

Financing Special Education in New Jersey

New Jersey School Boards Association

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A History of Special Education Finance Studies

The Cost of Special Education (1981). Commissioned by the U.S. Department of Education and published by the Rand Corporation, the report estimated that it cost 2.17 times as much to educate the average disabled child as it did to educate the average non-disabled child in 1977-1978. This cost factor varied from 1.98 in elementary schools to 2.48 in secondary schools. It also varied by disability and placement, and ranged from 1.37 for a speech-impaired child to 5.86 for a child with substantial visual impairments. Related services cost an average of \$191 per child. Assessment costs were \$100 per child, with another \$103 to initiate placement in a program. Administrative costs were \$87 per child.

An Analysis of New Jersey's Special Education Policy: A Final Report (1996). MGT of America, a management research firm, was contracted by the New Jersey Department of Treasury, NJ-DOE and the Governor's Office to conduct a study of New Jersey's special education policies. The comprehensive study addressed special education costs, alternative funding mechanisms and current regulations. The constraints on any proposed new funding system were: to promote placements in the least restrictive environment, to increase flexibility for districts in providing special education services, to contribute to funding equity statewide, to provide for extraordinary costs, to ensure accountability by focusing on technical assistance, and to set standards while reducing detailed compliance monitoring. The MGT consultants studied a sample of 60 districts throughout the state to determine the actual special education costs. In doing so, they determined that the state share of special education was 59% of those costs, much higher than the 40% estimate frequently mentioned by districts. The MGT study recommended a more deregulated philosophy and a modified flat grant-funding model to reduce costs and increase district flexibility in providing special education and related services.

New Jersey Special Education Expenditure Project (1999-2000). The American Institutes for Research conducted a special education expenditure study in 37 states under the auspices of the U.S. Department of Education, Office of Special Education and Rehabilitation Services. This study utilized data on budgets, enrollments and personnel from the New Jersey State Department of Education. It included self-administered questionnaires for district central office staff, schools (demographics, special education programs, personnel and instructional expenses), general and special education teachers, service providers and aides. Researchers also collected profile information on the student characteristics and services received. They found that special education expenditures in New Jersey were higher than the national average. The average

expenditure per student with disabilities was \$11,839 for the special education costs plus \$5,637 for general education services. The ratio of special education expenses to general education was 1.89, lower than the national ratio of 1.9. They found that the highest per student cost was for autism, \$32,349 and the lowest was for speech-language impairment, \$13,717. They calculated the costs associated with the state's funding tiers as follows: tier 2 - \$13,306, tier 3 - \$14,358, and tier 4 - \$16,282. The study found that district personnel did not fully understand the tier system and erroneously assigned students about 30% of the time. In 1999, special education expenditures were \$2.25 billion (\$3.36 billion when associated general education costs were included). Based on the estimates, state aid covered about 40 percent of the marginal costs (excess costs) and federal revenues covered about seven percent. The study found that the state funding for tier 2 was sufficient, but that tiers 3 and 4 were under-funded on average. Researchers noted that tier 3 funding had been subsequently increased by 40%. Overall, they suggested that there was a \$926 million shortfall in state aid for special education. They also suggested that the funding be independent of the location where service is provided or even higher if provided in the district so as to encourage placement in less restrictive settings.

President's Commission on Excellence in Special Education (2002). This panel recommended that special education focus on results – the opportunities IDEA provides and the outcomes achieved by each child, and not on process, litigation, regulation and confrontation. They recommended that the model of early intervention and prevention be embraced and rejected the requirement that children fail before receiving services. The report recommended that special and general education be treated as having shared responsibility for students with disabilities. It also stated that funding arrangements should not create an incentive for special education identification or become an option for isolating children with learning and behavior problems. Finance recommendations emphasized the concept of “excess costs” as a basis for funding. Although IDEA funds had significantly increased recently after years of under-funding, the commission acknowledged that federal funding should continue to increase. Other financing recommendations included linking funding to state accountability for results, targeting funds for direct services, increasing state and local flexibility, and focusing on high-need children.

Cost of Education (2006). This report was based on work conducted by Augenblick, Palaich and Associates, Inc. for the New Jersey State Department of Education using a “Successful School District” (SSD) approach and the “Professional Judgment Panels” (PJP) approach. Its purpose was to calculate the educational costs in meeting state performance and accountability standards for general and special needs students (disabled, at-risk and English language learners). It identified a set of resources needed by hypothetical school scenarios. Its findings covered both general and special education funding and proposed models. The report postulated the following additional costs of special education in six different operating type districts:

Special Education Program	Very Small K-8	Small K-8	Small K-12	Moderate K-12	Large K-12	Very Large K-12
Mild	\$4,487	\$42,855	\$1,203	\$3,552	\$3,027	\$3,337
Moderate	\$16,495	\$14,113	\$11,452	\$12,978	\$10,974	\$11,455
Severe	\$69,840	\$47,179	\$30,657	\$37,018	\$33,459	\$33,881
Preschool	\$25,705	\$24,729	\$17,261	\$22,709	\$24,328	\$27,437
Extended School Year	\$3,698	\$3,839	\$3,569	\$3,697	\$3,269	\$3,421

The study proposed weights of various special needs students relative to the base cost in their hypothetical districts and found that it could use just two operating types since the size of the districts had little impact. As a result, the study proposed the following weights for special education programs:

Special Education Program	K-8	K-12
Speech	0.46	0.41
Moderate	1.95	1.42
Severe	7.39	4.08
Preschool	3.23	2.84
Extended School Year	0.48	1.42

A review of the Report on the Cost of Education in New Jersey was issued in January 2007 by Dr. Allan Odden, a professor at the School of Education, University of Wisconsin. He contrasted the PJP method with the evidence-based approach and found that his evidence-based approach suggested a similar number of teachers as the PJP method. He did recommend basing the number of at-risk students on both free and reduced price lunches. The state’s proposed weights for special education were not specifically reviewed in this report since comparable supporting data were not available.

Special Education Review Commission Cost and Funding Recommendations (SERC-2006). The Joint Legislative Committee on Public School Funding Reform established the SERC to recommend legislative changes in special education financing. The report cited inadequate federal funding for special education as a problem in that it currently is less than 20% of the cost when the commitment had been 40%. The commission recognized the high classification

rate and high rate of private placements as major factors in increasing costs. The report criticized the nationwide belief that many students were classified as disabled just because they had difficulty in reading. They recommended an annual review of the patterns of referral and effectiveness of general education programs, services and interventions to determine to what extent there were inappropriate referrals for special education. Six recommendations regarding special education were sent to the Joint Legislative Committee on Public School Funding Reform, suggesting that they enact legislation to:

1. Facilitate more efficient and effective general education pre-identification services to reduce the rate of special education classification.
2. Provide suitable facilities under the school construction act to increase district capacity for special education students and reduce placements in separate facilities.
3. Expand county coordination of services to monitor out-of-district programs and placements; facilitate in-district placements; conduct regional program planning; coordinate shared services, personnel development and technical assistance; foster inclusive education, positive behavior supports, transition and parent-professional collaboration; provide assistance in financial planning for resource realignment and reallocation.
4. Establish a consistent tuition structure for out-of-district placements and establish an advisory group to review and comment on the new structure.
5. Reduce the use of due process hearings and litigation through coordination with the Center for Negotiation and Conflict Resolution.
6. Continue funding of extraordinary special education aid adjusted for inflation and the growth in costs.