

# Considering Special Education Adequacy in California

By the American Institutes for Research (AIR)

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## Getting Down to Facts

A research project designed to provide California's policy-makers and other education stakeholders with comprehensive information about the state's school finance and governance systems, and lay the groundwork for a conversation about needed reforms. The project was made possible by grants from the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation, the James Irvine Foundation, and the Stuart Foundation.

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For the full text of the author's research report and the other studies in this project, see: [www.irepp.net](http://www.irepp.net)

For background on California's school finance system, see: [www.californiaschoolfinance.org](http://www.californiaschoolfinance.org)

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Expenditures continue to rise for students with disabilities, making special education an increasingly important component of education funding. This study explores the issue of special education adequacy through two questions:

1. What analytical techniques exist for estimating the cost of an adequate education for special education students?
2. How might these techniques be applied to estimate costs for special education students in California, and how do those estimates compare to current expenditures?

## Background

Across the nation, the percentage of students in special education—and the total expenditure on these students as a percentage of overall K–12 spending—has been steadily increasing over the past 30 years. Today more than 12% of all elementary and secondary public education students have been identified for special education, and special education constitutes 13.9% of overall K–12 public education spending, according to one national estimate. In California, school-age students (ages 6–21) who receive special education services make up 9.5% of public school enrollment. Special education services constitute about 15.5% of K–12 education spending in California, based on 2004–05 school year data.

Under the federal No Child Left Behind Act (NCLB), the vast majority of special education students are to be held to the same academic standards as all students. While about half of special education students spend the majority of their day in regular classes, the nature of their education is very different from that of other students. Federal law entitles special education students to “free and appropriate” educational services as described in an individualized education program (IEP). Furthermore, when the IEP determines that a service is needed by a student in special education, school officials cannot use cost as a rationale for refusing to provide it.

## Summary of Key Findings

### Conventional techniques for estimating education adequacy shed little light on special education costs

Researchers typically use one of four techniques to estimate the overall cost of an adequate education: econometric, evidence-based, successful schools, and professional judgment. The authors examine how the needs of special education students are addressed across studies using these four approaches and conclude that, for the most part, special education is treated more as an afterthought than a main theme in prior adequacy studies.

All adequacy approaches attempt to identify the resources needed for students to reach a specified level of education outcomes or results. The services necessary for individual students with disabilities to achieve the same standards as their peers, however, may defy incorporation into an adequacy approach in which resources are defined uniformly for an entire group or even subgroups of students. This is true for several reasons. The nature of special education students' entitlement to services is vastly different from that of other students. Further, the percentage of students in special education does not always provide a clear indication of district need, nor do the categories to which students are assigned provide a clear indication of the severity of their disability.

### Analyses of actual expenditures provide the best estimates of costs, but they are not linked well to educational outcomes

The authors find that all four conventional approaches to adequacy have inherent limitations with regard to special education. They believe that analyses of actual special education expenditures are better for providing a stand-alone estimate of special education adequacy. Actual special education expenditures can also serve as a benchmark for comparing estimates that use the conventional adequacy techniques.

#### *The authors develop four cost estimates using available data on actual expenditures*

The authors present four different estimates based on: reported actual special education spending in California; cost estimates from a previous state special education study; and national cost

estimates using national spending to approximate adequacy.

Central to these estimates is a conceptual framework for the analysis of special education funding used by the Special Education Expenditure Project (SEEP). This framework is based on three concepts:

- Total special education spending includes amounts used to employ special education teachers, service providers, and administrators; plus spending on transportation and other nonpersonnel items purchased under the auspices of the special education program.
- Total spending to educate a student with a disability encompasses all school resources used to provide a comprehensive education program to the student, including special and general education spending, plus other special needs programs (e.g.,

Title I of NCLB). Most students with disabilities spend substantial time in general education classrooms, and they benefit from the same administrative and support services as all other students.

- Additional expenditures used to educate a student with a disability are the difference between the total spending to educate a student with a disability and the total spending to educate a general education student (i.e., a student with no disabilities or other special needs).

SEEP provides estimates of total spending and special education spending by disability category. The data show a wide range of costs based on 13 different disability categories and variation within many of those categories. The authors used these cost estimates and data regarding the distribution of disabilities as part of their analysis.

## Study Methods

The study includes four estimates of special education spending per special education student. These estimates are weighted by special education enrollment for 823 elementary, unified, and high school districts for which the authors had data.

The first estimate uses expenditure data submitted by districts for 2004–05 using the state’s Standardized Account Code Structure (SACS) to compile reported levels of special education spending.

The second estimate applies special education resource allocation patterns by disability developed in a 2003 state study conducted by the American Institutes for Research (AIR): *Study of the Incidence Adjustment in the Special Education Funding Model*.

The other two estimates use ratios of total spending on special education students by disability to spending on students with no special needs, based on the national Special Education Expenditure Project (SEEP). These ratios are applied to two bases intended to represent spending on students with no special needs: current state spending derived from SACS and an estimate of adequate spending provided by the AIR professional judgment study that was also part of the larger *Getting Down to Facts* research effort. The special education component of these ratios approximate special education expenditures if California provided services similar to those found on average across the nation.

#### *Currently reported expenditures in California exceed cost estimates from other methods, indicating drawbacks in those methods*

The authors’ estimates for special education spending per special education student in California (in 2004–05 dollars) are:

- \$11,600 per student based on districts’ actual expenditures as reported in California’s SACS data;
- \$9,298 per student based on the 2003 AIR Incidence Study data;
- \$7,777 per student based on the application of SEEP ratios to estimated spending on a student with no special needs and using current expenditures in California; and
- \$9,971 per student based on the application of SEEP ratios to estimated spending on a student with no special needs and using the AIR professional judgment panel study of funding adequacy.

The estimate of current actual spending derived from SACS is markedly higher than the other three

estimates, including the one based on a professional judgment estimate of adequate base funding that far exceeds California's current regular education expenditures. The authors present several possible explanations for this. One is that the widespread use of SACS is relatively new, so the SACS data may reflect some inconsistencies in district reporting and assignment of program costs. On the other hand, the detailed accounting used in SACS may be more comprehensive than the other measures used here. Another possibility is that actual special education spending in California may be higher than the estimates based on the SEEP national ratios because the special education identification rate in California, at 9.5%, is considerably lower than the national average at 12.4%. With a smaller percentage of students being identified for special education, it may be that the disabilities of students in California are on average more severe and therefore more costly.

It is also important to note that special education students in California currently perform lower than the outcome levels expected under the federal accountability system. While current spending may be considered adequate for individual students to meet appropriate goals in their IEP, this lower performance suggests that the spending levels may be conservative for meeting federal targets.

### Authors' Conclusions

IEPs delineate the services needed to produce specified outcomes for individual special education students. In this sense, these service levels provide a strong basis for considering adequacy. At the same time, they are deficient in two ways. First, the outcome goals for special education students, as defined by IEPs, are generally not as challenging as the outcome standards set by the state and the federal NCLB law for all students. In this regard, the IEP-based estimates almost certainly

underestimate costs. Second, the estimates build on a base of general education services that may be inefficient. In this way, they overestimate the cost of achieving a given outcome in a more efficient system. That said, the IEP-based measures are more solid than estimates based on a set proportion of needed spending for general education students for two reasons: the general education cost estimates are likely to vary depending on student characteristics and the local context; and the general education cost estimates are based on weaker data than are available through an IEP and thus are not measured precisely.

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