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# **Students with Disabilities and California's Special Education Program**

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with research support from Karina Jaquet

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## Summary

Special education is a critical part of California's public education system, ensuring that school districts meet the individual needs of disabled students. Addressing student disabilities presents unique challenges to educators because disabilities manifest themselves in different ways and range considerably in severity. In 2006–07, special education served more than 10 percent of California's total enrollment at an expense of about \$9.3 billion. Maintaining a high-quality program is important for California's education policy. Unlike students in many education programs, students with disabilities are entitled by law to free, appropriate special education services. Special education has taken on a new importance as well, as disabled students are treated increasingly like all other students in the eyes of the state's accountability systems.

This report provides basic information for state policymakers, educators, and parents about California's students with disabilities and its special education program. The first chapter describes how the eligibility and placement process works. It also examines disability rates and trends, the educational environment, and student performance on state assessments. The second chapter profiles California's financial commitment to special education, providing detailed information about spending activity and the main funding process.

Unlike the nation as a whole, California's special education enrollment rate is actually declining slightly, despite the well-documented growth in autism. Yet students with disabilities in California and the rest of the nation spend, on average, similar portions of the school day outside the regular classroom. If anything, the evidence suggests that educational environments across the United States, in terms of including students in regular classroom settings during the school day, have become more like what they have been in California. The last several years have offered encouraging signs of steady gains on state assessments by California's students with disabilities. At the same time, their scores continue to fall well short of the state average.

Special education spending in California appears to be at least commensurate with the spending level in the nation. The statewide average is \$13,742 per special education student—a major expenditure for school districts. The actual amount of special education spending made on behalf of each student depends heavily on the needs addressed. More severe disabilities are less prevalent but more costly to treat. In fact, the largest spending category is separate class instruction for students who cannot be accommodated in the regular classroom environment. Special education spending does not cover the regular education costs of educating students with disabilities.

Special education is also the largest source of categorical revenue (i.e. federal and state funds received for a specific purpose). In 2006–07, categorical funds for special education accounted for \$4.7 billion, about half of total spending on special education. These funds help pay the "excess cost" of special education, based on the assumption that disabilities are evenly distributed across the state. Excess costs are expenditures above the average rate of spending on all children.

This report's findings raise some important points for further research and policy debate. For one, special education is dynamic, always responding to the needs of the students it serves. Currently those needs appear to be changing, as autism rates climb and learning disability rates fall. This pattern may lead to higher spending levels in the future. Second, special education spending is taking a growing share of school district budgets. From a budgeting standpoint, policymakers may find it useful to understand better the excess costs that districts face and the extent to which categorical funds offset them. Lastly, by not renewing their exemption from the high school exit exam graduation requirement, California recently increased its stake in the educational performance of students with disabilities. Since the state now sets the same ultimate bar for success for both groups, state policymakers may want to devote more attention to closing the achievement gap between special education students and others.

# Acknowledgments

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# Introduction

Special education is a key vehicle through which schools serve students with disabilities, providing them the opportunity of a free, appropriate public education. Between 1991–92 and 2005–06, the U.S. special education enrollment rate climbed steadily from about 11.6 percent to 13.6 percent of total enrollment. Autism is the fastest growing student disability in the nation and is among the more expensive to treat. Special education spending has also grown as a share of total school spending. A recent national study found that its share rose from 10.5 percent to 13.1 percent between 1982–83 and 1998–99 (Parrish, 2001).

Somewhat different patterns affect California: The state’s special education enrollment rate peaked above 10 percent in 1999–2000 and has slightly declined since. Yet the state is also experiencing rapid growth in its autism rate, which increased by over 90 percent between 2003–04 and 2007–08. Given the particular dynamics of California’s disability rate trends, the impact on the level and share of spending is less clear. Complicating matters is that California does not report special education spending information. This presents challenges to state policymakers trying to understand how school districts serve special education students, and whether funding levels are sufficient to address needs. The demand for better information has grown now that the state expects students with disabilities to pass the high school exit exam like other students to obtain a diploma. A fuller understanding of students with disabilities and special education in California will be critical to considering what can be done to improve educational outcomes for this important group of students.

This report offers a description of current special education students and financing to help inform future policy and research. It examines disability rates, trends, and how often students are involved in the regular classroom setting. It also looks at how special education students perform on state assessments in relation to other students. In addition, this report provides detailed program spending information that enables policymakers to put special education spending growth in better context. By considering enrollment and financing issues together, the findings serve as indicators of what special education in California may look like in future years.

# 1. California's Students with Disabilities

## Chapter Highlights:

- Developing individualized education programs for disabled students is a collaborative process that involves both parents and schools.
- In 2007–08, enrollment in special education programs for children ages 3–21 equaled about 10.7 percent of California's K–12 enrollment.
- The student disability rate peaked in California in 1999–2000 but continued to climb in the rest of the nation.
- On average, students with disabilities in California and those in the rest of the nation appear to be educated outside the regular classroom (during the school day) for similar durations.
- California's students with disabilities are improving steadily on state assessments but their performance continues to be well below the statewide average for all students.

## How Are Eligibility and Placement Decisions Made?

Parents and schools jointly make student eligibility and placement decisions by following the process described in the Individuals with Disabilities Education Act (IDEA).<sup>1</sup> Under Part B of IDEA, all children with disabilities in the United States 3–21 years old are eligible to receive special education and related services.<sup>2</sup> The Glossary lists the federal disability categories and definitions. The eligibility process begins when either a school official or parent refers a student for a disability evaluation. Assuming the parents consent, qualified school personnel then select and administer an appropriate, non-discriminatory assessment. The findings from the assessment help determine a student's eligibility for special education.

When a disability is identified, the next step is to draft an Individualized Education Program (IEP). An IEP is a legal document that protects the right of students with disabilities to a free, appropriate public education (FAPE). It lists the accommodations and special services that schools must provide to students, the anticipated frequency and duration of services, how schools will assess students, and how they will measure progress toward annual goals. Drafting IEPs relies on collaboration between parents and schools. The IEP team includes the parents, a regular education teacher, a special education teacher, a district official who is knowledgeable about the district's curriculum and resource availability, an individual who can interpret the

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<sup>1</sup> IDEA first passed in 1975 as the Education for All Handicapped Children Act. Congress last reauthorized it in 2004.

<sup>2</sup> Infants and toddlers with disabilities between birth and two years old are eligible for early intervention services under Part C of IDEA.

assessment results, and the child (when it is appropriate). IEPs are reviewed every one to three years. Parents must approve the IEP for services to commence.<sup>3</sup>

Despite a clear, step-by-step framework for placing children in special education, the content of each educational program is subjectively determined. Student disabilities do not come in cookie cutter varieties, meaning that IEP teams must design service plans on a case-by-case basis. Because IEP teams include different people, teams may reach different conclusions about “appropriate” services for students with similar disabling conditions. Thus, IEPs address similar topics but negotiations among team members ultimately shape their contents.

## What Is the Special Education Enrollment Rate in California?

Because children with disabilities are eligible for special education before they are old enough to start school, California’s “special education enrollment rate” depends on how it is calculated. The most informative relationship from a policy standpoint is the number of children that schools serve under Part B of IDEA divided by California’s total public school enrollment. Table 1.1 displays these statistics by disability and by race/ethnicity in 2007–08.

**Table 1.1**  
**Special Education Enrollment Rates in California by Disability and Race/Ethnicity, 2007–08**

	Average	10th Percentile	90th Percentile	White	Hisp.	African Amer.	Asian	Amer. Indian
All disabilities	10.7	8.7	12.9	11.8	10.4	15.7	6.0	11.9
Autism	0.7	0.3	1.1	1.1	0.5	0.8	0.9	0.5
Deaf-blindness	0.003	0	0.01	0.004	0.003	-	0.002	-
Emotional disturbance	0.4	0.1	0.8	0.7	0.2	1.3	0.1	0.8
Hearing (Incl. deafness)	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.1
Learning disabilities	4.7	2.8	6.9	4.2	5.3	8.3	1.5	5.6
Mental retardation	0.7	0.3	1.0	0.6	0.7	1.0	0.5	0.7
Multiple disabilities	0.1	0.0003	0.2	0.1	0.1	0.1	0.1	0.1
Orthopedic impairments	0.2	0.1	0.4	0.3	0.2	0.2	0.2	0.2
Other Health impairments	0.7	0.3	1.4	1.2	0.5	1.2	0.3	0.9
Speech or language	2.8	1.1	4.7	3.3	2.7	2.5	2.2	2.9
Traumatic brain injury	0.03	0	0.05	0.03	0.03	-	0.02	-
Visual impairments	0.1	0.03	0.1	0.1	0.1	0.1	0.1	0.1

\* SOURCES: California Special Education Management Information System (CASEMIS), California Basic Education Data System (CBEDS), and IDEA Child Count Data Tables 1-18 and 1-19 for 2007

\* NOTES: The 10<sup>th</sup> percentile includes the 10 percent of students in school districts with the lowest disability rates. The 90<sup>th</sup> percentile includes the 10 percent of students in districts with the highest disability rates. IDEA data do not report African American and American Indian deaf-blindness and traumatic brain injury counts due to small sample sizes.

<sup>3</sup> Parents and school districts have the right to due process in the event that disagreements arise. Lipscomb (2009) examines this process and its use in California.

Alternatively, policymakers and educators can focus on the percentage of students who are receiving special education and related services. The trends analysis that follows Table 1.1 uses this latter definition because the available data only recently began tracking disability category statistics among children 3–5 years old. California’s special education enrollment rate appears slightly lower under the second approach because it does not include disabled children who are not old enough to enroll in school.

The first column of Table 1.1 shows that special education enrollment among children ages 3–21 equaled about 10.7 percent of California’s K–12 enrollment in 2007–08.<sup>4</sup> The largest category is learning disabilities, which accounts for 44 percent of total special education enrollment. Although all disability categories include children with a wide range of individual needs, learning disabilities tend to be less severe and less costly to treat. For example, Parrish et al. (2004) found that learning disabilities cost California schools about \$4,064 on average in 2002–03. In contrast, they estimated a special education cost for autism of \$29,735.<sup>5</sup> In California and elsewhere, disability rates tend to be higher in less severe categories but disability costs tend to be higher in more severe categories.

The second and third columns illustrate the range of disability rates across the state by reporting 10<sup>th</sup> and 90<sup>th</sup> percentile school district enrollment rates. One in 10 students attends a school district where special education enrollment is below 8.7 percent. Another one in 10 students attends a school district in which enrollment exceeds 12.9 percent. Disability category rates vary across school districts as well.

The remaining columns show enrollment rates by race and ethnicity. African-American children enroll in special education at a higher rate than white children do, while Asian children enroll at a lower rate.<sup>6</sup> Parrish (2002) finds the most pronounced racial and ethnic differences in U.S. special education enrollment rates in the categories of emotional disturbance, mental retardation, and learning disabilities. Parrish calls these disabilities “soft” because diagnosing them relies more heavily on subjective determination. Table 1.1 reveals similar patterns for California in 2007–08. Disability rates are more consistent across racial and ethnic groups for “harder” disabilities like hearing or visual impairments.

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<sup>4</sup> Appendix A provides a detailed description of the data sources and the enrollment rate calculations.

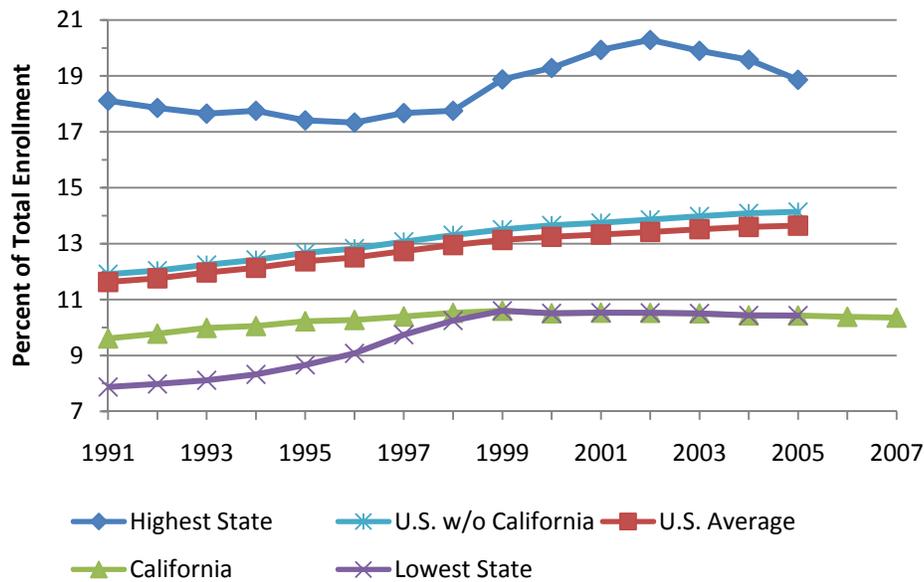
<sup>5</sup> Parrish et al. (2004) cost estimates come from Appendix H.

<sup>6</sup> Asian includes Pacific Islander.

## What Are the State and National Enrollment Rate Trends?

The national special education enrollment rate among students has trended upward for the last fifteen years. Since 1999–2000, the enrollment rate in California has declined slightly and has been the lowest of any state. Figure 1.1 plots both trends along with both the highest and lowest state enrollment rate in each year and the enrollment rate excluding California.<sup>7</sup> In 2005–06, California’s rate was three quarters of the national average and about half of the rate in Rhode Island, the state with the highest enrollment rate that year.

**Figure 1.1**  
Special Education Enrollment Rates, 1991–92 to 2007–08



\* SOURCES: IDEA Child Count Data and Common Core of Data (CCD) for 1991–2005; CASEMIS and CBEDS for 2006–2007

NOTE: The enrollment rate is the number of children with disabilities ages 6–21 divided by the total enrollment of grade 1–12 and ungraded students. This definition is slightly different from the one for California in Table 1.1, and is used to provide consistent data across states over this period.

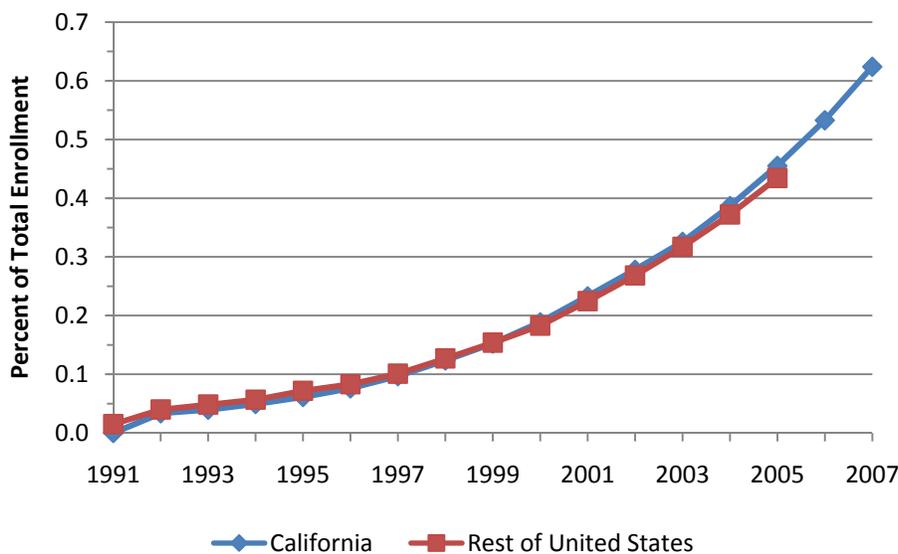
It is hard to explain fully why special education enrollment rates differ across states. On its own, California’s lower rate does not mean that it under-identifies disabilities. Making that claim based on Figure 1.1 would depend on an even distribution of disabilities across the country, which is not the case. If disability rates relate at all to local demographic characteristics, we would expect them to differ geographically. There may also be regional differences in how IEP teams interpret disability definitions. Further, recent academic research suggests that fiscal and accountability incentives may influence how some schools apply special education

<sup>7</sup> Special education enrollment and total enrollment is available in California through 2007–08. Nationally, state-level total enrollment data are available only through 2005–06.

classification.<sup>8</sup> Overall, California’s special education enrollment rate may be the lowest in the country but it is unclear whether the “gap” between California and the rest of the United States signals a problem.

Nevertheless, enrollment rate differences help to understand both individual disability trends and grade level trends. Autism rates in California and the United States are almost identical (Figure 1.2).<sup>9</sup> Although autism rates are climbing rapidly – by over 90 percent nationally between 2001 and 2005 – autism represents a small percentage of disabilities and cannot explain the enrollment rate difference between California and the United States.

**Figure 1.2**  
**Autism Rates in California and the Rest of the United States, 1991-92 to 2007-08**



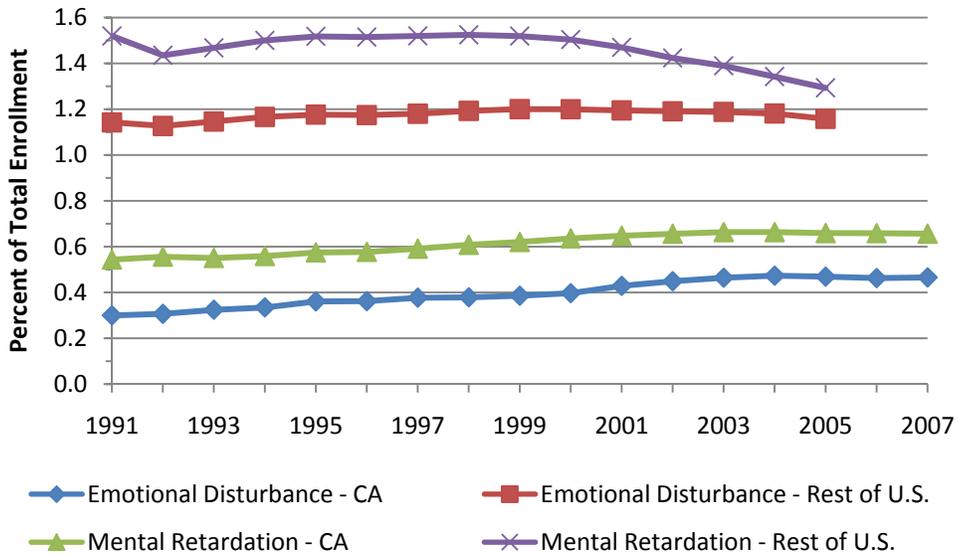
\* SOURCES: IDEA Child Count Data and CCD (1991–2005); CASEMIS and CBEDS (2006–2007)

Nor does California’s lower special education enrollment rate reflect the status of one disability in particular. Instead, it represents a combination of differences across disability categories. The most persistent differences since 1991–92 appear to be in emotional disturbance and mental retardation. Figure 1.3 shows that these disabilities were about twice as prevalent in the rest of the country as in California in 2005–06. Yet together they account for only 36 percent of California’s relatively lower special education enrollment rate.

<sup>8</sup> For example, see Cullen (2003), Cullen and Reback (2006), Dhuey and Lipscomb (2009), Figlio and Getzler (2002), Jacob (2005), and Kwak (2008).

<sup>9</sup> Disability category definitions are available in the Glossary.

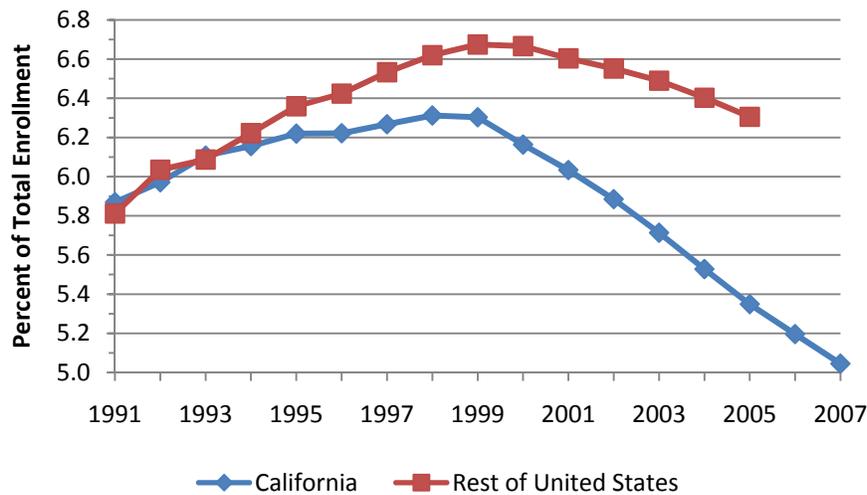
**Figure 1.3**  
**Emotional Disturbance and Mental Retardation Rates**  
**in California and the Rest of the United States, 1991-92 to 2007-08**



\* SOURCES: IDEA Child Count Data and CCD (1991-2005); CASEMIS and CBEDS (2006-2007)

A potentially more interesting feature about the enrollment rate difference is that it is widening. Much of this can be explained by a steeper decline in learning disabilities in California. Figure 1.4 shows that learning disability rates began abruptly declining in the United States in 1999-2000 after years of steady growth.

**Figure 1.4**  
**Learning Disability Rates in the United States and California, 1991-92 to 2007-08**



\* SOURCES: IDEA Child Count Data and CCD (1991-2005); CASEMIS and CBEDS (2006-2007)

Presumably, it would take a national event or policy change to spark this sudden difference in trend. The 1997 IDEA reauthorization, whose final regulations were published in March 1999, fits that description. Among other changes, IDEA 1997 restructured the federal special education funding process from a formula based on special education enrollment to a formula based on total enrollment and poverty levels. The current formula is called a “census-based” or “capitation” system. It arguably diminishes the fiscal incentive to use special education classification as a way to enhance revenue because schools that identify additional students with disabilities must provide them appropriate services but do not receive any additional funds. Dhuey and Lipscomb (2009) find evidence of a strong association between states adopting capitation systems for special education from 1991–92 to 2003–04 and a post-reform decline in their learning disability rates that averaged about 7 percent. Although Dhuey and Lipscomb do not examine the federal process, the findings suggest that finance reform at the federal level may have contributed to declining learning disability rates across the country too.<sup>10</sup>

Learning disability rates fell more steeply in California than in the rest of the nation. In 1998, California became one of nine states between 1991–92 and 2003–04 to adopt a capitation-funding model for special education finance. In other words, federal and state special education funding in California use a capitation approach. Kwak (2008) concludes that finance reform in California decreased the state’s special education enrollment rate. Together, the evidence presented by Dhuey and Lipscomb (2009) and Kwak (2008) suggest that California’s finance reform may have contributed to its relatively steeper learning disability rate decline. Regardless of the reason, California’s steeper decline in learning disability rates between 1999–2000 and 2005–06 explains over 70 percent of the enrollment rate divergence during this period.

Some childhood disabilities usually are identified earlier in the educational process than others. For instance, educators and parents identify most learning disabilities in California when children are between grades 2 and 5. Speech and language impairments tend to be identified in kindergarten and grade 1. Many students with these latter impairments leave special education by the end of elementary school. Different identification patterns at the disability category level highlight how the distribution of disability types changes as each entering student class ages.

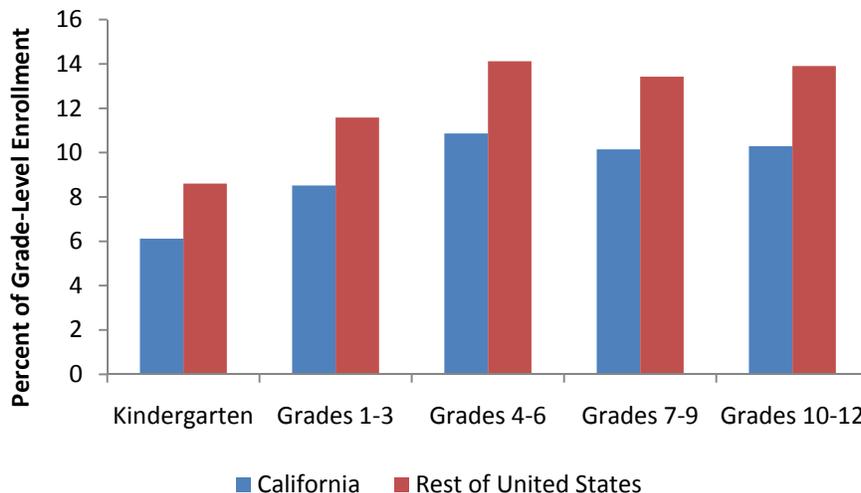
Figure 1.5 compares grade level enrollment rates in California and the rest of the nation. The first set of bars divides the special education enrollment of all 5-year-olds by total kindergarten enrollment in 2005–06.<sup>11</sup> The remaining bars compare the average enrollment rate in successive blocks of three age and grade levels. The figure suggests that California’s below-average enrollment rate emerges in kindergarten. Speech and language impairment rates among kindergarten students are somewhat lower in California, but again, one disability category does not explain the entire difference. Nevertheless, policymakers and researchers interested in learning more about disability rates may find turning to the early grades useful.

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<sup>10</sup> IDEA 1997 also required that states and school districts include students with disabilities in their assessment programs, and that these agencies develop alternative assessments for those students who cannot participate regularly. This would also affect learning disability rates if learning disability classifications had been applied to exempt some students from inclusion in accountability systems.

<sup>11</sup> Special education enrollment in the United States is reported by age whereas school enrollment is reported by grade.

**Figure 1.5**  
**Special Education Enrollment Rates by Grade Level in California**  
**and the Rest of the United States, 2005-06**



\* SOURCES: IDEA Child Count Data and CCD

## How Much Time Do Students with Disabilities Spend in the Regular Classroom?

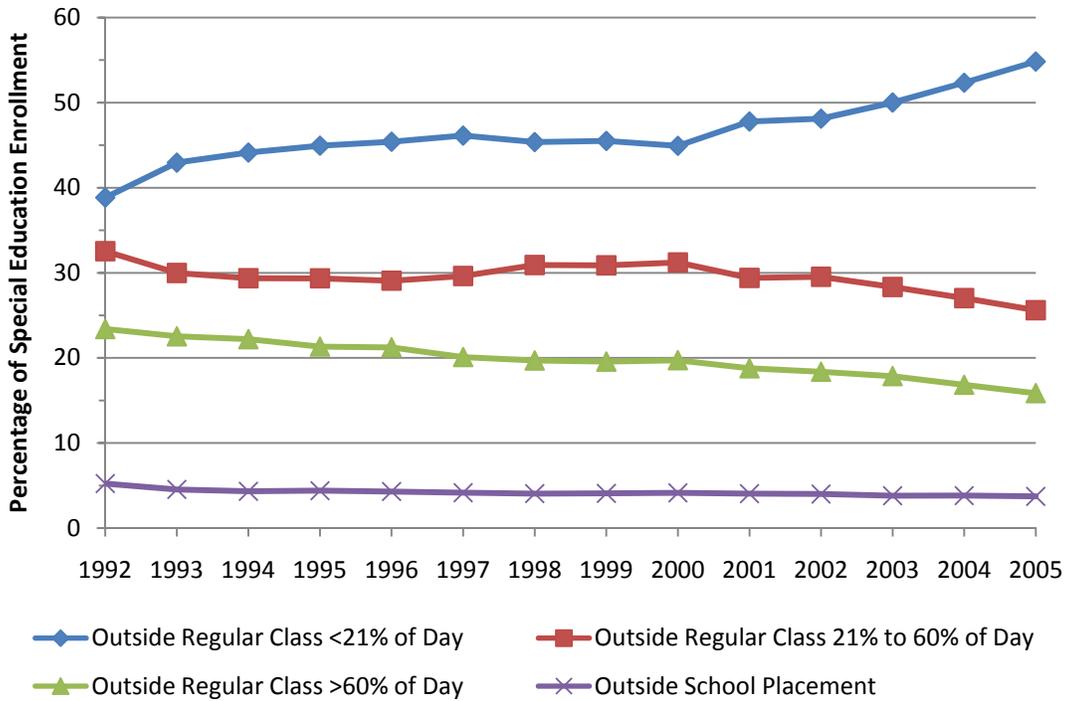
IDEA requires schools to educate students with disabilities in the Least Restrictive Environment (LRE). In other words, they need to provide disabled students opportunities to be educated along with their nondisabled peers in regular classrooms whenever appropriate. Students do not need to be outside the regular classroom to be receiving special education services.<sup>12</sup> Oftentimes, schools use supplementary aids and services to help disabled students in the regular classroom.

The LRE requirement highlights how special education represents a continuum of services. Over the last fifteen years, school districts nationwide increasingly have tried to accommodate special education students in regular classrooms. Figure 1.6 highlights this trend, which is commonly known as “inclusion” or “mainstreaming policy.” The top three lines chart the percentage of special education enrollment placed in the school but outside the regular class for different amounts of the school day. The fourth line shows the frequency of student placements outside the regular school. Collectively, the four trends suggest that, on average, students with disabilities spent a greater percentage of the school day in the regular classroom in 2005-06 than they did in 1992-93.

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<sup>12</sup> Educating disabled students in the regular education environment with supplementary aids and services is not always cheaper than educating them outside the regular classroom.

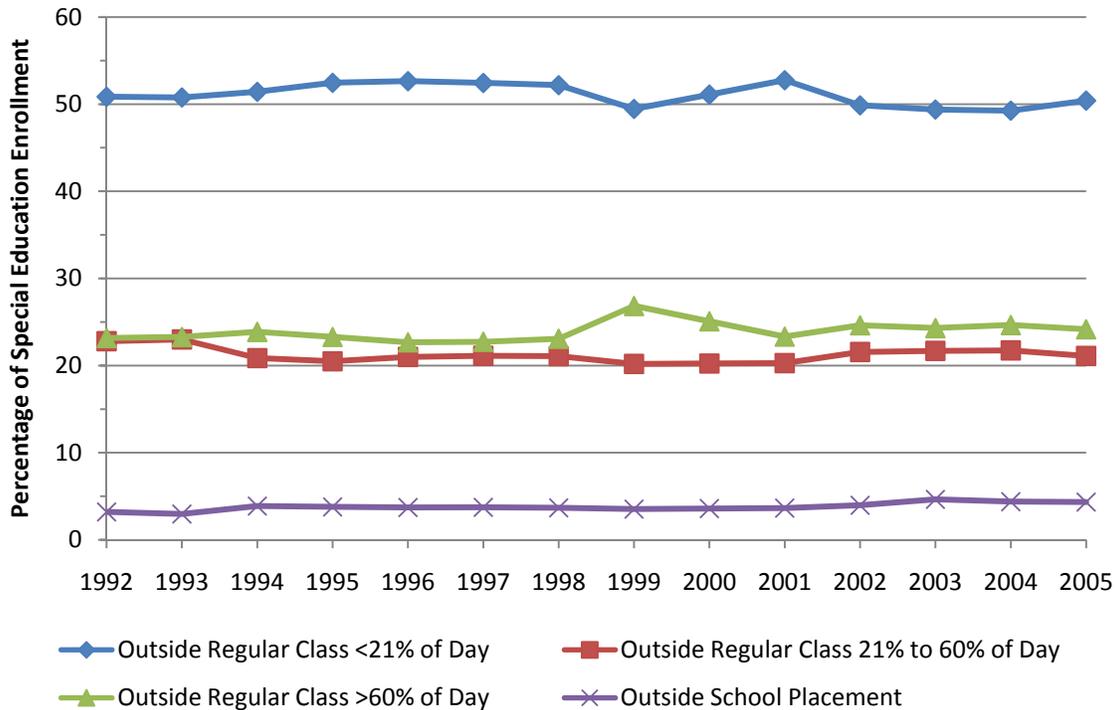
**Figure 1.6**  
**Educational Environments for Special Education Students in the**  
**U.S. excluding California, 1992-93 to 2005-06**



\* SOURCES: IDEA Educational Environment and Child Count Data

California's inclusion trends have remained much flatter (Figure 1.7). Yet California does not appear to lag the nation in its inclusion practices. Rather, other states have trended toward inclusion rates as they have been in California since 1992-93.

**Figure 1.7**  
**Educational Environments for Special Education Students in California, 1992-93 to 2005-06**



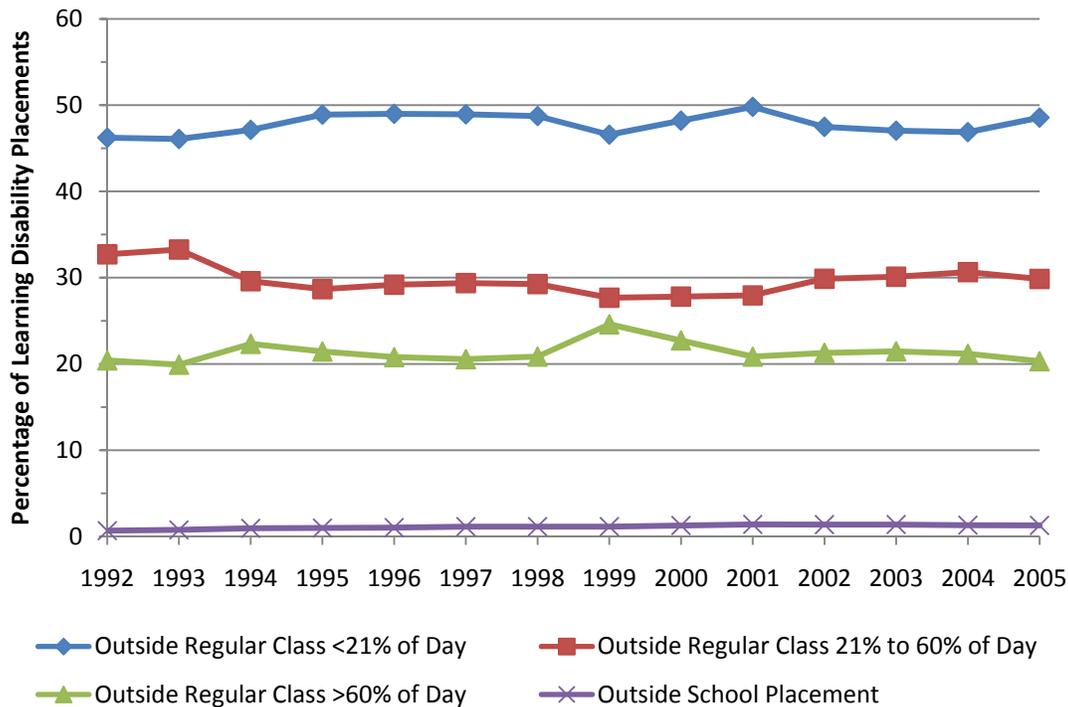
\* SOURCES: IDEA Educational Environment and Child Count Data

There are some current differences between Figures 1.6 and 1.7, most notably in the “outside regular class <21% of day” category. Yet it is probably best to say that educational environments are roughly similar between California and the rest of the nation, because the figures do not account for nationwide growth in disability identification. This is important to acknowledge because special education enrollment in the United States may be growing primarily by adding students with less severe needs, most of whom would be educated mainly in the regular classroom. If so, then these figures could lead to false conclusions about mainstreaming patterns. Specifically, the national decline in average time spent outside the regular classroom may have more to do with the severity of needs being addressed than how those needs are being addressed.

Figure 1.8 explores this issue by examining educational placements in California among students with learning disabilities. Educational environment trends changed little over this period despite a clear drop in the state’s learning disability rate since 1999-2000. We might expect to see more average time outside the regular classroom as the learning disability rate falls, assuming that the least severely disabled students are most affected by the drop in the

rate. The lack of such evidence suggests that compositional changes to enrollment are not the sole explanation for the trends picked up in the previous figures.<sup>13</sup>

**Figure 1.8**  
**Educational Environments for Learning Disabled**  
**Students in California, 1992-93 to 2005-06**



\* SOURCES: IDEA Educational Environment and Child Count Data

## How Have Students with Disabilities Performed on State Assessments?

Beginning with the class of 2008, students with disabilities may no longer obtain an exemption from the California High School Exit Exam (CAHSEE) graduation requirement. This change is consistent with California's general policy of including students with disabilities in its assessment processes. Disabled students have lower exam passage rates than do other students.<sup>14</sup> Given the recent media attention surrounding the CAHSEE in particular, the next paragraph briefly discusses the testing accommodations and modifications that students with disabilities may still obtain.

The CAHSEE consists of two portions, mathematics and English-language arts. Students first take the exam in grade 10 and then have two additional opportunities to pass any remaining sections in grade 11 and five additional opportunities in grade 12. AB 347 (2007)

<sup>13</sup> Placement trends for learning-disabled students outside of California in Appendix Figure A.1 resemble those in Figure 1.6.

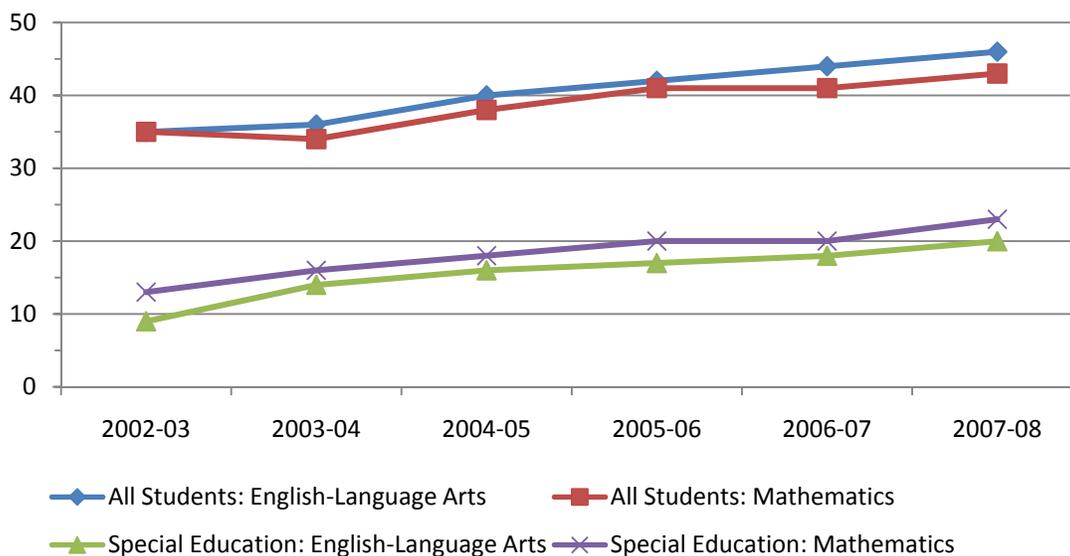
<sup>14</sup> See Zau and Betts (2008) for a recent analysis of CAHSEE passage rates.

authorizes intensive instruction and services to students needing help passing portions of the exam for up to two years beyond grade 12. Students with disabilities may take the CAHSEE with appropriate accommodations and/or modifications, which are listed on student IEPs.<sup>15</sup> Students passing the CAHSEE with accommodations meet the graduation requirement. Students passing one or both sections of the CAHSEE with modifications also meet the graduation requirement if they obtain a waiver from their local school board.<sup>16</sup>

According to the California Department of Education, 53.8 percent of students with disabilities in the class of 2008 met the CAHSEE graduation requirement by May 2008. This is up from 48.8 percent for the class of 2007 and 47.8 percent for the class of 2006.<sup>17</sup> Although the passage rate is clearly improving, it is much lower than the 90.2 percent of the entire class of 2008 who passed.

Lower but improving scores are the general pattern for students with disabilities on other assessments as well. Figure 1.9 shows performance trends on the California Standards Tests (CSTs) and the California Alternate Performance Assessment (CAPA).<sup>18</sup> The CAPA is a replacement assessment for the CST that students with severe cognitive disabilities take if deemed appropriate on their IEP.

**Figure 1.9**  
**Percent Proficient or Above on the CST and CAPA, 2002-03 to 2007-08**



\* SOURCE: California Department of Education (2008b)

<sup>15</sup> Accommodations like extra time or a Braille transcription change the testing environment but not what the test measures or the comparability of scores. Testing modifications like use of a calculator or having the English-language arts section read orally alter what the test measures and the comparability of scores.

<sup>16</sup> The waiver application process is described online at <http://cahsee.cde.ca.gov/>.

<sup>17</sup> California Department of Education (2008a)

<sup>18</sup> The CST in English-language arts is given in grades 2-11. The CST in math is given as a general assessment in grades 2-7 and as a subject-specific assessment in higher grades.

Average test performance is steadily increasing across the state. Between 2002–03 and 2007–08, proficiency among students with disabilities rose an impressive 122 percent in English-language arts and 77 percent in mathematics. However, students with disabilities continue to trail the average statewide proficiency rate and the gap is not narrowing. Among special education students in 2007–08, 20 percent scored proficient or above in English-language arts and 23 percent scored proficient or above in mathematics. Both rates are roughly half of the averages for students statewide.

Students with severe cognitive disabilities are just a small minority of those disabled students who are not proficient. Only 10 percent of disabled students have severe cognitive impairments and these students take the CAPA, where proficiency exceeds average student proficiency on the CST.<sup>19</sup> Closing the achievement gap shown in Figure 1.9 will entail boosting average performance primarily among students who do not have severe cognitive impairments.

In 2008, California introduced an additional replacement exam called the California Modified Assessment (CMA). The CMA's goal is to better measure the performance of students with disabilities in grades 3–8 for whom the CAPA is inappropriate. Improved assessment techniques may be part of the solution to closing the test score gap between disabled and non-disabled students. It will be important to monitor both the results and future trends, as students with disabilities present an important opportunity for schools and state policymakers looking to boost student outcomes in the coming years.

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<sup>19</sup> In 2007–08, the English-language arts proficiency rate on the CAPA was 80 percent. The mathematics proficiency rate was 55 percent.

## 2. An Overview of Special Education Spending and Financing

Chapter highlights:

- Special education spending totaled \$9.3 billion in 2006–07, or \$1,486 per total statewide enrollment.
- California’s special education spending per student is at least commensurate with past estimates of the national average, and represents 16.9 percent of K–12 general fund expenditures. The spending level is growing faster than other education spending.
- Categorical special education funding helps pay the excess costs of program spending and totaled \$4.7 billion in 2006–07. The state uses a capitation formula to allocate about 81 percent of these funds. Revenue from other categorical and non-categorical sources accounts for the remainder of special education spending.

### How Much Do School Districts Spend on Special Education?

Information on total special education spending has proven elusive even with California’s detailed financial records. The main culprit is an accounting issue, one that has prevented policymakers from learning the true size of special education spending. School districts operate many special education programs cooperatively, and so they regularly transfer funds among themselves. Tracking which districts are involved is hard, making it easy to double count – or to miss – expenditures from transferred funds.

This report provides actual spending information by following a method that addresses the transfer issue. Each year, school districts must show that they are using federal special education grants to supplement, rather than to supplant, state and local funds. California developed a Maintenance of Effort (MOE) worksheet for school districts to demonstrate their compliance.<sup>20</sup> They must show that their Special Education Local Plan Area (SELPA), a group of nearby school districts that cooperatively provide services, spent more on special education from local or combined state and local funds in a year (either in total or per pupil) than in the previous year. Because districts need to aggregate spending to a SELPA total, the worksheet must sort out transferred funds. Appendix B explains the spending definitions and how transfers are assigned. Tables B.1 through B.3 provide detailed spending totals. The data come from California’s school finance database, the Standardized Account Code Structure (SACS).

California school districts spent \$9.3 billion or \$1,486 per total statewide enrollment on special education in 2006–07, the most recent year of available data. Specifically, the \$9.3 billion includes all special education spending on behalf of children with disabilities from birth to 22 years old in California.<sup>21</sup> This amounts to \$13,742 per child served. Special education spending

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<sup>20</sup> The MOE requirement means that California risks losing federal funding in future years if it cuts state funding for special education below prior year levels. In 2007, Governor Schwarzenegger’s May revised budget eliminated special education funding cuts proposed earlier due to MOE implications.

<sup>21</sup> Appendix Table A.1 lists special education enrollment by age for 2006–07 and 2007–08 in California.

does not include the non-special education expenditures that school districts incur in educating students with disabilities. Table 2.1 summarizes spending categories. Separate class instruction is the largest spending category. It accounts for more than one third of total spending and includes all salary, supply, and associated costs of providing instruction in separate classes.

**Table 2.1**  
**Special Education Spending per Pupil in California, 2006-07**

Expenditure Category	Dollars per Pupil	Dollars per Special Education Pupil (Birth-22)
<i>A. Special Education Instruction</i>		
Separate Classes	504	4,665
Resource Specialist Instruction	204	1,889
Aides and Services in Regular Classrooms	37	338
Nonpublic Agencies/Schools	108	996
Other Specialized Instructional Services	123	1,135
<i>B. Instruction-Related Services</i>		
Instructional Supervision and Administration	73	675
Administrative Unit of a Multidistrict SELPA	7	63
Instructional Library, Media, and Technology	6	60
Other Instructional Resources	6	52
School Administration	69	642
<i>C. Pupil Services</i>		
Guidance and Counseling Services	20	182
Psychological Services	51	476
Attendance and Social Work Services	4	37
Health Services	28	263
Speech Pathology and Audiology Services	19	173
Pupil Testing Services	1	8
Pupil Transportation	102	947
Food Services	0.2	2
Other Pupil Services	6	58
<i>D. Other Expenditures</i>		
Other Expenditures	117	1,082
<b>Total Expenditures</b>	<b>1,486</b>	<b>13,742</b>

\* SOURCES: SACS unaudited actual data, CBEDS total enrollment of 6,286,943, and CASEMIS special education enrollment of 679,648 in 2006-07

NOTE: Other expenditures include ancillary services, community services, enterprise, general administration, plant services, and other outgo. See Appendix Tables B.3 and B.4 for further details.

Resource specialist instruction and other specialized instructional services are the next largest categories. Resource specialists are credentialed special education teachers who provide specific instructional services as identified on IEPs, typically to non-severely disabled students. Professionals who fulfill pupil services functions often carry out other specialized instructional services, such as speech therapy instruction, but not expenditures related to diagnosing speech disorders. Altogether, instructional spending accounts for 66 percent of the total.

A conservative estimate of total spending comes from direct program expenditures only, those that are readily identified and assigned to special education. The MOE worksheet separates direct and indirect costs. The findings show that direct program spending accounted for \$8 billion or \$1,277 per pupil.<sup>22</sup> Employee salaries and benefits account for 81 percent of direct costs. Readers can find this information in Appendix Tables B.1 and B.2, which also replicate the spending categories identified on the MOE worksheet.

Table B.2 shows that California school districts spent \$495 per pupil on the special education costs of educating severely disabled students aged 5–22. This amounts to \$25,318 per student served, although actual spending differs depending on each student’s needs.<sup>23</sup> In contrast, districts spent \$568 per pupil, or about \$6,983 per student served, on the special education costs of educating non-severely disabled students in the same age category.<sup>24</sup>

California spends more per special education student than do other states, but has relatively few special education students. By total enrollment, California’s special education spending appears to be equal to other states. The best available evidence on national special education spending comes from Chambers, Parrish, and Harr (2004), who conclude that U.S. school districts spent an average of \$8,080 per special education student in 1999–2000. This converts to about \$9,844 per special education student in 2006 dollars, or about \$1,289 per total enrollment.<sup>25</sup> Direct program spending is \$11,813 per 0-22 year old special education student in California, or about 20 percent higher than the national estimate. However, direct program spending is almost identical to the national estimate per total enrollment.

California’s relatively higher rate of spending per special education student may reflect higher employee compensation costs, more severe student needs, or simply a preference for a higher quality program. Of course, the explanation also could be that special education costs have grown faster than the rate of inflation since 1999–2000. In this case, the inflation-adjusted estimate under-represents the current national spending level.

Special education spending in California is currently growing faster than other school expenditures (Figure 2.1). On a per pupil basis, it grew by 11.5 percent in real terms between 2003–04 and 2006–07. In contrast, non-special education spending from the general fund grew by 6.1 percent. Though the data do not say for sure, autism may be contributing to special education’s relatively faster growth rate because it is among the most costly disabilities to service. Regardless, special education is a growing share of school district spending in California, accounting for about 16.2 percent of general fund expenditures in 2003–04 and 16.9

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<sup>22</sup> Sonstelie (2007) calculates that school districts spent \$795 per pupil on special education instruction in 2003–04. Applying the approach followed in this report to instructional expenditures in 2003–04 results in a spending level of \$825 per pupil, or 3.8 percent higher.

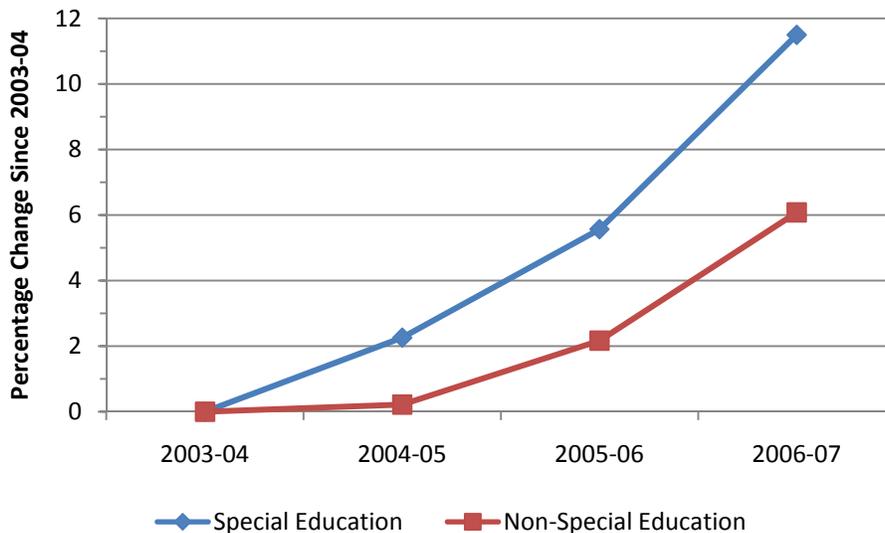
<sup>23</sup> The California School Accounting Manual (2008) defines severe disabilities to include autism, blindness, deafness, severe orthopedic impairment, serious emotional disturbance, and mental retardation. According to 2006–07 CASEMIS data, 122,976 California children ages 5–22 with disabilities, out of 633,986 total, were identified with autism, deafness, deaf-blindness, emotional disturbance, mental retardation, orthopedic impairments or visual impairments (including blindness).

<sup>24</sup> These amounts are consistent with disability cost estimates reported by Parrish et al. (2004) for California in 2002–03.

<sup>25</sup> This calculation uses a national special education enrollment rate of 13.1 percent in 1999–2000.

percent in 2006–07.<sup>26</sup> Researchers’ estimates of national special education funding as a proportion of total spending are consistent with these California estimates.<sup>27</sup>

**Figure 2.1**  
**Growth in Real Spending per Total Enrollment, 2003–04 to 2006–07**



\* SOURCES: SACS and Ed-Data

NOTE: Non-special education spending is total spending from Ed-Data minus special education spending. Monetary values are in 2006 dollars per pupil.

## How Does California’s Categorical Funding Process Work?

Categorical funding is the largest of several revenue streams that support special education. Students with disabilities, like all other students, also generate revenue through other non-categorical and non-special education categorical funding processes.<sup>28</sup> School districts are expected to allocate part of these other funds to special education because disabled students divide their time between regular and special education environments. Categorical special education funds are intended to offset “excess costs” of educating students with disabilities. In other words, the program helps pay the difference between a district’s average spending on disabled students and its average spending on all students.

The best way to understand the categorical funding process is to consider it in two parts. First, there is a formula for calculating the funding entitlement. Second, funds from federal,

<sup>26</sup> General fund spending for school districts and county offices of education comes from Ed-Data.

<sup>27</sup> Chambers, Parrish, and Harr (2004) calculate 13.9 percent for 1999–2000 and Parrish (2001) calculates 13.1 percent for 1998–99 using national data. Lankford and Wyckoff (1999) calculate an 11 percent share for New York in 1992–93. Finally, Rothstein (1997) finds that special education accounted for 19.0 percent of total spending in a study of nine school districts across the country in 1996.

<sup>28</sup> Examples include the revenue limit, economic impact aid, home-to-school transportation, and instructional materials.

state, and local sources are appropriated to meet the entitlement. California calculates funding entitlements at the SELPA level, whose member districts allocate the funds among themselves according to the way they coordinate their special education programs.

As previously noted, California uses a capitation, or census-based, special education finance formula.<sup>29</sup> The central feature of California's finance model is that a SELPA's total average daily attendance (ADA), rather than its special education ADA, is the key funding determinant. All census-based models fundamentally assume an even distribution of disabilities across the state.

One reason why states adopt census-based models is to break the linkage between the funding districts receive and how they classify or serve students.<sup>30</sup> Some districts may over-classify or spend more than is needed if they know the state will reimburse part of the expenditures. Thus, special education funds help pay "excess costs" on average, but do not incorporate any measure of cost or spending at the level of individual school districts or SELPAs.

In a pure capitation formula, two equally sized SELPAs obtain equivalent grants regardless of whether they have one disabled student or 1,000. Special education finance in California deviates from a pure census model in two important ways. First, the funding entitlement generated by each ADA differs across SELPAs. Each SELPA has its own legislatively determined base rate per ADA that the state uses to calculate base funding entitlements.<sup>31</sup> The base rates are different because the state never fully equalized them after implementing the current finance model in 1998 (called the AB 602 model). The finance formula adjusts the base rates each year for cost of living increases, ADA growth, and any funding supplements or equalization aid designated by the legislature.

The SELPAs with the highest base rates in 1998 have the highest base rates today. Appendix Figure B.1 shows the partial convergence of base rates since 1998 in 2006 dollars per ADA. Figure B.2, however, indicates that converging base rates have not translated into converging total AB 602 funding per ADA. Since 1998-99, AB 602 funds have grown in real 2006 dollars about \$100 per ADA. Differences in base rates explain about half of the per-ADA funding differences across SELPAs.

Categorical special education funding in California also deviates from a pure census formula because several programs augment the base entitlement within and above the AB 602 process. Both sets of additional programs are essentially categorical revenue for special education in the same way that special education is itself a categorical program in California's education finance system. Appendix B provides a brief description of each. Most of these additional programs use total ADA at least partially in determining entitlement levels.

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<sup>29</sup> Alabama, Alaska, Connecticut, Idaho, Massachusetts, Montana, New Jersey, North Dakota, and Pennsylvania use this funding model for special education as well.

<sup>30</sup> Dhuey and Lipscomb (2009), Kwak (2008), and Mahitivanichcha and Parrish (2005) examine census-based reforms and their effects on special education enrollment rates.

<sup>31</sup> The ADA measure is called "prior year funded ADA," which is the greater of the prior year's ADA or the prior-prior year's ADA.

Table 2.2 lists all of the categorical special education funding elements. Panel A contains the components of the base entitlement. Panel B and Panel C show the additional programs within and outside the AB 602 framework.

**Table 2.2**  
**Categorical Special Education Appropriations, 2006-07**

Revenue Source	Dollars	Dollars per Pupil
<i>A. Base Entitlement Components (AB 602)</i>		
State Aid for Base Entitlement	2,271,330,788	361
Cost of Living Adjustment	154,200,391	25
Growth	-19,903,683	-3
Supplement to Base Rate	50,610,000	8
Part B, Federal IDEA, Local Assistance Grants	967,310,407	154
Local Special Education Property Taxes	342,358,404	54
Applicable Excess ERAF	37,837,736	6
Total State, Federal, and Local Aid for Base	3,803,744,044	605
<i>B. State Adjustments to Base Funding (AB 602)</i>		
Special Disabilities Adjustment	81,222,721	13
Program Specialist / Regionalized Services - NSS	2,484,940	0.4
Program Specialist / Regionalized Services	84,694,418	13
Low Incidence Materials and Equipment	12,760,182	2
Out of Home Care	196,319,540	31
Nonpublic Schools Extraordinary Cost Pool	3,000,000	0.5
Adjustment for NSS with Declining Enrollment	145,271	0.02
Total State Adjustments to Base Entitlement	380,627,072	61
<i>C. Non-AB 602 Special Education Appropriations</i>		
Infant Entitlement	65,387,903	10
ROC/P Handicapped	2,947,493	0.5
Mandate Settlement	25,000,000	4
Mental Health Services	31,000,000	5
Transportation: Special Education	217,464,068	35
Supplemental Federal Grants	163,200,529	26
Total Funding from Non-AB 602 Sources	504,999,993	80
Total AB 602 Funding (A+B)	4,184,371,116	666
Total Special Education Funding (A+B+C)	4,689,371,109	746

\* SOURCES: P-2 AB 602 Funding Exhibits and total enrollment of 6,286,943

NOTE: See Appendix B for details of the funding exhibits.

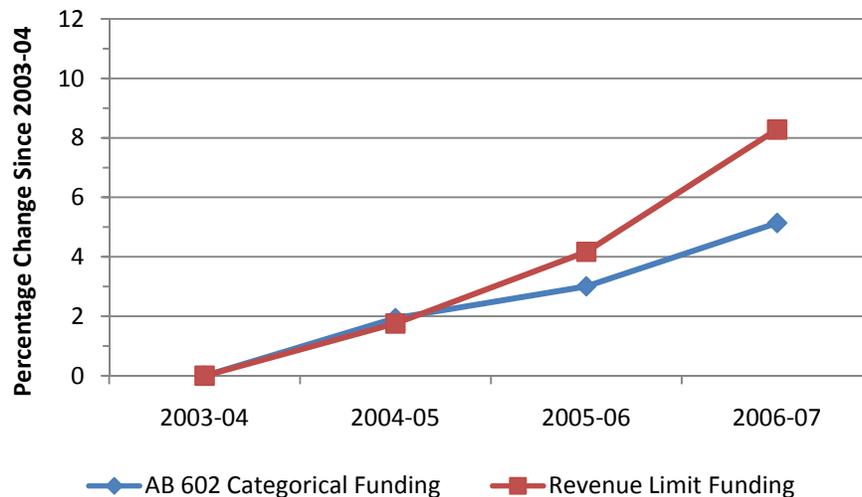
The funding for SELPA entitlements comes from state, federal, and local sources. Specifically, state aid in California meets the difference between a SELPA's entitlement and the revenue the SELPA generates through federal and local sources, that is, IDEA local assistance grants, local special education property tax revenue, and excess funding from Educational

Revenue Augmentation Funds (ERAF).<sup>32</sup> Table 2.2 shows that they contributed \$1.3 billion toward the statewide funding entitlement, with state aid meeting the difference.

The first column shows the total allocation for each categorical funding component in 2006–07. The next column divides the funding totals by total student enrollment. Categorical special education appropriations amounted to \$4.7 billion, or 8 percent of all K–12 education funding.<sup>33</sup> The “census-based” base entitlement accounts for about 81 percent of the total appropriation. Altogether, categorical special education funds pay about half of California school districts’ special education spending.

Categorical funding for special education is currently growing more slowly than the general-purpose revenue that school districts receive through the revenue limit (Figure 2.2). While there is no particular requirement that the two grow equally, comparing their growth rates is informative because revenue limit funding is the largest revenue source for most programs outside special education. Between 2003–04 and 2006–07, revenue limit funds grew 8.3 percent in real terms while AB 602 categorical grant funding grew 5.1 percent. If current trends persist, categorical special education funds in California will offset a diminishing portion of special education spending in the future. Given these trends, state policymakers may want to consider whether categorical funding levels have remained commensurate with the excess program costs that school district face.

**Figure 2.2**  
**Growth in Real Funding per Pupil, 2003–04 to 2006–07**



\* SOURCES: AB 602 Funding Exhibits and Ed-Data

<sup>32</sup> The Legislature requires that local governments shift a portion of their property tax revenue to their ERAF to help the state meet its financial commitments to education. Counties with ERAF revenue above their state obligation apply those funds against state aid for special education. This provision currently affects only the Marin and San Mateo County SELPAs.

<sup>33</sup> According to the Ed-Data website, education revenue for school districts and county offices of education for 2006–07 totaled \$58,198,666,713.

## Conclusion

As California looks to the future, special education is likely to move closer to the forefront of education policy debates. Educators currently face both a rapidly growing prevalence of autism and a new mandate that students with disabilities pass the high school exit exam to graduate. The exit exam requirement underscores the importance of narrowing the current achievement gap between disabled and non-disabled students. At the same time, the changing composition of student needs highlights the complexity that educators face in addressing the problem. State policymakers may need to devote increased attention to special education students in coming years to ensure that California schools can continue designing and applying the strategies necessary for appropriately meeting special needs.

From a financial perspective, California's special education spending appears to be in line with what is found across the nation. Yet if current trends persist, special education will become an even larger share of school district budgets. Districts will have to pay for much of the additional spending out of their general-purpose funds. Now that detailed program spending data are available for all school districts in the state, policymakers and researchers may find it useful to evaluate how the excess costs of special education spending are growing in relation to categorical funding received.

# Appendix A. Supplementary Material for Chapter 1

## Data Sources

### State-level Special Education Enrollment, Educational Environment Data, and Total Enrollment

States provide annual disability counts to the federal government to comply with IDEA’s reporting requirement. The data are publicly available at [www.ideadata.org](http://www.ideadata.org), and report the number of children by disability category, age, race/ethnicity, and educational environment. The data are current up to 2007–08, but total enrollment data, which come from the Common Core of Data, are current only to 2005–06. Special education enrollment rates are calculated for California in 2006–07 and 2007–08 using state enrollment data from the California Basic Education Data System (CBEDS). The figures in Chapter 1 are based on disability counts of students ages 6–21 because data by category for younger students became available only in 2000–01. The denominator of the enrollment rate includes children in grades 1 through 12 and ungraded students. This definition corresponds to disabled children in the age 6–21 category.

### District Special Education Enrollment Rates

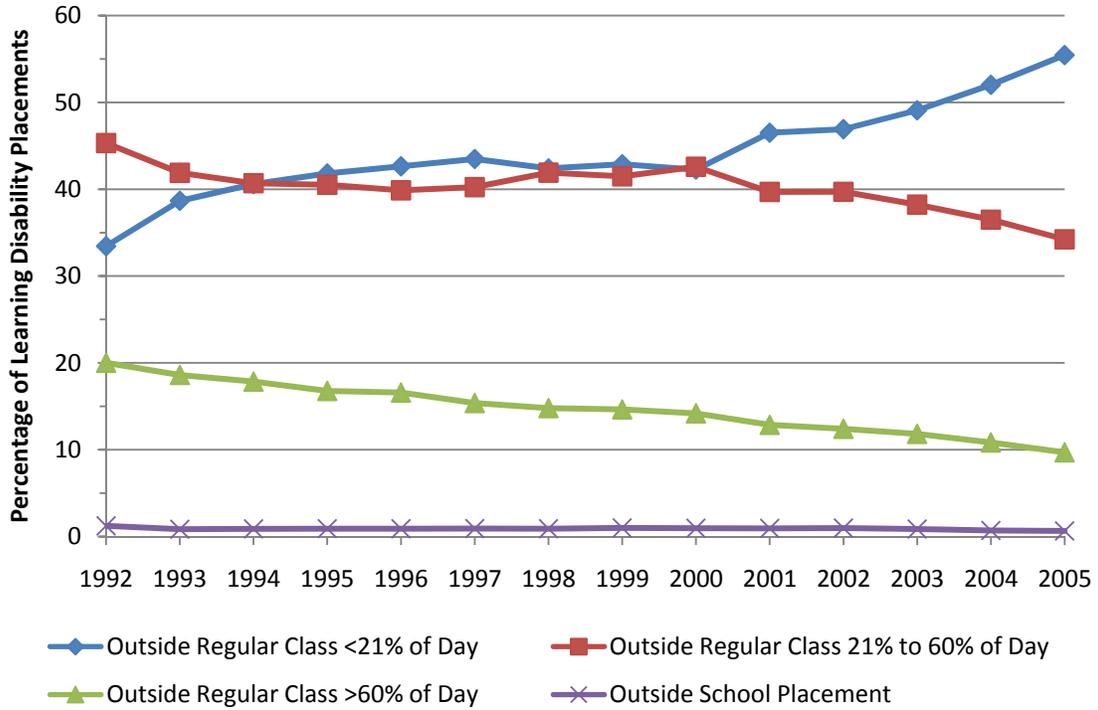
CASEMIS collects information required by IDEA. CDE maintains a publicly available version of the disability count data that is aggregated to the school district level. The data contain disability counts by age and by the school district of residence. Total school district enrollment comes from CBEDS.

## Appendix Table and Figure

**Table A.1**  
**Special Education Enrollment by Age in California from CASEMIS, 2006–07 and 2007–08**

Age	2007-08	2006-07	Age	2007-08	2006-07
0	1,005	1,085	13	50,816	50,681
1	2,320	2,351	14	49,207	50,276
2	3,261	3,122	15	49,214	50,833
3	15,865	15,796	16	49,464	50,739
4	24,401	23,308	17	47,765	45,598
5	27,736	27,948	18	19,443	17,838
6	34,386	34,734	19	5,603	5,047
7	40,324	39,585	20	3,323	3,019
8	45,529	46,957	21	2,494	2,313
9	50,799	50,522	22	385	353
10	51,283	52,757	Total 0-22	677,875	679,648
11	51,666	52,815	Total 3-21	670,904	672,737
12	51,586	51,971	Total 6-21	602,902	605,685

**Figure A.1**  
**Educational Environments for Learning Disabled Students**  
**in the Rest of the U.S., 1992-93 to 2005-06**



\* SOURCE: IDEA Educational Environment and Child Count Data

## Appendix B. Supplementary Material for Chapter 2

### Data Sources

#### Special Education Expenditure Data

Expenditure data come from California's Standardized Account Code Structure (SACS) database, available from CDE. SACS is the state's school finance data system and includes all school district revenue and expenditure transactions. Although the data are complete in the sense of containing all transactions, as with any data system, their accuracy depends on how the information is inputted at the local level.

The database allows users to tabulate transactions using several main fields, such as fund, resource, goal, function, and object. Funds allow districts to account separately for distinct types of spending. The general fund is the largest fund. The resource code identifies spending and revenue in each of the state's categorical programs. The goal code assigns spending to programs like special education. The function code identifies expenditure activities, like special education instruction, school administration, or pupil services. Finally, the object code specifies the good or service purchased, such as certified employee salaries, books, and materials.

#### Special Education Revenue Apportionment Data

SELPA apportionment data come mainly from CDE's AB 602 Funding Exhibits for 2006–07. The exhibits provide SELPA-level information on entitlement amounts and how the revenue is apportioned from federal, state, and local sources. Funding data for Panel C of Table 2.2 come from comparable exhibits that are available from CDE. Funding for special education in a given year takes three years to become final because entitlements change if SELPAs need to revise their ADA counts. Revisions are small in relation to a SELPA's overall funding level. The 2006–07 data used is the P-2 revision.

### Funding Beyond the Base Entitlement

The following list provides a brief description of the special education revenue streams over the base entitlement and outside the AB 602 framework. Panel B and Panel C of Table 2.2 list these programs and their funding levels.

- Special Disabilities Adjustment – provides additional funding for SELPAs that had exceptionally high costs in 1995–96. Funding depends on the size of a SELPA-specific Incidence Multiplier in relation to the STR and the SELPA's base entitlement. The Incidence Multipliers have not been adjusted since 1998.
- Program Specialist/Regionalized Services (NSS) – provides additional funding for specialists and regionalized services for necessary small SELPAs. The SELPA size threshold is 15,000 ADA. If a SELPA qualifies, its funding is the product of the PS/RS rate (\$14.33 in 2006) and the difference between 15,000 and SELPA ADA.

- Program Specialist/Regionalized Services – provides additional funding for specialists and regionalized services. SELPA funding is the product of the PS/RS rate (\$14.33 in 2006) and its total ADA.
- Low Incidence Materials and Equipment – provides additional funding to purchase and maintain specialized books, materials, and equipment for students with low-incidence disabilities. SELPA funding is the product of the low-incidence rate (\$395.89 in 2006) and its prior year December low-incidence pupil count.
- Out of Home Care – provides additional funding for students living in group homes and other facilities located in each SELPA’s geographic boundary. Funding is the product of the bed capacity and the group home’s severity classification level funding rate. Funding for other facility types is based on the number of pupils served in each facility multiplied by the facility’s classification level funding rate.<sup>34</sup>
- Nonpublic School (NPS) Extraordinary Cost Pool – provides additional funding to reimburse SELPAs for extraordinary costs of nonpublic, nonsectarian school placements. The state reimburses costs above a threshold level (\$70,065.13 in 2006), subject to prorating based on funding availability.
- Adjustment for NSS with Declining ADA – reimburses necessary small SELPAs for part of their revenue loss due to declining ADA.
- Infant Entitlement – provides school districts with instructional and support services funding to provide services for infants up to two years old with disabilities. Funding is determined by instructional personnel entitlement rates and support service ratios.
- ROC/P Handicapped – provides additional funding for visually impaired, deaf, and orthopedically impaired pupils attending ROC/P. Funding is determined by the ADA attending ROC/P in each category and a category-specific funding rate (\$5,930 for vision; \$3,395 for deaf; \$1,879 for orthopedically impaired in 2006).
- Mandate Settlement – provides additional funding for special education to satisfy reimbursable state mandate claims. The state appropriates \$25 million each year and allocates it to districts based on their total ADA.
- Mental Health Services – provides additional funding to SELPAs to provide mental health services required by student IEPs before making a referral to a county mental health agency. The state appropriated \$31 million in 2006 and allocated it to SELPAs based on their total ADA.
- Transportation: Special Education – provides pupil transportation funding to school districts for severely disabled or orthopedically impaired children. This funding is part of the pupil transportation categorical grant. The apportionment is the lesser of the prior-year entitlement or the prior year approved special education transportation costs.
- Supplemental Federal IDEA Grants – These are mostly IDEA Part B funds that are appropriated outside the main Local Assistance Grant.

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<sup>34</sup> Before 2004, SELPAs had been eligible for up to a 100 percent reimbursement for nonpublic school placements. The system created a clear incentive to place children in these settings. Parrish et al. (2003) provides details.

## Maintenance of Effort Worksheet

The MOE worksheet software is available from CDE at [www.cde.ca.gov/fg/sf/fr/semoe2004all.asp](http://www.cde.ca.gov/fg/sf/fr/semoe2004all.asp). This report follows the expenditure classification described in the first tab of the worksheet of the "SEMA" report. Appendix Table B.1 reports the statewide total expenditure for the categories identified on this tab. Object and goal code combinations identify the categories. Table B.2 provides per pupil averages. Table B.3 abstracts from the MOE worksheet and reports the same information by function and goal code. Table B.4 provides the SACS codes necessary to isolate each expenditures category.

The MOE spending classification addresses assigns inter-district transfers to either the sending or the receiving district. The following list describes the three types of inter-district transfers that pose potential concerns and how each is addressed. Procedures 750 and 755 of the California School Accounting Manual (2008) provide additional information.

- Apportionment Transfer – Example: A SELPA Administrative Unit (AU) receives revenue from the state and distributes it to member districts. Expenditures financed by the transferred revenue appear on the MOE worksheets of the member districts. The transfer does not appear as spending for the AU on its MOE worksheet because it completes the transfer using SACS object codes that are not included in the MOE universe of spending (Objects 7110, 7141-7299; see Table B.3).
- Service Contracts – Example: Local education agency (LEA) 1 provides special education transportation services for LEA 2 on a contract basis. LEA 1 does not claim the ADA from any students served for funding purposes. LEA 2 reports a contract expenditure on its MOE worksheet. LEA 1 provides the contracted service and also records an expenditure, but not with a special education goal. Instead, it uses a goal for contracted services with other agencies (Goal 7100-7199). Thus, the expenditure only appears on LEA 2's MOE worksheet.
- Charging and Paying Excess Costs – Example: LEA 1 educates student X with disabilities for LEA 2 and claims student X's ADA for funding purposes. LEA 2 must pay any excess tuition or services costs to LEA 1. Like the first example, LEA 1 reports special education expenditures financed through payments from LEA 2 on its MOE worksheet. However, the transfer does not appear as spending for LEA 2 because it completes the transfer using SACS object codes that are not included in the MOE universe of spending (Objects 7110, 7141-7299; see Table B.3).

## Appendix Tables

**Table B.1**  
**Statewide Special Education Spending, 2006-07, in Dollars**

Expenditure Object / Goal	Unspecified	Regionalized Services	Regionalized Program Specialists	Infants
Certified Salaries	278,662,289.20	19,512,513.98	22,462,426.08	42,880,211.72
Classified Salaries	198,311,820.09	8,999,809.45	815,577.63	17,615,052.61
Employee Benefits	151,179,066.51	7,984,762.31	5,154,274.04	19,472,369.65
Books and Supplies	33,566,922.39	2,050,562.14	251,768.42	1,362,031.56
Services and Other Operating Exp.	308,849,342.85	11,535,891.45	1,112,375.51	7,908,104.98
Capital Outlay	7,384,754.21	221,429.40	5,387.50	45,754.04
State Special Schools	1,597,893.23			
Debt Service	1,848,764.84	1,110.90		9,342.08
<i>Total Direct Costs</i>	981,400,853.32	50,306,079.63	29,801,809.18	89,292,866.64
Trans. of Ind. Costs	157,284,836.64	2,529,526.12	394,317.45	4,072,381.78
Trans. of Ind. Costs-Interfund	1,093,536.07			28,098.59
Trans. of Dir. Supp. Costs	108,534,340.63	383,485.43	14,376.54	319,273.02
Trans. of Dir. Supp. Costs-Interfund	-57,559.39			
Program Cost Report Allocations	937,450,444.65			
<i>Total Ind. and Dir. Support Costs</i>	1,204,305,598.60	2,913,011.55	408,693.99	4,419,753.39
<i>Total Expenditures</i>	2,185,706,451.92	53,219,091.18	30,210,503.17	93,712,620.03

Expenditure Object / Goal	Preschool Students	Ages 5-22 Severely Disabled	Ages 5-22 Non-severely Disabled	Total Expenditures
Certified Salaries	135,758,115.02	902,031,044.11	1,933,473,211.19	3,334,779,811.30
Classified Salaries	56,127,671.97	755,283,258.29	572,004,784.84	1,609,157,974.88
Employee Benefits	57,201,930.81	599,745,580.20	726,257,908.06	1,566,995,891.58
Books and Supplies	4,014,709.74	35,966,469.01	35,020,829.69	112,233,292.95
Services and Other Operating Exp.	35,501,225.70	770,966,737.11	249,320,879.79	1,385,194,557.39
Capital Outlay	1,098,624.39	4,426,982.90	1,468,280.71	14,651,213.15
State Special Schools		279,697.14	619,784.14	2,497,374.51
Debt Service	1,810.20	897,651.88	284,720.99	3,043,400.89
<i>Total Direct Costs</i>	289,704,087.83	3,069,597,420.64	3,518,450,399.41	8,028,553,516.65
Trans. of Ind. Costs	5,026,620.27	33,413,378.86	37,142,481.34	239,863,542.46
Trans. of Ind. Costs-Interfund	15,628.00		31,950.00	1,169,212.66
Trans. of Dir. Supp. Costs	212,037.25	10,475,979.59	12,732,986.46	132,672,478.92
Trans. of Dir. Supp. Costs-Interfund			14,997.63	-42,561.76
Program Cost Report Allocations				937,450,444.65
<i>Total Ind. and Dir. Support Costs</i>	5,254,285.52	43,889,358.45	49,922,415.43	1,311,113,116.93
<i>Total Expenditures</i>	294,958,373.35	3,113,486,779.09	3,568,372,814.84	9,339,666,633.58

\* SOURCES: Author's calculation based on 2006-07 SACS data and the definitions provided in Table B.4.

**Table B.2**  
**Statewide Special Education Spending in Dollars per Pupil, 2006-07**

Expenditure Object / Goal	Unspecified	Regionalized Services	Regionalized Program Specialists	Infants
Certified Salaries	44.32	3.10	3.57	6.82
Classified Salaries	31.54	1.43	0.13	2.80
Employee Benefits	24.05	1.27	0.82	3.10
Books and Supplies	5.34	0.33	0.04	0.22
Services and Other Operating Expenditures	49.13	1.83	0.18	1.26
Capital Outlay	1.17	0.04	0.00	0.01
State Special Schools	0.25	0.00	0.00	0.00
Debt Service	0.29	0.00	0.00	0.00
<i>Total Direct Costs</i>	156.10	8.00	4.74	14.20
Transfers of Indirect Costs	25.02	0.40	0.06	0.65
Transfers of Indirect Costs - Interfund	0.17	0.00	0.00	0.00
Transfers of Direct Support Costs	17.26	0.06	0.00	0.05
Transfers of Direct Support Costs - Interfund	-0.01	0.00	0.00	0.00
Program Cost Report Allocations	149.11	0.00	0.00	0.00
<i>Total Direct Support and Indirect Costs</i>	191.56	0.46	0.07	0.70
<i>Total Expenditures</i>	347.66	8.47	4.81	14.91

Expenditure Object / Goal	Preschool Students	Ages 5-22 Severely Disabled	Ages 5-22 Non-severely Disabled	Total Expenditures
Certified Salaries	21.59	143.48	307.54	530.43
Classified Salaries	8.93	120.14	90.98	255.95
Employee Benefits	9.10	95.40	115.52	249.25
Books and Supplies	0.64	5.72	5.57	17.85
Services and Other Operating Expenditures	5.65	122.63	39.66	220.33
Capital Outlay	0.17	0.70	0.23	2.33
State Special Schools	0.00	0.04	0.10	0.40
Debt Service	0.00	0.14	0.05	0.48
<i>Total Direct Costs</i>	46.08	488.25	559.64	1,277.02
Transfers of Indirect Costs	0.80	5.31	5.91	38.15
Transfers of Indirect Costs - Interfund	0.00	0.00	0.01	0.19
Transfers of Direct Support Costs	0.03	1.67	2.03	21.10
Transfers of Direct Support Costs - Interfund	0.00	0.00	0.00	-0.01
Program Cost Report Allocations	0.00	0.00	0.00	149.11
<i>Total Indirect and Direct Support Costs</i>	0.84	6.98	7.94	208.55
<i>Total Expenditures</i>	46.92	495.23	567.58	1,485.57

\* SOURCES: Author's calculation based on 2006-07 SACS data, CBEDS enrollment, and the definitions provided in Table B.4.

**Table B.3**  
**Special Education Spending in Dollars per Pupil by Function and Goal, 2006–07**

Expenditure Function / Goal	Unspecified	Regionalized Services	Regionalized Program Specialists	Infants	Preschool Students	Ages 5-22 Severely Disabled	Ages 5-22 Non-severely Disabled	Total
<i>A. Special Education Instruction</i>								
Separate Classes	0.00	0.00	0.00	7.61	29.77	283.50	183.39	504.27
Resource Specialist Instruction	0.00	0.00	0.00	0.00	0.72	1.66	201.78	204.16
Aides and Services in Reg. Classes	0.00	0.00	0.00	0.74	1.24	18.66	15.88	36.53
Nonpublic Agencies/Schools	0.00	0.00	0.00	0.07	1.29	90.78	15.58	107.71
Other Specialized Instructional Serv.	0.00	0.00	0.00	1.87	6.20	35.66	78.92	122.66
<i>B. Instruction-Related Services</i>								
Instructional Supervision and Admin.	44.13	2.56	2.98	1.17	1.97	4.37	15.82	73.00
Admin. Unit of a Multidistrict SELPA	2.16	3.71	0.64	0.09	0.03	0.14	0.05	6.81
Inst. Library, Media, and Tech.	6.10	0.04	0.00	0.01	0.01	0.16	0.12	6.44
Other Instructional Resources	3.06	0.01	0.21	0.16	0.02	0.25	1.85	5.57
School Administration	52.63	0.15	0.21	0.47	0.55	12.42	2.95	69.39
<i>C. Pupil Services</i>								
Guidance and Counseling Services	13.50	0.02	0.13	0.19	0.59	1.99	3.28	19.70
Psychological Services	30.48	0.69	0.13	0.34	1.19	4.77	13.84	51.44
Attendance and Social Work Serv.	2.83	0.01	0.01	0.08	0.02	0.15	0.93	4.02
Health Services	13.11	0.54	0.00	0.84	1.04	6.42	6.49	28.43
Speech Pathology / Audiology Serv.	4.46	0.01	0.01	0.35	0.82	3.42	9.65	18.72
Pupil Testing Services	0.81	0.00	0.00	0.01	0.03	0.00	0.05	0.91
Pupil Transportation	71.45	0.00	0.00	0.02	0.08	21.93	8.86	102.34
Food Services	0.06	0.00	0.00	0.00	0.00	0.16	0.00	0.22
Other Pupil Services	3.79	0.24	0.38	0.11	0.19	0.71	0.80	6.23
<i>D. Other Expenditures</i>								
	99.08	0.49	0.08	0.78	1.16	8.09	7.33	117.02
<i>Total Expenditures</i>	347.66	8.47	4.81	14.91	46.92	495.23	567.58	1,485.57

\* SOURCES: Author's calculation based on 2006–07 SACS data and CBEDS enrollment. Other expenditures include ancillary services, community services, enterprise, general administration, plant services, and other outgo. See Table B.4 for the SACS definition of each cell.

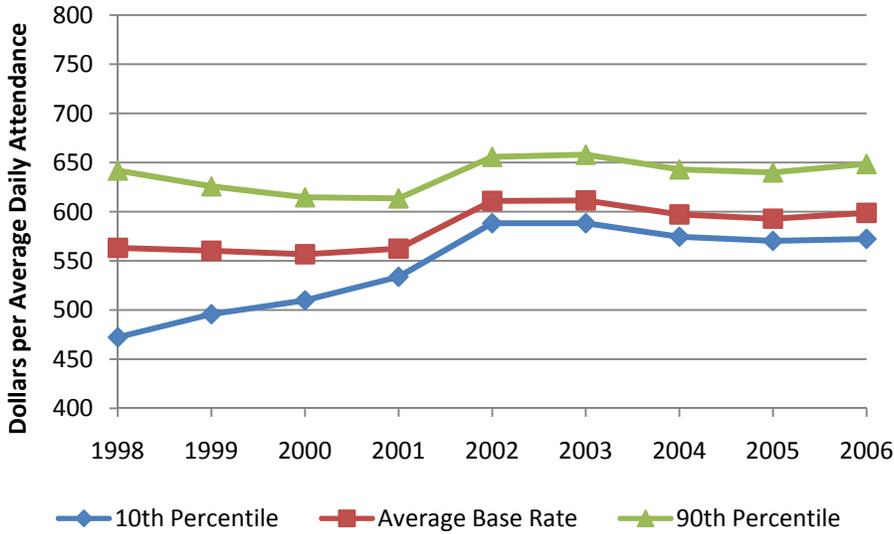
**Table B.4**  
**SACS Expenditure Category Definitions**

Function Categories	Function Code	Object Categories	Object Code
<i>Special Education Instruction</i>		<i>Direct Costs</i>	
Separate Classes	1110	Certified Salaries	1000-1999
Resource Specialist Instruction	1120	Classified Salaries	2000-2999
Aides and Services in Regular Classes	1130	Employee Benefits	3000-3999
Nonpublic Agencies/Schools	1180	Books and Supplies	4000-4999
Other Specialized Instructional Serv.	1190	Services and Other Operating Expenditures	5000-5999
<i>Instruction-Related Services</i>		Capital Outlay	6000-6999
Instructional Supervision and Admin.	2100-2150	State Special Schools	7130
Admin. Unit of a Multidistrict SELPA	2200	Debt Service	7430-7439
Instructional Library, Media, and Tech.	2420	<i>Indirect and Direct Support Costs</i>	
Other Instructional Resources	2490-2495	Transfers of Indirect Costs	7310
School Administration	2700	Transfers of Indirect Costs - Interfund	7350
<i>Pupil Services</i>		Transfers of Direct Support Costs	7370
Guidance and Counseling Services	3110	Transfers of Direct Support Costs - Interfund	7380
Psychological Services	3120	Program Cost Report Allocations	PCRA
Attendance and Social Work Services	3130	<hr/> <i>Goal Categories</i>	
Health Services	3140	Unspecified	5001
Speech Pathology and Audiology Serv.	3150	Regionalized Services	5050
Pupil Testing Services	3160	Regionalized Program Specialist	5060
Pupil Transportation	3600	Infants	5710
Food Services	3700	Preschool Students	5730
Other Pupil Services	3900	Ages 5-22, Severely Disabled	5750
Other Expenditures	4000-9999	Ages 5-22, Non-severely Disabled	5770

\* SOURCE: Maintenance of Effort worksheet

NOTE: The universe of special education spending includes: Fund codes 1, 9, 62; Resources codes 0000-9999; Goal codes 5000-5999; and Object codes 1000-6900, 7130, 7430-7439, 7310, 7350, 7370, 7380 and PCRA.

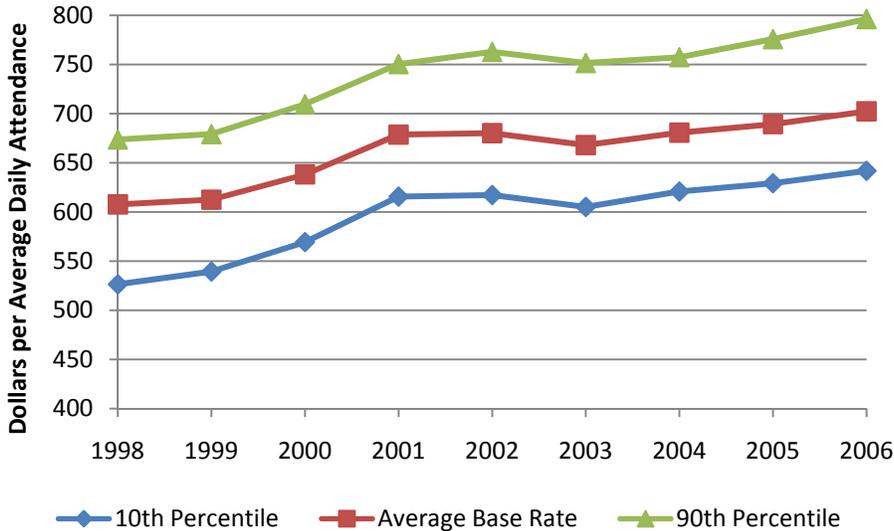
**Figure B.1**  
**Funding Base Rates per Average Daily Attendance, 1998-99 to 2006-07**



\* SOURCES: AB 602 Funding Exhibits

NOTE: The 10<sup>th</sup> percentile is the funding level where 10 percent of pupils in California attend school in a SELPA that has a lower base rate.

**Figure B.2**  
**Total AB 602 Appropriations per Average Daily Attendance, 1998-99 to 2006-07**



\* SOURCES: AB 602 Funding Exhibits

NOTE: The 10<sup>th</sup> percentile is the funding level where 10 percent of pupils in California attend school in a SELPA that has a lower funding level.

## Glossary: Disability Categories and Definitions

Autism	"...a developmental disability significantly affecting verbal and nonverbal communication and social interaction, generally evident before age three, that adversely affects educational performance. Other characteristics often associated with autism are engaging in repetitive activities and stereotyped movements, resistance to environmental change or change in daily routines, and unusual responses to sensory experiences."
Deaf-Blindness	"...concomitant hearing and visual impairments, the combination of which causes such severe communication and other developmental and educational needs that they cannot be accommodated in special education programs solely for children with deafness or children with blindness."
Deafness	"...a hearing impairment that is so severe that a child is impaired in processing linguistic information through hearing, with or without amplification that adversely affects a child's educational performance."
Emotional Disturbance	"...a condition exhibiting one or more of the following characteristics over a long period of time and to a marked degree that adversely affects a child's educational performance: (a) An inability to learn that cannot be explained by intellectual, sensory, or health factors. (b) An inability to build or maintain satisfactory interpersonal relationships with peers and teachers. (c) Inappropriate types of behavior or feelings under normal circumstances. (d) A general pervasive mood of unhappiness or depression. (e) A tendency to develop physical symptoms or fears associated with personal or school problems. Emotional disturbance includes schizophrenia. The term does not apply to children who are socially maladjusted, unless it is determined that they have an emotional disturbance..."
Hearing Impairment	"...an impairment in hearing, whether permanent or fluctuating, that adversely affects a child's educational performance but that is not included under the definition of deafness."
Mental Retardation	"...significantly subaverage general intellectual functioning, existing concurrently with deficits in adaptive behavior and manifested during the developmental period, that adversely affects a child's educational performance."
Multiple Disabilities	"...concomitant impairments (such as mental retardation-blindness, mental retardation-orthopedic impairment), the combination of which causes such severe educational needs that they cannot be accommodated in special education programs solely for one of the impairments. Multiple disabilities does not include deaf-blindness."

Orthopedic Impairment	“...a severe orthopedic impairment that adversely affects a child’s educational performance. The term includes impairments caused by a congenital anomaly, impairments caused by disease (e.g. poliomyelitis, bone tuberculosis), and impairments from other causes (e.g., cerebral palsy, amputations, and fractures or burns that cause contractures).”
Other Health Impairment	“...having limited strength, vitality, or alertness, including a heightened alertness to environmental stimuli, that results in limited alertness with respect to the educational environment, that – (a) is due to chronic or acute health problems such as asthma, attention deficit disorder or attention deficit hyperactivity disorder, diabetes, epilepsy, a heart condition, hemophilia, lead poisoning, leukemia, nephritis, rheumatic fever, and sickle cell anemia; and (b) adversely affects a child’s educational performance.”
Specific Learning Disability	“...a disorder in one or more of the basic psychological processes involved in understanding or in using language, spoken or written, that may manifest itself in an imperfect ability to listen, think, speak, read, write, spell, or to do mathematical calculations, including conditions such as perceptual disabilities, brain injury, minimal brain dysfunction, dyslexia, and developmental aphasia. Specific learning disability does not include learning problems that are primarily the result of visual, hearing, or motor disabilities, of mental retardation, of emotional disturbance, or of environmental, cultural, or economic disadvantage.”
Speech or Language Impairment	“...a communication disorder such as stuttering, impaired articulation, a language impairment, or a voice impairment, that adversely affects a child’s educational performance.”
Traumatic Brain Injury	“...an acquired injury to the brain caused by an external physical force, resulting in total or partial functional disability or psychosocial impairment, or both, that adversely affects a child’s educational performance. Traumatic brain injury applies to open or closed head injuries resulting in impairments in one or more areas, such as cognition; language; memory; attention; reasoning; abstract thinking; judgment; problem-solving; sensory, perceptual, and motor abilities; psychosocial behavior; physical functions; information processing; and speech. Traumatic brain injury does not apply to brain injuries that are congenital or degenerative, or to brain injuries induced by birth trauma.”
Visual Impairment Including Blindness	“...an impairment in vision that, even with correction, adversely affects a child’s educational performance. The term includes both partial sight and blindness.”

SOURCE: 34 CFR Section 300.8 of the Federal Register (2006)

# List of Acronyms

ADA	Average Daily Attendance
AU	Administrative Unit
CAHSEE	California High School Exit Exam
CAPA	California Alternative Performance Assessment
CASEMIS	California Special Education Management Information System
CBEDS	California Basic Education Data System
CCD	Common Core of Data
CDE	California Department of Education
CMA	California Modified Assessment
CST	California Standards Test
ERAF	Education Revenue Augmentation Fund
FAPE	Free, Appropriate Public Education
IDEA	Individuals with Disabilities Education Act
IEP	Individualized Education Plan
LEA	Local Education Agency
LRE	Least Restrictive Environment
MOE	Maintenance of Effort
NPS	Nonpublic School
NSS	Necessary Small SELPA
ROC/P	Regional Occupation Center / Program
SACS	Standardized Account Code Structure
SELPA	Special Education Local Plan Area

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