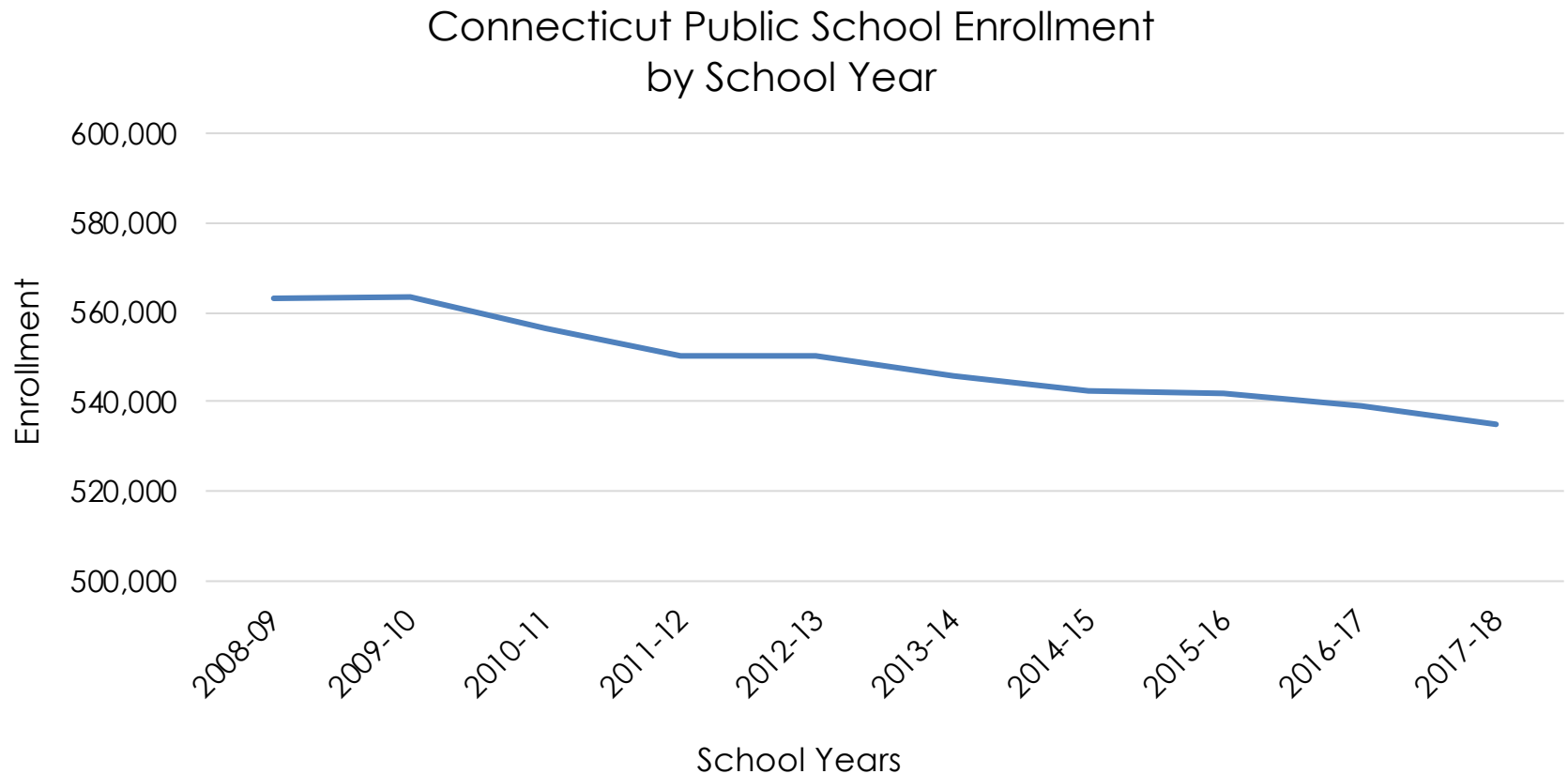
What are the key challenges?

- **CT's current special education funding system isn't working for towns and districts:** At the town and district level, special education costs are unpredictable, wreaking havoc on local budgets.
- **CT is out of step with other states:** CT is 1 of only 4 states with NO system for funding all special education students.
 - Additionally, 50-state surveys of special education funding systems throughout the country reveal no state is funding special education in a predictable, effective, or efficient way.
- **Limited additional state funding is available:** The State does not have additional financial resources available to solve these problems.

Sources: Education Commission of the States. (2015, October 21). 50-State Comparison: State funding for students with disabilities. Retrieved from <https://www.ecs.org/state-funding-for-students-with-disabilities-db/>.
Connecticut School Finance Project. (2016). *Improving How Connecticut Funds Special Education*. New Haven, CT: Author. Retrieved from <http://ctschoolfinance.org/assets/uploads/files/Improving-How-CT-Funds-Special-Education-FINAL.pdf>.

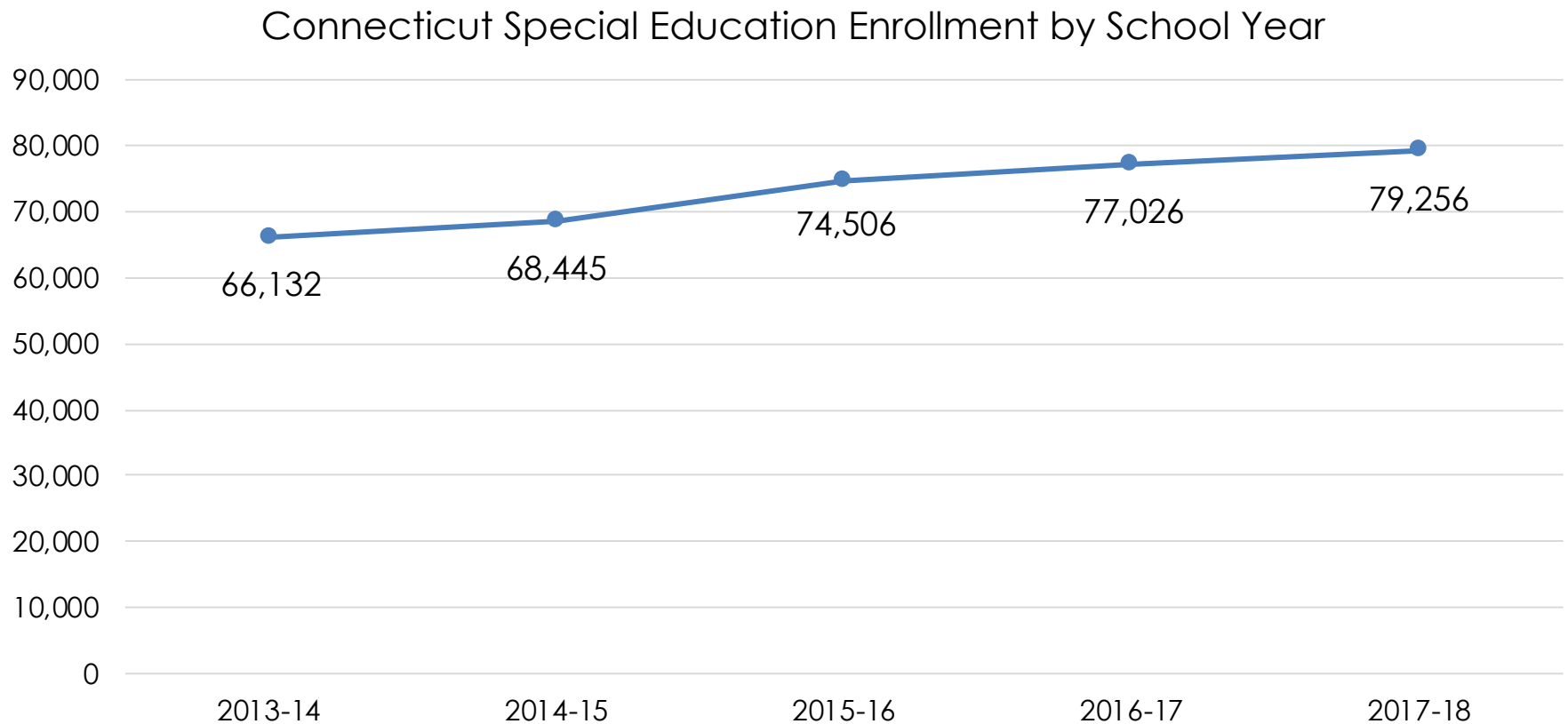
Enrollment

Over the last 10 years, the total number of students in Connecticut public schools has declined by 6.3%



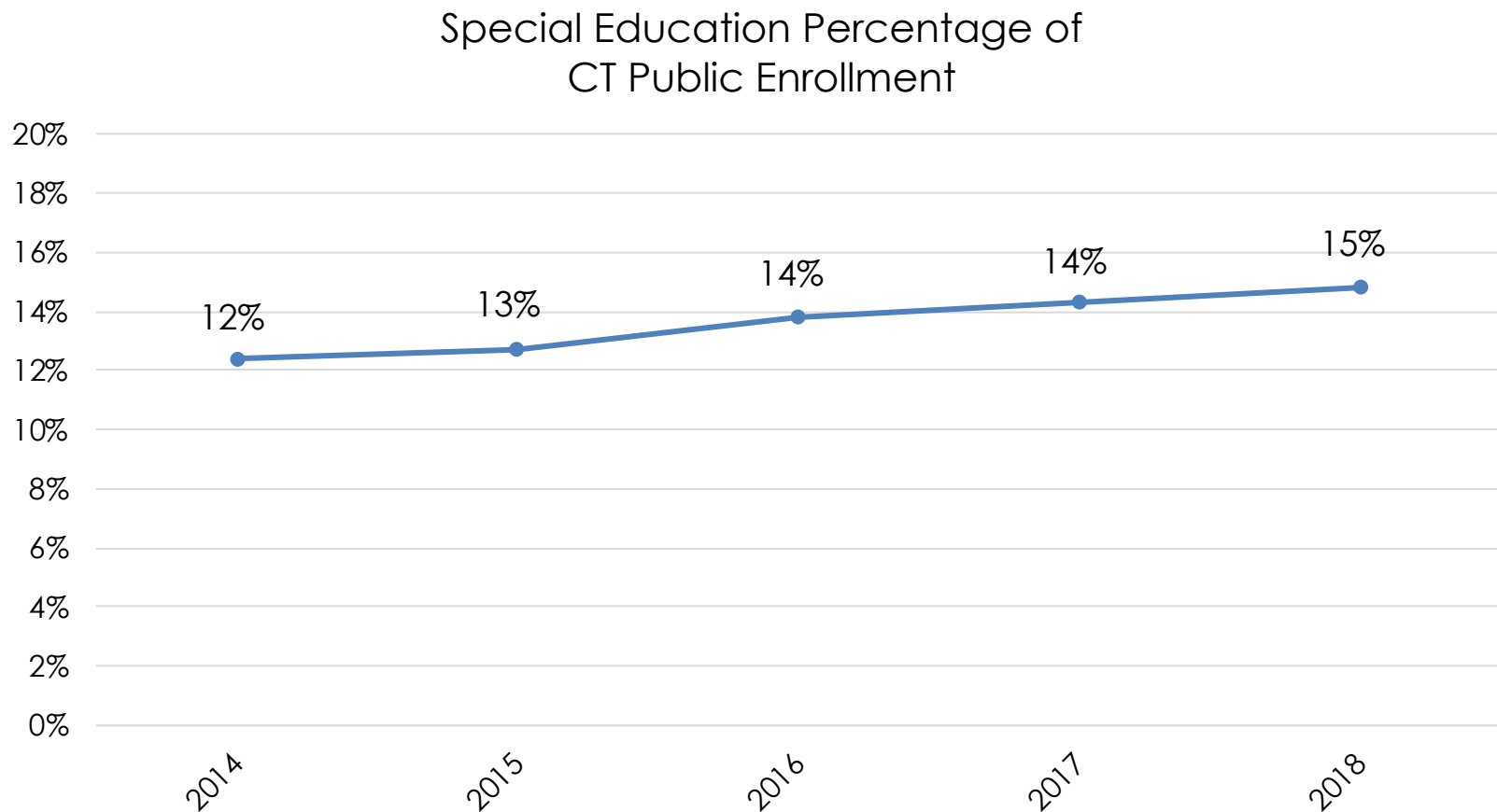
Source: Connecticut State Department of Education. (n.d.). EdSight: Public School Enrollment. Available from <http://edsight.ct.gov/SASPortal/main.do>.

Over the last 5 years, the total number of special education students in Connecticut public schools has increased more than 19.8%



Source: Connecticut State Department of Education. (n.d.). EdSight: Public School Enrollment. Available from <http://edsight.ct.gov/SASPortal/main.do>.

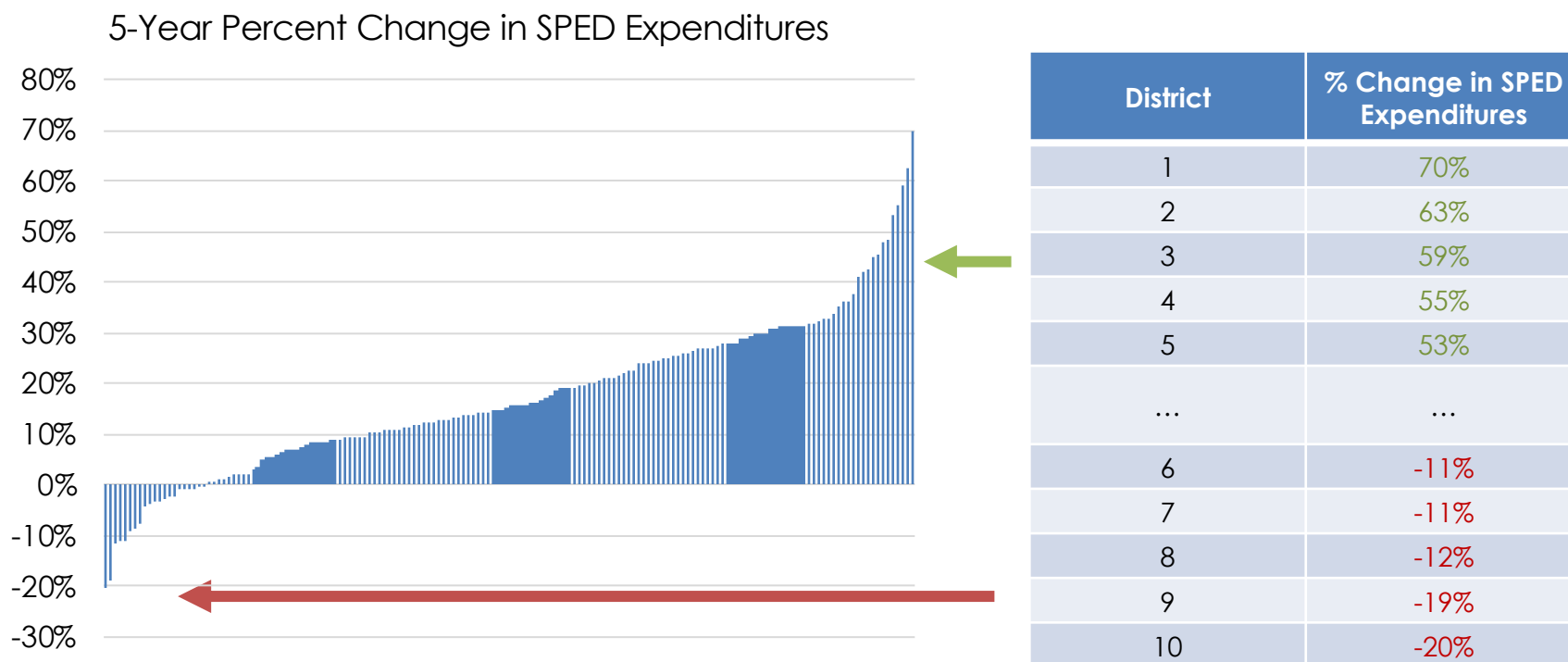
Which translates to a three percentage point increase in the special education identification rate over the past 5 years



Source: Connecticut State Department of Education. (n.d.). EdSight: Public School Enrollment. Available from <http://edsight.ct.gov/SASPortal/main.do>.

Spending Across Districts

CT public school districts have experienced wide changes in special education spending over the past 5 years

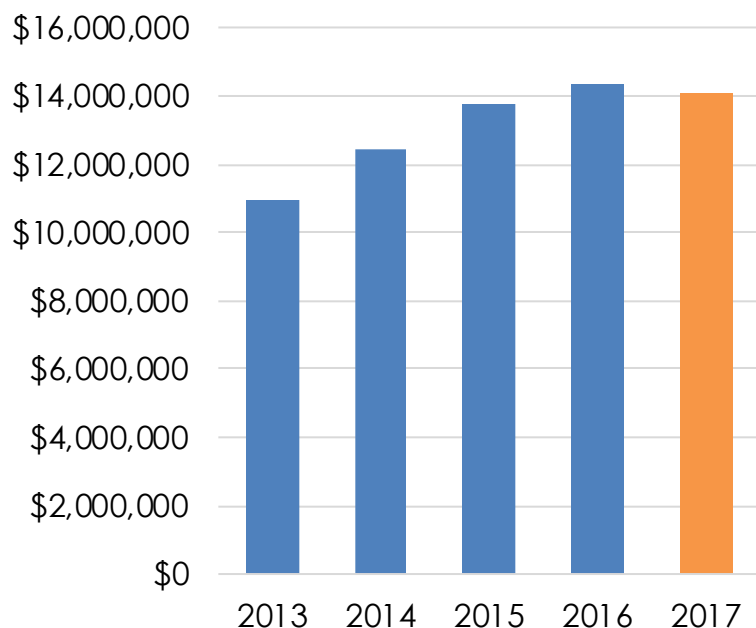


Those districts with the largest variances are among the smallest in the state.

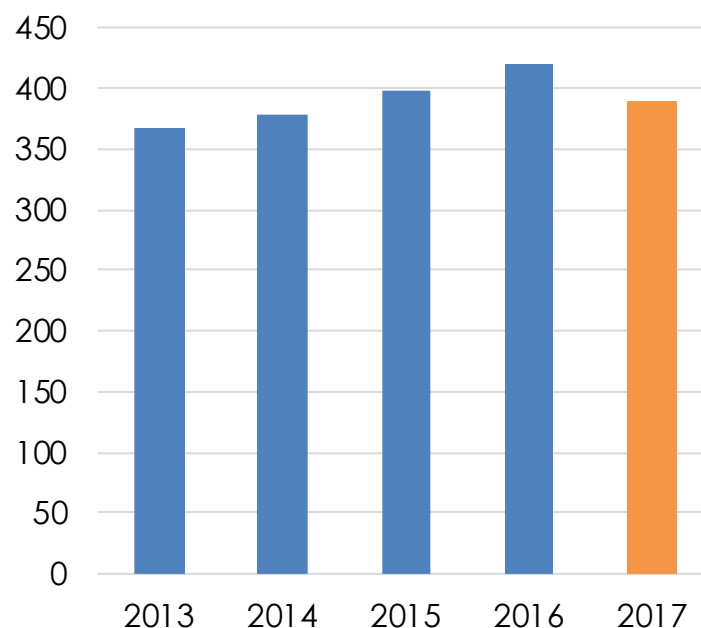
Source: Connecticut State Department of Education. (2018). *Connecticut End of Year School Reports (ED001s) for Local Public School Districts, 2009-17*. Available from <http://ctschoolfinance.org/data/ed001s>.

CT public school districts have experienced wide changes in special education spending over the past 5 years

District A Special Education
Spending per Year



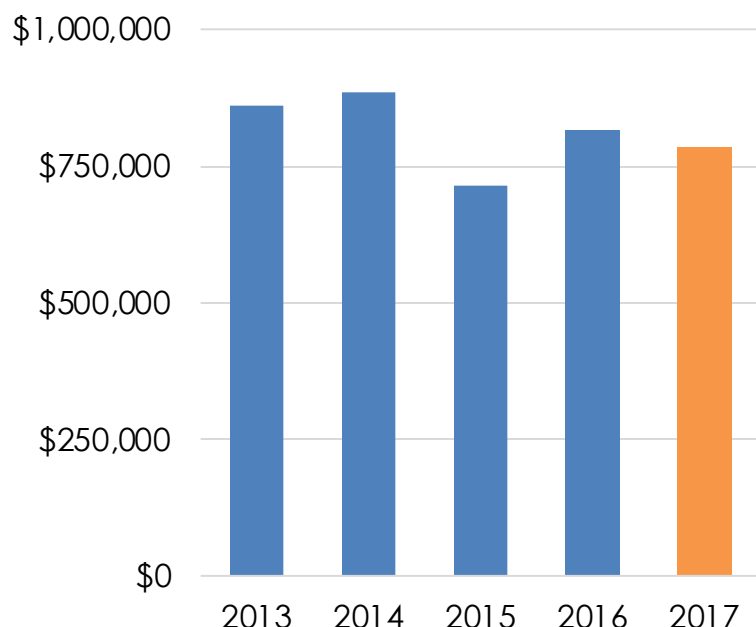
District A Special Education
Enrollment per Year



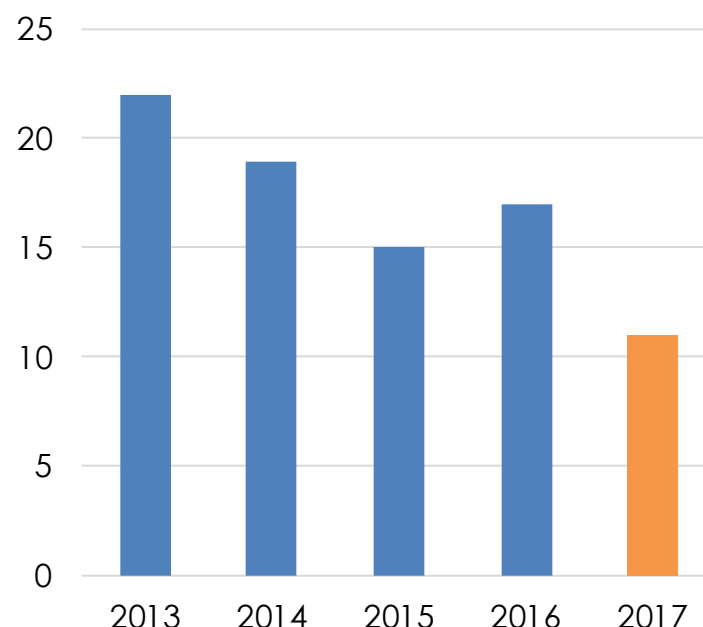
Sources: Connecticut State Department of Education. (2018). *Connecticut End of Year School Reports (ED001s) for Local Public School Districts, 2009-17*. Available from <http://ctschoolfinance.org/data/ed001s>.
Connecticut State Department of Education. (n.d.). EdSight: Public School Enrollment. Available from <http://edsight.ct.gov/SASPortal/main.do>.

CT public school districts have experienced wide changes in special education spending over the past 5 years

District B Special Education
Spending per Year



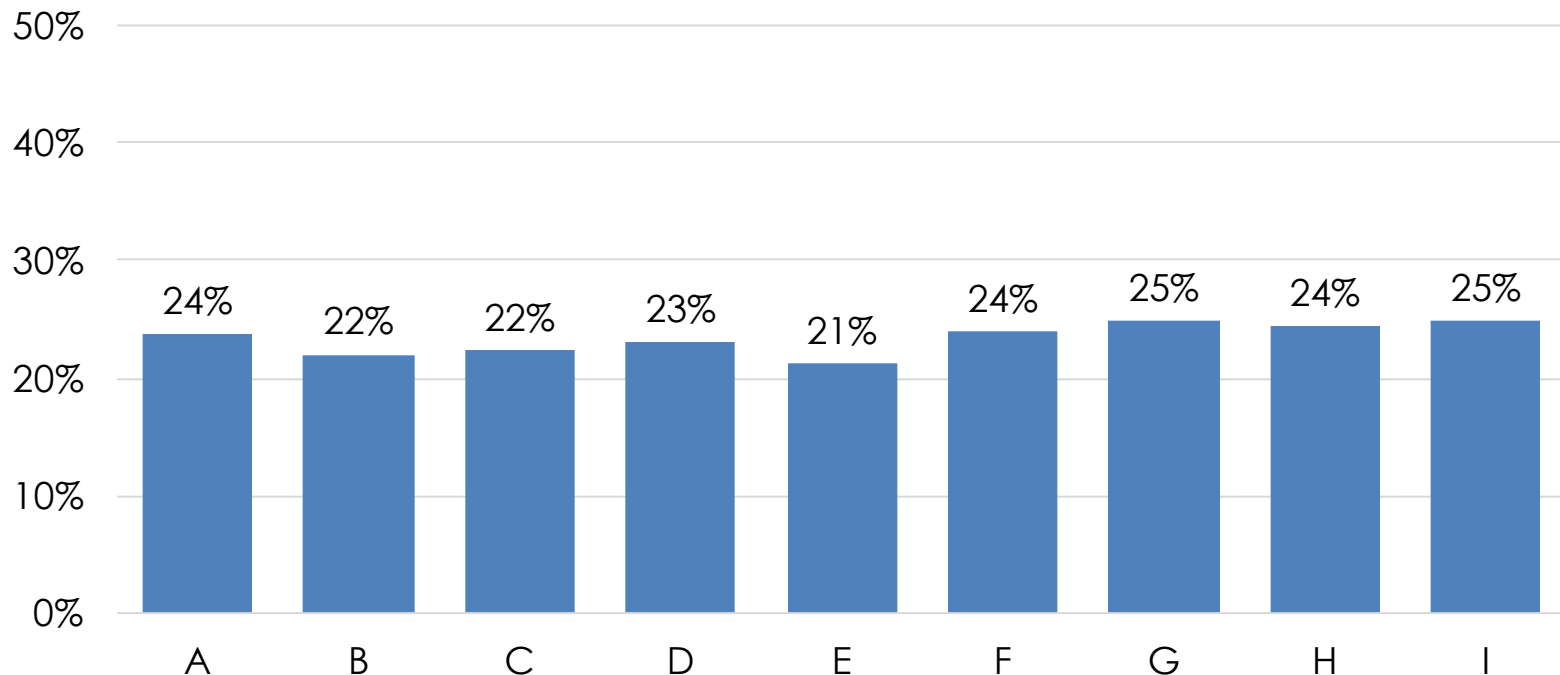
District B Special Education
Enrollment per Year



Sources: Connecticut State Department of Education. (2018). *Connecticut End of Year School Reports (ED001s) for Local Public School Districts, 2009-17*. Available from <http://ctschoolfinance.org/data/ed001s>.
Connecticut State Department of Education. (n.d.). EdSight: Public School Enrollment. Available from <http://edsight.ct.gov/SASPortal/main.do>.

Regardless of wealth, districts spend about the same percentage of their total expenditures on special education

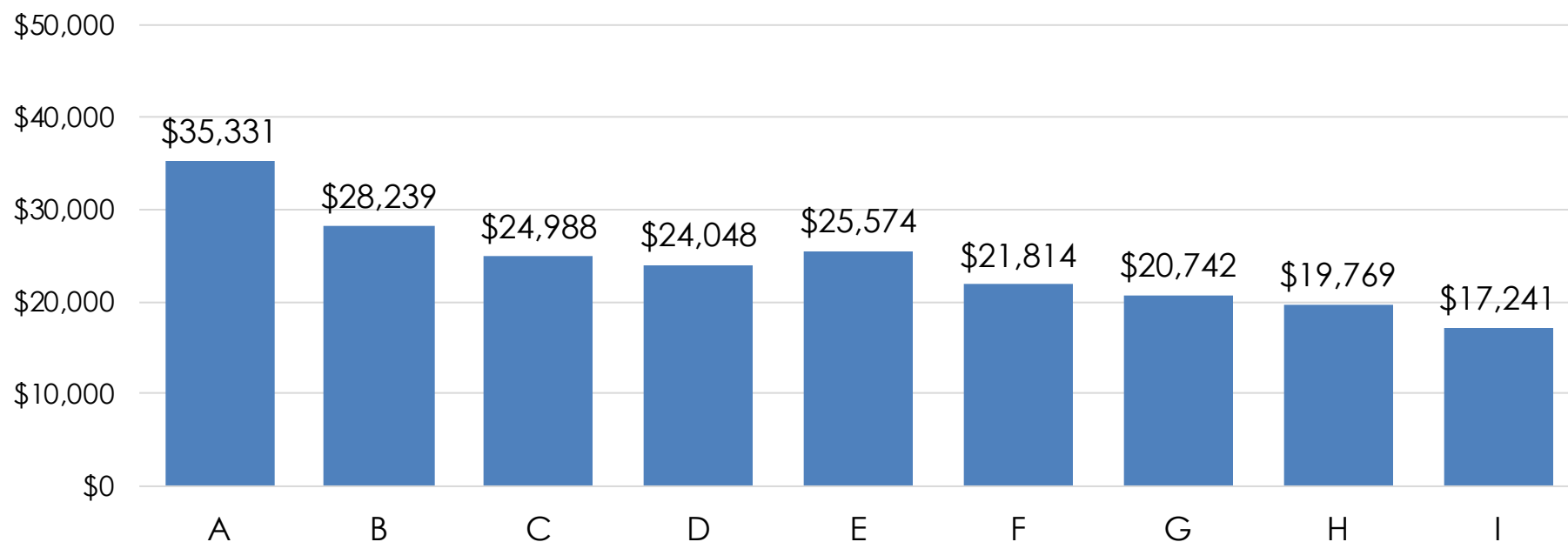
Average SPED % of Total Expenditure by DRG in 2017



Sources: Connecticut State Department of Education. (2018). *Connecticut End of Year School Reports (ED001s) for Local Public School Districts, 2009-17*. Available from <http://ctschoolfinance.org/data/ed001s>.
Connecticut State Department of Education. (2006). *Research Bulletin: District Reference Groups, 2006*. Retrieved from http://www.sde.ct.gov/sde/lib/sde/PDF/EvalResearch/DRG_2006.pdf.

However, on average, wealthier districts spend significantly more per pupil on special education

Average SpEd Spending Per Pupil by DRG in 2017

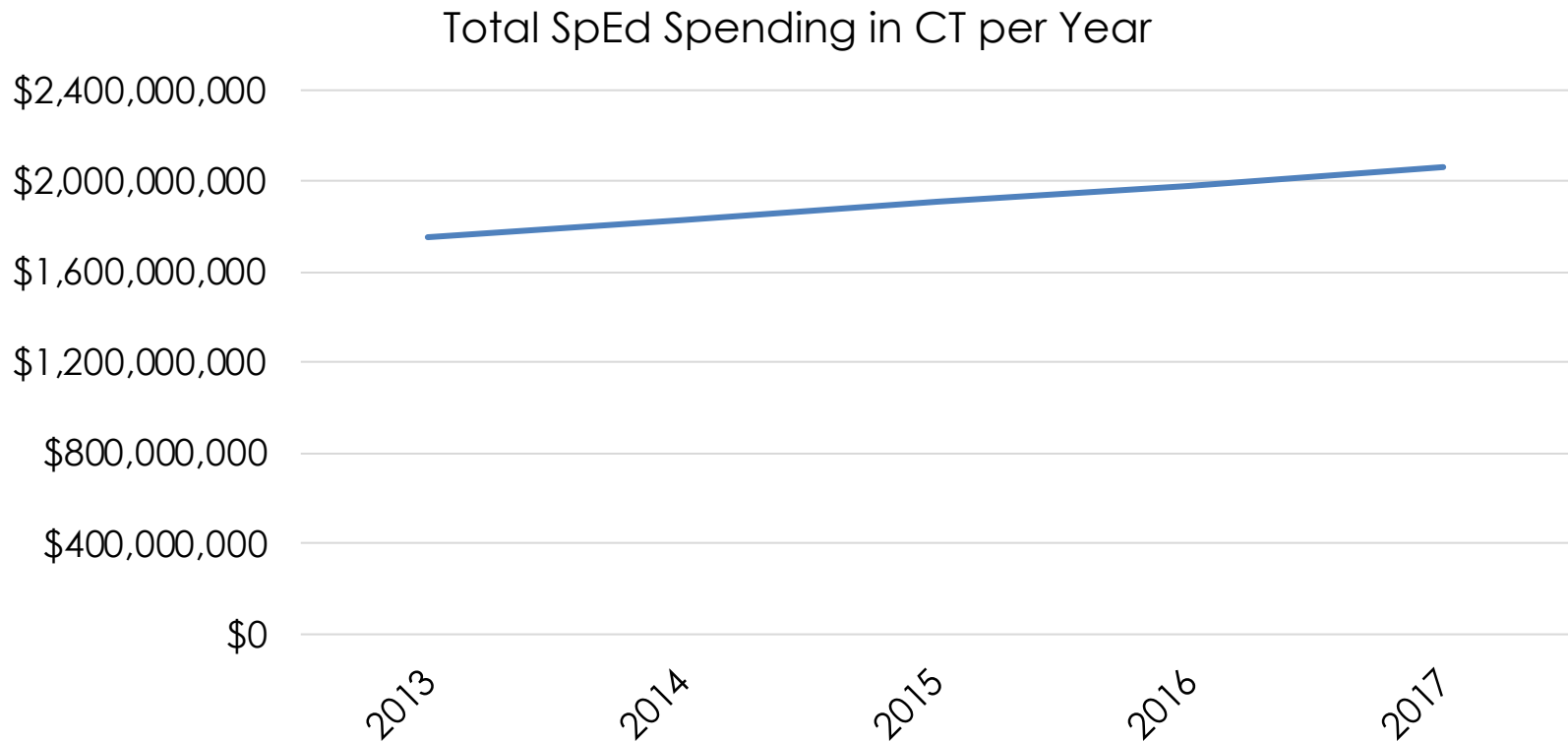


Note: As pupil count is measured by district enrollment, special education expenditures exclude special education tuition.

Sources: Connecticut State Department of Education. (2018). *Connecticut End of Year School Reports (ED001s) for Local Public School Districts, 2009-17*. Available from <http://ctschoolfinance.org/data/ed001s>.
Connecticut State Department of Education. (2018). *Public School Enrollment, 2016-17*. Available from <http://ctschoolfinance.org/data/connecticut-school-enrollment>.
Connecticut State Department of Education. (2006). *Research Bulletin: District Reference Groups, 2006*. Retrieved from http://www.sde.ct.gov/sde/lib/sde/PDF/EvalResearch/DRG_2006.pdf.

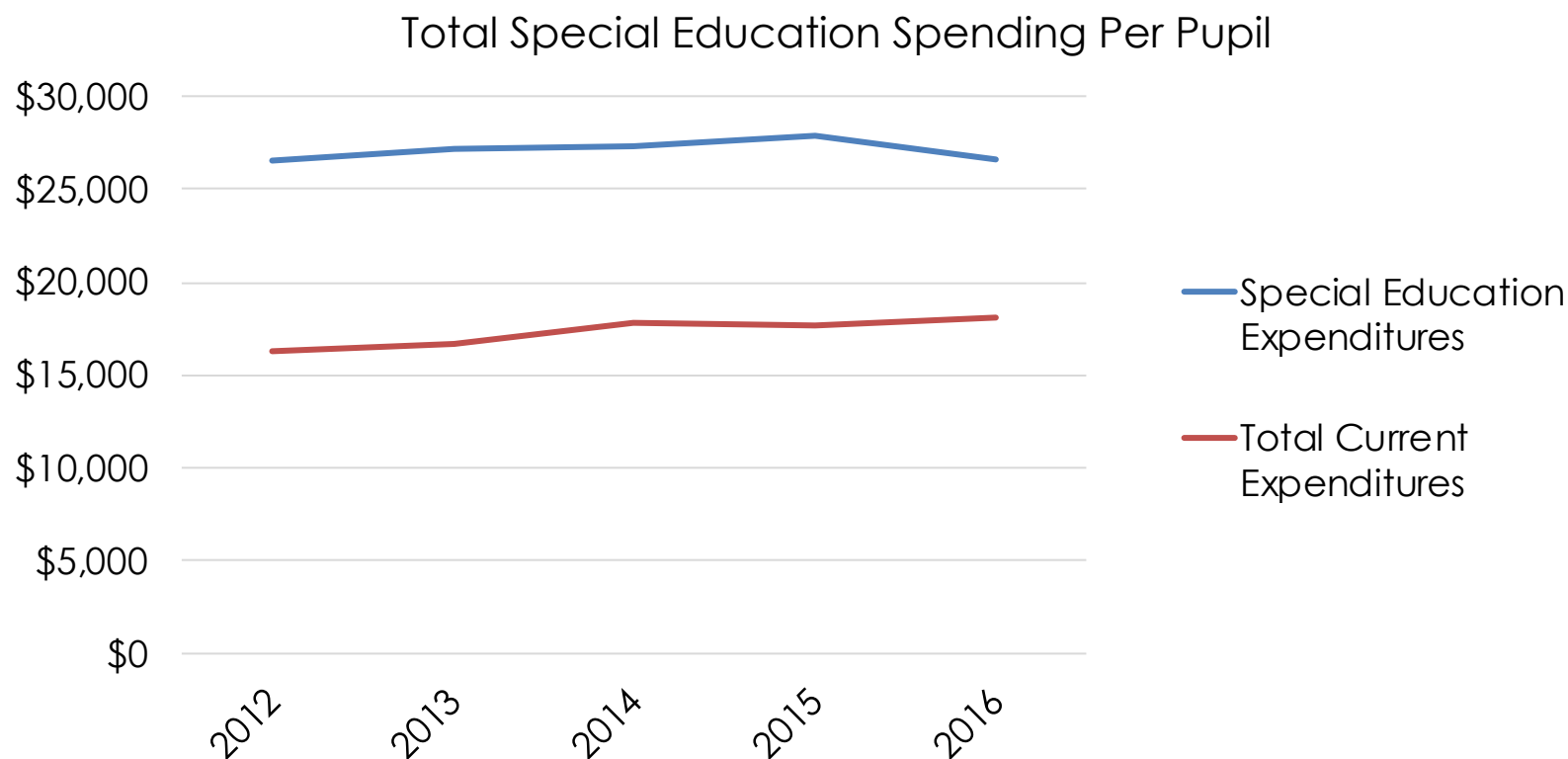
Total Spending

At the state level, special education spending has been predictable over the past 5 years



Source: Connecticut State Department of Education. (2018). *LEA Special Education Expenditures*. Available from <http://ctschoolfinance.org/data/lea-special-education-expenditures>.

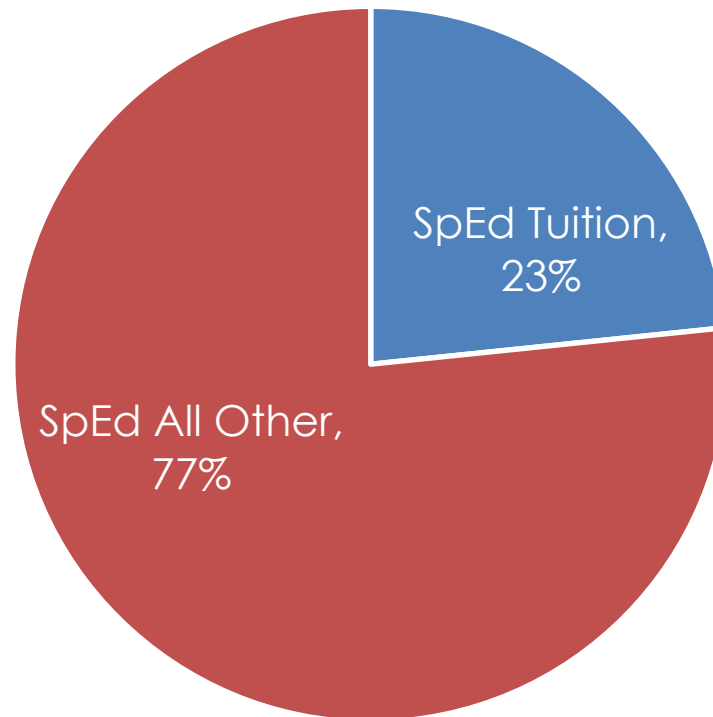
Although total special education spending has increased, this increase is not the primary driver of increases in overall education expenditures



Sources: Connecticut State Department of Education. (2018). *LEA Special Education Expenditures*. Available from <http://ctschoolfinance.org/data/lea-special-education-expenditures>.
Connecticut State Department of Education. (2017). *Public School Enrollment*. Available from <http://ctschoolfinance.org/data/connecticut-school-enrollment>.
U.S. Census Bureau. (2017). *Annual Survey of School System Finances*. Available from <https://www.census.gov/programs-surveys/school-finances.html>.

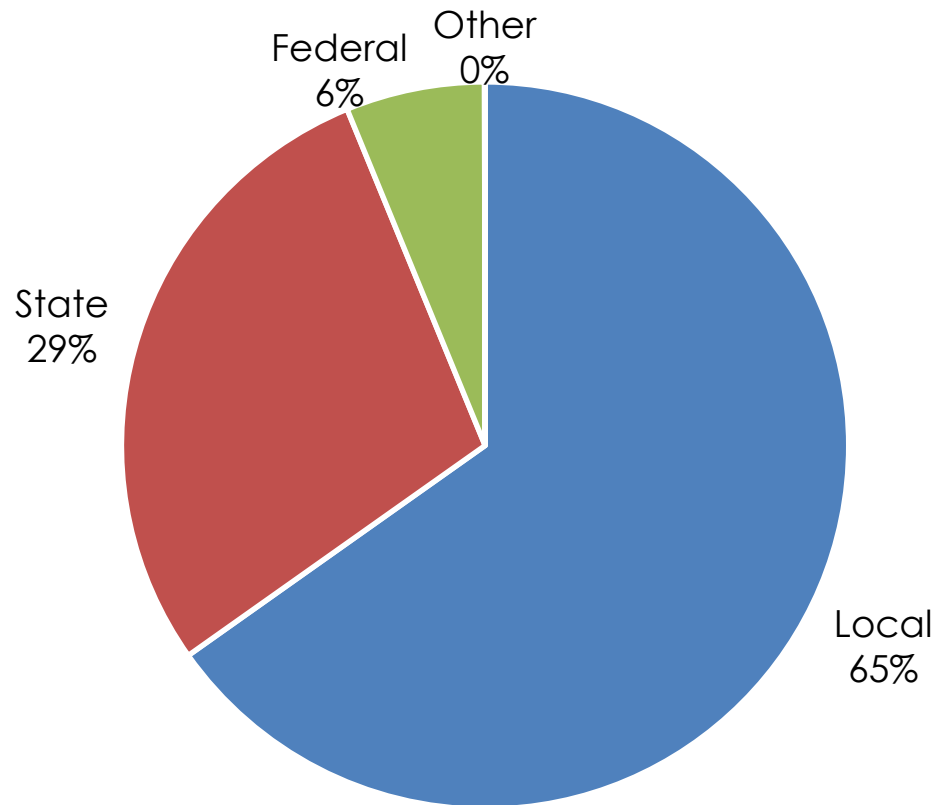
In-district expenditures account for 77% of all special education spending

LEA Special Education Expenditures, 2016-17 School Year



Source: Connecticut State Department of Education. (2018). *Connecticut End of Year School Reports (ED001s) for Local Public School Districts, 2009-17*. Available from <http://ctschoolfinance.org/data/ed001s>.

Connecticut special education spending by source, 2016-17

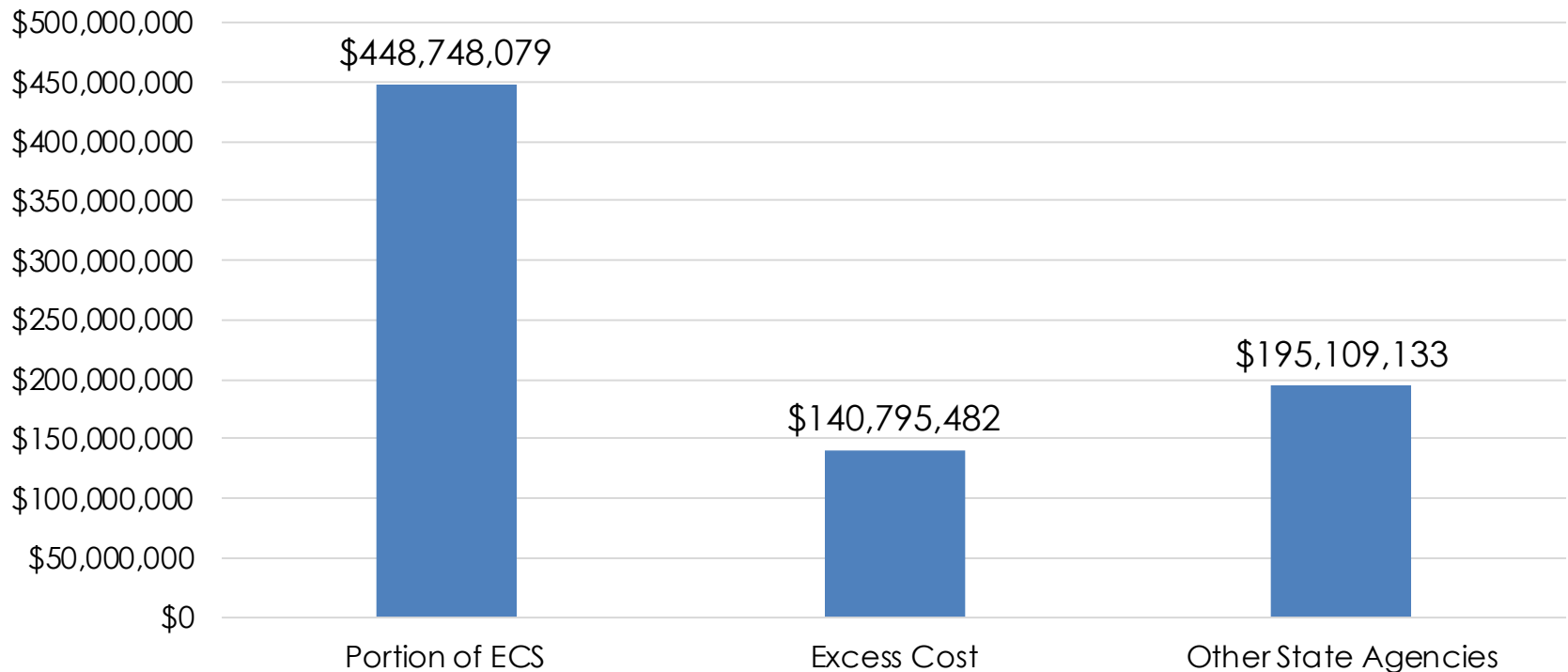


Source: Connecticut State Department of Education. (2018). *LEA Special Education Expenditures*. Available from <http://ctschoolfinance.org/data/lea-special-education-expenditures>.

State Spending for Special Education

The State of Connecticut currently spends more than \$784.6 million annually on special education

2016-17 State Special Education Expenditures

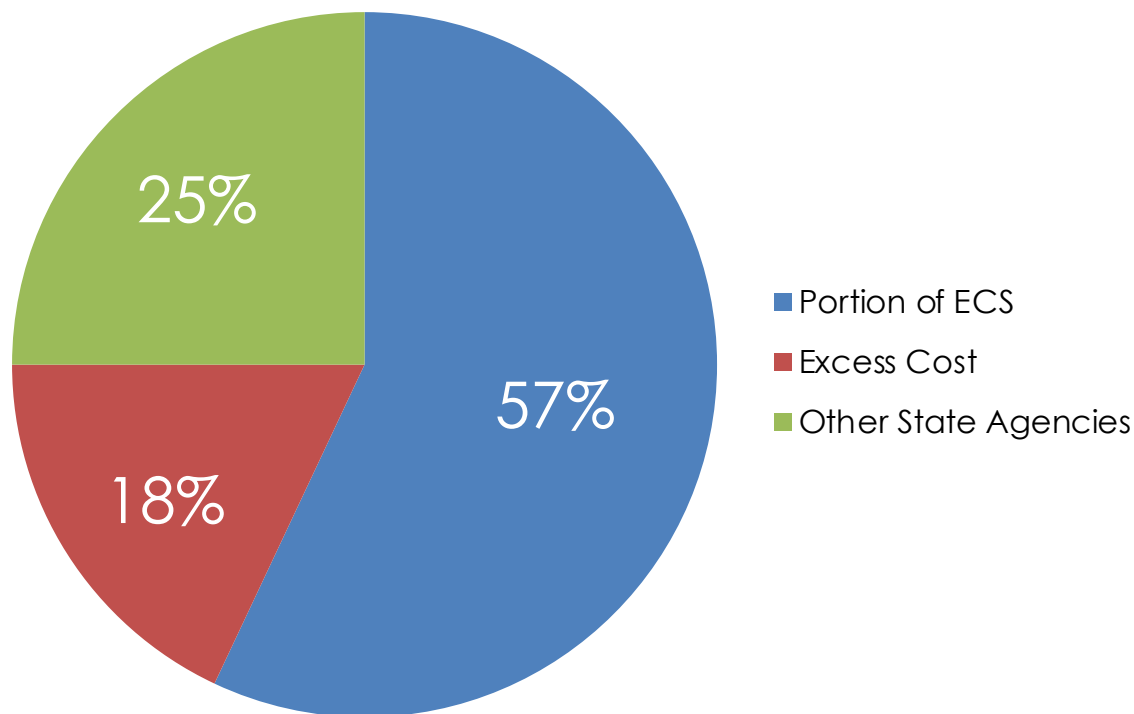


2018-19 IDEA State Maintenance of Support compliance calculated on 2016-17 expenditure data.

Source: Connecticut State Department of Education. (2018). *Individuals with Disabilities Education Act, 2018-19 State Maintenance of Effort*. Available from <http://ctschoolfinance.org/data/connecticuts-state-maintenance-of-effort-for-the-individuals-with-disabilities-education-act-idea>.

The largest source of state special education spending is the ECS grant

2016-17 State Special Education Expenditures



2018-19 IDEA State Maintenance of Support compliance calculated on 2016-17 expenditure data.

Source: Connecticut State Department of Education. (2018). *Individuals with Disabilities Education Act, 2018-19 State Maintenance of Effort*. Available from <http://ctschoolfinance.org/data/connecticuts-state-maintenance-of-effort-for-the-individuals-with-disabilities-education-act-idea>.

Special education funding in the Education Cost Sharing formula

- Special education students are included in resident student counts used to calculate equalization grants.
- In 1995, the CT General Assembly increased the ECS foundation by \$911 to account for special education costs.
- According to CSDE, approximately 18-22% of ECS funding is assumed to be attributed to special education expenditures.
- ECS grant accounted for 57% of state special education spending in FY 2017.

Sources: Conn. Gen. Statutes ch. 172, § 10-262h.

Connecticut State Department of Education. (2018). *Individuals with Disabilities Education Act, 2018-19 State Maintenance of Effort*. Available from <http://ctschoollfinance.org/data/connecticuts-state-maintenance-of-effort-for-the-individuals-with-disabilities-education-act-idea>.

Connecticut General Assembly, Office of Fiscal Analysis and the Office of Legislative Research. (2014). *CT Special Education Funding* [PowerPoint slides]. Hartford, CT: Author. Retrieved from http://www2.housedems.ct.gov/MORE/SPED/pubs/OFA-OLR_Presentation_2013-01-23.pdf.

Issues with incorporating special education funding into ECS formula

- As the new ECS formula is implemented and overall funding increases, Connecticut's federal maintenance of support (MOS) requirement will increase as well due to the portion of ECS funding assumed to be attributed to special education expenditures.
 - This is problematic because under IDEA, Connecticut cannot spend less than its MOS or it will run the risk of having its federal IDEA funding reduced.
 - As a result, should the General Assembly ever reduce overall ECS funding, Connecticut would be at serious risk of not meeting its MOS.
- Incorporating special education funding into the ECS formula's foundation amount also means 57 percent of state special education aid is not being distributed based on where the special education needs actually are because the ECS formula does not weight for a district's special education needs.

The Excess Cost grant is Connecticut's method for paying extraordinary special education costs

- Reimburses districts when expenditures for educating a special education student are 4.5 times greater than the district's spending per pupil.
- Reimburses districts when expenditure for state agency placements are greater than a district's spending per pupil.
- Currently capped at \$140 million, limiting state assistance in covering excess expenditures.
- FY 2018, the Excess Cost grant was not fully funded – it was funded at 73%. As a result, districts did not get back all of the money they were eligible to receive.
- Excess Cost grant accounted for 18% of state special education expenditures in FY 2017.

Sources: Conn. Gen. Statutes ch. 164, § 10-76g (a) & (b).

Connecticut State Department of Education. (2018). *Individuals with Disabilities Education Act, 2018-19 State Maintenance of Effort*. Available from <http://ctschoolfinance.org/data/connecticuts-state-maintenance-of-effort-for-the-individuals-with-disabilities-education-act-idea>.

Connecticut General Assembly, Office of Fiscal Analysis and the Office of Legislative Research. (2014). *CT Special Education Funding* [PowerPoint slides]. Hartford, CT: Author. Retrieved from http://www2.housedems.ct.gov/MORE/SPED/pubs/OFA-OLR_Presentation_2013-01-23.pdf.

Connecticut State Department of Education. (2018). 2017-18 Revenues For Selected State Grants. Available from <http://www.csde.state.ct.us/public/dgm/grantreports1/RevEstSelect.aspx>.

SPECIAL EDUCATION
PREDICTABLE COST
COOPERATIVE
(THE CO-OP)

**CT's special education
finance system isn't
working well for students,
districts, or the state.**

Our new policy idea has the potential to help solve the challenges we've just outlined.

What research did we do prior to developing this proposal?

- **50 state survey and in-depth case studies of four states**
 - We examined the special education finance systems in all 50 states.
 - Case studies of two neighboring states (New York and Massachusetts) and two states with unique special education finance systems (Arizona and Florida).
 - Findings were published in a paper, which can be downloaded from our website: <http://ctschoolfinance.org/reports/improving-sped>
- **Analyzed ED001 data on special education expenditures**
 - Performed analysis of special education data from ED001 forms and other public sources.
 - All of our analyses can be viewed in the “Our Reports” section of our website: <http://ctschoolfinance.org/reports>

Our Partners in Developing this Policy Solution

UConn

GOLDENSON CENTER FOR
ACTUARIAL RESEARCH

Jay Vadiveloo, PhD, FSA, MAAA, CFA

- UConn professor
- Director of Goldenson Center for Actuarial Research
- Over 25 years of experience in life insurance industry
- Senior appointments at leading insurance and consulting groups
- Chartered financial analyst

UConn

NEAG SCHOOL OF EDUCATION

Thilagha “TJ” Jagaiah

- Doctoral candidate and fellow in UConn's Center for Behavior Education and Research
- Former special education teacher in Connecticut

What key goals does this policy achieve?

- **Protects Students** by ensuring adequate special education resources remain available during financially uncertain times, while keeping decisions about, and delivery of, special education services local.
- **Improves Predictability** for districts and towns by allowing districts to know what their special education expenses will be in the prior year, allowing for better budget planning.
- **Increases Equity** by ensuring towns with more need receive more state support for special education costs.
- **Increases Transparency and Helps Ensure State IDEA Compliance** by making state support for special education more transparent and helps to ensure the state can meet its maintenance of support requirement under IDEA.

What is the Co-op?

- Co-op is a special education finance system that allows the state and local governments to share in special education costs and keep decisions and delivery of special education services local.
- Co-op model is not intended to act as a cost control, rather its purpose is to make special education costs predictable for districts and towns, allowing for better budget planning.
- Co-op acts as a risk pool with both local and state government contributing to the pool
 - State's contribution will come from reallocating the Excess Cost grant and special education portion of the Education Cost Sharing (ECS) grant to the Co-op.
 - Local governments will make a contribution to the Co-op, for each special education student who lives in their town, based on several factors, including a town's past special education costs and an equity adjustment that accounts for a town's ability to pay.
- Towns are reimbursed from the pool for 100% of their actual special education costs.
- Co-op model aggregates special education costs together to leverage the fact that, on a statewide basis, special education costs are predictable, even though they are frequently volatile at the district level.

What the Co-op Does & Does Not Address

- The below chart details what the Special Education Predictable Cost Cooperative is intended to address and and what it does not address:

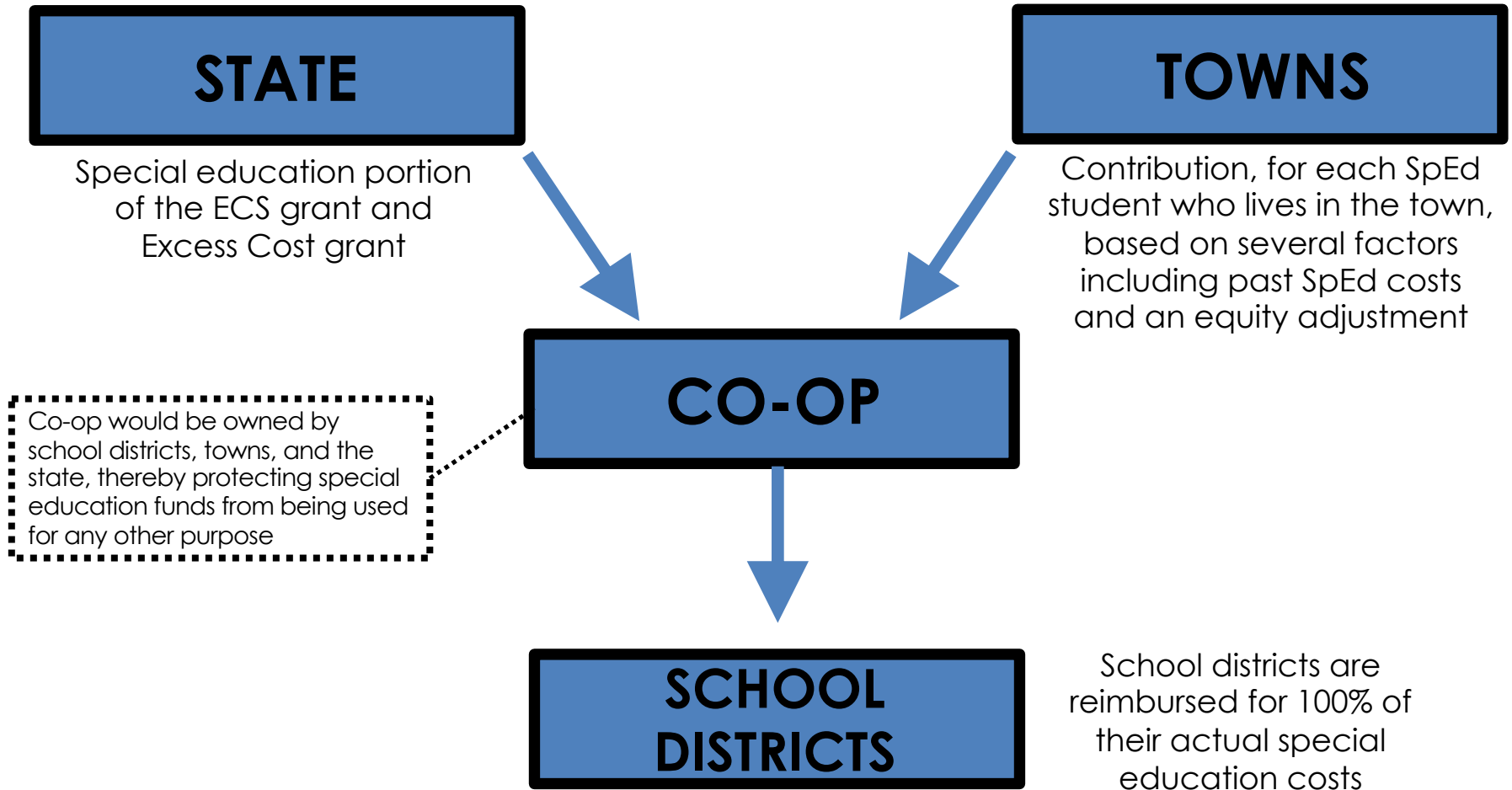
Co-op Addresses

- Unpredictability of special education costs at the local level
- Challenges in district budgeting and planning with current special education finance system
- Models for improving predictability of special education costs at local level

Co-op Does Not Address

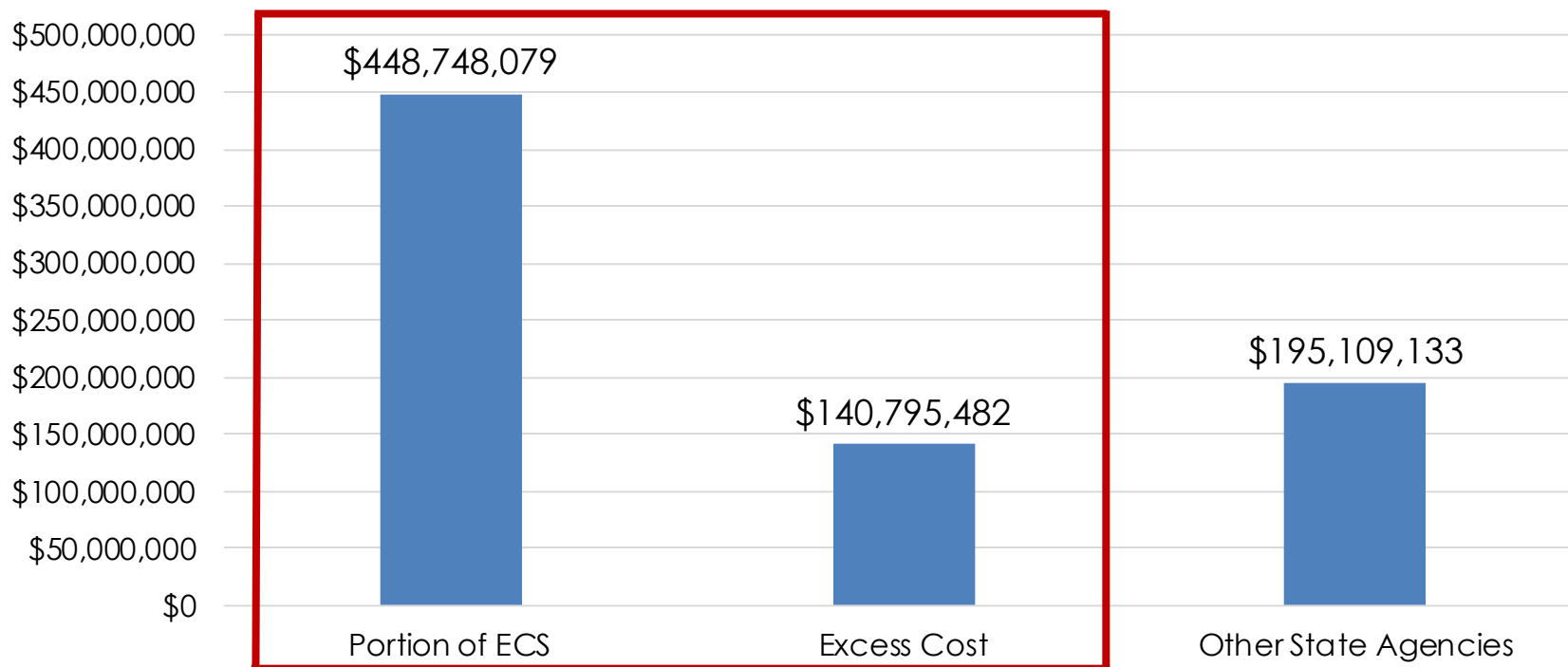
- Burden of proof
- Overall level of funding for special education
- Student eligibility for special education services
- Delivery of special education services
- Mandates related to special education
- Regionalization of services

How Does the Co-op Work?



In terms of state special education dollars, the Co-op includes the portion of ECS funding devoted to special education and the Excess Cost grant

2016-17 State Special Education Expenditures



2018-19 IDEA State Maintenance of Support compliance calculated on 2016-17 expenditure data.

Source: Connecticut State Department of Education. (2018). *Individuals with Disabilities Education Act, 2018-19 State Maintenance of Effort*. Available from <http://ctschoolfinance.org/data/connecticuts-state-maintenance-of-effort-for-the-individuals-with-disabilities-education-act-idea>.

Important things to know about Community Contributions

- All communities will receive some state support for special education services.
- All communities' contributions will be lower than their actual per pupil special education costs.
- To ensure fairness, Community Contributions will reflect each LEA's actual special education costs, so that each LEA's Community Contribution is reflective of its own decision-making.

Key Takeaways About the Co-op

- Makes special education costs predictable for districts and towns, allowing for better budget planning
- Allows LEAs to know exactly what their special education costs will be during the previous school year when they are planning their budgets, and it reimburses LEAs for their actual special education costs in the current year
- Allows the state and local governments to share in special education costs
- Keep decisions and delivery of special education services local
- All students benefit from the Co-op because it stabilizes general education funding and helps ensure districts don't have to resort to dipping into their general education funding to pay for necessary special education services
- Predictability and stability created by the Co-op protects students with disabilities by ensuring adequate funding for special education services — even during financially uncertain times

Questions?

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Email: martha.deeds@ctschoolfinance.org
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APPENDIX

Special Education Community Contribution

UConn



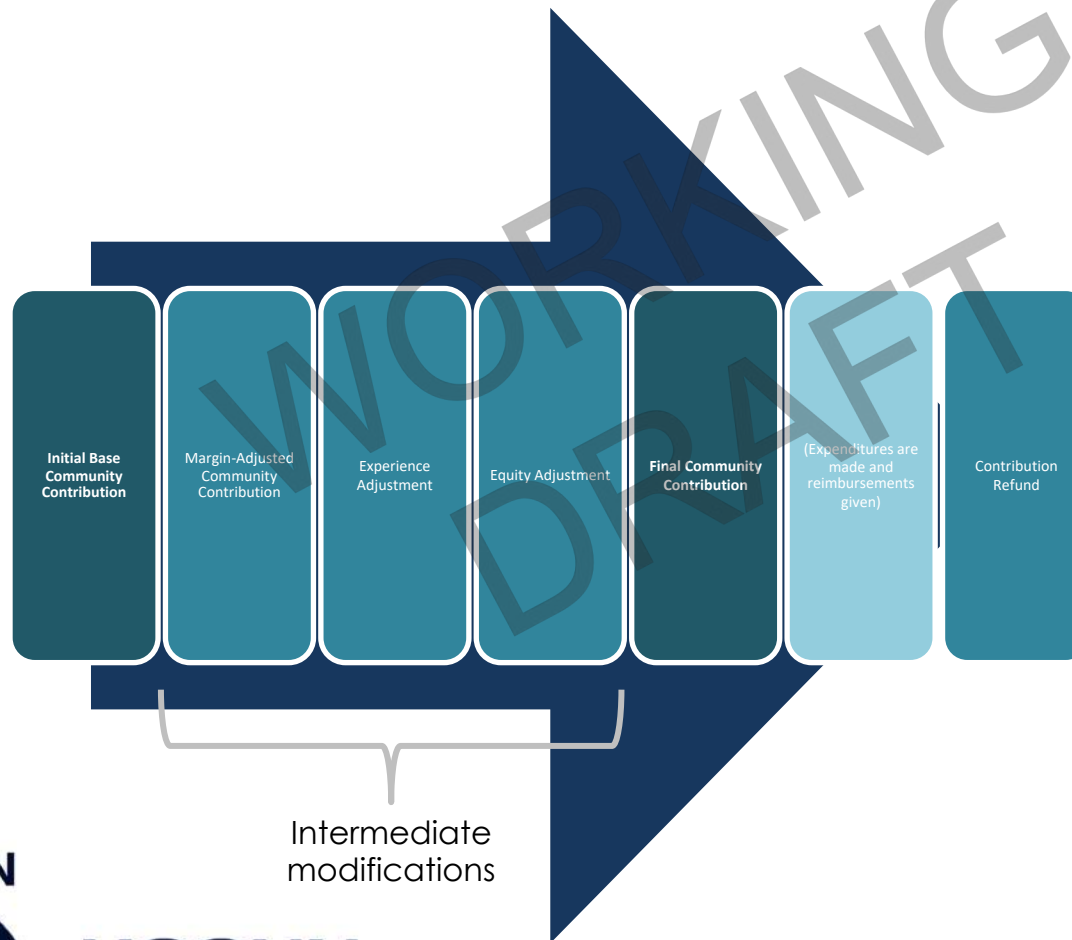
**Janet and Mark L.
Goldenson Center for
Actuarial Research**

Illuminating Industry Innovation

UConn

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Final Community Contribution Calculation



- Community Contribution is calculated on a per pupil basis to normalize district enrollment and spending.
- Final Community Contribution is assessed at the municipal level.
- Contribution Refund is not guaranteed

Step 1: Adjusted Initial Base Community Contribution

- The starting point for the Community Contribution for all LEAs is the average cost per special education student from the prior year, adjusted to account for volatility.

Step 2: Experience Adjustment

- The Community Contribution is increased or decreased to reflect each LEA's spending decisions.
- This keeps the system fair, by making each LEA responsible for its own choices and preventing a “tragedy of the commons” situation.

Step 3: Conversion from LEA to Municipality

- The final community contribution is assessed at the municipal level.
- The conversion from LEA to municipality is necessary because special education expenditures are reported at the LEA level, but each town is responsible for the special education costs of all resident students.
- The total community contribution is the sum of the community contributions for all resident students per town, no matter the LEA those students attend.

Step 4: Equity Adjustment

- The Community Contribution is adjusted for each municipality based on the need and wealth of the community.
- Higher need communities receive larger “discount.”

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Contribution Refund

- If more funding is collected than is needed to operate the system, it is refunded to LEAs (like a tax refund).
- Contribution Refunds are determined based on each LEAs spending. LEAs spending less than the state average will be eligible to receive a refund, which will be distributed proportionally.
- Refunds are credited directly to the next year's Community Contribution.

Smoothing Factor

- In order to ensure districts with decreasing per-pupil special education costs do not experience an increase in their Community Contribution when the statewide costs increase, a smoothing factor is applied to the Community Contribution.
- If a district's per-pupil costs increase or decrease, a percentage factor of the difference in change is applied to the per-pupil contribution.
- This allows the Community Contribution to decrease when per-pupil special education expenditures decrease.
- Essentially, this decreases the variability in Community Contributions from year to year.

Reserve System

- A reserve system ensures appropriate funds are available in years where actual special education costs exceed projected special education costs.
- At the beginning of each year, funds are added to the reserve.
- The reserve system is capped at a certain dollar amount, and funds that exceed this cap are added to the contribution refund.