



Design Considerations: Establishing a State Funding Formula for Special Education

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What is special education spending?

Special Education Services

What it is?

- **Specialized instruction and support** that is tailored to the needs of students with a disability who has an **Individualized Education Program (IEP)**.
- **Related services** that provide additional supports to a student with a disability **so that they benefit from their special education**. Examples:
 - Speech-language
 - Counseling
 - Orientation and mobility
 - Occupational and physical therapy

What it is not?

- A **“504 plan”** that describes accommodations and support for a student with a disability, ensuring they have equal access to education in regular education classrooms.

Special Education Spending

What it is?

Special education expenditures are what is spent **to implement a student's IEP**, this can include:

- Specialized instruction
- Related services
- Specialized transportation
- Transition services
- Community-based learning/placements
- Homebound/hospital care
- Tuition payments to special education and therapeutic schools, as required by an IEP

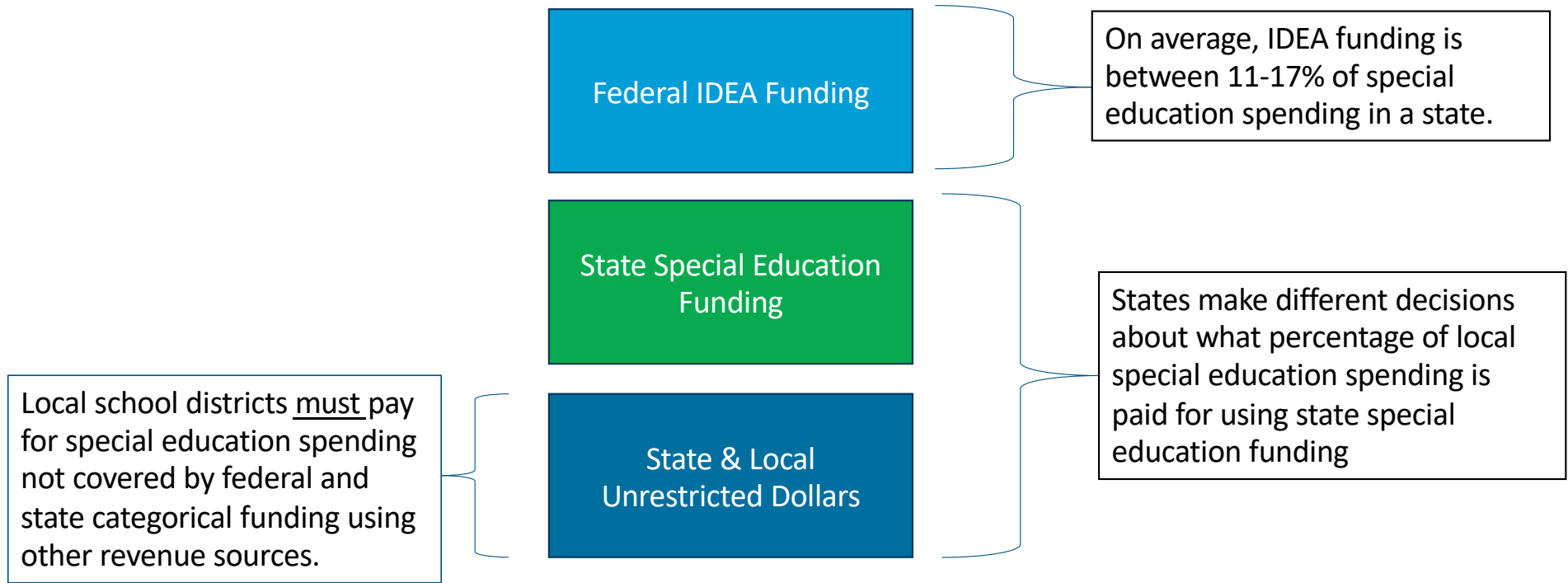
What it is not?

A few examples

- Early intervening services, including “Tier 1” services provided as part of a multi-tiered system of support (MTSS)
- Tutoring or other academic interventions for struggling learners
- Mental health, behavioral supports, and social work services, not specified on an IEP
- Payments for private school tuition for parentally-placed students

How do states and school districts pay for special education spending?

Federal, state, and local dollars



What are the federal requirements for state funding for special education?

Entitlement

Students with disabilities who are identified as eligible for special education services are **entitled** to receive special education services, **at no cost** to them or their families.

Federal Requirements for State Funding

- **Maintenance of financial (MFS) support**

- States are required to make available at least the same amount of state financial support from one year to the next for the education of children with disabilities (34 CFR §300.163(a)).
 - » Federal requirements do not stipulate how states distribute aid among LEAs; instead, states are bound to maintain an aggregate level of financial support across all entities

States have considerably more flexibility in modifying how aid is distributed among LEAs than they have in reducing the total amount of state spending

Federal Requirements for State Funding

- **Least Restrictive Environment**

- State funding mechanisms “shall not” result in placements that violate federal requirements for serving children with disabilities in the “least restrictive environment.” (§ 1412 (a)(5)(B)(i) of U.S. Code Title 20)
- » States cannot put in place a funding mechanism by which the State distributes funds based on the type of setting in which a child is served that ***will result in the failure to provide a child with FAPE*** according to the unique needs of child as described in their IEP

How do states build their special education funding formulae?

Building Blocks for State Special Education Funding Formula

Component Parts of State Aid Formula for Special Education

Basis for Funding	Mechanisms for Allocating State Aid
Student count (SWD vs. all students)	Pupil weights or fixed dollar grants (per student) (Single or multiple)
Resource ratios (Student-to-staff ratios)	Fixed dollar grants (Per instructional unit)
Expenditures (Actual or allowable spending)	Cost reimbursement (As a percent of spending)

Other design elements:

For more information see:

Kolbe, T. (2021). State funding for special education: Aligning policy with priorities. *Journal of Special Education Leadership*
<https://tammykolbe.academia.edu/research#specialeducationfundingpolicy>

- 1. Contingency funding** programs for high-cost students
- 2. Funding and/or resource sharing** with regional or education service districts

Safety Net Funding

	States
States that operate high-cost student reimbursement program	AK, AR, CA, CT, KS, LA, ME, MA, MO, NH, NJ, NM, NY, ND, OH, OR, RI, SD, UT, VT, WA, WV, WI,
Uses dollar/spending threshold for eligibility	AR, CA, KS, MA, NJ, OR, VT, WV, WI
Uses per pupil spending multiplier for eligibility	CT, LA, ME, MO, NM, NY, RI, WA

States may also put qualifiers on the types of services that are eligible for reimbursement.

States are allowed to use up to 10% of their IDEA Part B set aside to fund a high-cost student program. To do so, states must follow specific federal guidelines for how the fund operates, including eligibility.

Most Common Funding Mechanisms Used by States (FY2020)

Funding Mechanisms and Components	States with Approach/Component	Number of States
Single Weight	AL, LA, MD, ME, MO, ND, NY, OR	8
Multiple Weights	AK, AZ, DC, FL, GA, IA, KY, NM, NV, OH, OK, PA, SC, TX, WA	15
Fixed Dollar Grants	CA, IL, MA, MS, NH, NJ, NC, UT, VA, VT	9
Tiered Grants	CO, DE, ID, IN, SD, TN	6
Embedded in Foundation Aid	AR, CT, RI	3
Cost Reimbursement	KS, MI, NE, WI, WY	6
Hybrid	HI, MN, MT	3
Enrollment Caps	AL, ID, MA, ME, MO, NC, NJ, NV, OR, SD, UT, WA	12

Most states **incorporate multipliers, or weights**, for special education in their overall funding formula.

Special education weights **work with a foundation formula**.

States use either a **single weight** or **multiple weights**, which adjust for differences in the cost of providing special education services.

Vermont's current special education funding formula

Vermont's
Special
Education
Census
Block
Grant

Basis	Long term Membership (3-year average ADM)
Mechanism	Fixed Dollar Grant

**Extraordinary Cost
Reimbursement**

At least \$60,000 special
education spending for a student
in a year; reimbursed at 95% over
this amount + ~60% of spending
below threshold.

Census-based funding formula vs. weighted student formula ...

Census-based funding formula

- **Strengths:** Predictable and transparent funding from year-to-year; flexibility in how dollars can be spent (including early intervening services); cost control
- **Limitations:** Flat grant, which doesn't adjust for differences in student need; flat grant does not easily adjust for differences in foundation amount.

Weighted Student Funding Formula

- **Strengths:** Can differentiate funding with student need; adjusts funding for changes in base spending; predictable and transparent
- **Limitations:** Possible motivational effects; if one weight, then funding is not differentiated according to student need

Both approaches require information about the “excess cost” of special education to operate as an efficient and equitable funding approach.

What are key design considerations for special education funding in a foundation formula?

Special Education Spending Variability

	Special Education Expenditure Project (SEEP; AIR) <i>(Inflation Adjusted 1999/2000 spending)</i>	Ohio Special Education Cost Study (AIR) <i>(SY2021/22)</i>
Overall average		
Low Cost		
Specific learning disability (SLD)	\$10,363	\$8,936
Speech or language impairment (SLI)	\$11,920	\$12,890
Medium Cost		
Developmental delay (DD)	\$10,013	
Emotional disturbance (ED)	\$18,602	\$28,571
Intellectual disability (ID)	\$21,440	\$28,791
Other health impairment (OHI)	\$16,474	
OHI (minor)		\$17,381
OHI (major)		\$55,107
High Cost		
Autism spectrum disorder (ASD)	\$28,641	\$36,595
Deaf-blindness (DB)	\$23,687	\$26,669
Hearing impairment (HI)	\$20,712	\$27,621
Multiple disabilities (MD)	\$30,295	\$21,875
Orthopedic impairment (OI)	\$20,490	\$20,495
Traumatic brain injury (TBI)	\$23,447	\$55,533
Visual impairment (VI)	\$25,693	\$31,894

Special education spending varies according to differences in student disability and their extent of need.

Alignment with Overall Education Funding Policy

- A state's special education funding formula **needs to work with – not against – the overall education funding policy framework**
 - For example:
 - » Census block grants and categorical aid may not align well with weighted student funding formula
- The **"motivational effects"** inherent in a state special education funding formula need to **align with state's policy goals for special education:**
 - Identification
 - Placement
 - Early intervention and pre-referral services
 - Staffing and resource allocation

How might Vermont integrate weights for students receiving special education in a foundation formula?

Criteria Used for Multiple Weights

- **Disability categories**


- *States are moving away from using individual disability categories, and instead group categories into tiers according to cost or student need*

- **Support levels or tiers**

- *Low/high need for specialized supports*
- *Incidence-based groupings*

- **Cost based**

- *Cost to provide services on an IEP*
- *Time spent in general education setting and out-of-district placement*



Cost-based approaches are the most efficient and equitable.

Special education weights for Vermont foundation formula

Calculated possible weights for:

1. **Single weight design**
2. **Multiple weight designs, with weights tied to either disability cost tiers or disability categories**

Key assumptions:

- Special education spending data from two high-quality studies of special education costs done by AIR to estimate possible special education weights for a Vermont foundation formula: 1) US Department of Education’s Special Education Expenditure Project (SEEP); and 2) Ohio special education cost study.
- **Weights will differ according to foundation base amount.** Two hypothetical base amounts were used in calculations: 1) ECF base (UVM/AIR weighting study; \$15,500 for 2024/5 school year); and 2) Evidence-based Base (Picus/APA; ~\$13,200).

Possible Weighting Categories	SEEP Special Education Expenditure Spending Estimates		Ohio Special Education Cost Study Spending Estimates	
	Weight Using ECF Base	Weight Using EB Base	Weight Using ECF Base	Weight Using EB Base
Overall average (single weight)	1.32	1.55	1.72	2.01
Low cost	0.72	0.84	0.70	0.83
Specific learning disability (SLD)	0.67	0.79	0.58	0.68
Speech or language impairment (SLI)	0.77	0.90	0.83	0.98
Medium cost	1.07	1.26	1.21	1.42
Developmental delay (DD)	0.65	0.76	0.00	0.00
Emotional disturbance (ED)	1.20	1.41	1.84	2.16
Intellectual disability (ID)	1.38	1.62	1.86	2.18
Other health impairment (OHI)	1.06	1.25		
OHI (minor)			1.12	1.32
OHI (major)			3.56	4.17
High cost	1.59	1.87	2.22	2.61
Autism spectrum disorder (ASD)	1.85	2.17	2.36	2.77
Deaf-blindness (DB)	1.53	1.79	1.72	2.02
Hearing impairment (HI)	1.34	1.57	1.78	2.09
Multiple disabilities (MD)	1.95	2.30	1.41	1.66
Orthopedic impairment (OI)	1.32	1.55	1.32	1.55
Traumatic brain injury (TBI)	1.51	1.78	3.58	4.21
Visual impairment (VI)	1.66	1.95	2.06	2.42

Other considerations

- **Funding for regional services collaboratives or education support districts**
 - *Regionalization or coordination of services, particularly for low-incidence students, may improve efficiency in service delivery.*
 - » *Design consideration: Do regionals/ESDs receive funding directly from state or do districts receive funding and then purchase services? Or a hybrid model that involves both state and district funding?*
- **Extraordinary cost reimbursement**
 - *Rapidly growing share of special education spending in Vermont*
 - » *Design consideration: What should the spending threshold be to qualify for extraordinary cost reimbursement? Should the state put “qualifiers” on what types of services or payments can be reimbursed?*

Resources

Resources

- *Total expenditures for students with disabilities, 1999-2000: Spending variation by disability.* Special Education Expenditure Project, American Institutes for Research. <https://www.csef-air.org/publications/seep/national/AdvRpt1.pdf>
- Special education in Ohio – Best practices, costs and policy implications. American Institutes for Research. <https://www.air.org/project/ohio-special-education-cost-study>
- Kolbe, T. (2019). Funding special education: Charting a Path that confronts complexity and crafts coherence. National Education Policy Center. <https://nepc.colorado.edu/publication/special-ed>
- Kolbe, T. (2021). State funding for special education: Aligning policy with priorities. *Journal of Special Education Leadership* <https://tammykolbe.academia.edu/research#specialeducationfundingpolicy>

***Please E-mail me with questions or information needs you may have, and I can direct you to additional resources:
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