

Attachment C

Policy Alternatives for Special Education Funding in Illinois

**Submission Requested by
HJR 24 Task Force Members:
Peg Agnos
Roxanne Kovacevich
Sally Masear
Representative Sandra Pihos**



AMERICAN INSTITUTES FOR RESEARCH®

Policy Alternatives for Special Education Funding in Illinois

Submitted to:

Illinois State Board of Education
Attention: Beth Hanselman
Assistant Superintendent
Special Education Services
100 N. First Street
Springfield, IL 62777

and

Sangamon County Regional Office of Education
Attention: Hon. Helen Tolan
Sangamon County Complex
200 S. Ninth Street, Rm. 303
Springfield, IL 62701

Submitted by:

Tom Parrish
American Institutes for Research
2800 Campus Drive
San Mateo, CA 94403

June 30, 2010

*“American Institutes for Research” is a registered trademark. All other brand,
product, or company names are trademarks or registered trademarks of their
respective owners*

Acknowledgements

I would like to thank Tim Imler and Debbie Vespa of the Illinois State Board of Education for their valuable assistance in providing much of the data presented in this report. Although the analyses conducted using these data and the conclusions drawn from them are mine, this work would not have been possible without their assistance.

Melissa Arellanes, of AIR, made a significant contribution to this work. She assisted with the management of the project, created the analysis files, prepared presentations for the Task Force, and created exhibits and provided final formatting for this final report.

Last, I extend my appreciation to the Task Force members for this project. The work was not easy and we did not always agree, but some members stuck with the process through many meetings. I respect their work on behalf of children with disabilities.

Contents

INTRODUCTION.....	1
A NATIONAL OVERVIEW	4
Special education finance across the nation.....	4
National issues in relation to special education funding.....	5
State funding formula types	5
Federal funding	6
SPECIAL EDUCATION IN ILLINOIS	7
Enrollment, placement, and funding data in Illinois and the nation	7
Exhibit 1. Special Education Identification Rates in Illinois and the Nation (Ages 3-21).....	8
Exhibit 2. Percentage of Special Education Students (Ages 6-21) Spending 80 Percent or More Time in Regular Education Classrooms and Those in External Placements, 1998-2007.....	9
Exhibit 3. Personnel-Based Special Education Expenditure Index, 2006-07	10
THE ILLINOIS SPECIAL EDUCATION FUNDING FORMULA	11
Exhibit 4. Categories and Percentage Shares of State Special Education Funding FY 08	11
The personnel component of the formula	11
The children requiring special education services component of the formula.....	12
The nonpublic schools component of the formula.....	12
The extended school year (ESY) component of the formula.....	13
Other Formula Provisions	13
Funding and percentages by region (sub-region) by formula component	13
Exhibit 5. State Special Education Funding per Special Education Student and Percentage Funding Shares by Category of Funding by Region and Sub-Region	14
Other relevant special education data by region (sub-region)	15
Exhibit 6. State Special Education Funding per Special Education Student and Percentage Funding Shares by Category of Funding by Region and Sub-Region	16
Task Force discussion of the formula	16
Criteria for considering change to the formula	17
Revenues, expenditures, and percent support by district	18
State special education revenues by special education student by district.....	18
Exhibit 7. Total Special Education State Revenues Per Special Education Student.....	20
State special education expenditures by special education student by district	20
Exhibit 8. Special Education Expenditure Per Special Education Student - All Districts	21

State special revenues as a percentage of expenditures by district	21
Exhibit 9. State Special Education Revenues* as a Percentage of Reported Total Special Education Expenditures	22
CONCERNS WITH THE STATE SPECIAL EDUCATION FORMULA	23
The nonpublic component contains substantial fiscal incentives for private placements and contributes to overall funding inequities	23
The overall formula is inequitable	28
The current formula seems overly complex and disjointed	31
TASK FORCE RECOMMENDATIONS	32
The sub-committee on modifying the current funding system	32
The sub-committee on creating a new funding system	33
Comparing the reports of these two sub-committees	33
POLICY ALTERNATIVES	34
Maintain the current system while addressing areas of greatest concern	34
Remove the fiscal incentive for private (nonpublic) placements	34
Increase equity in funding	36
Move to an entirely different system	36
Exhibit 10. Simulated Special Education State Revenues per Region (Sub-Region) Per SE Student Based on Alternative Funding Models, No Change in Current State S E Revenues	39
Consider an entirely new framework for special education finance and accountability	40
Exhibit 11. Example of State Data Use for Continuous Program Improvement – the Relationship between Reading Proficiency and Educational Placement of Special Education Students	41
Exhibit 12. Relationship between Reading Proficiency of Special Education Students and Poverty, Spending, Identification, and Educational Placement in Illinois	42
Exhibit 13. Conceptual Framework for Considering Special Education Funding and Accountability ..	43
SPECIFIC RECOMMENDATIONS	45
CONCLUSION	48
REFERENCES	50
LIST OF APPENDICES	51
Appendix A: House Joint Resolution (HJR) 24, passed during the 95th General Assembly	
Appendix B: HJR 24 Task Force Appointed Members	
Appendix C: “White Paper” released November 1998	
Appendix D: “White Paper” Special Education Funding Formula Recommendations (released September 15, 1998)	
Appendix E: Illinois System of Support Regions map	

Appendix F: Criteria for Evaluating State Special Education Funding Formulas

Appendix G: The Illinois Alliance of Administrators of Special Education (IAASE) position paper (released in October of 2008)

Appendix H: Revising the Existing Formula Sub-Committee members and Creating New Formula Sub-committee members

Appendix I: Revising the Existing Formula Sub-Committee report

Appendix J: Creating New Formula Sub-committee report

Appendix K: Response from Task Force members, Roxanne Kovacevich and Sally Masear (With input and support from members of the IAASE Finance Committee)

Appendix L: Letter submitted to the Task Force, dated May 10, 2010, by Deborah Duskey, Chief Specialized Services Officer, Chicago Public Schools; and a follow-up letter submitted by Drew Beres, Special Assistant to the CEO, Chicago Public Schools, to Tom Parrish by e-mail on the eve of June 24, 2010

Appendix M: Alternative Report to Proposed HJR 24 Special Education Finance Task Force Report Distributed by Bridget Helmholtz at the June 17, 2010 Task Force Meeting

Appendix N: Additional materials submitted to the Task Force by member, Bridget Helmholtz, June 23, 2010

Appendix O: Statement from Tim Imler, Division Administrator, Division of Funding and Disbursement Services, Illinois State Board of Education (ISBE)

Appendix P: Additional materials submitted to the Task Force by member, Beth Conran, June 23, 2010

INTRODUCTION

This work has been conducted for the Illinois State Board of Education (ISBE) in response to House Joint Resolution (HJR) 24 passed during the 95th General Assembly. This Resolution specified “that a task force be created to study current special education funding needs and to make recommendations.” (A full copy of HJR 24 is included as Appendix A to this report.)

The author was contracted by ISBE to facilitate and provide technical assistance to the task force, to study current special education funding needs and to make recommendations as to how the State can increase special education funding and ease the financial burden on school districts. These efforts included limited data gathering, state data and document analysis as needed, and a report summarizing committee findings. Accordingly, the author met with the Task Force throughout the course of this study. This period of interaction extended from February, 2009 through June, 2010. The membership of the HJR 24 Task Force is included as Appendix B to this report. During these meetings, the author presented a national overview of special education provisions and fiscal policies; collected, analyzed and presented data on special education funding and provisions in Illinois; and discussed program objectives, funding goals, and formula criteria. We also jointly considered whether change to the current funding system was needed; and if yes, in what form and to what degree; as well as areas of possible agreement regarding recommendations.

This report presents an independent assessment of the State’s special education finance system and recommendations for change. It is written solely by the author. It includes conclusions and recommendations that were more broadly agreed upon by the Task Force, as well as varying opinions from individual Task Force members or contingents where broad-based agreement was not forthcoming. Throughout the report, attempts will be made to clarify these sometimes varying points of view. For example, documents expressing perspectives that clearly differ from the conclusions drawn by the author of this report, submitted by Task Force members, Bridget Helmholtz, Governmental Affairs Consultant, Illinois Association of Private Special Education Centers, and Elizabeth Conran, of The Menta Group, are attached in Appendices M, N, and P. Statements submitted to the Task Force in writing that contain specific recommendations for reform are also included, e.g. letters submitted by Chicago Public Schools on May 10, 2010 and June 24, 2010. (see Appendix L)

An important point of discussion for one of our earliest meetings was clarifying the purpose of this study. HJR 24 specifies that “a task force shall be created to study current special education funding needs and to make recommendations as to how the State can increase special education funding and ease the financial burden on school districts.” After discussing this statement of purpose at the March 2009 meeting, there seemed to be agreement that a full examination of current funding and related provisions were integral to addressing the latter component of the question in regard to possible increased funding for special education and a reduction of the related financial burden on districts.

The analyses presented in this report show substantial variation in the degree to which the “financial burden” of special education is realized by school districts across the State. It also

suggests changes to state policy that would provide added assistance to districts that appear to be currently facing the greatest burden in regard to financing special education. In this sense, the study produces “recommendations as to how the State can increase special education funding and ease the financial burden on school districts.” That is, the study addresses how the State can increase funding to districts currently facing a disproportionate burden under the current system.

These recommendations are made without the assumption of new funds, which may be most reasonable given the current fiscal climate. However, additional state funds for special education support would provide additional relief beyond what can be accomplished from moving to a more equitable distribution of funds, thereby providing relief to those districts appearing to need it the most.

It should be noted, however, that some Task Force members expressed a clear desire to have the Task Force recommend additional special education support from the state. For example, a written statement by Task Force member, Bridget Helmholz, submitted to the Task Force at its meeting of May 17, 2010, recommends an “inflation factor for increasing special education funding and/or increasing the “amount of the special education levy.” This statement is included with this report as Appendix M.

At the same time, however, in this same statement (Appendix M), Ms. Helmholz acknowledges that “Given the grave financial situation of the state, no new appropriation is likely.” It is also worth noting that data in Exhibit 3 suggest that Illinois is in the upper third of states in regard to overall special education staffing as of the 2006-07 school year. While these data are somewhat dated and are not perfect measures of relative special education spending across the states (which does not exist), they suggest that Illinois does not appear to be under-spending on special education relative to other states across the nation (or in the region). It also does not account for the relative shares of support for the services being provided across local, state and federal revenues.

This is not to say that current state funding is fully in accord with what is required of Illinois school districts in regard to special education services under state and federal law, or that the state provides a reasonable share of the support required under state and federal law across all districts in the state. In fact, it is the large degree of variation in state special education revenues and expenditures for special education services per student that is a major source of the concerns expressed in this report. A related concern is the relatively weak relationship observed between these two measures. That is, because the districts that show they are spending the most are often not receiving the most assistance under the current allocation formula, the local special education fiscal “burden” is shown to be much greater in some districts than others.

In addition, an important tenant of the IDEA is that children be served in the least restrictive environment (LRE) as appropriate to their individual needs. In a letter submitted to the Task Force from Chicago Public Schools (CPS) on May 10, 2010 (included as Appendix L), they cite requirements specified under the *Corey H* Settlement Agreement ensuring the provision of LRE in CPS as one factor affecting their higher cost of special education service.

It may be that additional special education funding from the State is warranted as a result of these state and federal requirements. However, given the very large variations in state funding per special education student (as outlined below), the current funding system seems to have some major flaws. Until these are at least partially rectified, the argument of adding more funds to districts under the current funding system seems unjustified. With reform of the funding system to remove incentives for private placements and to enhance overall equity in special education state revenues across districts, it may be appropriate to more fully consider the needs of the system overall in relation to state and federal service and student outcome requirements.

It is important to note a prior study on this topic in the State. In 1997, a study was conducted for the ISBE “through a collaborative process with the education, business, and community sectors.” This study resulted from a recommendation that a task force be formed to “recommend specific changes to Illinois special education funding mechanisms, its rules and reports. The goals ... would be to produce a simpler, fairer, and more flexible system of reporting and disbursement...” Such a task force met through 1998 to determine if the formula at that time was in compliance with new federal requirements (as specified in the Individuals with Disabilities Act (IDEA)) in regard to serving students in the least restrictive environment (LRE) and to recommend financing through a “simpler, fairer, and more equitable system.” (Riffel, 1998)

In regard to the critical point of whether the formula was in compliance with new federal requirements regarding LRE, a “White Paper” describing this study states:

The question discussed collectively was whether or not the current state funding formula is at least in part based on type of setting. The consensus was the state per pupil based funding formula for private tuition does fund by type of setting. As such, and upon discussion with staff of the Office of Special Education Programs, US Department of Education, it appears that the current state law is out of compliance with the new federal law as cited above. (Riffel, 1998) (A copy of this White Paper is attached as Appendix C.)

Recommendations from this study (released September 15, 1998), included with this report as Appendix D, were:

- The formula is required to be in compliance with IDEA 97 and to be placement neutral
- The funding formula will be understandable, easy to apply and implement
- The formula will be equitable and produce no significant funding loss to any district or cooperative

This earlier task force recommended a very simple formula comprised of two components:

- Tier 1 whereby all special education students would generate identical funding
- Tier 2 would set aside a pool of funds to help offset districts’ expenses for “high cost students.” (Riffel, 1998)

Perhaps as a result of this study, some significant changes were made in the State’s special education funding provisions in 2004 through PA 93-1022, which produced some of the key components of the formula reviewed in this current report. However, these changes did not address one of the main concerns expressed through the study above, i.e. that the “funding formula for private tuition does fund by type of setting.” Thus, it is not clear that the three initial

recommendations from the 1998 study were specifically addressed through these legislative changes, i.e. that the system comply with the LRE provisions of the IDEA, that the system be made simpler and easy to understand and administer, and that the system produce equitable allocations across districts.

The analysis in this paper leads to concerns similar to those of the prior study indicating consistency in findings and recommendations over time. Regarding the current project, this paper presents descriptive and analytical information regarding the current special education funding policies in the State, and presents several, alternative points of view in regard to possible future action. These differing points of view are represented by the two sub-committees that evolved from the Task Force formed by this project, one of which advocated wholesale change and the other only partial change to current policies. In addition, the author of this report presents independent conclusions in regard to the current system, future policy alternatives, and recommendations. These conclusions and recommendations were accepted by some, but not all, Task Force members, as will be described in more detail later in this report.

The report begins with a national perspective on special education funding, including a description of the four most common approaches to state and federal special education funding. The next section describes and provides data in regard to special education provision in Illinois and shows how these relate to what is reported for other states and the nation. Section three provides a description of Illinois's special education funding formula based on data provided by the State and provides analyses of the special education resource allocations resulting from the current system. The fourth section summarizes the findings from this analysis and the deliberations to date of the Task Force. The report concludes with some possible policy options for the State to consider.

A NATIONAL OVERVIEW

Special education finance across the nation

Special education is financed through a complex combination of federal, state, and local monies using a variety of formulas. Although the federal government does not systematically collect data on special education spending due to the wide range of accounting and reporting procedures used by individual states, there have been several federal-funded attempts to collect such data. Based on the most recent national information available, in the 1999-2000 school year, per pupil special education spending averaged \$12,474, as compared to \$6,556 for non-special education students.¹ This is more than double (in constant dollars) the average special education expenditure from the late 1960s, when it was first calculated.

This national study also showed that while spending on educating special education students has increased substantially over time, the expenditures per general education student increased at a comparable rate so that the ratio of total spending per special education as compared to a general education student remained fairly constant over time, at about two to one. Thus, increases in total

¹ Chambers, J., Parrish, T., Harr, J. (2002). *What Are We Spending on Special Education Services in the United States, 1999-2000*. Special Education Expenditures Project (SEEP). Palo Alto, CA: American Institutes for Research. Center for Special Education Finance.

special education spending nationally appear to be due more to the increase in special education enrollment than increased spending per student in special education. (Chambers, J., Parrish, T., and Harr, J., 2002).

National issues in relation to special education funding

When responding to a national survey about the most crucial issues regarding funding for special education in 2002, the majority of states identified four major themes: inadequate funding overall, inadequate funding specifically for students with high-cost needs, the failure of the federal government to reach the 40 percent funding target, specified in the Individuals with Disabilities Education Act (IDEA), and the difficulties local school districts face in providing services to the increasing number of students in special education. (Parrish, et al., 2003)²

State funding formula types

Four primary formula types are most predominantly used as the basis for allocating special education within and across states: pupil-weighted, census-based, resource-based, and percentage reimbursement. In addition to the descriptions below, these are delineated in Ahearn (2010) listing the states using each of these formula types, as well as language from all states regarding their current special education funding provisions.

Pupil-weighted funding allocates dollars per student based on specified criteria, such as category of disability and location of primary placement. The benefit of this type of formula is that it is intended to account for differences in the cost of services across districts. Costs vary depending on factors such as the disability of the child or the setting where most of the child's education services are provided. Possible disadvantages are that higher funding weights for some disabilities or placements may create incentives for over-identification in some categories of disability or for placement of students in higher cost (and possibly more restrictive) settings.

Census-based funding assumes a fixed cost differential for the average special education student and fixed proportions of students with disabilities across all districts. It allocates a specific amount per student (counting all students both in special education and non-special education) in a district. The primary advantage cited for this approach is that because it is detached from any count of special education students, needs, or services, the census-based approach eliminates or reduces fiscal incentives for identifying more students and/or serving them in more restrictive or more costly placements. One possible disadvantage is that census-based funding does not account for the differential special education costs districts of comparable size may experience, and could conceivably create a fiscal incentive for reduced identification and scaled-back services. The "funding for children requiring special education services" component of the Illinois formula provides an example of census-based funding.

Resource funding distributes funds based on the amount of specified resources in a district, such as the number of special education teachers used to serve students with disabilities. An advantage of this type of funding system is its direct link to key special education resources. In theory, allocations would expand with the number of special education teachers needed and employed by a district, thereby adjusting with changes in special education needs and costs. One

² Parrish, T., Harr, J., Anthony, J., Merickel, A., & Esra, P. (2003). *State Special Education Finance Systems, 1999-2000, Part I*. Palo Alto, CA: American Institutes for Research, Center for Special Education Finance.

possible disadvantage is that this type of system may be seen as inflexible in that funding may be received for some types of resources and not others. For example, in some states, a district may receive funding only for special education teachers and not for the instructional aides working with students with disabilities. The personnel component of the Illinois formula provides an example of resource-based funding.

Percentage reimbursement funding is based on the state reimbursing districts for a percentage of their actual spending on special education. There may be caps on the total amount eligible for reimbursement to districts or the number of students who can be claimed. One advantage of a percentage reimbursement system is that it directly relates to local variations in actual special education spending across districts. A possible disadvantage is that the cost accounting required to support such a system may be considered overly burdensome, especially if a system for tracking spending uniquely for special education services is not already in place. The nonpublic school component of the Illinois formula provides an example of a percentage reimbursement system.

Federal funding

Federal special education funding is based on a census formula. Prior to 1997, federal funding was based on the average special education child count. In 1997, new funding under this system was allocated based on the total population of school-age children in a state and the state's relative poverty. Under the federal formula, 85 percent of Individuals with Disabilities Education Act (IDEA) funds are distributed to states according to their total school-aged population. The remaining 15 percent of funds are allocated according to the state's relative degree of poverty.

Other components of the 1997 Amendments to the IDEA are provisions pertaining to state funding formula based on special education placements. In its last two reauthorizations (1997 and 2004), IDEA added specific requirements that apply to a state's distribution of state special education funds. The 1997 amendments had as one of its purposes "*to establish placement neutral funding formulas*" and the 2004 reauthorization further emphasized this requirement. A placement neutral funding formula is one that does not reward districts for segregating children who have disabilities, i.e., the distribution of funding does not provide fiscal incentives for placing students with disabilities in separate settings in violation of the least restrictive requirements (LRE) of the law.³

Changes in federal funding provisions for special education also came during the 2004 reauthorization of IDEA. Prior to the reauthorization, districts could not use federal funds to take the place of state and local funds. Now states are permitted to use half of the annual *increase* in federal funding to offset local special education spending. As an alternative, states may use up to 15 percent of their total federal special education funds on such early intervening services (IES) as response to intervention (RtI) programs.

³ From Ahearn (2010) "The LRE provision requires that children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled to the maximum extent appropriate, and that special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily [34CFR 300.114(a)(2)."

“Full funding” of special education is a recurrent policy theme at the federal level. IDEA authorized the federal government to appropriate funding for each special education student “up to 40 percent of the average per pupil expenditure (APPE).”⁴ Note that this is not 40 percent of the average cost for special education students, but rather 40 percent of the average cost of all students, including special education students. Federal funding has never reached this 40 percent level. While it has increased somewhat over the past decade, federal funding for special education is still estimated to be well less than 20 percent of the APPE.

SPECIAL EDUCATION IN ILLINOIS

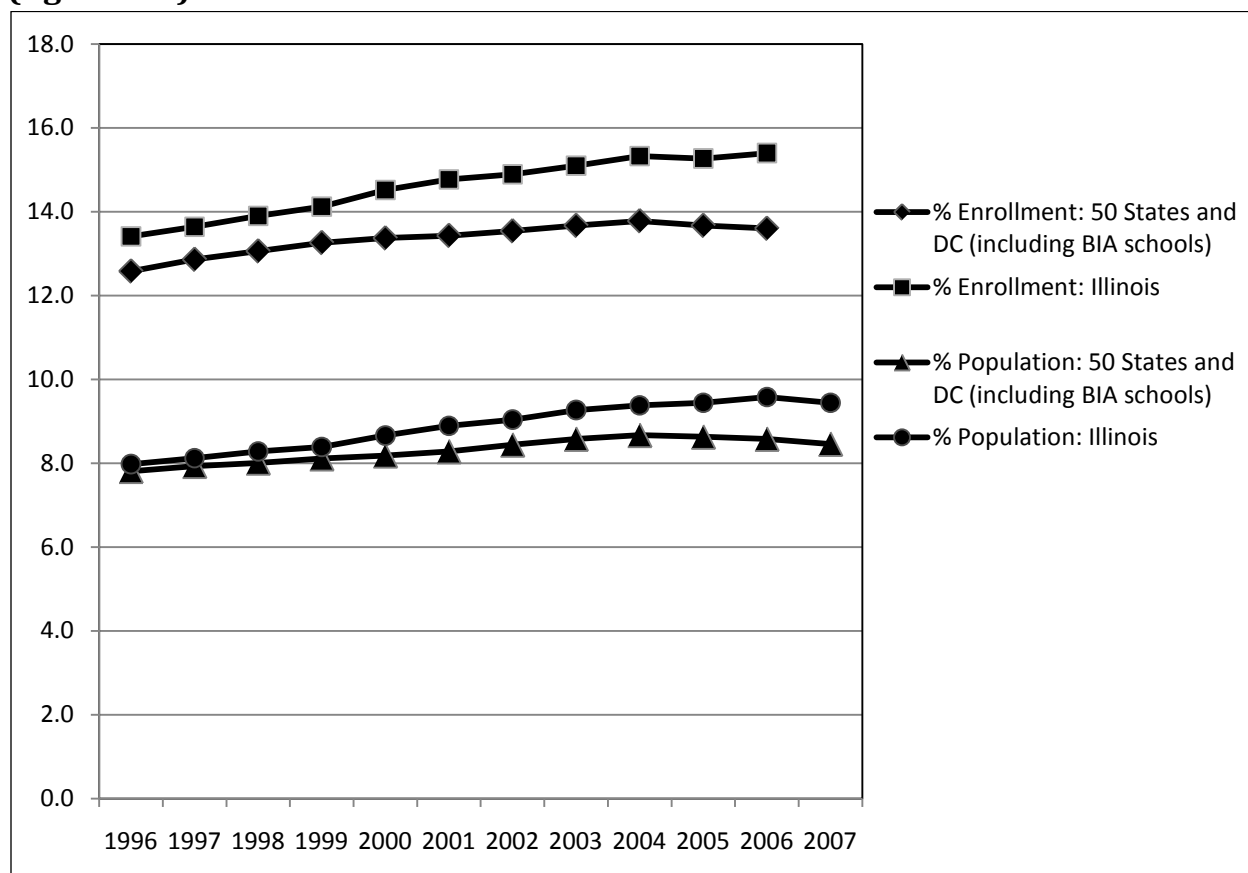
This section provides detailed analyses of special education funding in Illinois. First, we compare the State’s special education enrollment, placement, and funding data to national trends. Then we describe the State’s current special education funding formula and how funds are currently distributed to districts across the State. Last, we present information on academic outcomes for special education students throughout the State to explore possible relationships between special education funding and student results.

Enrollment, placement, and funding data in Illinois and the nation

One important statistic in regard to special education is the overall percentage of students receiving these services. As shown in Exhibit 1 below, the percentage of students in special education has generally grown in Illinois over the past decade, as is true for the nation as a whole. As a percentage of school age enrollment, this figure rose in Illinois from over 13 percent in 1996 to over 15 percent by 2006. In the last several years of this span, however, the percentage of students in special education seems to have leveled off. Also shown is the percentage of children in special education in relation to the full age 3-to-21 population, where more current data are available. As shown, Illinois’s trajectory in regard to these generally growing percentages is somewhat larger and somewhat steeper than for the nation as a whole.

⁴ Please see §300.717 in the Federal Register (June 21, 2005) for the official regulations.

Exhibit 1. Special Education Identification Rates in Illinois and the Nation (Ages 3-21)



Source: Data Accountability Center. (n.d.). Part B Trend Data. <https://www.ideadata.org/PartBTrendDataFiles.asp>.

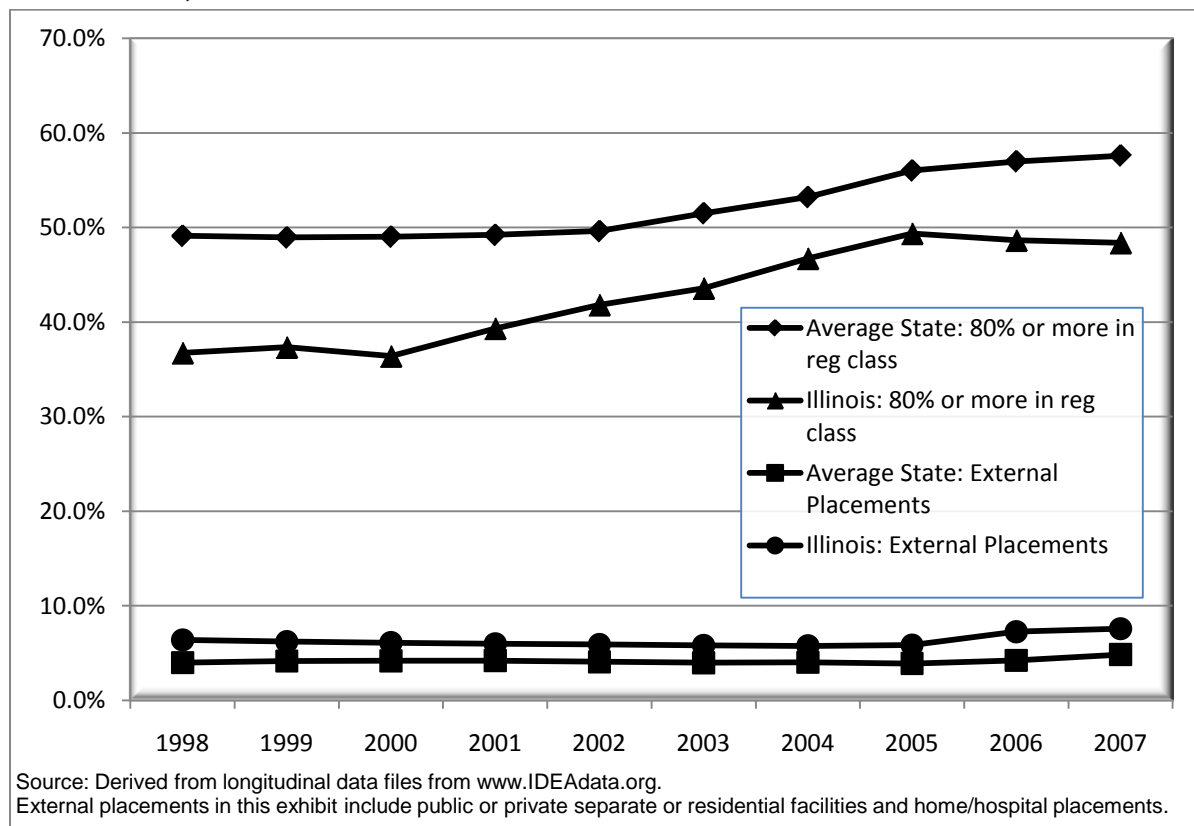
Another important set of statistics that all states must report in compliance with IDEA is where special education students receive their primary services. These data assist the federal government, as well as individual states, to monitor the degree to which students are served in the least restrictive environment (LRE) appropriate to their needs, as required by IDEA.

Exhibit 2 shows placement data over time for Illinois in relation to the nation as a whole. This exhibit focuses on the percentage of students in the least and most restrictive placement categories as defined by federal law. As shown, the percentage of students in special education served in the least restrictive setting (80 percent time or more in a regular education classroom) has risen over the past decade in Illinois and across the nation. While less than 50 percent of all special education students in the U.S. were served in this type of placement in 1998, ten years later this has reached nearly 60 percent.

In Illinois, while this percentage has consistently been lower than the nation, increases are shown over this period from below 40% to nearly 50% of special education students. These data also show Illinois closing the gap in comparison with national practice through 2006. However, over the last two years of data shown, the percentage of least restrictive placements in the state have held steady, or declined slightly, while growth on this measure continues for the nation.

In terms of the most restrictive placements (placement in external entities), Illinois's percentage (at about 7%) has consistently been above the national average of around 5 percent over the past decade. The difference between Illinois and the nation on this measure also appears to have grown slightly over the last two years, as shown below.

Exhibit 2. Percentage of Special Education Students (Ages 6-21) Spending 80 Percent or More Time in Regular Education Classrooms and Those in External Placements, 1998-2007



While analysis of spending patterns comparing Illinois to the nation would be useful, especially given the concern about adequate funding, unfortunately national data do not exist to allow comparisons of the degree of spending for special education services in one state as opposed to another. Some states have much more detailed special education expenditure tracking systems than others, and even in the states with fairly detailed accounting of special education expenditures, there are no federal accounting guidelines to ensure comparable expenditure estimates. Lacking these data, one way to estimate relative special education resource allocations across states is to use allocations of special education staff relative to special education enrollments.⁵

⁵ Every state must report numbers of full-time special education teachers, therapists and aides serving special education students as well as the numbers of special education students being served.

Multiplying standardized salary estimates by the number of special education staff reported by each state provides a standardized cost estimate for total special education personnel. Dividing this amount by the number of special education students in the state provides a standardized special education personnel cost estimate per special education student by state. Comparing these state-level cost estimates to the national average produces the personnel-based special education expenditure index shown in Exhibit 3. As staff salaries account for approximately 85 percent of special education costs, this may provide the best available proxy measure of relative special education expenditures by state.

Exhibit 3. Personnel-Based Special Education Expenditure Index, 2006-07

Rank			Rank		
1	Hawaii	1.98	26	Alabama	1.00
2	Vermont	1.67	27	New Mexico	0.99
3	New York	1.64	28	Massachusetts	0.99
4	New Hampshire	1.62	29	Nevada	0.98
5	Connecticut	1.50	30	Kentucky	0.92
6	New Jersey	1.34	31	Wyoming	0.91
7	Maryland	1.30	32	North Carolina	0.87
8	Minnesota	1.29	33	Missouri	0.87
9	Maine	1.29	34	West Virginia	0.87
10	Kansas	1.28	35	California	0.87
11	Iowa	1.26	36	Arkansas	0.83
12	Rhode Island	1.21	37	Montana	0.83
13	Virginia	1.20	38	Washington	0.83
14	Louisiana	1.20	39	Ohio	0.82
15	Illinois	1.17	40	South Carolina	0.81
16	North Dakota	1.15	41	Oregon	0.81
17	Nebraska	1.12	42	Idaho	0.80
18	Pennsylvania	1.11	43	Tennessee	0.80
19	Georgia	1.09	44	Michigan	0.75
20	South Dakota	1.06	45	Utah	0.72
21	Colorado	1.05	46	Alaska	0.72
22	Oklahoma	1.03	47	Florida	0.70
23	Delaware	1.03	48	Texas	0.69
24	Wisconsin	1.02	49	Indiana	0.64
25	Arizona	1.01	50	Mississippi	0.47

Source: Number of special education staff data derived from www.ideadata.org. Salary data derived from http://nces.ed.gov/programs/digest/d08/tables/dt08_079.asp

Because the base is the national average, each of the index amounts shown by state can be compared to a national average index value of 1.00. At 1.10, Illinois is above the national average in this estimate of relative special education personnel spending, with a ranking of 15th.

In terms of the mid-western states, Illinois's index is equal to or higher than all other states except Minnesota.

THE ILLINOIS SPECIAL EDUCATION FUNDING FORMULA

In FY 2008, the state special education formula generated approximately \$1.34 billion in state special education categorical support to the State's school districts⁶. These total funds are allocated in six categories of special education support. These categories of special education funding and their percentage shares of total state special education support, as reported by the ISBE, are shown in Exhibit 4.

Exhibit 4. Categories and Percentage Shares of State Special Education Funding FY 08

State reimbursements for personnel	31.5%
Funding for children requiring special education services	25.0%
Students placed by the district in nonpublic schools	10.4%
Children in orphanages, foster family homes, children's homes, or state housing	5.9%
Reimbursement for 4/5 of special education transportation costs	26.5%
Extended school year	0.7%

As shown, over thirty percent of state special education aid is allocated to districts based on a personnel-based formula (31.5%) and another quarter based on a census-based type formula referred to as "funding for children requiring special education services" (25.0%). In addition, over one-tenth of all state special education aid is allocated in support of students placed by districts in nonpublic schools (10.4%). Special education transportation accounts for over one-quarter of state aid (26.5%) and children in orphanages and related housing options as well as extended school year funds comprise the rest (5.9% and 0.7%, respectively).

The personnel component of the formula

The state reimbursement component of the formula contains the following provisions:

- Full-time certified qualified workers employed 180 days (\$9,000 per special education certified teacher, state approved special education director, related services provider, registered therapist, professional consultant, and special education administrator or supervisor (and others who qualify))
- Hospital/homebound instruction (one-half of the teacher's salary, but not more than \$1,000 annually per child or \$9,000 per teacher, whichever is less)
- Readers for the blind or partially sighted – (one-half of salary - not more than \$400 annually per child)

⁶ Illinois State Board of Education (2009). *Illinois State Board of Education Special Education Historical*. Retrieved January 13, 2010 from http://www.isbe.net/funding/pdf/sped_appro_pro.pdf

- Noncertified employees employed 180 days (the lesser of one-half of the salary or \$3,500 annually per employee)

The children requiring special education services component of the formula

This component represents a fairly recent change (FY 2004) from the prior “extraordinary” cost component of the formula. Some of its main points are:

- These funding provisions started with a “hold harmless” base, which was the amount each district received under the last year of the old “extraordinary” formula (FY 04). This base was to remain in effect for three years, i.e. beginning with FY 08 these funds were specified to be distributed to all districts based on the “remaining funds” provisions below.
- The “remaining funds” under these provisions are distributed 85% based on district average daily attendance and 15% based on district poverty (as derived from data provided by the Department of Human Services and calculated on a three year running average of individuals who are recipients of Food Stamps, Temporary Assistance for Needy Families (TANF), Kid Care and Medicaid.)
- It was further specified (January 5, 2008) that districts will not receive payments under these provisions less than that received for fiscal year 2007. (Because this funding is to be “computed last and shall be separate from other calculations,” a supplemental appropriation was needed each year for this purpose. In FY 08 \$21 million was appropriated, which dropped to \$17.5 million in FY 09. For FY 10, the General Assembly appropriated \$17.1 million, through the passage of HB 2270 pending before the Governor.
- As an additional feature under this component of the formula, districts are provided reimbursement for students who are identified as having excess costs. This occurs when a student’s education program costs exceed four times their resident district’s per capita tuition rate (which is derived from each district’s annual financial report and in general represents the amount a district would charge to educate an out of resident student). However, due to fluctuations in the funds available for this purpose and due to an increasing number of claims, the percentage reimbursement from the State for these claims has ranged from a low of 2.7% in FY 06 to a high of 21.1% in FY 08.

The nonpublic schools component of the formula

Illinois provides a two tier funding mechanism to school districts for special education students placed in a special education private facility as approved by the Illinois Purchased Care Review Board (IPCRB). The IPCRB is comprised of representatives from various state agencies such as Education, Children and Family Services, Public Health, Healthcare and Family Services and the Governor’s Office of Management and Budget. The IPCRB establishes uniform rules and regulations for its determination of allowable costs and payments made by school districts to special education facilities for tuition and/or room and board. The two tier funding provisions are as follows:

- Tier 1 reimbursement: The formula reimburses the difference between the district's first per capita charge and \$4,500 assuming the tuition that the district paid is above \$4,500. (Less than 5 districts in the State are eligible because most district per capita amounts are above \$4,500.)
- Tier 2 reimbursement: The total tuition paid is compared to the two per capita offset and any difference is eligible to be reimbursed by the State. (Most districts fall into this category.)

The extended school year (ESY) component of the formula

This funding is for school districts that operate or are billed by a special education cooperative that operate special education programs in excess of the adopted school calendar. ESY must be provided when an IEP team determines it is necessary for the student to receive a free appropriate public education (FAPE). Eligibility requirements for students claimed under this provision are:

- (1) The student must be enrolled in one or more courses offered for at least 60 clock hours in the summer session;
- (2) The student must be eligible pursuant to the requirements for continued summer school services per his or her Individual Education Plan (IEP);
- (3) There shall not be a tuition charge to families to insure a "free appropriate public education.

Other Formula Provisions

These include the following:

- Reimbursement for the actual costs of educating eligible children with disabilities who reside in orphanages, foster family homes, children's homes, or state housing units. Funding is guaranteed at 100% of eligible costs, with any shortage borrowed from the following year's appropriation to ensure full funding.
- Reimbursement for 4/5 of the cost of transportation for each child who requires it and is approved for special transportation as a related service.

Funding and percentages by region (sub-region) by formula component

Exhibit 5 shows how these categories of special education funding break out by the State's system of support regions (see map in Appendix E of this report). It is important to note that special education funding in the State is not allocated by region, but by district. However, with over 870 districts in the State, regional analyses are used in this report to allow examination of funding patterns across the State that might be difficult to track across so many districts. The regional averages shown are the amount of state special education aid received for the average special education student.⁷

⁷These data were provided by Tim Imler, Division Administrator, Division of Funding and Disbursement Services, for FY 2009 and include special education disbursements for all 871 school districts in the state. These data were aggregated by region and sub-region to produce this exhibit. Mr. Imler's statement describing these data is included as Appendix O to this report.

Exhibit 5. State Special Education Funding per Special Education Student and Percentage Funding Shares by Category of Funding by Region and Sub-Region

BY REGION:	Per- sonnel	SE Services	Non- public	Orphan- age	Transport	Summer School	Total SE Funding
Region I (All)	\$1,436	\$1,167	\$646	\$353	\$1,529	\$47	\$5,178
Region II, Northwest	\$1,298	\$904	\$261	\$187	\$736	\$19	\$3,405
Region III, West Central	\$1,096	\$760	\$138	\$201	\$605	\$11	\$2,810
Region IV, East Central	\$1,129	\$810	\$207	\$342	\$610	\$7	\$3,105
Region V, Southwest	\$1,033	\$792	\$277	\$269	\$786	\$23	\$3,179
Region VI, Southeast	\$1,097	\$751	\$34	\$142	\$554	\$3	\$2,582
Region I-A, Chicago	\$1,560	\$1,853	\$1,406	\$698	\$2,255	\$115	\$7,887
Region, I-BB, West Cook	\$1,300	\$968	\$410	\$219	\$1,429	\$51	\$4,378
Region I-BC, South Cook	\$1,383	\$995	\$283	\$305	\$1,185	\$38	\$4,189
Region I-BD, North Cook	\$1,600	\$874	\$165	\$352	\$1,050	\$9	\$4,049
Region IC, Northeast	\$1,353	\$896	\$434	\$173	\$1,309	\$16	\$4,182
BY REGION							
Region I (All)	28%	23%	12%	7%	30%	1%	100%
Region II, Northwest	38%	27%	8%	5%	22%	1%	100%
Region III, West Central	39%	27%	5%	7%	22%	0%	100%
Region IV, East Central	36%	26%	7%	11%	20%	0%	100%
Region V, Southwest	32%	25%	9%	8%	25%	1%	100%
Region VI, Southeast	42%	29%	1%	5%	21%	0%	100%
Region I-A, Chicago	20%	23%	18%	9%	29%	1%	100%
Region, I-BB, West Cook	30%	22%	9%	5%	33%	1%	100%
Region I-BC, South Cook	33%	24%	7%	7%	28%	1%	100%
Region I-BD, North Cook	40%	22%	4%	9%	26%	0%	100%
Region IC, Northeast	32%	21%	10%	4%	31%	0%	100%

In addition to regional analyses, breakouts by sub-region within Region I are also shown to illustrate the predominant influence of Chicago as distinguished from the rest of this region and the State as a whole. This is important as Chicago represents over 19% of the full state public K-12 enrollment, with the second largest district being less than 1/10 of its size.

Differentiating Chicago from the rest of the districts in the State is also important because special education funding is allocated to Chicago on a basis that is quite different from all other districts in the State. Over time, this arrangement, as discussed later in this report, has expanded Chicago's state special education funding allocations in ways that make them stand out in relation to most of the other school districts in the State.

The first six columns of funding shown in Exhibit 5 indicate the amount generated per special education student in the region by category of funding. For example, the December 1 count of special education students for Region I for FY08 is 194,004 and the total revenue amount received region-wide under the personnel component of the state special education funding formula is \$278,645,679. Dividing this total funding amount by the December 1 count of students derives an average funding allocation under the personnel component of the formula per special education student in Region I of \$1,436, as shown in the first funding cell of Exhibit 5.

The total amount generated per special education student across all six categories of the state special education funding formula is shown in the last column of Exhibit 5, e.g. Region I at \$5,178. Comparing total state special education funding per student, as shown in this last column, shows the highest total state special education funding per special education student in Region I. Although the average for Region I is clearly affected by the higher funding received by Sub-Region I-A, Chicago, all of the other sub-regions of Region I also show higher total state special education funding per special education student than any other region. For example, while the average state aid per special education student in Chicago (\$7,887) is nearly twice that received by the next highest sub-region in Region I (West Cook at \$4,378); Region I overall (at \$5,178) also receives over 50% more than the next highest region (Northwest at \$3,405). On average, Region I (\$5,178) receives twice the amount of state special education aid per eligible student than the lowest funded region in the state (Southeast at \$2,582).

The second half of Exhibit 5 presents percentage shares associated the various funding formula components. Thus, the first row of this table shows total state special education funding per special education student in Region 1 to be \$5,178. The first row in the bottom half of this exhibit shows the percentage shares that each of the six funding components contributes to this total. For Region I, for example, the personnel and special education services components of the formula each provide about one-quarter of the total state special education funding generated by districts in Region I. These percentage shares for these two components of the formula are the smallest of any of the six regions in the State. The nonpublic and transportation percentage shares for Region I, however, are the largest among the regions at 12 and 30 percent, respectively.

Other relevant special education data by region (sub-region)

Additional relevant statistics to a discussion of state special education funding across the regions and sub-regions of the State are shown in Exhibit 6. They include the percentage of total state enrollment that each of the regions and sub-regions comprises, as well as the percentage of state

special education enrollment, the percentage of students in special education, and the percentage in poverty.⁸

As shown, Region I is by far the largest in the State. In fact, all of its sub-regions are larger than the smallest region, Region VI. As expected, Region I also has the largest share of the State's special education enrollment. However, while it comprises 65% of the full state enrollment, its share of the State's special education students is only 60%. This is because Region I has the lowest percentage of students identified for special education in the State. At 14% this percentage is not particularly low and in fact is quite close to the national average, which was slightly below this amount for FY 08. However, this is the smallest identification rate among the regions of the State, driven by Chicago, with 13% special education enrollment. After Chicago, no other sub-region in Region I, or none of the other regions of the State, show less than 15% special education enrollment, with four of the State's six regions at 18% or higher.

Exhibit 6. State Special Education Funding per Special Education Student and Percentage Funding Shares by Category of Funding by Region and Sub-Region

BY REGION:	Percentage:			
	State Enr	State SE Enr	SE Enr	Poverty
Region I (All)	65%	60%	14%	35%
Region II, Northwest	11%	11%	15%	26%
Region III, West Central	7%	8%	19%	36%
Region IV, East Central	7%	8%	18%	34%
Region V, Southwest	7%	8%	18%	35%
Region VI, Southeast	3%	4%	20%	42%
BY REGION I SUB-REGIONS				
Region I-A, Chicago	19%	16%	13%	65%
Region, I-BB, West Cook	4%	4%	15%	38%
Region I-BC, South Cook	7%	7%	15%	38%
Region I-BD, North Cook	7%	7%	15%	17%
Region IC, Northeast	27%	26%	15%	18%

The percentage of students in poverty ranges from 26% to 42% across the regions of the State. Poverty disparities within Region I are more substantial, however, with Chicago at a rate of 65% as compared to Sub-Region I-BD, North Cook, at 17%.

Task Force discussion of the formula

These analyses show substantial differences in funding by sub-region and region and point to equity concerns within the current formula. Given this, as well as other concerns, a first question

⁸The percentage of students in poverty was calculated by dividing the 2007-2008 public enrolment by the three year poverty average (FY 05, 06 and 07). The three year poverty average was produced by the Illinois Department of Human Services

the task force considered was whether change was needed in the State's current special education funding system. One point of consensus was in regard to the federal special education funds flowing through the State to districts. The sentiment appeared unanimous that the time for "full federal funding" of special education, as described above, was overdue, i.e. that the federal special education appropriation should be raised to its authorized limit of 40% of the nation's Annual Per Pupil Expenditure (APPE).

However, while the Task Force clearly supported such a change as one important step in "easing the financial burden" of special education on school districts, federal funding provisions are beyond the scope of the Task Force. Turning to the state special education funding system, an initial question was whether change is needed.

As the consensus on this point clearly seemed to be yes, the next point was whether wholesale change in the formula is needed as opposed to adjustments within the confines of the existing formula. The Task Force members were divided on this point and as a result, at the April, 2009 meeting of this Task Force, two sub-committees were formed. The first, headed by Roxanne Kovacevich, agreed to consider alternatives to the current formula, i.e. what might be proposed if the state were to fully reconsider how it allocates state special education funds. Bridget Helmholz agreed to lead a second sub-committee considering recommendations for change, while largely maintaining the current formula.

Criteria for considering change to the formula

As the consensus for some form of change seemed clearly in the majority among the group, we began by attempting to set criteria for considering change. An important finding from the special education finance literature (e.g. Harr, Parrish and Chambers, 2008) is that all fiscal policies have the potential to affect special education practice. With that in mind, prior to setting fiscal policy it was determined as important to discuss program goals for the State so that any incentives created through revised fiscal policy will reinforce, to the extent possible, desired program goals. At the May 2009 meeting, the Task Force specified the following desired special education program goals for the State:

- Promoting comparable services for students with comparable needs across the State
- Fostering high-level, measurable outcomes for students in special education
- Serving students in the Least Restrictive Environment
- Promoting pre-referral services to serve students outside special education when appropriate
- Providing maximum flexibility at the local level coupled with accountability

In addition to these program goals, funding objectives were discussed. Also at the May 2009 meeting, the group had specified the following:

- Sufficient funding within each district to reach the education goals set for the State's special education students
- State funds distributed in accord with student needs
- Funds distributed in a way that produces a reasonable reporting burden
- A formula designed to foster best practice

- Professional discretion in spending including Response to Intervention (RTI)
- A clear basis for the amount of funds being distributed
- Special education funding tied to the general education formula
- Funding provisions that respond to differences in student performance
- Consolidation of components within the current formula
- Creation of separate provisions for high cost students

Last, funding formula criteria were prioritized across a range of factors delineated in the literature as positive objectives for special education funding formulas. The full set of criteria and the definitions for each appear as Appendix F to this report. Among these criteria, Task Force sentiment in regard to the top three criteria (also set at the May, 2009 meeting) was as follows:

- Placement neutral: This means that no fiscal premiums are associated with one type of primary placement for the student over another, e.g. regular versus special classroom or private versus public placement.
- Equity: This means that districts with like circumstances are treated similarly in the funding they receive.
- Outcome accountability: This means that outcomes are incorporated in some manner into the State's fiscal provisions.

These criteria were also re-visited at the May 12, 2010 meeting of the Task Force with all of the members present at this meeting indicating the lack of equity in the current formula to be a problem and the majority of those present (six out of seven) indicating the lack of placement neutrality to be a problem.⁹

Revenues, expenditures, and percent support by district

In considering these criteria, the following exhibits present data in regard to the full amount of state special education revenue (i.e. across all six of the funding components shown above) for all of the districts in the State. These are presented as aggregate numbers to emphasize the bottom line received by districts in the State through the formula in its entirety (i.e. the sum of its individual components) and are compared with data on reported special education spending. Each of the following exhibits shows a collection of vertical bars, each representing a school district in the State, ordered left to right from the smallest in enrollment to the largest.¹⁰

State special education revenues by special education student by district

Exhibit 7, shows the state special education revenue amount per student received across all districts. As shown, the mean special education aid allocation per special education student across all districts in the State is \$2,832 and the standard deviation is \$1,075. This latter amount represents the degree of variance around the mean and indicates that approximately one-third of the districts in the State receive an amount that is \$1,075 higher than the mean (i.e.,

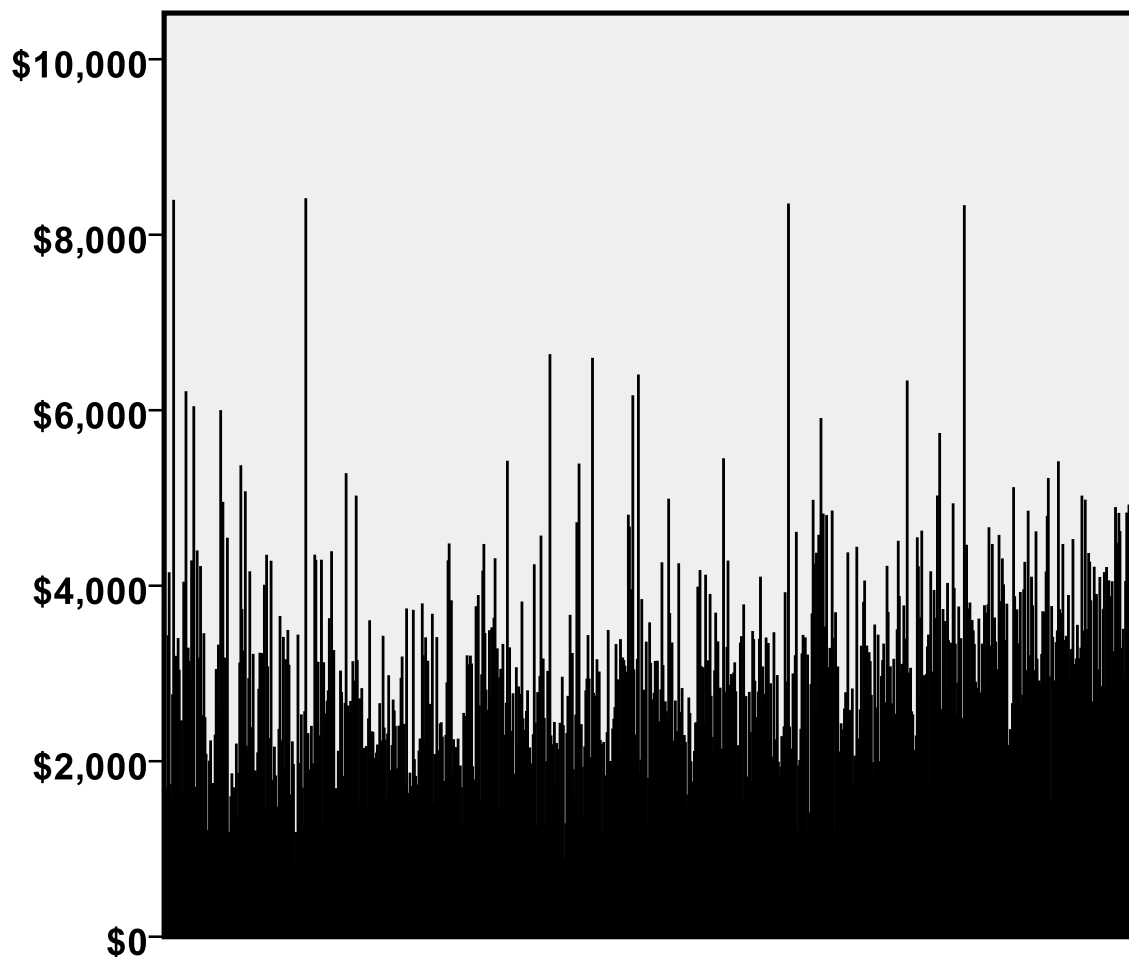
⁹ One other member, not present but contacted during the meeting, was said to have joined the minority perspective that placement neutrality is not a serious problem under that State's current funding provisions.

¹⁰ Note that unlike the data shown in Exhibit 5 representing aggregate state revenues received by region, the data in the exhibits that follow only show state special education revenues directly received by districts. That is, they do not include revenues received by cooperatives from which districts may derive special education services and support.

$\$3,907 = \$2,832 + \$1,075$) and about 1/3 receive an amount that is \$1,075 lower (i.e., $\$1,757 = \$2,832 - \$1,075$). It also shows that variations in allocation per special education student across Illinois districts are not closely related to district size. Last, it shows a substantial number of districts receiving more than \$5,000 in state special education support per special education student and a few districts receiving special education revenues in excess of \$8,000 per student, and that these more extreme cases of high revenue generation can be found across a range of district size. These data clearly suggest equity concerns with the current system.

Exhibit 7. Total Special Education State Revenues Per Special Education Student

All Districts, Ordered Smallest to Largest Enrollment, 2007 – 08



Number of Districts=868, Mean =\$2,832, Std. Dev = \$1,075

Data Sources: Revenue data: "FY 08 Sp Ed LEA Summary;" Special education enrollment data: "Dec 2007 Sp Ed Count by Disability;" both files from Tim Imler, ISBE. Defined as "Revenues due to the district for the 2008 fiscal year regardless of the time the district actually received them."

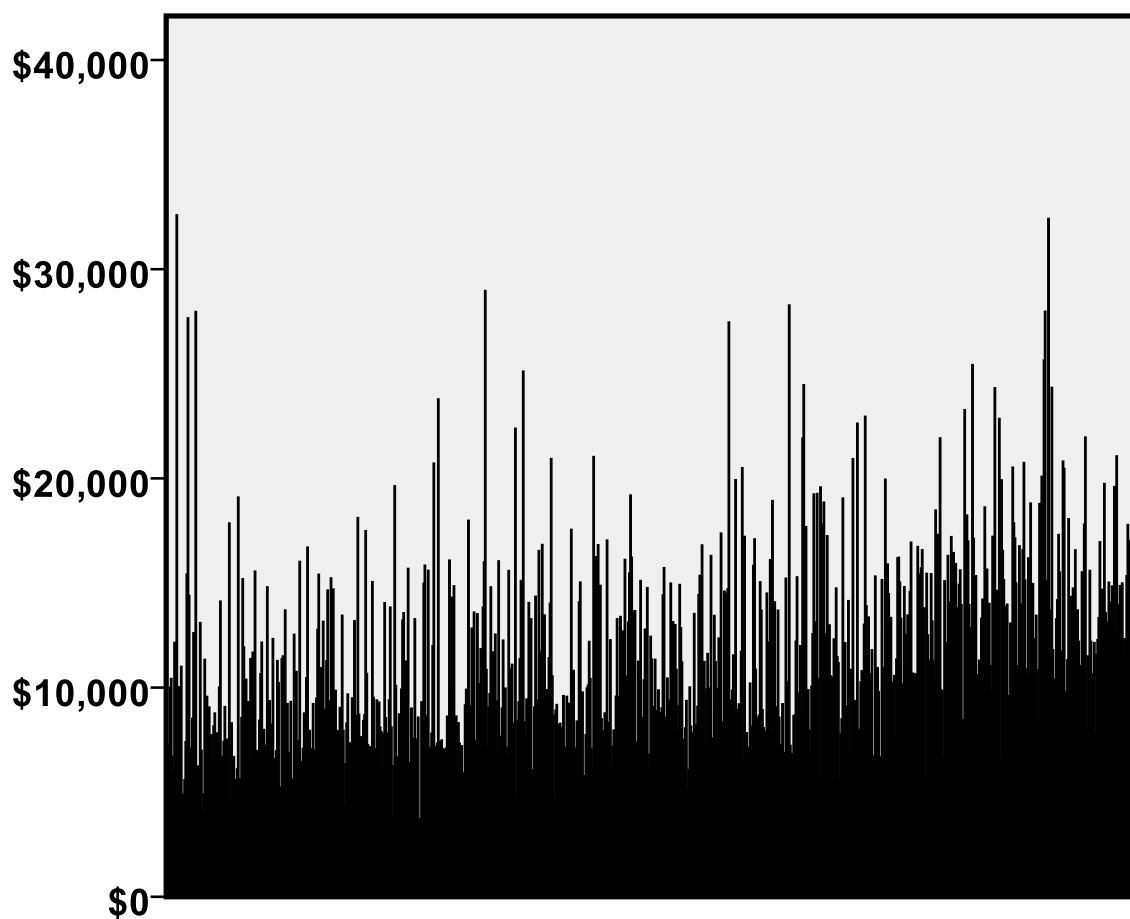
State special education expenditures by special education student by district

The analyses shown in Exhibit 8 are comparable to that shown above except the data element represented is the average reported special education expenditure per pupil by district, as opposed to how much they are receiving, which is shown in Exhibit 7. In this exhibit, the mean special education expenditure per special education student across all districts in the State is reported as \$10,840, with a standard deviation of \$4,543. Thus, on average, districts spend considerably more on special education services than they receive from the State in regard to special education aid. While some of this difference will be offset by federal funding (which provides approximately \$1,300 per special education student state-wide), this still leaves a substantial portion to be offset through local funds. This disparity is the basis for the question

included in HJR 24, that the Task Force “make recommendations as to how the State can increase special education funding and ease the financial burden on school districts.”

As shown, however, the average reported special education expenditure per special education student varies dramatically across the districts of the state and across all categories of district size. These data suggest that the special education “financial burden” varies considerably across districts. However, neither revenue nor expenditure data alone really inform the issue of relative burden. If the high spending districts also receive higher revenues, the relative burden across districts may be the same.

Exhibit 8. Special Education Expenditure Per Special Education Student - All Districts Ordered by Smallest to Largest Enrollment, 2007 – 08



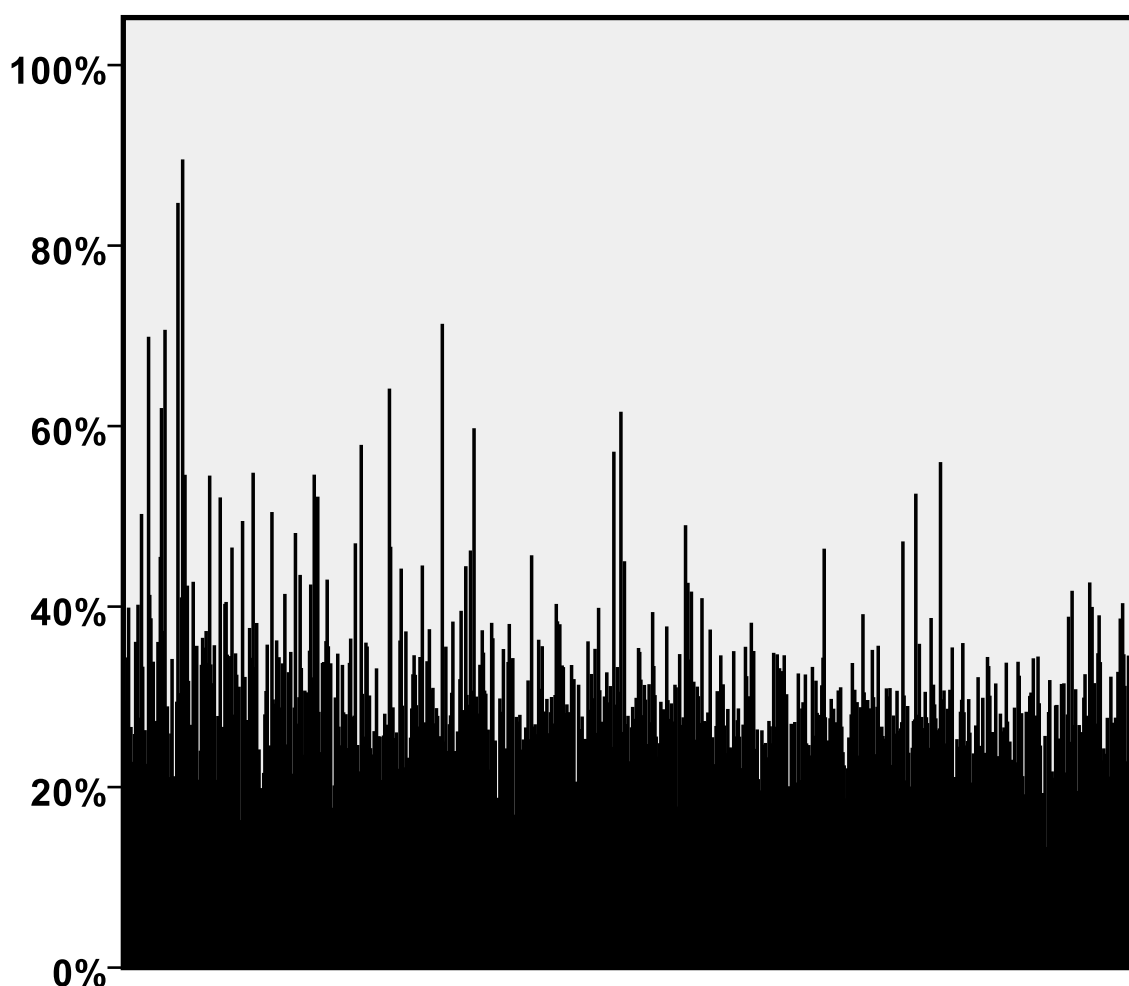
Data Sources: Expenditure data: “2008 Enrollment FTE Head count expenditures receipts data report -- SpecEd2008” from Debbie Vespa of ISBE; Special education enrollment data: “Dec 2007 Sp Ed Count by Disability” from Tim Imler of ISBE. Note with data: “Includes revenue receipted as of June 30th.”

State special revenues as a percentage of expenditures by district

Exhibit 9, which shows the percentage of reported expenditures covered by district state special education revenues, provides a more complete view of the differential special education

“burden” experienced by districts. On average, state revenues cover 28% of the reported expenditure. However, based on the standard deviation of 9%, about 1/6th of the districts of the State have only about 19% of their special education spending covered by state revenues. Conversely, as can be observed from the exhibit, a number of districts across all size ranges show 50% or more of special education spending covered by state revenues. Thus, the degree of “special education burden” is quite different across the State.

Exhibit 9. State Special Education Revenues* as a Percentage of Reported Total Special Education Expenditures[†] - All Districts[‡], Ordered by Smallest to Largest Enrollment, 2007 – 08



Number of Districts=867, Mean =28%, Std. Dev = 9%

Data Sources: State revenue data: “FY 08 Sp Ed LEA Summary” from Tim Imler of ISBE; Total expenditure data: “2008 Enrollment FTE Head count expenditures receipts data report -- SpecEd2008” from Debbie Vespa of ISBE.

* Revenue due to the district for the 2008 fiscal year regardless of the time the district actually receipted the revenue – note that this includes district revenues only and does not attempt to prorate revenues received by cooperatives back to individual districts.

[†] Includes revenue receipted as of June 30th

[‡]Proviso Twp HSD 209 was excluded because the percentage of State special education categorical programs revenue of total special education expenditures for the district equaled 286%.

CONCERNS WITH THE STATE SPECIAL EDUCATION FORMULA

Three areas that constitute potential concerns with the current formula are that it contains fiscal incentives favoring private special education placements, appears quite inequitable, and seems needlessly complex and disjointed. Each of these areas is described in more detail below.

The nonpublic component contains substantial fiscal incentives for private placements and contributes to overall funding inequities

There are several key concerns with the nonpublic component of the formula. It provides a substantial fiscal incentive for private placements, it contributes to inequities in the overall system, and it does not appear to conform to its stated purpose.

The nonpublic component of the formula provides substantial fiscal incentives for private placement. As described at the onset of this paper, a study similar to the current one completed in 1998 (Riffel) found that the State's special education funding system was not "placement neutral," i.e. that funding was based on type of placement and that the system at that time was, in the opinion of this earlier task force, in violation of federal provisions from the IDEA '97 Amendments, enacted in June 1, 1997. These provisions require that each state's special education funding be consistent with federal least restrictive environment [LRE] provisions. The relevant part of the federal law from Section 612 (5) of IDEA '97 that was cited in this earlier report is:

(5) Least Restrictive Environment. –

(A) IN GENERAL. – To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactory.

(B) ADDITIONAL REQUIREMENT. – (I) IN GENERAL. -- If the State uses a funding mechanism by which the State distributes State funds on the basis of the type of setting in which a child is served, the funding mechanism does not result in placements that violate the requirements of subparagraph (A). (ii) ASSURANCE. – If the State does not have policies and procedures to ensure compliance with clause (I), the State shall provide the Secretary an assurance that it will revise the funding mechanism as soon as feasible to ensure that such mechanism does not result in such placements.

This earlier report also compared funding available under the nonpublic provisions of the law at that time to what could have been claimed under what was at that time the "Extraordinary Services" component of the formula. Riffel (1998) describes this second component as supporting the claims of students "served within the public school district." Riffel goes on to point out, however, that this component of the formula allowing support for "extraordinary services" provided within the public school district had its problems. He states, it enabled some LEAs to become "very creative in accessing this funding stream" and that districts able to

accomplish this have been the “primary benefactors” from this source of funds. It was also said to have placed “a heavy paperwork burden” on districts.

Perhaps in response to these concerns, this component of the law was changed in 2004. What had been the “extraordinary services” pot of funds is now designated as “funding for children requiring special education services.” Under the new provisions these funds were allocated to all districts on a census basis (i.e. 85% based on total enrollment and 15% based on poverty).

While in some ways this change to the funding formula seems to have some obvious advantages, it has also greatly exacerbated the funding difference when students in special education requiring “extraordinary services” are served in public versus private schools. The Illinois Alliance of Administrators of Special Education (IAASE) describes this well in a position paper released in October of 2008 (included as Appendix G).

Although the law that converted “extraordinary services” funding also contained provisions for reimbursing students with “excess costs,” the IAASE states that “the amount of reimbursement in recent years has been prorated significantly...” For example, they cite a proration percentage of only 4.88% in FY 05. As this is the only method of claiming the excess cost of serving students requiring “extraordinary services” within a public setting, there is a very substantial fiscal incentive to serve such students in private special education (nonpublic) schools. For example, the IAASE paper provides an example where a school district would receive “\$18,000 from the ISBE by placing the student in a private facility (as opposed to) \$1,266 from the ISBE by placing the student in a public school program.”

This is a clear fiscal incentive for private (nonpublic) school placements for children in need of “extraordinary services.” The fact that over one-tenth of the State’s special education funding is allocated for this purpose suggests that the use of these funds has extended beyond extraordinary circumstances. This 10% figure is made even more striking by the fact that nonpublic school options are virtually unavailable in some regions of the State. In Region I, where many of these schools are found, 13% of state special education revenues are allocated in support of nonpublic school services.

It also seems likely that this strong fiscal incentive affects the relatively high rate of special education placements in separate facilities in Illinois. Based on 2006 data in the IDEA Report to Congress, Illinois places 7% of all special education students in separate facilities, a rate that is exceeded by only four other states.¹¹

In addition to what was stated in the prior study regarding federal IDEA requirements, as shown above, this topic is discussed in a recent publication issued by the National Association of State Directors of Special Education (NASDSE). It states, “in its last two reauthorizations (1997 and 2004), IDEA added specific requirements that apply to a state’s distribution of state special education funds. The 1997 amendments had as one of its purposes ‘*to establish placement neutral funding formulas*’ and the 2004 reauthorization further emphasized this requirement. A placement neutral funding formula is one that does not reward districts for segregating children who have disabilities, i.e., the distribution of funding does not provide fiscal incentives for

¹¹ The other states are Connecticut at 8%, Maryland and New York at 9%, and New Jersey at 16%.

placing students with disabilities in separate settings in violation of the least restrictive requirements (LRE) of the law.” (Ahearn, 2010)

A question facing the Task Force is whether the nonpublic component of the formula violates these provisions of federal law. Apart from possible court rulings on this matter, it is my understanding that only the U. S. Department of Education, Office of Special Education Programs (OSEP) monitoring compliance division is able to determine this. Having studied this topic for over 30 years, it is my opinion that this component of the state funding formula clearly violates the principles cited above, i.e., that it does “provide a clear fiscal incentive for placing students with disabilities in separate settings in violation of the least restrictive requirements (LRE) of the law.”

This topic was also a component of the *Corey H* case involving the ISBE and Chicago Public Schools, as discussed in more detail below. However, it has been pointed out by several members of the Task Force that the state has never been found to be out of compliance with IDEA on this basis. For example, this argument is extended in a statement included with this report as Appendix M, by Bridget Helmholtz, who is a member of the Task Force representing the Illinois Association of Private Special Education Centers. In this document, Ms. Helmholtz states, “In a discussion with then Director of the Office of Special Education Programs, Thomas Hehir,” an Illinois delegation was informed that the “Illinois funding formula is not out of compliance with Federal law.”

In her document to the Task Force (Appendix M), Ms Helmholtz also attempts to suggest that the types of fiscal incentive that strongly favor private school placement for students in special education in Illinois are commonly found across the states. She cites the recent report from NASDSE (Ahearn, 2010), in asserting that “‘type of placement’ was a form of funding identified in 12 states” in this report.

The author disagrees. A careful reading of this table referred in the NASDSE report clarifies that while 12 states have funding systems based on pupil weights, relatively few of these 12 use placement as a primary basis for determining these weights. Second, even in states where this occurs, differentiating special education funding by different placement alternatives is not the same as the extreme fiscal incentive seen for private placements in Illinois.

In addition, Ms. Helmholtz points out that “placement by private setting was identified” in nine states, which are listed in her memo. Of these nine, I find no clear mention of private setting in two of these state’s descriptions (Georgia and Nebraska). The remaining seven states do refer to private or nonpublic placements in some manner. However, in some of these states these references are fairly unclear or are minor, e.g. Arizona specifies one of eleven possible pupil weights are referring to “emotional disability, private.”

However, a few of these states do specify separate funding provisions for placing students in private settings that may have problems comparable to those cited for Illinois. For example, the provisions submitted by Iowa, Idaho, and New York may also contain incentives for private placements and therefore may also appear to raise concerns in regard to the LRE provisions of IDEA. While the author is unaware that any of these states have been found to be in violation of

the IDEA due to these possible fiscal incentives favoring nonpublic schools, they may be at risk of such a finding. Regardless, changes in these funding policies are advised if these states wish to promote the LRE provisions of the IDEA. Several of the states listed by Ms. Helmholtz appear to have taken this step, either because they are concerned with possible federal sanctions or out of support and desire for full implementation and support for serving students in the LRE.

In Texas, for example, while there is a funding category for private placements, it is interesting to note that “nonpublic day school” is the only nonpublic or private weight shown among the ten placement categories included in the Texas funding formula and that it has the lowest weight specified among the ten. Thus, it seems that although Texas nominally includes nonpublic day settings as a unique funding category, it is the lowest of all categories specified and thus seemingly creating a fiscal disincentive for serving students in a nonpublic setting.

Another state cited by Ms. Helmholtz as identifying private setting within its funding formula is New Jersey. The description included for this state seems to indicate that they have purposely created a fiscal disincentive for serving students in “in-district” placements versus “separate” placements. The language New Jersey submitted for the NASDSE, 2010 report is:

Under the Department’s proposal, the State will reimburse districts for 75% of the costs over \$40,000 for educating a child with extraordinary needs in in-district placements, and 75% of the costs over \$55,000 for educating a child with extraordinary needs in a separate placement. Such reimbursement will be conditioned upon demonstration by the district that the child’s individualized educational program (IEP) requires the provision of intensive services. The Department anticipates that this change will support district efforts to offer or seek programs that are more inclusive, in accordance with the Federal requirements set forth in the Individuals with Disabilities Education Act (IDEA) for placing students in the “least restrictive environment.”

New Jersey adopted sweeping special education funding reform within the last several years. Based on the statement above, it appears that facing concerns similar to that of Illinois, i.e. a long standing concern that their funding provisions favoring separate placements were not in accordance with the IDEA, they intentionally required a higher local share prior to qualifying for reimbursements for serving students in separate placements, thus creating a fiscal disincentive.

In Illinois, Ms. Helmholtz asserts that removing separate funding for nonpublic schools is not “politically feasible” as it has been tried several times in the past and failed. However, despite this prior record of unsuccessful reform, the heavy fiscal incentive to enroll students in segregated, private settings may be increasingly likely to draw more severe special education students into this sector, especially in the current extremely challenging fiscal climate. If true, this will further exacerbate LRE concerns in the state,

Another argument expressed at the Task Force meetings against the removal of the current nonpublic fiscal incentive is that it is irrelevant because these schools simply serve a totally different population of students. While this may be true to some degree, this contention seems unsubstantiated by the large number of students that CPS describes moving from the private to the public sector as a reaction to the consent decree under the Corey H case. They go on to say

that they have expanded the number of CPS programs for students with disabilities traditionally placed in private day settings. (see the statement from CPS in Appendix L) CPS “invested in an infrastructure to support LRE.” In fact, being fully responsive to LRE is a requirement of every school district in Illinois as well as the ISBE.

The contention that a different population of students is served in the nonpublic sector is also contradicted by the very uneven distribution of such schools throughout the state. Assuming that the general characteristics of the population do not vary dramatically in the regions of the state where nonpublic schools are rarely found, the students served in nonpublic schools in one sector of the state are being served by the public schools in others.

Last, the contention that only private schools can serve certain types of students is refuted by the fact that a number of states have virtually no nonpublic offerings. Thus, in these states, virtually all of the most severe students are served in public settings. While Illinois reported over 2.2% of all special education students served in private settings in the Annual Report to Congress for FY 05, eight states reported zero percentage of such students and 16 others reported less than ½ of one percent.

The nonpublic component of the formula contributes substantially to inequities in the system.

The nonpublic school component contains the greatest disparities in funding of all six formula components with the exception of summer school, which represents less than 1% of the state special education funds allocated. Over one-tenth of all state funds for special education are directed through the nonpublic funding component of the formula. These funds are allocated, as described in the stated rationale for this component of the formula, in situations where “the public school system does not have the necessary resources to fill the students’ educational needs.” However, these resources are disproportionately allocated to the best funded regions of the State. In addition, as shown by Exhibit 3, given that Illinois is 15th among the fifty states in average special education provision per student, 10% of all funding to make up for inadequate public service seems inordinately high.

As shown in Exhibit 5, above, the nonpublic component of the formula is distributed in a manner that produces nearly 19 times more funding per special education student in Region I than Region VI (\$646 vs. \$34). It should be noted, however, that one reason Region I is unusually high on this measure due to the special funding arrangement for Chicago Public Schools, which substantially influences the data shown for the region as a whole (at \$1,406). However, even with Region I removed from this calculation, the next highest funded region under this category, Region V generates eight times the amount per special education student in Region VI (\$277 vs. \$34). Even removing both the outlying regions on this measure, I and VI, the disparity among the next highest and lowest funded regions (V and III) is slightly over two to one (\$277 vs. \$138).

The nonpublic school component does not appear to conform to its stated purpose.

As mentioned above, the stated purpose of the nonpublic school component of the formula is to “provide special education services to students with disabilities when the public school system does not have the necessary resources to fill the students’ educational needs.” Given this purpose, some relationship would be expected between independent measures of student need

(e.g. poverty) the relative ability of local districts to fill these needs, and the amount of funding generated to support this alternative funding source.

However, the exact opposite is observed in the actual allocation of the nonpublic funds. For example, Region VI (the Southeast), which has the most children in poverty (after Chicago) and the highest rate of students in special education (20 %), receives by far the least funding per student under this funding initiative, as described above and shown in Exhibit 5 of this report.

In fact, nonpublic special education aid per student is highest in those regions receiving the most special education aid from the State's other special education funding programs. It seems counter-intuitive that the regions with the greatest levels of special education support also would be those where "the public school system does not have the necessary resources to fill students' education needs."

The overall formula is inequitable

The Task Force engaged in a fair amount of discussion to reach some common understanding as to how "equity" might best be defined with the context of special education funding. Fortunately, there is a broad literature on this concept (Berne, R. & Stiefel L., 1984).

Disparities in funding across districts within a state – known as horizontal inequity – have long been a pre-dominate issue for education policy (see court cases *Serrano v. Priest*¹² and *Rodriguez v. San Antonio Independent School District*¹³). However, in special education, the primary equity focus seems to be on how much funding special education students as a group receive in relation to all other students, or how much funding students with one category of disability receive in relation to students with differing categories. Unlike the goal of horizontal equity, i.e. equal funding for all, it is recognized that equal funding for students with substantially different educational needs is not equitable. As the educational needs of certain groups of students are clearly different from others, equity can only come from systematically different funding amounts (Berne & Stiefel, 1984).

Thus, the primary equity standard used for considering the state special education funding in Illinois is vertical equity, i.e. like funding for students with like needs. Thus, "equitable" funding for special education would generally call for more funding for students with special education needs than for other students and may also suggest different amounts for individual districts to serve the special education students they enroll to the extent that the characteristics of these students are systematically different.

However, the concept of vertical equity does not justify vast differences in funding per special education student across districts (or regions) that appear unrelated to the characteristics of their students. That is, vertical equity considerations do not justify arbitrary differences in funding. When systematic need variations, e.g. poverty, relative special education severity, varying levels of service delivery, or percentage of identified students, are applied as adjusting factors to the

¹² *Serrano v. Priest* refers to three cases decided by the California Supreme Court: *Serrano v. Priest*, 5 Cal.3d 584 (1971) (*Serrano I*); *Serrano v. Priest*, 18 Cal.3d 728 (1976) (*Serrano II*); and *Serrano v. Priest*, 20 Cal.3d 25 (1977) (*Serrano III*).

¹³ *San Antonio Independent School District v. Rodriguez*, 411 U.S. 1 (1973)

amount of funds allocated, equitable implementation of such adjustments are uniformly applied in relation to the degree that this condition exists throughout the state.

In addition, it may be considered important to include a resource cost index within the formula recognizing that a dollar in one part of the state may have less “purchasing power” than in another. To the extent that such cost adjustments are applied to other components of state funding, it would seem reasonable to apply them to the allocation of special education funds as well.

Also, variations in ability to add locally raised funds to complement state education revenues may also be an important component of an equitable funding system. That is, allocations may be “wealth equalized” to provide systematically more in state funds where the ability to raise local funds in support of services such as special education is less. Again, to the degree that some form of wealth equalization is incorporated into the larger state education formula, it seems reasonable to apply such adjustments to special education funding as well.

In the case of special education funding in Illinois, two major factors contributing to the funding inequities illustrated in Exhibits 5 through 8 are the non-public component of the formula (as described above) and the special funding provisions that apply to Chicago Public Schools. Due to PA 89-15, enacted in 1995, Chicago receives a majority of its state funding via two block grants: the General Education and Educational Services Block Grants. Chicago’s special education categorical funding is distributed within the Educational Services Block Grant. While all other districts receive their state special education funding via the respective governing statutes and reimbursement formulas, under this agreement Chicago receives a fixed percentage of each year’s state special education categorical appropriations. These fixed percentages were calculated based on the amount of funds Chicago Public Schools received in 1995 in relation to the total funds distributed under each program state-wide.

Thus, while Chicago may have received a reasonably proportionate share of state special education funding in 1995, over time the funding received by this district in support of special education has increasingly grown disproportionate to other districts and regions throughout the state. While special education funding for other districts has changed to reflect altered local conditions, e.g. the number of special education staff employed, the overall number of students enrolled, and the number of students placed in nonpublic schools, the allocations to Chicago have remained a fixed percentage of the state total. As an example, while Chicago enrolled 18.6% of the special education students in the state in 1997/98, by 2008/09 this count of special education students in Chicago Public Schools had dropped to 16.4% of the state total.

As a result, the total special education funding per special education student in Chicago (\$7,887) is more than twice that received by any other region of the State, and nearly twice that received by any other sub-region, as shown in Exhibit 5. It is also more than twice the amount received by the average special education student in the State (\$4,347). Also as shown in Exhibit 5, Chicago receives substantially more funding in every special education sub-category than any other region or sub-region. Although Chicago is a single district, it may be best compared with other sub-regions and regions of the State given that it has over 19% of the total state public school enrollment.

It should be noted, however, that even though special circumstances pertain to the special education funding received by Chicago under the current formula, several other districts are shown as receiving even more per special education student under the current formula. Thus, larger reforms are needed to enhance equity in the state's special education funding system than just addressing the Chicago block grant.

The maintenance of this unique special education funding agreement for Chicago is specified as a component of the *Corey H., et al. v. Chicago Board of Education and Illinois State Board of Education* (1992). In this case, attorneys from Designs for Change (DFC) and Northwestern University Legal Clinic filed a federal class action lawsuit on behalf of the students with disabilities enrolled in Chicago Public Schools. The lawsuit alleged violations of the least restrictive environment provisions ("the LRE mandate") of the Individuals with Disabilities Education Act. Among the reasons cited for this segregation included problematic state policies, such as financial reimbursement policies that rewarded placement of students in private segregated settings outside of the public schools.

In a February 19, 1998 decision, the Court found ISBE in violation of the IDEA for its continuing failure to ensure (among other factors) that state funding formulas that reimburse local agencies for educating students with disabilities support the LRE mandate. As a result of this finding, the court ruled that the ISBE must modify specific state policies that have an impact on educating children with disabilities in the LRE. Among these, policies relating to state funding were specifically mentioned. (Soltman and. Moore, 2000)

The circumstances affecting special education provision in Chicago Public Schools (CPS) are described in a letter submitted to the Task Force, dated May 10, 2010, by Deborah Duskey, Chief Specialized Services Officer for the district (attached to this report as Appendix L). This letter starts by emphasizing the commitment of CPS to educating students with disabilities in the least restrictive environment (LRE). As a result of the settlement decree in *Corey H.*, the letter describes how the CPS has "invested in an infrastructure that supports LRE and expands placement options." A drop in private placements, from 3,035 in 1994 to 984 in 2009 is cited, enabled by the fact that "CPS has expanded the number of CPS programs for students with disabilities traditionally placed in private day settings, ...which now exist in over 200 CPS elementary and high schools." This statement also describes the higher poverty in Chicago in relation to other schools districts in the state and cites statistics indicating overall greater special education student severity.

In summary, the statement argues that the block grant amount for CPS is justified due to the conditions imposed by *Corey H.*, which is designed to bring CPS into alignment with federal law in regard to LRE and CPS's own commitment to educating students in the LRE. They point out that their "costs are higher than a district that is able to enroll a higher proportion of its students with disabilities in one or two of its schools or in private settings outside of the district." The letter also points out other high cost factors associated with CPS such as high poverty, greater special education student severity, higher resource costs, as well as the "large disparity in funding for teacher pensions in Chicago in relation to the rest of the state."

These appear to be legitimate concerns, and some of these factors are incorporated in the special education funding reform recommendations specified at the end of this report, i.e. that the system be designed for placement neutral funding for all of the districts of the state (which is currently the case in CPS under the block grant arrangement) and that poverty be recognized as a factor in funding as well as a measure of special education severity across districts.

Thus, the basic concept underlying the Chicago block grant is very much in keeping with the major tenant of reform needed for Illinois, i.e. placement neutral special education funding. The Corey H findings, the author of this report, and a large portion of the Task Force members seemed to endorse placement neutral funding as an important element in special education funding reform for the state. Support for this is also clearly stated in the letter from CPS, with the first recommendation included in this letter being that “future special education funding in Illinois be in full compliance with IDEA.” More specifically, the letter states that “The current funding formula is not consistent with IDEA because it more generously reimburses costs associated with more restrictive environments.”

Also, a statement delivered to the Task Force by Sue Gamm, a former employee of Chicago Public Schools, refers to the “...very strong case that the Illinois’ special education funding scheme is broken. We have known this fact for many years and have been trying to fix it for many years.”

Other recommendations to the Task Force in the letter from CPS also seem reasonable and worth considering in regard to special education funding in Illinois. These include the use of enrollment rather than attendance as the basis for any census based funding system the state may adopt, the recognition of regional cost differences, and the acknowledgement of *Corey H* legal obligations, which basically lay out specific provisions for ensuring that Chicago is in full compliance with the LRE requirements as specified in IDEA. While this last point is worthy of note, it is not unique to Chicago. All school districts in Illinois are required to be in full compliance with the LRE requirements of the IDEA.

The current formula seems overly complex and disjointed

With six separate funding components and numerous related provisions, the State’s special education formula seems needlessly complex and difficult to summarize under a single coherent rationale. Rather, it seems the sum of disparate parts. In some instances this separation may make sense, e.g. in the cases of transportation, summer school, and perhaps orphanage. However, the three funding components supporting core instructional services for students in special education have an unclear relationship to one another and in some cases may conflict, e.g. in the case of the substantial separate funding allocated for serving special education students in nonpublic schools. It also may work to obscure overall funding disparities. As a given district may receive more funding under one component and less on another than its neighbors it may be more difficult to discern an overall picture of the relative treatment of districts and regions across the State.

However, the State may consider it important to maintain its three special purpose grants (i.e. transportation, summer school, and orphanage). In addition, the personnel and “children requiring special education services” components also may be seen as having offsetting advantages. That is, one is based on the specific numbers of staff employed by districts and the

other allocated on a much more generic basis (census-based type approach). Combined they may be seen as a balance between prescriptive and highly flexible funding.

However, to work as a complementary combination, it seems that their relative relationship to one another within individual districts needs to be carefully considered. In the aggregate, the amount of state special education funding per pupil received by districts seems unjustifiably disparate. If these two components were to be retained as the core of the formula, it would seem important to fully consider how they relate to one another and their combined impact in regard to equitable funding.

TASK FORCE RECOMMENDATIONS

As mentioned above, there seems to be a consensus among the group that changes to the State's special education funding provisions are needed. However, while some members felt the system should be redesigned in its entirety, others considered more modest adjustments to the current system as the best way to proceed. Thus, at the April 2009 meeting, two sub-committees were formed to further consider and make recommendations regarding these two alternative points of view. The membership of these two committees is included as Appendix H to this report.

A subsequent discussion of this point during the May 2010 meeting indicated continuing disagreement on this point. Of the members present, five indicated the need for major change to the formula, while three opted for more minor modifications.¹⁴

These sub-committees interacted through the fall of 2009 and both submitted reports in October of that year. These two reports are submitted as Appendices I and J. Although neither of these reports is very definitive in its recommendations, both provide a useful sense of direction in regard to what they consider important and possible changes to state policy.

The sub-committee on modifying the current funding system

The report from this committee describes itself as “comprised of members who believe the existing special education finance system has merit, but may benefit from some adjustments in order to address problems that have been identified on the Task Force.” They list what they consider to be the three primary criteria that should guide change as equity, flexibility, and outcome accountability (i.e. tied in some way to student outcomes). In addition, some of their specific recommendations are:

- Do no harm
- Enhance reimbursement to Illinois school districts in salaries for professional and non-professional staff
- There should be an annual adjustment tied to an index such as exists for Social Security
- Review the Chicago Block Grant funding
- Do not add to unfunded mandates

¹⁴ A fourth member of the Task Force, not physically present at this meeting, was said to also call for more minor change.

- Reimburse the school districts for services provided to high needs students while developing efficiencies that exist in the private sector
- A financial system should have a single-minded focus on student learning
- Fund the escalating costs of transportation
- Consider more local control for high-performing districts, perhaps on a pilot basis,
- Include technical assistance from these districts to lower-performing districts, e.g., a mentoring system.

The sub-committee on creating a new funding system

This sub-committee considered the same criteria and then drew very different conclusions in regard to the current formula. The three criteria considered most important by this sub-committee were equity, flexibility, and outcome accountability. However, this second sub-committee found the current system totally lacking on all three of these measures. According to the ratings included in their report, none of the six components of the current system support these objectives, except the personnel component, which they mark as “equitable” in the grid they provide. However, the second sub-committee stated personnel reimbursement “may not promote equity because the districts that can afford to hire staff get the money and the ones that cannot afford to hire staff, don’t receive funds.” Thus, they clearly seem to question the equity associated with this component as well.

In this group report, the grid is followed by a listing of the six most common alternative types of formula found federally and across the states. While the second sub-committee notes features of each, no specific formula was endorsed. This second sub-committee report concludes with some specific recommendations for further consideration:

- Examine the position paper from IAASE which advocates funding to follow high cost students thereby encouraging placement neutral decisions
- Re-examine the Chicago Block Grant
- Consider merging all special education funds and allocate them evenly across the State
- Examine possible interagency agreements to not duplicate, but to expand, services
- Student outcomes should be a long term goal, and
- Solicit feedback from all Illinois Stakeholder groups.

In addition, a subsequent memo was submitted to the Task Force by two members, both of whom were members of the sub-committee describing desired, major change to the current formula. Their statement is attached to this report as Appendix K.

Comparing the reports of these two sub-committees

Several points of agreement emerge from these two reports, i.e. the importance of equity, the need to reconsider the Chicago block grant, and an ultimate focus on enhanced student outcomes. Major points of disagreement seem to be on the private (nonpublic) funding component of the system as well as the desirability of altering the present system in its entirety as opposed to just making adjustments.

In regard to the former point, however, these two reports seemed to suggest possible room for agreement. For example, the committee for retention recommends, “Reimburse the school districts for services provided to high needs students...” while the committee for a new formula

advocates “funding to follow high cost students thereby encouraging placement neutral decisions.” It could be that both groups could find common ground around formula provisions that would allow retention of nonpublic school funding but that also would extend comparable allowances to similar students served within the public sector. This could lead to the type of system called for in the IAASE paper, which advocates that funding follow high cost students (wherever they are best served) thereby encouraging placement neutral decisions.

POLICY ALTERNATIVES

This section provides analyses from the point of view of the author of this report. They are based on analyses of Illinois data, the language underlying the State’s special education funding provisions, state and federal law, and other special education funding practices and policies observed the U.S. and Canada.

The State may wish to consider three possible levels of change:

- Retain components of the current formula while addressing the areas of greatest concern,
- Discard the current formula and consider a simpler alternative as currently found in other states, or
- Contemplate broader-based, systemic reform where the funding formula is a component of a larger conceptual framework of special education with a primary emphasis on efficiency, maximizing positive academic and social results for students, and continuous improvement.

Each of these three alternatives is discussed below for possible consideration. Although discussed separately, they are not mutually exclusive and could be combined or considered together. For example, the State may start by attempting to address the areas of greatest concern, i.e. removing the current fiscal incentive for serving students in private (nonpublic) schools, the general inequities contained in the State’s special education funding system, and specific concerns resulting from the Chicago block grant.

At the same time, these reforms could be designed to simultaneously increase the simplicity and transparency of the system overall. This would combine the first two sets of suggestions listed above. The third level of change, using funding as a basis for reconsidering special education provision and oversight from the perspective of continuous improvement, could be further defined and implemented over time.

Maintain the current system while addressing areas of greatest concern

Given the current fiscal climate, incremental change may be the most practical to consider in the short term.

Remove the fiscal incentive for private (nonpublic) placements

Of the areas of concern listed above, this objective seems most important because of LRE concerns and because this separate funding stream contributes substantially to the system’s fiscal inequities. If the current fiscal premium associated with private (nonpublic) placements is retained without comparable options for students served in the public sector, it seems likely that

this more financially lucrative path will be followed by districts for an increasing number of students. This will further exacerbate the state's record in regard to providing special education in the LRE, may result in increasing numbers of special education students being served in isolation from non-special education peers, and will likely exacerbate current inequities associated with private (nonpublic) school funding that impact the fairness of the state special education allocation system overall.

The recommendations of both sub-committees of this Task Force suggest that it may be possible to address this concern by allowing the funding associated with students with “extraordinary needs” to follow them to whatever type of education setting is best suited to their individual needs. Thus, it is recommended that the current system be altered to become “placement neutral,” i.e. that funding be based on student need and not on student placement.

While this may suggest a return to something like the “extraordinary services” component of the formula that the State rejected in the past, it seems that the prior conversion of these funds to more generically fund “children in need of special education services,” has exacerbated the problem of substantially differential funding for private and public school services. In short, as stated in the IAASE policy brief, “the students with the greatest needs and generating the highest costs, regardless of placement (private or public), should be reimbursed at the same level of funding to the resident district.”

How might a “placement neutral” system be implemented? Three possible approaches come to mind. One is to allow districts to make claims for “high cost” students served in public settings that would afford them the same support as when sending comparable students to a private setting. A second approach is to allow data already submitted to the ISBE to serve as the basis for funding that would automatically be allocated to districts in the case of “high cost” students served in public settings. A third approach is to produce a more generically determined, “high cost student” allocation allocated to all districts that could be used to serve the students they enroll in the setting most appropriate to their needs, including public and private options. Each of these options is described in more detail below.

A claim-based “high cost” student system. This type of system is similar to the prior “Extraordinary Services” component of the state formula. As described by Riffel (1998), this component of the formula supported claims for “extraordinary services” provided “within the public school district.” Riffel goes on to point out, however, that this component of the formula had its problems. He states, it enabled some LEAs to become “very creative in accessing this funding stream” and that districts able to accomplish this have been the “primary benefactors” from this source of funds. It was also said to have placed “a heavy paperwork burden” on districts. Thus, it seems clear that the State should not return to the exact type of system it had before. However, perhaps some variant of this approach could be developed that would be difficult to manipulate, would have limited added paperwork requirements, and could be designed to provide the same fiscal support to like students regardless of setting (i.e. public or private).

An extant data based “high cost” student system. A system of this type might be designed to meet some of the goals specified above, i.e. difficult to manipulate, little added paperwork, and equal public/private treatment. An important question relating to the implementation of such a

system is the degree to which data are already submitted to the ISBE that could be used to attribute costs to students served in public settings (comparable to what is available for student served in private special education schools) that could allow the same types of reimbursement provisions to be applied in both public and private settings. Debbie Vespa, of the ISBE, states, “I believe the cost could be identified if everyone agreed to a formula that could be used in allocating expenditures submitted in districts' Annual Financial Report.” However, a definition of the type of student, i.e. what student characteristics, would be used to identify eligible students or some basis of identifying current spending on an individual student served in a public setting would be needed.

A generic “high cost” student allocation. This type of system would most easily meet the goals specified above of difficult to manipulate, little added paperwork, and equal public/private treatment. A “high cost” student allocation would be provided to all districts in the state based on certain criteria that would be applied to all, e.g. the count of all students, all students in special education, or perhaps one of these two counts adjusted by poverty (with higher poverty districts receiving somewhat higher funding). These more generically determined funds could be allocated to districts in the form of a “block grant” that could be used to support services for “high cost” students whether served publicly or privately.

Increase equity in funding

The second major concern relates to overall inequities in total current state special education allocations per special education student. First, it is important to acknowledge that there are a number of ways to consider relative equity as described above. In addition, in special education, common approaches found across the states include equal support per all students in enrollment (a census type approach), equal support per special education student, and/or cost adjusted support to allow for cost differentials beyond local control (e.g. cost of living and student characteristics).

An important element of the general equity concern is the Chicago block grant. As shown in Exhibit 5, state special education revenues per special education student are over 3 ½ times that generated on average by districts in the lowest funded region of the State (Region VI) and over twice the amount generated by any other sub-region. If the numbers of students served in special education in Chicago continue to decline, these disparities will grow. With 19% of the overall state enrollment, 16% of the State’s special education enrollment, and nearly 31% of the total state special education allocation, the Chicago block grant, in essence, dominates all special education fiscal policy for the State. It seems that no meaningful reform can occur for the State without addressing the Chicago special education block grant.

All of these proposed changes to the current system will likely result in substantial resource shifts over time. Without action, these disparities seem likely to grow. Even if started now, any change likely will be phased in. The sooner change is initiated the sooner the special education funding in Illinois can begin movement to a more equitable and efficient track.

Move to an entirely different system

Approximately one-half of the Task Force members have indicated that they would prefer dispensing with the current system entirely. Given this, what funding alternatives might the State consider? Outlined below are three alternatives to the current formula (fixed-weight, differential-

weight, and census-based formulas) for potential consideration, as well as some of their advantages and disadvantages.

The first approach, *fixed weight*, is based on simply dividing total state special education revenues (approximately \$1.25 billion in FY08) by the total number of special education students in the State (approximately 322,167 in December 2007). This generates a flat state aid amount per special education student of \$4,347. This approach allocates special education resources based on how many special education students there are in the district in relation to the State's total special education enrollment.

The second approach, *differential weights*, is based on the concept of applying higher funding weights to more severe students. One simplified example provided here is a variation of the fixed weight approach except that students in the categories of Speech Language and Learning Disability are allocated one-half the funding weight of non-SL/LD students in special education. While this is not necessarily the recommended approach for such a system, it is provided as illustrative of the concept.

As an example, imagine a base allocation for special education students of \$1,500.¹⁵ If a district had 100 special education students and 10 of them were classified as "severe" (i.e., non-SL/LD), the district would receive state special education funds totaling \$135,000 (or \$1,500 x 90 students) for its non-severe students and \$30,000 (or double the base amount of \$1,500 x 10 students) for its severe students, for an overall total of \$165,000. This approach allocates special education resources based on the total number of special education students in the district while also providing additional funding to districts identifying more severe populations. However, it could also provide a fiscal incentive for identifying more students overall, as well as a greater percentage of students as "severe."

The third approach, *census funding*, is similar to the approach using the fixed weight formula, except that the State's existing special education revenue total is allocated to districts based on their total enrollment of all students (not just special education enrollment) in relation to the total enrollment of the students in districts across the State. For example, imagine that the overall amount of money the State has to spend on special education is \$100 million. If the total school-age enrollment of the State is 1,000,000 and a given school district has 10,000 students (i.e., total enrollment, special and non-special education combined), the district would receive 1% of state special education funds, or \$1,000,000. Note adjustments can be applied to such an approach as well, e.g. for factors such as district poverty. Note that the component of the current formula, "Funding for children requiring special education services," provides an example of census-based funding.

Exhibit 10 simulates possible fiscal effects on Illinois's regions and sub-regions from these three different funding options. These approaches include some basic assumptions and thus these revenue results do not necessarily reflect the funding levels that would result if the State were to move to the types of systems listed. The simulated revenue distributions show current total

¹⁵ This base weight is theoretically created by taking the total amount of funding available at the state level for special education resources and dividing it by the total amount of non-severe students plus twice the number of severe students.

special education state revenue amounts per special education student in the first column of numbers. The next three columns show estimates of these amounts under the three alternative formula approaches briefly described above, and the final three columns shows the difference between what the region (sub-region) is receiving under the current system and what they would receive under each of these three simulations.

These simulated estimates show alternative special education revenue distributions by region (sub-region) assuming no additional state special education revenues. Thus, under this constraint, every dollar redistributed to one district must come from another. If the State were to change its special education formula, the process could be phased in to avoid an abrupt redistribution of resources. The formulas also do not include any types of “high cost” or other “safety net” provisions. Additional funds would allow for more rapid transition to a new basis for funding.

Exhibit 10. Simulated Special Education State Revenues per Region (Sub-Region) Per SE Student Based on Alternative Funding Models, No Change in Current State S E Revenues

BY REGION:	Poverty	Current SE Funding	Revised Funding:			Funding Difference:		
			Flat Grant	Diff Wgt	Census	Flat Grant	Diff Wgt	Census
Region I (All)	35%	\$4,636	\$4,347	\$4,360	\$4,187	(\$289)	(\$276)	(\$449)
Region II, Northwest	26%	\$3,110	\$4,347	\$4,357	\$3,914	\$1,237	\$1,248	\$804
Region III, West Central	36%	\$2,584	\$4,347	\$4,373	\$3,145	\$1,763	\$1,789	\$561
Region IV, East Central	34%	\$2,587	\$4,347	\$4,292	\$3,378	\$1,760	\$1,706	\$791
Region V, Southwest	35%	\$2,846	\$4,347	\$4,350	\$3,290	\$1,501	\$1,504	\$444
Region VI, Southeast	42%	\$2,189	\$4,347	\$4,180	\$3,025	\$2,158	\$1,991	\$836
BY REGION I SUB-REGIONS:								
Region I-A, Chicago	65%	\$7,342	\$4,347	\$4,280	\$4,640	(\$2,995)	(\$3,062)	(\$2,702)
Region, I-BB, West Cook	38%	\$3,548	\$4,347	\$4,403	\$3,949	\$799	\$855	\$401
Region I-BC, South Cook	38%	\$3,606	\$4,347	\$4,448	\$4,019	\$741	\$842	\$412
Region I-BD, North Cook	17%	\$3,650	\$4,347	\$4,362	\$3,930	\$697	\$712	\$281
Region IC, Northeast	18%	\$3,663	\$4,347	\$4,379	\$4,057	\$684	\$715	\$394

There are possible advantages and disadvantages to the three alternative formulas shown above. The first, a flat grant per student, has the advantage of being straightforward, but may be overly simplistic if some increased funding recognition for higher-cost students is desired. If this is the case, something like the differential weighting system (which could be more finely delineated in its weighting structure) may be preferable. Both of these systems require the specification of clear funding amounts (or weights expressed as a multiple of general education funding) and are directly correlated with the number of students in special education being served by each district. If a high priority is for special education funding to be based on what is actually being done within the confines of special education, some form of per pupil parity would seem imperative for the system to be considered fair.

To foster the greatest flexibility in the use of funds the State may wish to consider a census funding system. However, a census approach seems just the opposite of tying special education funding to special education needs, which some task force members indicated they clearly consider important. Thus, if the State were to pursue an alternative system, exactly what that alternative should be would need to be based on a series of judgments, values, and goals that the state sets for its special education system.

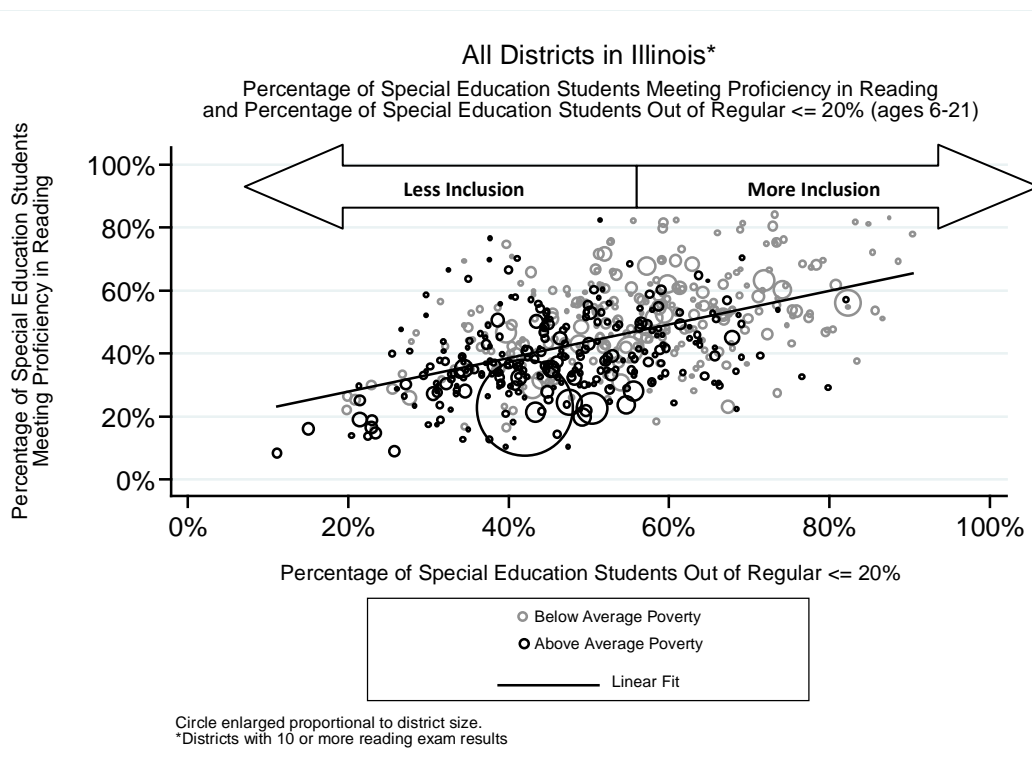
Consider an entirely new framework for special education finance and accountability

This discussion, and much of the special education finance literature, focuses on alternative formulas for allocating special education funds. However, more important than the general orientation of one set of formula provisions as opposed to another is the overall context in which these provisions are set. Any formula that is developed in isolation from other key components of education policy and is mathematically or economically derived apart from a larger conceptual framework may be problematic in the short term and almost certainly will become out of sync with larger policy considerations and changes over time. Thus, at least for discussion purposes, we propose a broader conceptual framework for considering special education fiscal and accountability provisions.

This approach provides a method for tying fiscal policy to a primary criterion set by both of the Task Force sub-committees, i.e. an emphasis on outcome-based accountability. The proposal is for broader based, systemic reform with a primary emphasis on efficiency, maximizing positive academic and social results for students, and continuous improvement.

As an example of the information available to analyze and learn from student performance data across the state system of special education funding and provision, consider Exhibit 11, below. This combines quite a bit of information into a single exhibit, and is just one example of the kinds of data that could be reviewed toward the goal of continuously improving special education services statewide. This exhibit plots the percentage of special education students reported as “proficient” in reading for each district in the State as well as the percentage of students in special education that each district places in the most inclusive special education setting, i.e. 80% or more time in the general education classroom.

Exhibit 11. Example of State Data Use for Continuous Program Improvement – the Relationship between Reading Proficiency and Educational Placement of Special Education Students



Each district is represented by a dot, or circle, with its size based on district enrollment. Thus, the largest circle in this graph represents Chicago Public Schools. The shading of the circles represents the percentage of students in poverty in each district with the darker shading indicating high poverty districts and the lighter shaded being those with smaller percentages of students in poverty. Thus, it can be observed that as poverty rises the percentage of special education students reported as proficient drops, on average.

What is of greater interest, however, is the disparity in academic performance observed across the system, with some districts reporting 80% or more of their special education students testing proficient in reading and a number of districts reporting less than 20% of their special education students achieving at this level. It can also be observed that these highs and lows are occurring in districts of comparable size, so that size per se is not a factor. While an inverse relationship between poverty and performance is generally observed, it can also be seen that some high poverty districts show very high levels of achievement for their special education students (e.g. greater than 80%) and some quite low (e.g. less than 20%). Thus, while poverty seems related to achievement, it is not an absolute determinant.

The horizontal axis shows the percentage of special education students served 80% or more in the general education class. Here again, the degree of variation in regard to what is deemed the most appropriate placement option for children in special education is shown to vary broadly. While a number of districts place less than 30% of their students in this most inclusive setting

many others serve 80% or more of their special education students predominantly in general education classes. These placement variations seem unrelated to district size.

They do, however, seem related to district poverty. It is interesting to note that low poverty districts seem much more likely to place relatively high percentages of their special education students in this most inclusive setting, as opposed to higher poverty districts.

It is also interesting to note the positive relationship observed between the percentage of special education students served predominantly in general education classrooms and the percentage proficient in reading. However, it is not clear as to what extent this is simply an artifact of lower poverty districts “including” more students in general education or whether there appears a relationship between placement and performance beyond the influence of poverty.

Exhibit 12 shows the results of regression analyses that statistically control for poverty in further exploring the relationship between special education reading proficiency and other variables. These other variables are to varying degrees within local control, and include per pupil special education expenditures, educational placement, and the percentage of special education students with specific learning disabilities or speech/language impairments (a proxy for the “severity” of special education enrollment in a district).

Exhibit 12. Relationship between Reading Proficiency of Special Education Students and Poverty, Spending, Identification, and Educational Placement in Illinois

	Coefficient	p-Value
Percentage of Students in Poverty ¹⁶	-0.33	LT 0.01
Per-Student Special Education Expenditure (in increments of \$100)	0.02	0.15
Percentage of Special Education Students with Specific Learning Disability or Speech/Language Impairment	0.06	0.39
Percentage of Special Education Students in General Education Class 80% or More	0.29	LT 0.01
Percentage of Special Education Students in General Education Class Less than 40%	-0.01	0.89
Percentage of Special Education Students in a Separate Facility	-0.54	LT 0.01
Constant	35.15	0.00

These analyses show a statistically significant¹⁷ negative relationship between district poverty and achievement, which is also apparent from the prior exhibit. Particular points of interest from these results, however, relate to special education spending and educational placement. While the

¹⁶ Derived by dividing the 2007-2008 public enrollment by the three-year poverty average (FY 05, 06 and 07)).

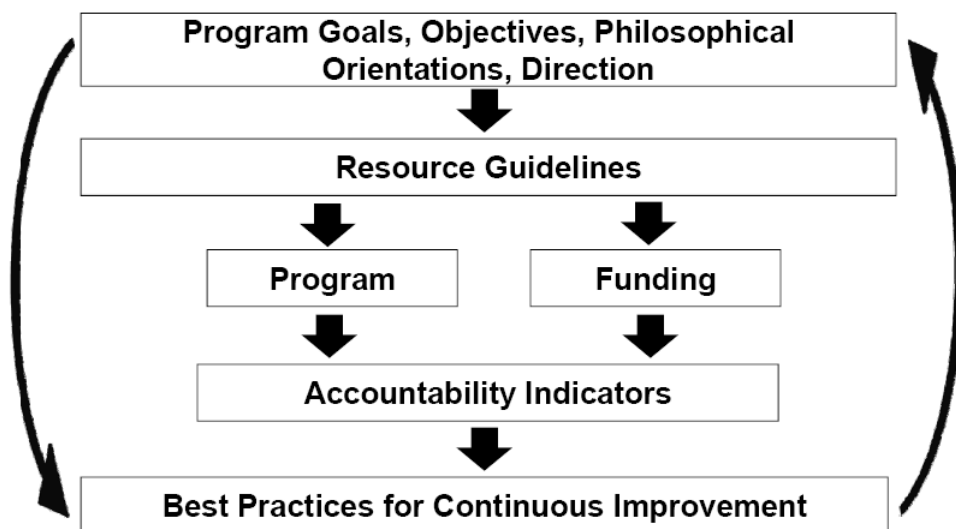
¹⁷ Less than 1 percent probability due to chance.

coefficients associated with spending and placement are fairly small, the possible policy implications of these findings seem of interest and worthy of further exploration. For example, these analyses suggest no statistically significant¹⁸ performance gain from added spending.

However, among the variables listed in this equation, those over which districts may have the most control are the percentages of special education students in various educational placements. The percentage of students spending 80% or more in the general education class does show a positive statistically significant relationship with reading proficiency.

These are the kinds of system-wide data the state may wish to review in relation to the conceptual framework depicted in Exhibit 13. Driven by continuous improvement, it identifies best practices based on outcome data, which inform approaches to assisting and remediating problematic areas of provision in struggling districts and schools.

Exhibit 13. Conceptual Framework for Considering Special Education Funding and Accountability



The framework begins with clearly specified educational goals. As examples, these might include obtaining the highest academic outcomes for all special education students in accord with their abilities, and achieving the greatest educational and social inclusion of students in special education to the maximum extent compatible with their special education needs. In short, to assess how productive a given program is and the extent to which it is succeeding, it is vital that measurable objectives be stated as well as clear means of monitoring progress toward them.

These program goals are followed by guidelines delineating adequate resources determined to be necessary to achieve these program goals. Funding derived from these resource guidelines

¹⁸ P-value is greater than 10% probability that the observed relationship is due to chance and there form is not considered a statistically significant finding.

support the implementation of specific program strategies, as shown in the framework above. Program strategies might include model inclusionary practices, new approaches to inter-agency and cross-program collaboration, or Response to Intervention (RTI). Accountability provisions flow from and are directly related to the program strategies and resources available and are based on specific indicators of success. The last component of the overall framework identifies best practices from schools and districts that appear highly successful, according to the indicators of success, and focuses on supporting struggling schools and districts.

Resource guidelines used to determine adequate resources

Resource guidelines describe the resources needed to accomplish specified program goals. As an example, no transportation agency would attempt to build a bridge or road without clear construction specifications and the resources needed to complete it. One way of expressing guidelines for the provision of special education services is through the use of staffing ratios (such as the number of special education teachers needed per 100 students). While these guidelines are not designed to be resource mandates, they should reflect some sense of best practice as determined by professional judgment and other evidence that may be available. Once developed, these guidelines can serve as a basis for current funding as well as a benchmark for determining future funding for the program. For example, if desired program outcomes do not result from these specifications, it may be necessary to reconsider them (or whether the specified outcomes are realistic) over time. Primarily, however, they provide a transparent and rational basis for special education funding.

Funding provisions

The most important feature of the finance component is that it be consistent with, and support, the specified program goals. These funding provisions should not be developed in a vacuum or separate from the overall objectives that they are intended to support as the design of the funding mechanism can ultimately affect educational practice. The actual formula may be census-based, pupil weighted, percentage reimbursement, or some other type of allocation mechanism, as long as it is selected and designed to support and be consistent with the overarching program objectives.

To protect districts against unusually high costs that may arise through the provision of specialized special education services, the funding mechanism should include a statewide fund that individual districts could apply to in cases of extraordinary need. That is, school districts able to document costs in a given year that are exceptionally high due to unusual circumstances could apply for financial assistance against funds set aside by the State to provide relief.

Accountability indicators

Accountability is “taking responsibility for the performance of students on achievement measures or other types of educational outcomes.”¹⁹ This definition departs from the fiscal and procedural compliance models of accountability that have been traditionally applied to special education (Wolf & Hassel, 2001). Although fiscal and procedural compliance will continue to be important, the primary focus of the proposed framework is on program and student outcomes.

¹⁹ <http://www.cehd.umn.edu/NCEO/TopicAreas/Accountability/AccountTopic.htm>

Each desired student outcome is tied to a specific accountability indicator with associated data, which should be analyzed, reported, and made easily accessible and readily available for evaluative purposes at the school, district, and state levels. In addition to academic achievement, proposed indicators of success could include data on program outcomes such as school readiness, educational placement, transition, as well as student and parent perceptions of self, learning climate, and school as a community.

In addition, the focus of these accountability indicators would not be punitive. Rather, they would be based on learning from success as well as identifying areas where additional assistance such as technical or additional fiscal support are needed across the State. Data for these indicators would be reported by school, by district, and statewide.

Best practices

The last component of the framework is to identify best practices from highly successful schools and districts (based on the measures above), to inform additional support that may be needed for struggling schools. Learning from successful sites and applying that knowledge to struggling schools and districts is a key element of the continuous improvement cycle. For sites demonstrating much lower than expected results, the question will not be what sanctions should be employed but what additional support or assistance may be needed to produce improved outcomes in the future.

SPECIFIC RECOMMENDATIONS

A number of recommendations are contained in this report from the two sub-committees formed from the larger Task Force and from individuals both on and off the Task Force either in the body of the report or in the form of appendices. However, unfortunately, the full Task Force did not reach consensus regarding the degree to which special education funding change is needed in Illinois or in what form.

As a consultant to the Task Force and the ISBE, I was requested to make recommendations as to how the State can increase special education funding and ease the financial burden on school districts. Above, I have described several alternatives for the Task Force and the State to consider. As the Task Force was not able to coalesce around any of these alternatives, I offer the following specific recommendations to the state in light of the data analyses conducted, what I have read, knowledge from 30 years working on this topic, what I heard from the various Task Force members, as well as other public comments made at the Task Force meetings.

In regard to increasing special education funding, as mentioned earlier in this report the most predominant special education revenue sources are federal, state and local. While there has been considerable pressure on the federal government to increase its support for special education for over thirty years, and while there has been some growth over the past decade, it has long been argued that federal efforts in this area should be increased. Although the Task Force would likely find unanimity on this point, it has no power to affect such a change.

In regard to enhanced local revenues, these occur by default when state and federal revenues are insufficient to fully fund required special education services. Indeed, easing the financial burden on districts is a charge given to this Task Force and in that sense lowering local revenues directed to special education. Thus, the only potential source for increasing special education funding and easing the financial burden on all school districts that can be affected by this Task Force is the state.

However, my recommendation is that the state make no across the board increases in special education funding under the current system. Given the fiscal crisis, it is likely in no position to do so. Even when the economy turns around, however, and such increases may once again be under consideration, I recommend that these increases be implemented in accord with major changes to the current formula. That is, that all new funds be allocated under a revised formula that ensures progress toward increased equity across the system and provides relief in regard to the special education “financial burden” in those districts where it is most needed.

Concerns with the current formula are well documented above. Although some Task Force members have expressed the opinion that these concerns are minor, I respectfully disagree. I see them as major concerns that seriously need to be addressed, some immediately and others over time. Some of these reforms can be implemented in the absence of additional funding while others likely require supplemental funds and are likely best implemented over time.

Specifically, I recommend a formula that is much simpler and more transparent, that will remove placement incentives, and that will greatly enhance funding equity across districts. This revised formula would combine all of the current state special education funding streams into a single funding pot, with the possible exceptions of orphanage and transportation. These funds would be distributed to districts on a census basis, i.e. based on a district’s total enrollment. In addition, I recommend that this census-based amount be adjusted to provide relatively more state special education funds to districts with higher poverty and with greater special education needs as indicated through the implementation of a “severity index.” Sample calculations for both of these indices are included in an Excel file given to the ISBE with this report.²⁰

Other adjustments that should be considered are varying education costs throughout the state as well as differences in local wealth, with higher cost areas receiving relatively more and higher wealth areas receiving relatively less. I recommend that these types of adjustments be applied to special education revenues to the same degree and in the same manner that they are applied by the state in the allocation of state general education funds.

In terms of implementation, I recommend the state consider continuing to fund all districts at their current levels until such time as additional funds become available to begin implementation of the new formula. That is, given the current fiscal stress and the potential disruption to existing services, it is recommended that districts losing funds under new formula be held at their current levels of funding until new funds become available, which would then be allocated to result in full funding for all districts under the new formula over time.

²⁰ Note that as a working file with multiple rows, columns, and worksheets, it does lend itself to viewing in hard copy form and thus is not included in this report as an appendix. However, key results from this file are included in the report.

However, it is recommended that the current incentive favoring the placement of students in private, separate facilities be ended immediately. This could be done so in a fiscally neutral manner by merging the funds already received by districts across all of the special education categorical programs. Under this scenario, districts would receive the same funding received last year, or more if new funds are available and due to them under the new formula described above.

These funds, including nonpublic, would be allocated to districts in a block grant to support the diverse needs of their students in special education, as is currently the case for Chicago Public Schools. If certain of these students required nonpublic services because appropriate interventions are not available within the district, then the district would be obligated under law to find and fund this form of appropriate placement. However, to the extent that districts are able to serve students within the range of services currently available or newly created within their local district, they would have the full benefit of the flexibility afforded by the block funding arrangement to accomplish this in compliance with the LRE requirements of the IDEA.

When such a block grant arrangement was made available to Chicago Public Schools they describe how they “invested in an infrastructure that supports LRE and expands placement options.” As a result, they cite a drop in private placements, from 3,035 in 1994 to 984 in 2009, enabled by the fact that “CPS has expanded the number of CPS programs for students with disabilities traditionally placed in private day settings, ...which now exist in over 200 CPS elementary and high schools.” (This statement from Chicago is included as Appendix L)

CPS did this because they were under court pressure to be fully compliant with the LRE requirements of IDEA (as is every district in Illinois) and because this became more possible through the flexibility afforded them through the block grant special education funding arrangement with the state. With no additional funds, this flexibility could be granted to every district in Illinois immediately.

However, this is not to diminish concerns with the inequities inherent in the current special education funding arrangements for the state. The sooner this is addressed, either through the allocation of new funds, or some redistribution of funds from those districts that are currently relatively highly funded to those that are not, and to the extent that this could be accomplished without serious disruptions to existing services, the better. Under current funding arrangements, it appears that some of the neediest students in the state are seriously under-funded, and therefore likely under under-served.

On a regional basis this is well exemplified by comparing the Southeastern Region of the state in relation to the Northwest, as shown in Exhibit 10. While the former has nearly 50% more students in poverty, the amount of state funds received per special education student is nearly 50% less. On an individual district basis, these disparities are much greater indicating that some districts in Illinois are substantially underfunded in regard to state and federal requirements for special education and face a considerable fiscal burden in addressing these special education needs. Relief should be provided to these districts as soon as possible.

CONCLUSION

Altering the basis for special education funding in Illinois will be a formidable undertaking. Many more states discuss change than are able to enact it. At the same time, sweeping change has been enacted in California and New Jersey over the past several decades and many other states have substantially changed how they allocate special education funds. Both of these states turned to census-based funding systems as the basis for their reform.²¹

New Jersey is an especially interesting case for possible comparison with Illinois because of similar concerns regarding the equity of allocations under the old system as well as concerns about fiscal incentives for private placements. In its recent reform, New Jersey addressed both of these concerns. To enhance equity and simplicity, they adopted a census-based formula. To address concerns about possible fiscal incentives for private placements, they set the local spending threshold that must be reached prior to state reimbursement higher for separate placements than for those in district, which is just the opposite of what is currently found in Illinois. Through the New Jersey system, while the costs of separate placements are still reimbursed, it is at a lower rate than that set for local, public school placements.

In Illinois, a Task Force assembled to consider special education funding in the State over a decade ago came to conclusions that sound fairly similar to current problems. The first three recommendation were that the system needed to become placement neutral (no incentives for private placements), more understandable, and equitable. They recommended a two-tiered funding system that, had it been implemented at the time, would likely have substantially ameliorated some of the major concerns associated with the current system. As the State considers these issues again, there is another opportunity for change. A clear consensus of the current Task Force is that some form of change is needed. Although there is some disagreement as to the degree, both sub-committees formed to consider varying perspectives as to whether an entirely new system is needed agree on the following points:

- Equity is important, and
- The system needs to be directed somehow on enhanced student outcomes.

Of the recommendations included in this report, removing the fiscal incentive for private (nonpublic) placements seems most important because of LRE concerns and because this component of the formula contributes substantially to the system's fiscal inequities. Also, if the current fiscal premium associated with private (nonpublic) placements is retained without comparable options for students served in the public sector, it seems likely that this more financially lucrative path will be followed for an increasing number of students. This will further exacerbate the State's record in regard to providing special education in the LRE, may result in increasing numbers of special education students being served in isolation from non-special education peers, and will likely exacerbate the current inequities associated with the State special education allocation system. At the same time, the importance of keeping strong private options available for students who require them is recognized.

²¹ Current formulas for all fifty states and information regarding changes made across the states are found in a report released by the National Association of State Directors of Special Education earlier this year (Ahearn, 2010).

Addressing overall inequities in the current system will require the redistribution of funds over time. However, it may be inappropriate for this to occur in a single year and may be better phased in over multiple years to minimize disruption to existing services. Also, to the degree that it is a policy goal to direct more special education funding to districts with higher percentages of students in poverty, it will be important that this be implemented in a fashion that ensures comparable funding to all districts statewide in accord with the percent poverty of the students they enroll. That is, poverty should not be used as a basis for justifying existing inequities that often ill-serve many districts with high poverty enrollments.

The biggest point of disagreement among the members of the task force may be in regard to the nonpublic school component. However, there may be room to build consensus around this topic as well. Both sub-committees indicated that they see merit in a funding system that provides comparable levels of support to students in special education with extraordinary needs in whatever setting (public or private) is determined by the IEP team as most appropriate to the needs of the child.

Although the fiscal climate is far from ideal to support sweeping reform, it also provides opportunities for change. In times like these, it is especially apparent that every dollar available to support the educational, social, and emotional needs of children in special education must be deployed toward their greatest possible use. While substantial changes in resource policies are always difficult, it seems unlikely that anything less will be sufficient to seriously address concerns with the current funding system. Because fiscal policy changes are difficult and often disruptive, it is also likely that they will be phased in and implemented over time.

REFERENCES

- Ahearn, Eileen. (2010) *Financing Special Education: State Funding Formulas*. Project Forum, National Association of State Directors of Special Education (NASDSE).
- Berne, R. & Stiefel L. (1984) *The measurement of equity in school finance : conceptual, methodological, and empirical dimension*. Baltimore, MD: Johns Hopkins University Press.
- Chambers, J., Parrish, T., Harr, J. (2002). *What Are We Spending on Special Education Services in the United States, 1999-2000*. Special Education Expenditures Project (SEEP). Palo Alto, CA: American Institutes for Research. Center for Special Education Finance.
- Corey H. et al. v. Board of Education of the City of Chicago et al. and the Illinois State Board of Education, et al.*, No. 92 C 3409 (N.D. Ill. 1992).
- Harr, J. J., Parrish, T. & Chambers, J. (2008). *Special Education*. In H. F. Ladd & E. B. Fiske (Eds.), *Handbook of Research in Education Finance and Policy*. New York: Routledge.
- Illinois State Board of Education (2009). *Illinois State Board of Education Special Education Historical*. Retrieved January 13, 2010 from http://www.isbe.net/funding/pdf/sped_appro_pro.pdf
- Parrish, T., Harr, J., Anthony, J., Merickel, A., & Esra, P. (2003). *State Special Education Finance Systems, 1999-2000, Part I*. Palo Alto, CA: American Institutes for Research, Center for Special Education Finance.
- Riffel, M. Gordon. (1998). *White Paper: Special Education Funding Formula*. Presented to the Illinois State Board of Education.
- Sharon Weitzman Soltman and Donald R. Moore. *Ending Illegal Segregation of Chicago's Students with Disabilities: Strategy, Implementation, and Implications of the Corey H Lawsuit*. Prepared for the Conference on Minority Issues in Special Education, The Civil Rights Project of Harvard University, Cambridge, Massachusetts, November 17, 2000.

LIST OF APPENDICES

- A: House Joint Resolution (HJR) 24, passed during the 95th General Assembly
- B: Members of the HJR 24 Task Force
- C: “White Paper” released November 1998
- D: “White Paper” Special Education Funding Formula Recommendations (released September 15, 1998)
- E: Illinois System of Support Regions map
- F: Criteria for Evaluating State Special Education Funding Formulas
- G: The Illinois Alliance of Administrators of Special Education (IAASE) position paper (released in October of 2008)
- H: Revising the Existing Formula Sub-Committee members and Creating New Formula Sub-committee members
- I: Revising the Existing Formula Sub-Committee report
- J: Creating New Formula Sub-committee report
- K: Response from Task Force members, Roxanne Kovacevich and Sally Masear (With input and support from members of the IAASE Finance Committee)
- L: Letter submitted to the Task Force, dated May 10, 2010, by Deborah Duskey, Chief Specialized Services Officer, Chicago Public Schools; and a follow-up letter submitted by Drew Beres, Special Assistant to the CEO, Chicago Public Schools, to Tom Parrish by e-mail on the eve of June 24, 2010
- M: Alternative Report to Proposed HJR 24 Special Education Finance Task Force Report Distributed by Bridget Helmholz at the June 17, 2010 Task Force Meeting
- N: Additional materials submitted to the Task Force by member, Bridget Helmholz, June 23, 2010
- O: Statement from Tim Imler, Division Administrator, Division of Funding and Disbursement Services, Illinois State Board of Education (ISBE)
- P: Additional materials submitted to the Task Force by member, Beth Conran, June 23, 2010

Appendix A: House Joint Resolution (HJR) 24, passed during the 95th General Assembly

HJ0001

LRB096 02848 NHT 14389 r

HOUSE JOINT RESOLUTION

1

2 WHEREAS, During the 95th General Assembly, House Joint
3 Resolution 24 created a task force to study current special
4 education funding needs and to make recommendations as to how
5 the State can increase special education funding and ease the
6 financial burden on school districts; and

7 WHEREAS, The task force was to report its findings and
8 recommendations to the Governor and the General Assembly by
9 August 1, 2008; and

10 WHEREAS, The task force needs additional time to complete
11 its work; therefore, be it

12 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE
13 NINETY-SIXTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE
14 SENATE CONCURRING HEREIN, that the task force created by House
15 Joint Resolution 24 of the 95th General Assembly shall submit
16 its report by August 1, 2009; and be it further

17 RESOLVED, That with this reporting extension, the task
18 force shall continue to operate pursuant to House Joint
19 Resolution 24 of the 95th General Assembly, including
20 appointments; and be it further

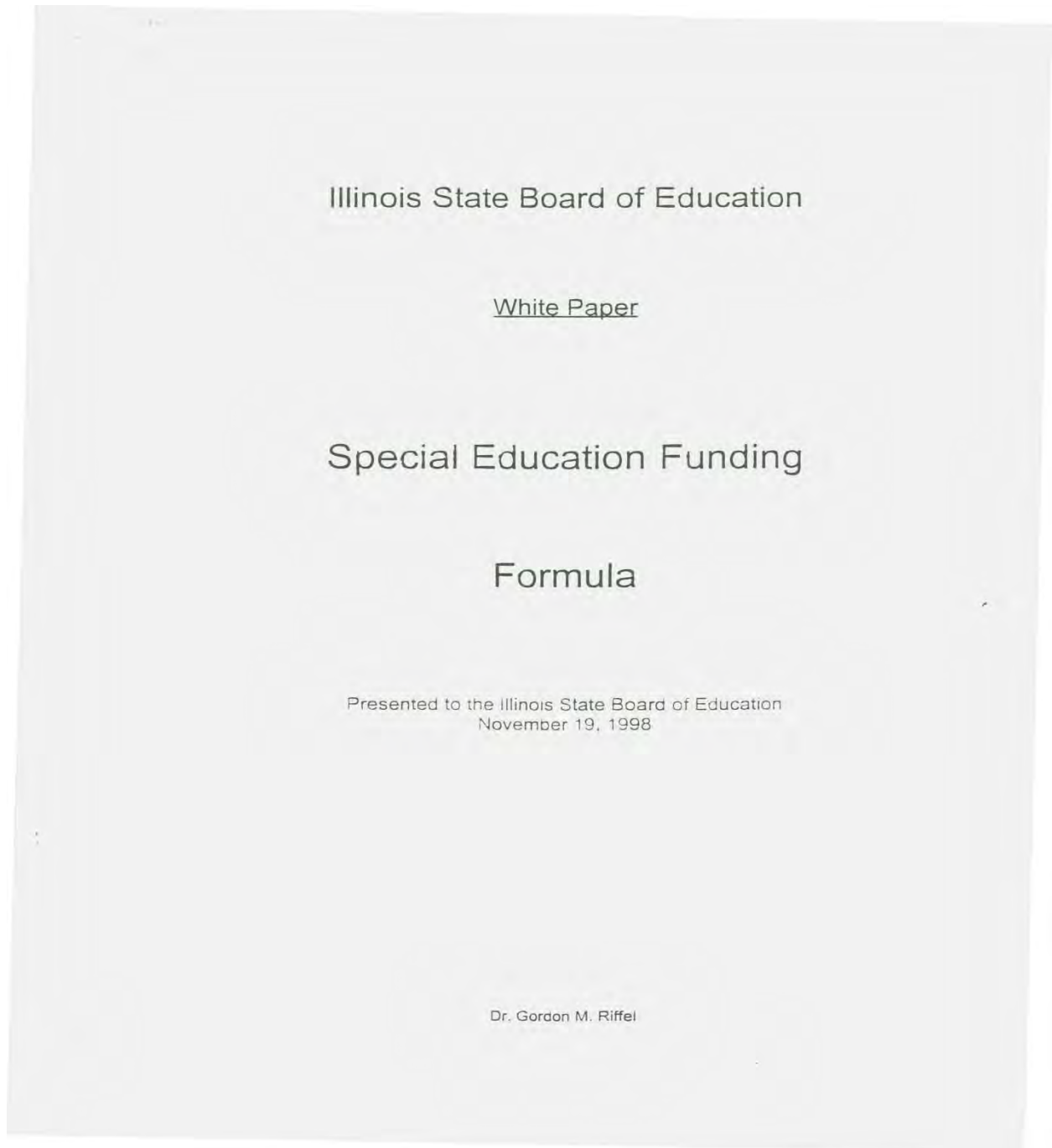
1 RESOLVED, That a suitable copy of this resolution be
2 delivered to the State Superintendent of Education.

Appendix B: HJR 24 Task Force Appointed Members

The Special Education Funding Task Force as required by HJR 24 consists of the State Superintendent of Education (or Designee) plus 16 appointed members as listed below.

- **Elizabeth Hanselman (Designee)**, Assistant Superintendent, Illinois State Board of Education
- **The Honorable Kathleen A. Ryg**, State Representative, District 59
- **Charlotte DesJardins**, Director, Family Resource Center on Disabilities
- **Elizabeth Conran**, The Menta Group
- **Sally Masear**, Director of Special Education, Tazewell Mason County Special Education Cooperative
- **The Honorable Sandra M. Pihos**, State Representative, District 42
- **Peg Agnos**, Executive Director, Legislative Education Network of DuPage County
- **Bridget Helmholtz**, Governmental Affairs Consultant, Illinois Association of Special Education Centers
- **Roxanne Kovacevich**, Executive Director, Lockport Area Special Education Cooperative
- **The Honorable Kimberly Lightford**, State Senator, District 4
- **Dr. Christopher A. Koch, Ed.D.**, State Superintendent of Education, Illinois State Board of Education
- **Dr. Sonya Whitaker**, Director for Academic Improvement, Schaumburg School District 54
- **Dr. Frances Carroll**
- **The Honorable Dan Cronin**, State Senator, District 21
- **Scott Pasley**, Principal, Greenville Elementary School
- **Cathy Ficker Terrill**, President and CEO, Ray Graham Association
- **Michael Schack**, Executive Director, Joseph Academy

Appendix C: “White Paper” released November 1998



Introduction and Action Plan State Funding Task Force

The Illinois State Board of Education (ISBE), through a collaborative process with the education, business and community sectors, examined all of the state funding formulas and made a series of recommendations to the General Assembly in **February 1997**. The Recommendations for Block Grant Funding: A Report Submitted to the Illinois General Assembly recommended:

...that a Task Force on Special Education Funding be formed to recommend specific changes to Illinois' special education funding mechanisms, its rules and reports. The goals of such reform would be to produce a simpler, fairer, and more flexible system of reporting and disbursement which would more efficiently meet the needs of students with disabilities...

It also recommended a task force on orphanage funding and transportation funding. Task force reports were to be submitted to the State Superintendent in order to develop legislation. Last year a report was issued to the Superintendent who requested that an additional study be completed before addressing this issue with the State Board of Education.

The ISBE established a task force in 1997-98 and continued through the summer of 1998 (see membership list in Attachment #1) to examine and make recommendations regarding special education finance issues (exclusive of orphanage and transportation issues). There are two charges to this group:

1. to discuss and make recommendations for improving state use of federal IDEA discretionary funds; and
2. to review the special education funding formula to determine, in accordance with the new least restrictive environment (LRE) provisions in the Individuals with Disabilities Education Act (IDEA) Amendments of 1997, if such formulas are in compliance with the new federal requirements and make recommendations to produce a simpler, equitable and more flexible system of reporting and disbursement. The task force was charged with the task to address the funding issues in the *Corey H. vs. Illinois State Board of Education*. The task force was convened on June 2, 1998, and has worked on these various issues through October 1998.

IDEA Discretionary Funds

Uses of Funds

The uses of IDEA state discretionary funds will be reviewed first. A review of the history of these funds reveal, prior to June 1997, **78.5%** of the funds flowed through the state directly to districts; one-half of the remaining funds, **10.75%**, were allocated for room and board payments or community-based wrap-around services in the state; **5%** of the remaining funds were used for administration; and **5.75%** of the funds remaining were used for state leadership activities/systemic change. It is pointed out that State law further guides the agency's use of these federal dollars.

New Illinois State Law Addressing IDEA Discretionary Funds

Public Act 90-547 [Senate Bill 1072 of 1997] restricts the use of these funds within Illinois beyond what is specified at the federal level. This new law limits the federal funds retained at the state level for use by the ISBE for statewide/leadership purposes.

Illinois flows nearly 90% of the funds to local districts between flow-through funds coupled with room and board/wrap-around services (75% for flow-through, 3.75% for low incidence services, and about 10% for room and board/wrap-around services).

The ISBE Needs Assessment (Spring 1997) on special education training and technical assistance needs will also be discussed. The ISBE will need to provide additional training opportunities and technical assistance, particularly with the reauthorization of IDEA 97. Districts should also be able to deliver much of the training and technical assistance services locally, as needs indicate.

State Funding Formula Requirements

Federal Law

The IDEA '97 Amendments were enacted in June 1, 1997, and became effective immediately. The new provisions require that each state's special education funding be consistent with the new least restrictive environment [LRE] provisions. The relevant part of the federal law is found in Section 612 (5) of IDEA '97 and captioned below:

(5) Least Restrictive Environment.—

(A) IN GENERAL.—To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.

(B) ADDITIONAL REQUIREMENT.—(i) IN GENERAL.—If the State uses a funding mechanism by which the State distributes State funds on the basis of the type of setting in which a child is served, the funding mechanism does not result in placements that violate the requirements of subparagraph (A). (ii) ASSURANCE.—If the State does not have policies and procedures to ensure compliance with clause (i), the State shall provide the Secretary an assurance that it will revise the funding mechanism as soon as feasible to ensure that such mechanism does not result in such placements.

Illinois State Law and Funding Mechanism

The current state funding mechanism will be discussed in detail. The history of state special education funding formulas are noted, explaining how formulas have been expanded and changed over the years in Illinois.

The current state funding mechanism for special education consists of **multiple formulas**, with **two pupil-based formulas** cited in Illinois law relating to individuals with disabilities whose cost is beyond a district's per capita cost.

- One formula, known as **private tuition**, supports tuition claims on behalf of children and youth placed by their public school districts into approved private schools (Illinois citation is 105 ILCS 5/14-7.02). The school districts pay for the student's education during the year of service pursuant to an individual contract. The state reimburses the district essentially for costs over **twice** its per capita tuition during the following school year. This reimbursement is paid in full or in part, depending on annual appropriations which have been continually prorated over the years causing Illinois school districts to pick up the balance of funding.
- The other formula, known as **extraordinary services**, supports claims on behalf of children and youth served **within** the public school district service continuum, in any setting for service (Illinois citation is 105 ILCS 5/14-7.02a). The school districts pay for the student's education during the year of service. The state reimburses the district, during the following year, a portion of costs for students with disabilities who require an intensive amount of services such that the costs are extraordinary in nature. Eligibility occurs when student service net costs are beyond 1.5 times the **district's per capita tuition charge** (per cap) per student. The district is reimbursed for all net costs greater than 1.0 per cap, with a maximum payment of \$2,000/student. The reimbursement is paid in full or in part, depending on annual appropriations subject to proration. This section of the funding formula has required the LEAs and Joint Agreements to become very **creative** in accessing this funding stream. Those entities in the state that are efficient in maximizing their funding schemes have been the primary benefactor of this funding stream over the past years. This current practice has also placed a very heavy paperwork burden on districts and joint agreements to document student expenditures.

The question discussed collectively was whether or not the current state funding formula is at least in part based on a **type of setting**. The consensus was the state pupil-based funding formula for **private tuition** **does** fund a type of setting. As such, and upon discussion with staff of the *Office of Special Education Programs, U.S. Department of Education*, it appears that the current state law is out of compliance with the new federal law as cited above.

Staff of the Office of Special Education Programs discussed this issue with the task force members during the October 1997 meeting. They reviewed the language in Section 612 (5) of the IDEA Amendments of 1997. The federal staff were very clear that while the basic language of LRE has not changed, the additional requirement as cited represents what was considered to be an analytical shift. The axis of the issue, they said, is whether the state provides a different amount of money for students in one setting versus another setting. If the answer is **yes**, then Section 612(5)(B)(i) of the IDEA Amendments of 1997 is triggered. The state could differentiate in allocations based on intensity of services, or personnel, or services, but not on **type of setting**. If it is differentiated because of setting, then LRE provisions are triggered. In Illinois it was the impression that this triggering mechanism has been validated.

Review of the Data

The task force members reviewed how Illinois compares with other states in terms of **private placement** and how other states fund high-cost services (see Attachment #3). Options used in other states range from a catastrophic cost fund to a cost-reimbursement formula to reimbursing a percentage of costs for residential services to a weighted pupil formula based on intensity of services.

In **1995-96**, the data reveals that of the 904 school districts in Illinois, 510 districts made private placements of students with disabilities (outside of Chicago #299, Chicago #299 has a block grant addressing special education pupil reimbursement and other state categorical funds). That resulted in 2,863 placements, or about **1%** of the individuals with disabilities on the December 1st child count. In terms of districts with a per cap under \$4,500 making these referenced placements [the first tier of the current private placement tuition formula], 296 districts placed 1,378 students; for those with a per cap over \$4,500, there were 214 districts placing 1,485 pupils. Suburban Cook has **23%** of the state's student population and **24.8%** of the private placements, the **collar counties** have **29.1%** and **39.7%** respectively, and **downstate** has **47.9%** and **35.6%** respectively.

In **1995-96**, 789 school districts claimed extraordinary services costs for students with disabilities (again outside of Chicago #299). That resulted in 48,811 disabled students claimed, with a total December 1st child count of 262,632 for students with disabilities, or **18.5%** of all students with disabilities.

Table 1. 1995-96 Pupil-Based Formula Data

LEAs* making private placements**	Number and percentage of private placements by LEAs*	Number of LEAs* with private placements and district per capitas under \$4,500	Number of LEAs* with private placements and district per capitas over \$4,500	Number of LEAs* making extraordinary service claims	Number and percentage of students with extraordinary service claims
510 LEAs* out of 904	2,863 placements or less than 1%	296 LEAs placed 1,378 pupils	214 LEAs* placed 1,485 pupils	789 LEAs* out of 904	48,811, or 18.5% of students with disabilities

* Note: Excludes Chicago #299 due to block-grant status. In 1993-94, Chicago #299 had 16,486 extraordinary services FTE claims and 3,521 private-tuition FTE claims.

The task force, in addition to reviewing student services and placement options, reviewed the claim data available to the State Board of Education at this time. While school districts have submitted full claim data on students in private school tuition settings, the claim data for extraordinary services need not be beyond that which is required to support a claim of \$2,000. In some instances, LEAs chose to submit full claim information for extraordinary services claims; however, this was not consistent. **Staff noted the limitations on the data available, and cautioned that any specific formula being recommended by the task force should view financial forecasts based on limited data as a directional indicator only. It was concluded that data collection and reporting needed to be improved for Illinois. It was interesting to note that we know how much we spend on special education, but we do not know how much special education costs.**

Acknowledging this caution and recognizing that data collection concerns are beyond the scope of this document, the claims were reviewed in relation to district per capita tuition charges. From the claims available, **45.6%** of the claims from extraordinary and private tuition for 1996-97 were at **2.0** per cap or less. **Sixty-seven (67%)** percent of the claims cumulatively were at **2.5** per cap or less. **Eighty percent (80%)** of the claims cumulatively were at **3.0** per cap or less. Almost **93** per cent of the claims cumulatively were at **4.0** per cap or less. *

Table 2. Frequency Distribution of 1996-97 LEA* Pupil Claims**

<i>Relative to District Per Capita</i>	<i>Frequency and Cumulative Percentage of Extraordinary Claims</i>		<i>Frequency and Cumulative Percentage of Private Tuition Claims</i>		<i>Cumulative Percent of All Pupil Claims</i>
under 1.5	2	0.0%	233	5.7%	0.3%
1.5 – 2.0	31,793	47.4%	456	17.0%	45.6%
2.0 – 2.5	15,233	70.1%	458	28.3%	67.7%
2.5 – 3.0	8,259	82.4%	594	42.9%	80.1%
3.0 – 3.5	5,074	90.0%	601	57.7%	88.1%
3.5 – 4.0	2,850	94.2%	578	71.9%	92.9%
4.0 – 4.5	1,549	96.5%	423	82.4%	95.7%
4.5 – 5.0	1,032	98.0%	294	89.6%	97.6%
5.0 – 5.5	507	98.8%	209	94.8%	98.6%
5.5 – 6.0	294	99.2%	118	97.7%	99.1%
6.0 – 6.5	142	99.4%	39	98.6%	99.4%
6.5 – 7.0	113	99.6%	27	99.3%	99.6%
7.0 – 7.5	77	99.7%	8	99.5%	99.7%
7.5 – 8.0	43	99.8%	12	99.8%	99.8%
8.0 – 8.5	46	99.9%	4	99.9%	99.9%
8.5 – 9.0	20	99.9%	4	100.0%	99.9%
9.0 – 9.5	13	99.9%	1	100.0%	99.9%
9.5 – 10.0	12	99.9%	0	100.0%	99.9%
over 10.0	46	100.0%	0	100.0%	100.0%

*Excludes Chicago #299 due to block grant status

**Extraordinary claims: 67,103, or 94.3% of the claims; private tuition claims: 4,061, or 5.7% of the claims

The task force also acknowledged that the implications of Public Act 90-548 (the revision of the General State Aid formula as enacted in December 1997) will have an impact on financial support available to many school districts. When all school districts have a base dollar amount per pupil at \$4,225 or greater, as stated in the law, the picture of funding availability for all students, including students with disabilities, will look different than has been the case.

As a result of the June—October 1998, meetings, which had broad representation, the task force reached the following consensus points:

- Any new formula will address cost-containment provisions.
- The formula will deal with overall program accountability.

- The formula will eliminate any financial incentives for placement.
- The new formula will be flexible and equitable.
- The formula should be understandable and avoid unnecessary complexity.
- Any new formula should be designed with a poverty factor.
- The use of a personnel reimbursement formula should continue.
- The new formula would set aside 85% to fund special education general program improvement, and 15% of new money would be allocated on a district's poverty weighting.
- A pool of funds at the joint agreement or LEA level to pay the cost of special education students who are above three per capita should be developed.
- A continuum of educational services for individuals with disabilities as required by IDEA should be supported, and funded appropriately.
- Community-based services (such as wrap-around services) should be supported.
- Greater accountability for the achievement of students with disabilities should be built in.
- Chicago #299 special education services should continue to be funded through a block grant and receive their share of any new funding.
- The paperwork process in reporting and claiming pupil reimbursement should be simplified.
- The statewide cost accounting system should allow for the simple aggregation of special education programs and pupil costs.
- Provisions should be made to provide for cost containment and more efficient/effective use of resources.
- A basic foundation amount for each joint agreement, cooperative or LEA based on the 1998-99 reimbursement level should be funded.
- The new funding formulas total cost of \$246,505,777, would be phased in over a four-year period of time which would amount to \$61,626,444 annually.

Final Recommendations on State Special Education Formulas

A new special education funding formula is being recommended to replace the extraordinary services (14-7.02a) and private tuition (14-702) reimbursement formulas for special education students. The recommended new formula is tied to the foundation level in the General State Aid formula. It reimburses special education student costs at a rate that is 35% of the foundation level. The recommended funding formula provides more funds to school districts for dealing with all special education students, primarily those identified as being high-cost. The reimbursement for personnel and transportation will not be effected by this formula.

The new special education funding formula will have a four-year phase-in period; this will be designed to allow a graduated amount of new funds to be appropriated each year.

Provisions of the New Formula

1. The formula is in compliance with IDEA '97 being placement-neutral.
2. The formula is easy to understand and implement.
3. The formula provides for cost containment.
4. The formula eliminates burdensome paperwork and makes joint agreements and school districts accountable.
5. The formula provides for equity.
6. The formula is progress because when the General State Aid formula increases, the special education pupil formula increases in a proportional fashion.

Components of the Funding Formula

- Beginning date - In 1999-2000 school year (FY 2000).
- Students with disabilities - The state appropriation will be based on the number of students in Illinois identified with a disability on December 1st, one year prior to the funding year.
- States' Foundation Level - It is validated that the cost of educating a special education student can be identified as being high-cost; the state will supplement districts at a rate of 35% of the state's foundation level to offset a portion of these costs.
- Average Daily Attendance - The ADA used for the formula will be the ADA which occurred one year prior to the school year in which the funds would be received. The reason that ADA is utilized is due to the fact it is an audited figure by the ISBE.
- Low Income - The literature reveals a strong relationship between low income and students with disabilities. Therefore, 15% of all new funds generated under the new formula will be distributed on this basis.

How the Formula Will Work

Example

FY 2000 state foundation level	\$4,325 St. Foundation
Percent allotted for special education 35%	X 35% Percent of ADA
Funding level per special ed student 1 st Yr. =	\$1,513.75 Base amount
December 1 st '97 child count	272,777 students
Funding level per SE student X Dec. 1 st Count =	\$412,916,183

Allocation of State Appropriation

Three separate components are involved in determining how the state appropriation will be allocated.

Base Funding Level:

A joint agreement or LEA base funding level has been established to ensure that they will not receive less funds than they received during FY 1999. The base funding level has the following components:

1. Each joint agreement or LEA base funding level will be the total amount of 14-7.02 (private placement) and 14-02a (extraordinary) funds received during the FY 1999 year.
2. The funds will flow directly to the entity which receives these funds at the current time.
3. The projected state disbursement for FY 1999 (\$166,410,406).
4. The base funding level will remain in place in the future.
5. Personnel and transportation funding remain the same as currently dispersed.

Average Daily Attendance:

85% of all new funds (the funds which are above the base funding level) will be distributed based on the district's ADA.

Example: (State appropriation level minus base funding level) x 85% = dollars to be distributed.

FY 2000 (\$412,916,183 - \$166,410,406) x 85% = \$209,529,910

Low Income or Poverty Weighting:

15% of all new funds (funds above the base funding level), will be distributed based on the district's poverty or low-income child count.

Example: (State appropriations - base funding level) x 15% = dollars to be distributed.

FY 2000 (\$412,916,183 - \$166,410,406) x 15% = \$36,975,866

Reduction in Paperwork:

It is anticipated that ISBE will have all the necessary information needed from the federal or state claims to calculate the amount of funds to be distributed to each district, thus reducing the need for additional claim forms.

How the Funds Will Be Distributed

80% of the New Funds:

80% of the funds generated under this new funding formula will flow directly to the entity which is currently receiving 14-7.02 (private) or 14-702a (extraordinary) in FY 1999.

20% of the New Funds:

20% of the funds generated under this formula will flow directly to the state-approved joint agreement to be held in escrow to defray the cost for high-cost students (those students 3 per cap and above). The purpose of the 20% set-aside funds is to provide a safety net for districts to help supplement their costs for extremely high-cost students. These funds will flow directly to the joint agreement or LEA to establish the high-cost pool. It will be their responsibility to manage and distribute these funds appropriately. Specific accounting requirements will be required by the ISBE to account for

expenditures of the high-cost pool of funds. These funds can only be accessed to reimburse districts for students whose costs are above three (3) district per capitas. The district will pay the cost for up to three (3) per cap for an individual student before accessing the high-cost pool. At the beginning of each new year, 20% of all new funds will go into an escrow account to be used for high-cost students.

Accountability of Funds

The State Board of Education will develop rules on the use of and accounting for the funds which are set aside for high-cost students (3 per cap and above). The following areas will be considered as the rules designed by ISBE.

It will be the districts' and joint agreements' responsibility to maintain precise and detailed records on the manner in which funds are expended. All funds received under this formula must be used to directly support the educational programs of students with identified disabilities, and for no other purpose.

ISBE will develop a baseline identifying the number of students by joint agreement or LEA who are currently receiving special education services through a private provider. Beginning with FY 2000, the joint agreement or LEA will provide an annual report to ISBE identifying the number of students who qualified for the high-cost pool of funds. They must indicate where the services were provided, either in private or public settings. This information will be used to determine if the funding formula has significantly changed the delivery of special education services in the state.

Consideration will be given to requiring the unobligated high-cost pool of dollars to remain in the pool for at least a three-year period of time. This would ensure that there are sufficient funds in reserve to meet the needs of any unexpected expenses needed for a extremely high-cost student. A joint agreement or LEA may request a waiver from ISBE to reduce the funds balance sooner if the fund balance is exceedingly high. The waiver would be completed on an annual basis.

In rules, ISBE will require a LEA or joint agreement to establish an oversight committee for the high-cost pool. The committee would consist of a director of special education, a superintendent, and a private provider. In those areas where private providers are not currently available, the joint agreement or LEA could identify an individual to serve in that capacity if approved by ISBE. The role of the committee would be to ensure that funds are being used as intended under the new legislation. The committee would also be required to approve any request for waivers.

ISBE will develop an accounting system for the high-cost pool of funds. The accounting will require a minimal amount of information, but will allow the state to know how these funds have been expended.

National and State Comparison

Illinois spends on an average \$1.4 billion as the total expenditure for special education and related services (7.5% federal, 42.1% state, and 50.4% local resources), compared with \$19.2 billion expended nationally (7.8% federal, 55.9% state, and 36.3% local

resources). According to these estimates, Illinois local school districts must fund in excess of **\$100 million** for special education costs. State expenditures throughout the nation, like federal aid, varied from about 90% to 17% or less of total education expenditures. The perspective of fund sources is important to remember as any proposal will change the mix of federal/state/local resources to pay for special education and related services. The bottom line is that districts expend the funds for their resident students with disabilities regardless of payment sources. The additional fact is that Illinois as a state spends **13.8%** less for special education than the national average. Chicago District 299 will remain in the block grant and would receive 33.45% of any new dollars, projected to be \$82,456,182.

Conclusion of the Task Force

A single pupil-based formula would allow Illinois to be in compliance with IDEA as reauthorized in June 1997. It also provides more funding on a reimbursement basis for local district expenditures for public school settings. It allows more flexibility for local claiming processes in that there is no artificial ceiling of \$2,000.

The task force reiterates that for both the current pupil-based formulas and in the proposal above, the district pays for the services and is reimbursed the year after for services rendered. The LEA or joint agreement pays the private provider, pursuant to a contract, for private school tuition, or the LEA pays public school personnel for the services provided.

Task force members acknowledge that as the process of recommendations and actions move forward, there will be modifications to the specific provisions. The recommendations and proposed formula are meant as a starting point to address the issue of Illinois being out of compliance with the new IDEA. This formula also encompasses the consensus points developed by the task force as noted earlier. The members of the task force also expressed a strong willingness to continue to work with the State Board of Education in order to ensure compliance with IDEA and to continue to improve services for individuals with disabilities.

***Special Education Finance
Task Force
Attachment 1***

Dr. Sharon Boyd-Armstrong
Director of Special Education
Williamson County Special
Education District
113 South Russell Street
Marion, IL 62959

Mr. Michael Blacharczyk
Director of Special Education
Belleville Area Special
Services Cooperative
1405 East Main Street
Belleville, IL 62220

Ms. Veronica Cabrera
National Center for Latinos
with Disabilities
2938 East 1499th Road
Ottawa, IL 61350

Mr. Thomas Dempsey
Executive Director
Illinois Association of Private
Schools for Exceptional
Children
132 Maple Court
Palatine, IL 60067

Ms. Bridget Helmholz
Associate Director
Child Care Association
300 East Monroe Street
Springfield, IL 62701

Ms. Ann Herrick
Administrator, Support of Special
Education
Chicago School District #299
1819 West Pershing Road
6th Floor Center - Center
Chicago, IL 60609

Mr. Milton Klail
Business Manager
North Suburban Special
Education District
Stratford Center
760 Red Oak Lane
Highland Park, IL 60035

Ms. Rhonda Best
3104 Sunnyside Drive
Rockford, IL 61114

Dr. James Carstens
Director of Special Education
Tri-County Special Education
Association
1015 A. Laesch Avenue
Bloomington, IL 61704

Dr. Mary Jayne Broncato
Associate Superintendent
Illinois State Board of Education
100 North First Street
Springfield, IL 62777

Mr. Rex Eddy
State Advisory Council on
the Education of Children
with Disabilities
Camp Point School District #3
Rural Route 2, Box 468
Camp Point, IL 62320-0468

Mr. Neil Henderson
Director of Special Education
Black Hawk Area Special
Education District
4670 11th Street
East Moline, IL 61244

Mr. William Kienzle
Family T.I.E.S.
830 South Spring Street
Springfield, IL 62702

Mr. Richard Kraft
Business Manager
Black Hawk Area Special
Education District
4670 11th Street
East Moline, IL 61244

Mr. Richard D. Laine
Associate Superintendent
Illinois State Board of Education
100 North First Street
Springfield, IL 62777

Mr. Gary Lieder
Director of Special Education
Maine Township Special
Education Association
1131 South Dee Road
Park Ridge, IL 60068

Dr. Thomas Oates
Superintendent
Marion School District #2
1410 West Hendrickson
Marion, IL 62959

Dr. Kenneth Randle
Director of Special Education
Niles Township Department of
Special Education
8701 North Menard Avenue
Morton Grove, IL 60053

Dr. Susan Shea
Illinois Education Association
100 East Edwards
Springfield, IL 62704

Ms. Naomi Law
Director of Special Education
Oak Park School District #97
970 Madison Street
Oak Park, IL 60303

Dr. Max McGee
Superintendent
Deerfield School District #109
517 Deerfield Road
Deerfield, IL 60015

Dr. Sue Ouellette
State Advisory Council on
The Education of Children
with Disabilities
c/o Department of Communicative
Disorders
Northern Illinois University
DeKalb, IL 60115

Mr. Martin Ricconi
Director of Special Education
LEASE
1009 Boyce Memorial Drive
Ottawa, IL 61350

Ms. Maria Elena Rodriguez-Sullivan
National Center for Latinos
with Disabilities
1921 South Blue Island Avenue
Chicago, IL 60608

Dr. Maribeth Montgomery Kasik,
Ph.D.
Chairperson
Division of Special Education
Governors State University
University Park, IL 60466-0975

Ms. Rene Christensen Leininger
Director
Illinois Planning Council on
Developmental Disabilities
830 South Spring Street
Springfield, IL 62704

Ms. Marcia Salisbury
Illinois State Board of Education
Funding and Disbursement Service
100 North First Street
Springfield, IL 62777

Ms. Carol Madison
Executive Director
Illinois Center for Autism
548 S. Ruby Lane
Fairview Heights, IL 62208

Ms. Sue Gamm
Chief Specialized Services Officer
Chicago Public Schools
1819 W. Pershing Road
Chicago, IL 60609

Dr. Donald R. Frailey Sr.
Superintendent
Roseville Community Unit
School District #200
265 West Penn Avenue
Roseville, IL 61473

Mr. Robert Delmotte
Administrator
Vermillion Association
for Special Education
12190 U.S. 150
Oakwood, IL 61858

Mr. Bill Hinrichs
Illinois State Board
of Education
100 North First Street
Springfield, IL 62777

Dr. Joseph Holt
Director of Special Education
409 East Park Street
Post Office Box 1027
Benton, IL 62812

Ms. Gail Lieberman
Illinois State Board of Education
Accountability and Quality
Assurance
100 North First Street
Springfield, IL 62777

SpEdFinList

Attachment #2

Basics of Special Education Finance

What is special education? What is required?

Special education is the provision of specialized instruction, and related services if required, to eligible children and youth with disabilities who require said services. While special education services have been provided for more than 100 years by the state or school districts, it was in 1965, (although it didn't become effective until 1969), that the state mandated school districts, individually or collectively, provide services for individuals ages 3-21, and do "child find" activities ages birth-21. The federal requirements of 1975 modified state law slightly. In 1991 the Early Intervention Services Systems Act added the requirement of school districts serving children birth through age 2 in conjunction with community-based organizations. The 1997 amendments to IDEA reiterate the basic provisions.

Disabilities served are of a high incidence (e.g., learning disabilities or speech/language impairments), a moderate incidence (e.g., mental retardation or emotional/behavior impairments), or a low incidence nature (e.g., deaf or hard of hearing, visually impaired, physically impaired, multiply impaired, autism or traumatic brain injury).

Federal and state laws and rules establish a set evaluation and reevaluation process, requiring that personnel serving these youngsters meet the highest state standards, demand an Individual Education Plan per child which specifies extent and duration and intensity of services, requires parent notice, consent and participation at many steps along the way, and provide for procedural safeguards for families and youngsters.

How are special education services financed?

The main mechanism of the Illinois finance system for special education is a personnel-based flat grant formula. The mechanism was instituted prior to the mandate for special education services, with the original intent of paying districts 1/2 of the salaries for the additional personnel required to serve students requiring special services. Applying the formula provides \$8000 per professional worker (e.g., special education teacher, school social worker), \$2800 per non certified employee (e.g., special education teacher aide), up to \$400 annually for readers for students who are blind, and up to \$1000/per child (to a maximum of \$8000 per teacher) for those working with students served in home or hospital placements. The FY 98 appropriation for personnel reimbursement was \$220,031,300 (estimated proration is 86.9%).

In addition to personnel reimbursement, there are other formula components:

- * Assist LEAs to pay tuition, on a reimbursement basis, for students placed by their districts into approved private day or residential schools. Essentially districts pay up to twice their per capita tuition rate; the remainder of the costs up to the tuition rate established by the Illinois Purchased Care Review Board are reimbursed by the state, depending on proration levels. The FY 98 appropriation for "private tuition" is \$32,336,900 (estimated proration is 76%).

- Assist LEAs to pay a portion of costs, on a reimbursement basis, for students with disabilities who require an intensive amount of services such that the costs are extraordinary in nature. Eligibility is when student service net costs are beyond 1.5 per capita per student; payment is beyond 1.0 per capita up to \$2000/student. The FY 98 appropriation for "extraordinary services" is \$113,616,100 (estimated proration is 76%).
- Assist LEAs, on a current funding basis, to pay the actual costs of educating children with disabilities who are wards of the state or who reside in state institutions or jail/detention centers. The FY 98 appropriation for "orphanage" for students with disabilities is \$124,000,000. There is no proration since this mechanism has a funding caveat that if there is insufficient funding in a given year, the next year's appropriation pays first for any prior year proration and then for the current year expenses. In FY 98 the prior year's liability was estimated at \$10,511,866 (included in the overall figure cited above). Individuals with disabilities claimed under this fund source do not generate General State Aid for the serving districts.
- Assist LEAs by paying, on a reimbursement basis, 80% of the costs to transport an individual with disabilities to meet the unique needs of the child. The FY 98 appropriation for "special transportation" was \$132,866,700 (estimated proration at 85%).
- Specialized assistance for select children and youth--contracts for the Phil Rock School and Service Center and the Materials Center for Students with Visual Impairments; summer school services; low incidence services funding, Regular Education Initiative--which are funded in FY 98 at a combined level of \$9,157,500.
- An appropriation of \$20,000,000 in FY 98 state funds for serving eligible infants and toddlers and their families.
- Assist LEAs making private residential placements in the payment of the related room and board costs, on a current funding basis, using up to 1/2 of the federal IDEA Part B discretionary funds available at the state level. If there are funds remaining in this pool after the end of the year, they can be used the following year for community based wrap-around services for the same populations served in residential settings.

Beyond the \$650 million in FY 98 state appropriations for special education services, there are federal funds available to all local districts for providing special education services. These funds are distributed on the basis of their annual December 1st child count. The Illinois State Board of Education receives funds from the Individuals with Disabilities Education Act. The grant awards are for IDEA Part B (the overall program and requirements ages 3-21), for IDEA Preschool (ages 3-5), and IDEA Part H (Part C as of 7/98) (infants and toddlers), for about \$155 million. There are additional small federal grant programs of a competitive basis, e.g., personnel preparation, which the Illinois State Board of Education receives on an annual basis.

Context of Dollars

In terms of **state** funds, about \$650 million was appropriated in FY 98 for special education purposes. State special education appropriations have increased dramatically over time, from \$117.7 million in FY 76, to \$309.6 million in FY 86, to \$650 million in FY 98.

On the **federal** side, federal special education funds received directly by the Illinois State Board of Education were approximately \$155 million in FY 98. Federal special education funds in Illinois have also increased over time, from about \$18 million in FY 77 to \$155 million in FY 98.

In terms of **local** funds, The Future of Children, "*Financing Special Education*," shared the following:

- On average, expenditures for students receiving special education services were **2.3** times as great as for general education students.
- Illinois is shown in that report as spending **\$1.4 billion** as the total expenditure for special education and related services (7.5% federal; 42.1% state; and 50.4% local resources), compared with \$19.2 billion expended nationally (7.8% federal; 55.9% state; and 36.3% local resources). According to these estimates, local districts must fund in excess of \$100 million for special education costs.

Ratio of Funds for General and Special Education

Again citing from "*Financing Special Education*," the following information is useful:

- Data suggest that the average special education expenditure per student with disabilities, adjusted for inflation, grew at an overall average rate of **4% - 5%** per year. In contrast with general education, special education expenditures per student are growing at a rate that is approximately 20% faster than the overall education expenditure per student, exclusive of preschool and early intervention populations (ages birth to five services).
- Over 10% of all K-12 public school students are identified as special education-served.
- While the generally accepted cost multiple is 2.3, it is sometimes argued that about 25% of total education expenditures (2.3 x 10+%) are used for students with disabilities. While it can be argued that this estimate may be as good as any available, it overstates the cost of serving students with disabilities.
- Based on the assumption that all students with disabilities are entitled to the same basic set of general education services received by all students, the marginal costs of special education are estimated to be closer to 14% of the public education expenditure.

"*The Current Federal Role In Special Education Funding*," cites that the states in aggregate spent a total of \$19.2 billion for special education and related services from federal, state and local resources in 1987-88. No later date is available from this source.

- Federal aid ranged from 65% of total special education expenditures in Kentucky to 3% of costs in Minnesota and New York; eleven states received over 12% of funding from federal sources, while six states received less than 5%.
- State expenditures, like federal aid, varied from about 90% (Hawaii, Washington, DC, Idaho, Missouri, New Mexico and Rhode Island) to 17% or less of total education expenditures (Kentucky, New Hampshire, Oregon and Virginia).
- Local expenditures ranged from 3% or less in total (New Mexico, Oklahoma and Alabama) to over 70% (Michigan, New Hampshire, Oregon and Virginia).

"Where's the Money Gone?" by the Economic Policy Institute, cites a detailed examination of expenditures in nine typical US school districts that showed the share of expenditures going to regular education dropped from 80% to 59% between 1967 and 1991, while the share going to special education climbed. In detail:

- Real school spending (appropriately adjusted for inflation) increased by 61% from 1967 to 1991, 40% less than the real growth conventionally assumed.
- Only 1/4 of this increase was directed at "regular education," the traditional school activities whose outcomes can be measured in test scores, graduation rates, etc.
- Special education's share of all expenditures rose from 4% in 1967 to 17% in 1991; special education received 38% of the net new money spent in 1991.
- About 8% of net new money went to expansion of the school lunch and breakfast programs.
- About 7% of the net new money went to attendance, dropout prevention, alternative instruction, and counseling.

In summary, the answers to the question of the cost differential between general and special education services vary. EPI states that special education costs were 17 percent of the total budget (1991, Economic Policy Institute) to 2.3 times as great for special education than general education (1996, Center for Special Education Finance).

Appendix D: “White Paper” Special Education Funding Formula Recommendations (released September 15, 1998)

Special Education Funding Formula Recommendation

September 15, 1998

• Funding Formula Objectives:

1. The formula is required to be in compliance with IDEA 97 and to be placement neutral.
2. The funding formula will be understandable easy to apply and implement.
3. The formula will be equitable and produce no significant funding loss to any district or cooperative.
4. The funding formula will have cost containment attached to it.
5. The funding formula will satisfy the requirement of the Corey H. Case.
6. The funding formula will eliminate burdensome paperwork and make Cooperatives and Joint Agreements accountable.
7. The formula will have a three year phase in period.

Proposed Two-Tiered Funding System

Tier No. 1

The object of Tier I is to place the same amount of funds behind each eligible IEP student regardless of placement within the continuum of service.

Tier No. 2

Tier No. 2 will set aside a pool of funds to help offset the districts' expenses for “high cost students.” The funds would flow to the Joint Agreement or Cooperative Level for disbursement and would be replenished annually. This will help to reduce the paper work that is now required by the Joint Agreement and ensure a pool of funds to be applied to severe needs' students.

Meeting The Formula Objectives

- Cost Containment -- the formula will reimburse the district based on the average number of students with disabilities in the state, not on the local average that is felt will address the concern for over identification at a local level.
- District Accountability -- the formula will be based on the district's average daily attendance.

- Equity -- it reimburses all school districts at the same level per student.
- Progressive formula - the formula is based on the state's foundation level as a percentage and will increase as the foundation level increases.
- Helps eliminate the need for proration -- the formula should allow ISBE to accurately project funds needed to implement the program annually, which will help eliminate unforeseen prorations.
- Effective and efficient use of resources -- the formula is not based on how the services are delivered.
- Provide level funding during phase in period - the formula would provide a base level that would be calculated on FY 1999 allocation and would ensure that no program would receive fewer funds they secured in FY 1999.
- The formula benefits all school districts - the formula would provide a significant infusion of dollars to help supplement local district's costs for special education. The formula takes into account the lack of increases in special education funding and prorations that have taken place over the past 15 years. The formula would be phased-in over a three year period of time.

Funding Formula Essential Elements

- Beginning Date -- 1999-2000 school year (FY 2000).
- District base Level- each school district's foundation level will be the total amount of 14-7.02 (private placement) and 14-7.02a (extraordinary) funds received during FY 1999. The base level will be in place during the phase-in (3 years) period. Once the phase-in period has transpired the foundation level will be eliminated and the future amount of the funds any district will receive will be based on the funding formula.
- Average Daily Attendance (ADA) -- The ADA that will be used for this formula is the district ADA that occurred two (1) year prior to the school year in which the funds would be received. Example: The funds the district would receive in the 1999-2000 school year would be based on the district's 1998-99 ADA.
- State's Average Percentage of the Special Education December 1st. Child Count -- the amount of funds a district would receive will be based on the percentage of the special education students in the State that occurred on December 1st. One year prior to the year the district would receive funding. Example: The funds the local school district would receive for the 1999-2000 (FY 2000) school year will be based on the percentage of the special education students identified on December 1st, 1998 IDEA child count.

Funding Formula Characteristics

Funding Levels:

Tier No. 1

The amount of dollars allocated to Tier No. 1 of the funding formula will be based on 29% of the state's projected foundation level.

<u>Example:</u>	FY 2000 projected State foundation level = \$4,325
	29% of the state's foundation level X 29%
	<hr/>
	Special Education per student \$1,250

Tier No. 2

The amount of dollars allocated to Tier II of the funding formula will be based on 115% of the state's foundation level.

<u>Example:</u>	FY 2000 State's foundation level = \$4,325
	X 115%
	<hr/>
	Funding Level \$5,000

Functional Formula Aspects

Tier I.

Percentage of special education students in the state (14.95%) minus 1% (13.95%) X the districts ADA X. Tier I funding level (\$ 1,250)= districts projected revenue.

Note: ISBE has all the necessary information from reporting sources to calculate the amount of funds to be distributed to each district. (Paperwork Savings)

Tier II

1% set aside for high cost students X the district's ADA X. Tier II funding level (\$5,000)= revenue to flow to the Joint Agreement or Cooperative.

Note: These funds will flow to the Joint Agreement and will be pooled for each district to help defray the cost of high cost students (those above 3 per capita). It will become the responsibility of the Joint Agreement to manage and distribute these funds. This process will also reduce paper work on the part of the Joint Agreement since ISBE has this information and will not require current Cost Sheets. At the beginning of each year, the Joint Agreement will place all new Tier II funds into the pool. How any remaining funds in the pool at the conclusion of any given financial year will be maintained will be determined by the districts in the Joint Agreement.

Accountability Of Funds

The local district in conjunction with the Joint Agreement will have responsibility to maintain records on how the funds are expended. All funds allotted under these formulas must be used to support the educational programs for children with disabilities.

Concluding Remarks

The new formula described above is a culmination of many months of study, deliberations, funding options and formulas, and compromise. It is safe to say that the majority of the task force supports the new formula. There are however several members (5) that did not support the formula for a variety of reasons. It is felt by the majority of the Task Force that the formula is responsive to the financial difficulties' districts face when meeting the needs of disabled students. The Task Force feels that the new formula will address the compliance issues with IDEA 97 as well as Corey H. The Task Force requests the State Superintendent approval of the new funding formula and submit the formula to the State Board for consideration and inclusion in the ISBE legislation package.

Formula Cost

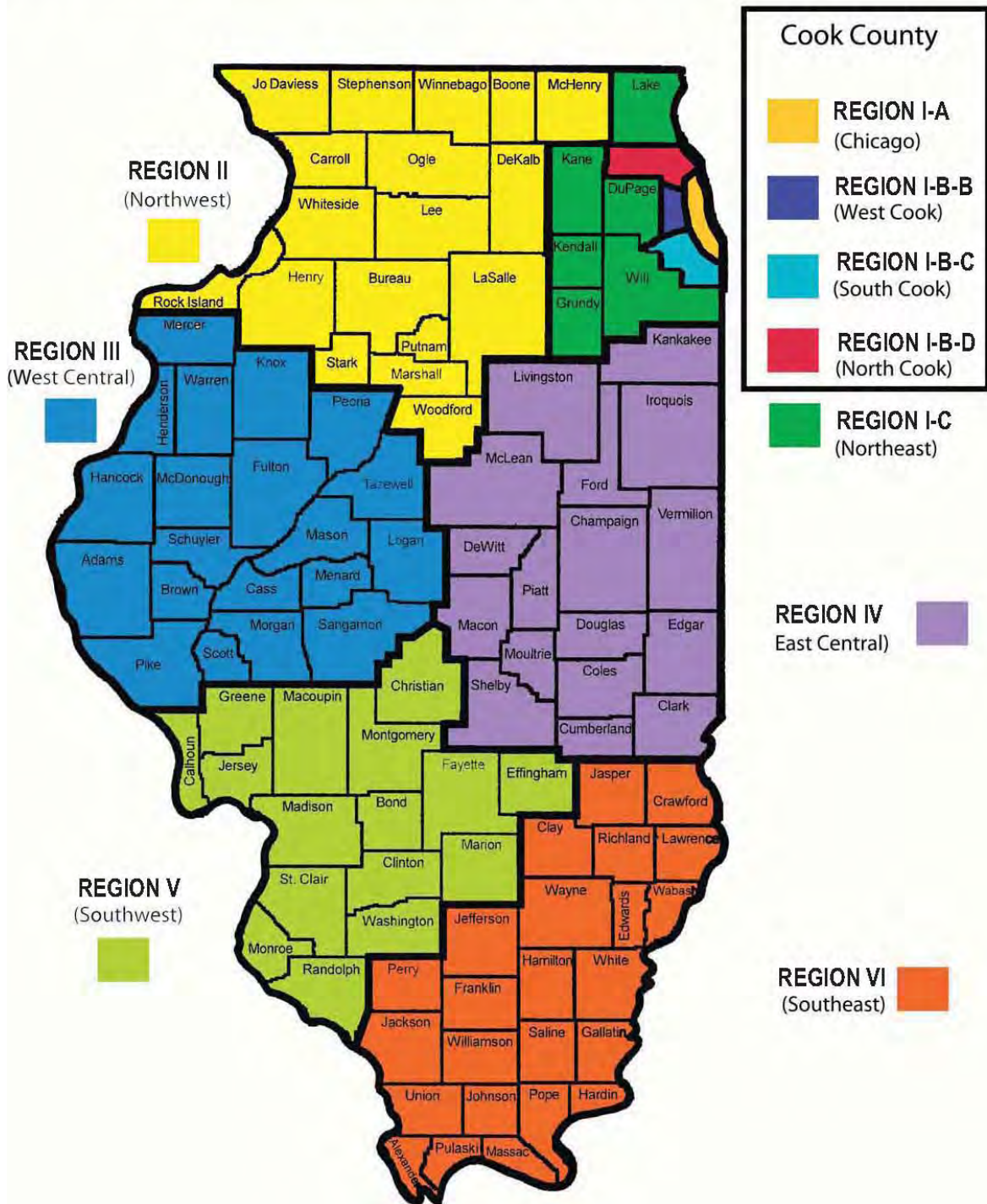
Encapsulated Costs:

Total Projected New funding over three years = **\$249,930,486**/ 3 years =
\$83,310,162 (please see printout for full details)

Note: State Personnel reimbursement would remain the same and transportation will remain the same.

Appendix E: Illinois System of Support Regions map

System of Support Regions



Appendix F: Criteria for Evaluating State Special Education Funding Formulas

<p>Understandable</p> <ul style="list-style-type: none"> ▪ The funding system and its underlying policy objectives are understandable by all concerned parties (legislators, legislative staff, state department personnel, local administrators, and advocates). ▪ The concepts underlying the formula and the procedures to implement it are straightforward and “avoid unnecessary complexity.” <p>Adequate</p> <ul style="list-style-type: none"> ▪ Funding is sufficient for all districts to provide appropriate programs for special education students. <p>Flexible</p> <ul style="list-style-type: none"> ▪ LEAs are given latitude to deal with unique local conditions in an appropriate and cost-effective manner. ▪ Changes that affect programs and costs can be incorporated into the funding system with minimum disruption. ▪ LEAs are given maximum latitude in use of resources in exchange for outcome accountability. <p>Reasonable Reporting Burden</p> <ul style="list-style-type: none"> ▪ Costs to maintain the funding system are minimized at both local and state levels. ▪ Data requirements, recordkeeping, and reporting are kept at a reasonable level. <p>Cost-Based</p> <ul style="list-style-type: none"> ▪ Funding received by districts for the provision of special education programs is linked to the costs they face in providing these programs. <p>Cost Control</p> <ul style="list-style-type: none"> ▪ Patterns of growth in special education costs statewide are stabilized over time. ▪ Patterns of growth in special education identification rates statewide are stabilized over time. <p>Outcome Accountability</p> <ul style="list-style-type: none"> ▪ State monitoring of local agencies is based on various measures of student outcomes. ▪ A statewide system for demonstrating satisfactory progress for all students in all schools is developed. ▪ Schools showing positive results for students are given maximum program and fiscal latitude to continue producing favorable results. 	<p>Equitable</p> <ul style="list-style-type: none"> ▪ Student equity: Dollars are distributed to ensure comparable program quality regardless of district assignment. ▪ Wealth equity: Availability of overall funding is not correlated with local wealth. ▪ District-to-district fairness: All districts receive comparable resources for comparable students. <p>Predictable</p> <ul style="list-style-type: none"> ▪ Local education agencies (LEAs) know allocations in time to plan for local services. ▪ The system produces predictable demands for state funding. ▪ State and local education agencies can count on stable funding across years. <p>Identification Neutral</p> <ul style="list-style-type: none"> ▪ The number of students identified as eligible for special education is not the only, or primary, basis for determining the amount of special education funding to be received. ▪ Students do not have to be labeled “disabled” (or any other label) in order to receive services. <p>Fiscal Accountability</p> <ul style="list-style-type: none"> ▪ Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner. ▪ Procedures are included to contain excessive or inappropriate special education costs. <p>Placement Neutral</p> <ul style="list-style-type: none"> ▪ District funding for special education is not linked to where services are received. ▪ District funding for special education is not based on type of educational placement. ▪ District funding for special education is not based on disability label. <p>Connection to Regular Education Funding</p> <ul style="list-style-type: none"> ▪ The special education funding formula should have a clear conceptual link to the regular education finance system. ▪ Integration of funding will be likely to lead to integration of services.
---	---

	<p>Political Acceptability</p> <ul style="list-style-type: none"> ▪ Implementation avoids any major short-term loss of funds. ▪ Implementation involves no major disruption of existing services.
--	--

Adapted from *State Funding Models for Special Education* (Hartman, 1992) and *Removing Incentives for Restrictive Placements* (Parrish, 1994).

Appendix G: The Illinois Alliance of Administrators of Special Education (IAASE) position paper (released in October of 2008)

IAASE Position Paper

Reimbursing School Districts for
Students with the Greatest Needs and Generating the Highest Costs

October 28, 2008

The Illinois Alliance of Administrators of Special Education (IAASE) is promoting a merger of the three funding structures related to reimbursing school districts for students with the greatest needs and generating the highest costs, thereby equalizing state reimbursement.

The following information is intended to more fully explain this direction.

In Illinois, special education reimbursement is divided into categories (sometimes referred to as “categoricals”), including personnel, transportation, summer school, orphanage, private facility, funding for children requiring special education services (historically referred to as “extraordinary”), and students with excess costs. Other special education line items include The Phillip Rock Center and Materials for the Visual Impaired. The following focuses on the private facility, funding for children requiring special education services and students with excess costs reimbursements.

Private Facility (“Private”)

The private tuition reimbursement formula authorized under Section 14-7.02 states that a school district is obligated to pay the first per capita tuition charge with local funds. The State reimburses the difference between \$4,500 and the district's first per capita tuition charge, if any. The school district is then required to expend a second per capita tuition charge with local funds, with the State reimbursing any excess over this amount. In practice, given that very few districts (four as of the 2007-08 school year) have a per capita tuition rate less than \$4,500, most school districts pay ***two times their per capita*** tuition charge with the State reimbursing the district for the remainder of the approved tuition for the school year, including summer school when approved. If a student is enrolled less than a full year, all variables are prorated accordingly. In addition, if the state appropriation is insufficient to reimburse eligible district claims, they are prorated as well.

Example 1:	School District A per capita	\$6,000
	Private Facility tuition rate	\$30,000 <i>Tuition Rate</i>
		(\$12,000) <i>2x per Capita</i>
	ISBE reimbursement to School District	\$18,000 <i>Reimbursement</i>

Funding for Children Requiring Special Education Services (“Extraordinary”)

The extraordinary funding formula (14-7.02a) was established in the early 1970’s to assist with the costs of students with very significant needs. These students had costs that were greater than one district per capita charge. In 1993, the statute was amended and changed the qualifying threshold for costs in excess of 1½ times the resident district per capita charge. Regardless of total cost, qualifying students generated a maximum reimbursement of \$2,000 per student. The formula was changed in August 2004 per PA 93-1022 by repealing Section 14-7.02a and creating a new Section 14-7.02b under the name “Funding for Children Requiring Special Education Services”. The statute utilized a hold harmless base year to ease

the transition to the new formula. The amount of hold harmless was defined as the amount each district received under the last year of the old Extraordinary formula (FY 04) with the remainder of the funds distributed 85% on district average daily attendance and 15% on poverty after Chicago District 299 was accounted for in their block grant. Per the new statute, the hold harmless base year was to remain in effect for three years (FY 05-FY 07) after which it would sunset. Beginning with FY 08, all funds were distributed 85% on ADA and 15% on poverty. During the initial year after the removal of FY 04 hold harmless from the formula, the redistribution resulted in a loss of \$21 million dollars for 255 districts. P.A. 95-0705 was signed into law on January 8, 2008 and reinstated a new hold harmless base year. Districts were eligible for hold harmless if the amount received in FY 08 and thereafter was less than the amount received in FY 07. However, calculations for eligibility were determined only after all funds had been distributed under the current formula which would require a subsequent supplemental appropriation. PA 95-0729 was signed into law on June 30, 2008 and approved a supplemental appropriation for \$21 million to relieve the loss of funding to the 255 districts impacted by the redistribution in FY 2008. In FY 2009 hold harmless has been calculated for 233 districts in the amount of \$17.6 million.

Students with Excess Costs Programs (“Excess”)

Another major component of PA 93-1022 was reimbursement for students with “excess costs” which was defined as all documented educational costs for students with disabilities, excluding summer that ***exceeded four resident district per capita*** tuition charges. Excess costs were reimbursed from unused federal Room and Board grant funds. The amount of reimbursement in recent years has been prorated significantly as eligible costs far exceed the amount of unused funds. Proration percentages have been 21.1% (FY 08), 20.1% (FY 07), 2.67% (FY 06) and 4.88% (FY 05).

Example 2:	School District A per capita	\$6,000
	Public School tuition rate	\$ 30,000 <i>Tuition Rate</i>
		(\$24,000) <i>4x Per Capita</i>
		<u>\$6,000</u>
	ISBE reimbursement to School	
	District (including proration of 21.1%)	\$1,266 <i>Reimbursement</i>

Under the current methods of reimbursement, school districts are given more reimbursement dollars for sending a student to a private facility than keeping the student in a public school setting. In the two examples above the school district receives \$18,000 from the ISBE by placing the student in a private facility or \$1,266 from the ISBE by placing the student in a public school program.

The Illinois Alliance of Administrators of Special Education believes this creates a disincentive to place students closer to home in a public school setting. Further, the IAASE believes that the students with the greatest needs and generating the highest costs, regardless of placement (private or public), should be reimbursed at the same level of funding to the resident district.

Therefore the IAASE recommends:

1. Merge the three funding structures/categories: Private Facility, Funding for Children Requiring Special Education Services (Extraordinary) and Students with Excess Costs.
2. Reimburse school districts for students with the greatest needs and generating the highest costs equally after expending 2 times per capita.

Impact of Reimbursement on District Costs

2006/2007 School Year

Under current methods of reimbursement, districts are given more reimbursement dollars for sending a student to a private facility than keeping the student in their home district. The purpose of this document is to illustrate the discrepancy between the private and public reimbursement structures and is not intended to be a comparison of private vs public program costs. Below are examples of students from different parts of the state and the associated disparity of reimbursement dollars.

Private School Placement Reimbursement: The district is reimbursed the difference between two times their per capita and the facility approved tuition rate. (Therefore, if a district's per capita is \$10,000, it must spend \$20,000 before receiving any reimbursement.) Districts are able to claim regular term and summer school tuition costs. Other related services such as Occupational/Physical Therapy, Speech & Language are included in the base rate. One to one assistant costs are included in the higher "intensive rate" charged to the district. Twenty percent (20%) of the transportation claim cannot be added to the reimbursement request.

Public School Placement Reimbursement: The district is reimbursed the difference between four times their per capita and the students' individual costs. (Therefore if a district's per capita is \$10,000, the district receives reimbursement after spending \$40,000.) This can include educational costs and related services such as occupational/physical therapy, one-to-one assistants, equipment and 20% of the students' transportation costs. The Public School tuition figure represents total expenditures less personnel reimbursement and any federal fund offsets as per cost sheet requirements. Summer school costs are not claimed in this calculation. This reimbursement is based on unspent Room & Board money (Prorated to 18% in FY07).

The examples below show individual student costs. In the first instance, there are two students with a classification of Autism. Costs spent are similar with \$60,529 being spent at the private facility and \$66,801 being spent at the student's home district. The district's cost after reimbursement for the student being sent to a private school was \$26,347 (two times the district's per capita). The district's cost after reimbursement for the student served in his home district was \$64,131.

Impact of Reimbursement on District Costs

2006/2007 School Year

District	Disability	Private School Information					Public School Information						
		Student Identifier #	Tuition Amount	Total Cost	Reimbursement Amount	Net Cost to District (2x per capita)	Student Identifier #	Public School Tuition	Extra Costs	Total Cost	Reimbursement Amount (Prorated to 18%)	Net Cost to District (4x per capita + unfunded portion)	Proposed Reimbursement (After 2x Per Capita Expended)
Suburban Northern Illinois	Autism	1	60,529	\$ 60,529	34,182	\$ 26,347	2	24,515	42,284	\$ 66,801	2,670	\$ 64,131	\$ 40,817
	Emotional	3	41,814	\$ 41,814	20,708	\$ 21,106	4	30,995	3,222	\$ 34,221	-	\$ 34,221	\$ 12,529
	Autism	5	106,011	\$ 106,011	83,711	\$ 22,300	6	24,515	30,275	\$ 54,796	2,257	\$ 52,539	\$ 32,272
Suburban Northwestern Illinois	Emotional/Cognitive	7	50,153	\$ 50,153	23,293	\$ 26,860	8	28,406	28,894	\$ 57,308	1,155	\$ 56,153	\$ 30,440
	Autism	9	75,018	\$ 76,019	56,946	\$ 19,073	10	24,978	26,552	\$ 51,540	2,677	\$ 48,863	\$ 32,458
	Emotional/Other	11	41,042	\$ 41,042	21,969	\$ 19,073	12	27,092	-	\$ 27,104	-	\$ 27,104	\$ 8,020
Suburban Central Illinois	Emotional	13	32,929	\$ 32,929	18,509	\$ 14,420	14	22,306	1,361	\$ 23,681	-	\$ 23,681	\$ 9,247
	Multi	15	28,079	\$ 28,079	16,417	\$ 11,662	16	13,536	26,201	\$ 39,753	2,954	\$ 36,799	\$ 28,075
Urban Central Illinois	Emotional	17	21,169	\$ 21,169	3,667	\$ 17,502	18	28,604	-	\$ 28,622	-	\$ 28,622	\$ 11,102
	Multi	19	34,677	\$ 34,677	17,175	\$ 17,502	20	27,157	-	\$ 27,177	-	\$ 27,177	\$ 9,655
Rural Central Illinois	Emotional	21	21,169	\$ 21,169	8,953	\$ 12,216	22	16,183	9,211	\$ 25,416	173	\$ 25,243	\$ 13,178
	Multi	22	61,939	\$ 61,939	49,572	\$ 12,367	23	19,115	3,600	\$ 22,738	-	\$ 22,738	\$ 10,348

4/29/2009

Appendix H: Revising the Existing Formula Sub-Committee members and Creating New Formula Sub-committee members

- Sub-committee Members - Revising the Existing Formula

- Bridget Helmholz, Chair
- Cathy Ficker Terrill
- Scott Pasley
- Frances Carroll
- Mike Schack
- Charlotte Des Jardins
- Tim Imler

- Sub-Committee Members – Creating New Formula

- Roxanne Kovacevich, Chair
- Peg Agnos
- Beth Conran
- Sally Masear
- Representative Sandra Pihos
- Deb Vespa

Appendix I: Revising the Existing Formula Sub-Committee report

SUBCOMMITTEE ON REVISING THE EXISTING FORMULA ILLINOIS SPECIAL EDUCATION FINANCE TASK FORCE OCTOBER 1, 2009

BACKGROUND: The Special Education Finance Task Force, which convened as a result of HJR 24, developed two workgroups to continue deliberations between meetings. The Task Force meetings were scheduled monthly until the summer of 2009, during which time there were no meetings.

This Subcommittee is comprised of members who believed the existing special education finance system has merit, but it may benefit from some adjustments in order to address problems that have been identified on the task force.

SUBCOMMITTEE MEMBERS: Members of this subcommittee are Cathy Ficker Terrill, Tim Imler, Scott Pasley, Charlotte Des Jardins, Frances Carroll, Mike Schack, and Bridget Helmholz.

TOP THREE PRIORITIES IDENTIFIED BY SUBCOMMITTEE: In his report entitled “Considering Special Education Funding in Illinois: State and National Trends,” Dr. Tom Parrish identified 14 traditional criteria for evaluating special education funding formulas. The Subcommittee understood one of its charges was to select the top three priorities we believed were essential to the Illinois finance system. These are:

- Equitable
- Flexible
- Outcome accountability

Within each of these values, the subcommittee identified specific statements that provide additional direction to the Committee.

Equitable:

In addition, some of their specific recommendations are:

- Do no harm.

- Enhance reimbursement to Illinois school districts in salaries for professional and non-professional staff.
- There should be an annual adjustment tied to an index such as exists for Social Security.
- Review the Chicago Block Grant funding.
- Do not add to unfunded mandates
- Reimburse the school districts for services provided to high needs students while developing efficiencies that exist in the private sector.
- A financial system should have a single-minded focus on student learning
- Fund the escalating costs of transportation
- Consider more local control for high-performing districts, perhaps on a pilot basis. Include technical assistance from these districts to lower-performing districts, e.g., a mentoring system.

Appendix J: Creating New Formula Sub-committee report

Overview
Special Education Task Force
Sub-Committee – Create New Formula
10-15-09

The charge of this subcommittee was to examine special education funding in other states especially in the “pack 7” in order to create a new formula for Illinois and compare them to criteria as established by the committee.

I. During the first meeting, the committee examined criteria and determined the top three of importance. (Noted with *):

- Understandable/Transparent
- Reasonable
- * Equitable – viewpoint of district
- Adequate
- Predictable
- Flexibility – can be spent – user based
- Reporting burden
- Identification Neutral
- Fiscal Accountability
- Cost Based
- Cost Control
- * Placement Neutral
- * Outcome Accountability
- Connection to Regular Ed funding
- Political Acceptability

II. Criteria Comparison of Current Illinois Formula - The definitions that were used to develop this matrix were those obtained from the publication, “*State Special Education Finance Systems, Part 1, 1999-2000*”.

Criteria	Chicago Block Grant(D299)	Personnel Reimbursement	Private	85/15 Split Extraordinary	Excess
<i>Understandable/transparent</i>	Y	Y	Y	Y	Y
<i>Equitable</i>	N	Y	N	N	N
<i>Adequate</i>	Excessive	N	Y	N	N
<i>Predictable</i>	Y	Y	Y	Y	N
<i>Flexible</i>	N	N	N	N	N
<i>Identification Neutral</i>	Y	Y	N	Y	N
<i>Reasonable Reporting Burden</i>	Y	Y	N	Y	N
<i>Fiscal Accountability</i>	N	Y	Y	N	Y
<i>Cost Based</i>	N	Y	Y	N	Y

<i>Cost Control</i>	N	Y	Y	N	N
<i>Placement Neutral</i>	Y	Y	N	Y	N
<i>Outcome Accountability</i>	N	N	N	N	N
<i>Connection to Regular Education Funding</i>	N	N	N	N	N
<i>Political Acceptability</i>	Y (Chicago)	Y	Y	Y	N
<i>Student Outcomes</i>	N	N	N	N	N
<i>Assures LRE While Maintaining Continuum of Services</i>	N	N	N	N	N

III. Various Models were reviewed with some pros/cons addressed – not all areas were addressed:

1. Weighted Funding System – depending on the weighting system used, incentives can be created to misclassify students into specific types of placements or into categories of disability that receive higher allocations.
2. Flat Grant – Fixed amount per student (Illinois Personnel Reimbursement)
3. Census Based – Based on enrollment of all students in district (Illinois 14-7.02b which replaced the old extraordinary reimbursement)
4. Resource Based – Staff/student ratio by disability or type of placement including staff, equipment, etc.
5. Percentage Reimbursement – Based on expenditures for individual programs.
6. Variable Block Grant – Base year allocation, expenditures and/or enrollment

IV. Allocation Models

- ✓ Special Ed Enrollment
- ✓ Total Enrollment (ADA, ADE)
- ✓ Type of Placement
- ✓ Disability Category
- ✓ By Classroom
- ✓ Staff
- ✓ Intensity of services
- ✓ Maintenance of Effort
- ✓ Base year expenditure
- ✓ Actual expenditure
- ✓ Allowable Costs

V. Areas of Consideration Include:

- Examining the current position paper from IAASE which advocates for funding to follow high cost students equally thereby encouraging districts to make placement neutral decisions.
- Re-examine the Chicago Block Grant which continues to increase while enrollment decreases. Perform an analysis of student enrollment vs. block grant allocation. Determine % of students enrolled in 1996 to current enrollment and that to the remainder of the state. Are the dollars following the students?
- Consider merging all special education funds and allocate them evenly across the state – i.e. student count, personnel, transportation, etc.
- Examine possible interagency agreements so as not to duplicate services, but rather to expand upon them.

- Student outcomes should be a long term goal. Is there a correlation between outcomes and formulas? If so, that formula should be pursued.
- Personnel reimbursement. This revenue stream follows a flat grant method. However, this may not promote equity because the districts that can afford to hire staff get the money and the ones that cannot afford to hire staff, don't receive funds. Does provide for ease of reporting and fiscal accountability.
- Solicit feedback from all Illinois Stakeholder groups.

VI. Additional Concern

The initial meetings of the whole provided a detailed background of Illinois funding in order to ensure a common understanding. We had just begun to analyze in two meetings the publication referenced earlier. Consequently, this sub-committee has not had sufficient time to gather adequate data or engage in appropriate and lengthy dialogue on how other states provide funding for special education services. In addition, there were challenges in getting committee members (as a whole and in sub-committee) together.

Sub-committee members:

Peg Agnos, Beth Conran, Roxanne Kovacevich, Sally Masear, Representative Sandra Pihos, Debbie Vespa

Appendix K: Response from Task Force members, Roxanne Kovacevich and Sally Masear (With input and support from members of the IAASE Finance Committee)

June 10, 2010

To Members of the HJR 24 Task Force:

Over the past two years, the IAASE Finance committee and IAASE Board have had several meetings and discussions regarding special education funding in Illinois. On June 4, 2010, the IAASE Finance Committee convened to review the recommendations outlined within the *"Draft Analysis of and Policy Alternatives for Special Education Funding in Illinois"* and review the information within *"Financing Special Education: State Funding Formulas"*. We have drafted letter in response to the recommendations presented by Tom Parrish at the last task force meeting on May 12, 2010. We respectfully request that the task force consider this response while formulating their conclusions and final written report.

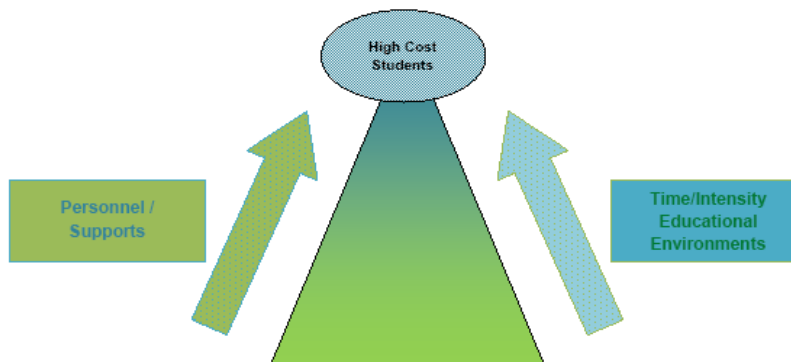
The IAASE Finance Committee members agree conceptually with the proposed weighted funding formula based on disability severity, poverty, and enrollment. However, we would like the task force to consider the following comments regarding the weighted elements within the proposed formula.

Disability/Educational Environment

The committee believes that the disability category is not as important as the intensity of the services needed to address the severity of the disability. The challenge of developing a weighted funding formula is the designing a fair system that does not rely solely on disability category, but rather on the intensity/time of the special education services. Therefore, the intensity of the services (time and resources) needs to be weighted more significantly. Lastly, the committee emphasizes that any weighted formula must address the high cost student needs and other exceptional individual cases that require greater levels of support. We would support a weighted formula provided that it captures the districts' costs for high cost students.

A weighted formula based on intensity/time of special education services addresses the variety of educational settings, educational environments, and service delivery models. A weighted funding formula also maintains the concept of "placement neutral funding" – greater intensity of time/supports can be provided regardless of the educational environment. This balances the concerns with student over identification. The "time/intensity" formula illustrated below is reflective of Colorado, Georgia, and Iowa models that center on weighted funding codes, tiered supports, intensity of needs, and educational environments.

A DUAL FUNDING STREAM THAT SUPPORTS HIGH COST STUDENTS.



We support a “time/intensity” factor that would be incorporated into a weighted formula which also includes enrollment, disability and poverty. This formula would also maintain the concept of placement neutral funding.

Personnel reimbursement is proportionate to the number of staff that a district employs based on the needs of the students they serve.

Poverty

We acknowledge that the federal funding formula is a census-based formula where Illinois distributes these funds based on a district’s 85% average daily attendance and the remaining 15% of funds are allocated on the district’s relative poverty level. While many factors influence academic performance, ISBE’s *“Special Education Student and School Data Study Final Report, 2003”* identified several factors that contribute to certain results. However, specific factors such as district wealth and student poverty apply to all students in a school or district, not just those with disabilities.

Enrollment

The current formula for distribution of federal funds contains elements of state-wide consistency by factoring in district enrollment and district poverty. This consistency across the state attempts to reduce regional disparities and supports all students. Provided that any new funding formula proposed by the HJR 24 task must include a census-based approach, we suggest that the task force consider a combination of percentages for General Education Enrollment and Special Education Enrollments. A combination of these two enrollment percentages would capture the needs of large enrollment districts by supporting current initiatives such as RtI. Secondly, a combination of enrollment percentages would account for students with disabilities in a non-disability categorical approach in smaller and/or rural districts.

We respectfully request that the task force provide a rationale for utilizing enrollment (general education/special education or a combination of thereof) for any census- based formula proposal.

Reducing the Number of Funding Streams

We endorse the concept of merging the categorical funding structures in order to reimburse school districts for students with the greatest needs and generating the highest costs equally. We support the merging of the Chicago Block Grant, Private Facility Tuition costs, Funding for Children Requiring Special Education Services, and Summer School (Extended School Year services) into one special education funding formula. While we support reducing the number of special education funding mechanisms, it is

crucial to keep Personnel Reimbursement, Transportation, and Orphanage as separate state reimbursement formulas. The following rationale is provided to maintain the separate formulas for Personnel Reimbursement, Transportation, and Orphanage:

Personnel Reimbursement

Personnel Reimbursement should remain a separate formula because a district's decision to hire staff is a local decision based on the needs of their students and the employment of staff is the single largest expense in providing special education services. The reimbursement is based on actual costs associated with providing special education services and the revenue for such expenses is an immediate relief for costs incurred by districts. The amount of reimbursement is proportionate to the number of staff that a district employs, again, based on the needs of their students. Personnel Reimbursement should not be considered a sole source of state revenue. We believe that Personnel Reimbursement does not capture nor address the level of local funding, tax levy, or fiscal disparities across the state. We are concerned about regulatory procedures that are currently in place that mandate lower special education class size requirements in the event that personnel reimbursement exceeds the amount in effect on January 1, 2007, by at least 100%.

Transportation

Transportation should remain as a separate funding stream because the revenues must match the expenditures in Fund 40. Transportation reimbursement is tied directly to each district's specific costs for special education as identified as a related service on a child's individual education program. The current transportation formula only reimburses those districts who have incurred costs in transportation, as opposed to the disbursement funds across all districts, regardless if the district had actually incurred transportation costs as a related service for students with disabilities.

Orphanage

The state reimbursement for orphanage claims is absolutely necessary to protect those districts responsible for providing special education services to students who are under the guardianship of a public agency or who reside in a state residential facility. The orphanage formula is a critical source of revenue that is tied directly to costs incurred by local districts who deliver the special education services for wards of the state.

Closing Comments/Final Considerations/Final Recommendations/Summary

We support the census-based weighted special education funding formula provided the aforementioned comments and recommendations are addressed and given serious consideration by task force members as they prepare their final written report in response to House Joint Resolution (HJR) 24 passed by the 95th General Assembly.

Respectfully submitted by,

Roxanne Kovacevich

Sally Masear

With input and support from members of the IAASE Finance Committee

Appendix L: Letter submitted to the Task Force, dated May 10, 2010, by Deborah Duskey, Chief Specialized Services Officer, Chicago Public Schools; and a follow-up letter submitted by Drew Beres, Special Assistant to the CEO, Chicago Public Schools, to Tom Parrish by e-mail on the eve of June 24, 2010.



Office of Specialized Services • 125 South Clark Street, Suite 800 • Chicago, Illinois 60603
Telephone: 773-553-1800

Ron Huberman
Chief Executive Officer

Deborah E. Duskey
Chief Specialized Services Officer

May 10, 2010

To the House Joint Resolution 24 Special Education Funding Task Force:

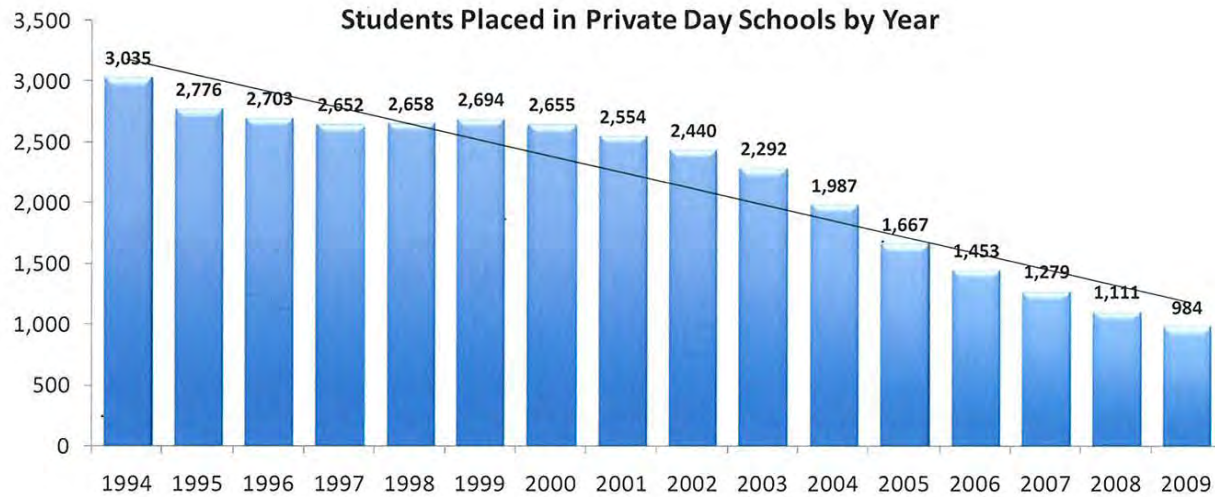
On behalf of the Chicago Public Schools ("CPS"), let me begin by thanking the task force for the opportunity to make comments on the preliminary findings referenced in Dr. Tom Parrish's report on special education funding in the state of Illinois. It is of paramount concern for CPS that all students with disabilities receive a high quality education. The achievement of our goal, in this era of severe budgetary challenges, is dependent on proper funding for special education and related services.

CPS is committed to educating students with disabilities in the least restrictive environment (LRE) and ensuring them access to all schools and program options available in the district. Private special education facilities are a part of the LRE continuum of services and CPS utilizes a wide network of excellent organizations to provide special education services for students with disabilities who require placement in separate schools or residential settings. In addition to using private providers, since 1995 CPS has invested in an infrastructure that supports LRE and expands placement options. This commitment has been pursued at significant cost to the district. The Illinois State Board of Education's consent decree in, *Corey H. v Board of Education of the City of Chicago*, Case No. 92 C 3409 ("*Corey H.*"), imposed minimum enrollment targets and maximum enrollment caps on all CPS schools and LRE targets on the district as a whole. As a result, CPS significantly expanded program options for students with disabilities, particularly for students with low incidence disabilities. The scale of this work causes the district's overall special education costs to be higher than a district that is able to place a higher proportion of its students with disabilities in one or two of its schools or in private settings outside of the district. Future funding schemes must consider the cost implications of CPS' mandated special education delivery system.

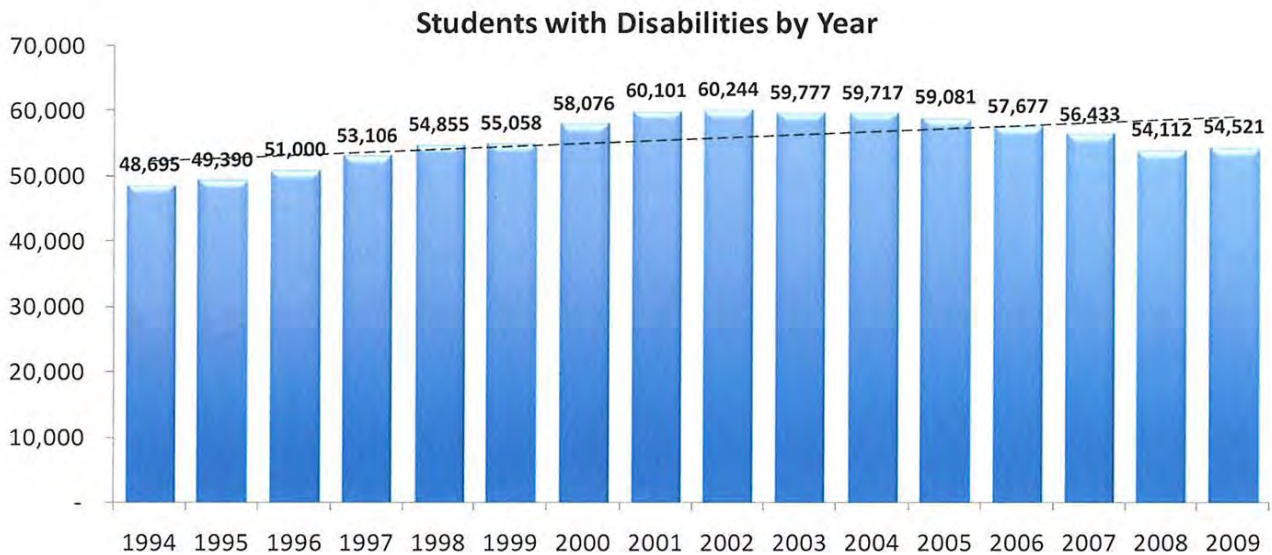
Educate • Inspire • Transform

Ron Huberman
Chief Executive Officer

Deborah E. Duskey
Chief Specialized Services Officer



While the number of private day placements has declined 68% since 1994, CPS has expanded the number of CPS programs for students with disabilities traditionally placed in private day settings. Those programs now exist in over 200 CPS elementary and high schools. During the same period, CPS also experienced a 12% increase in the number of students requiring special education services.

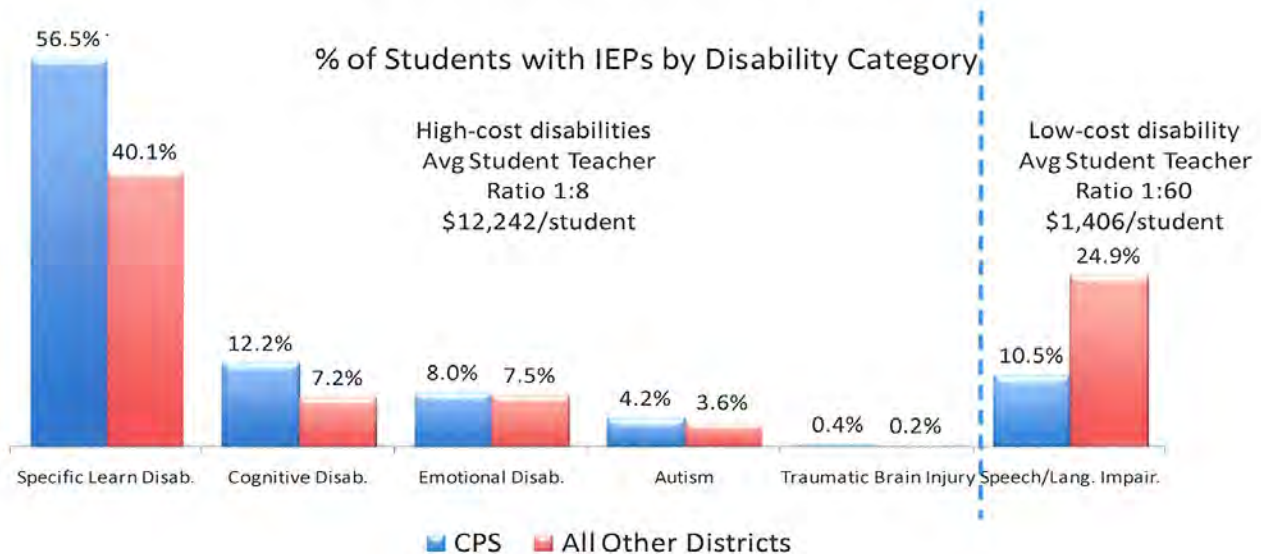


Educate • Inspire • Transform

Ron Huberman
Chief Executive Officer

Deborah E. Duskey
Chief Specialized Services Officer

While the number of students with disabilities has increased since the special education block grant's inception, it is important to note that 90% of CPS students with disabilities have disabilities other than speech/language impairment only; as compared to the rest of the school districts in the state, where 25% of the students have only a speech/language impairment. ISBE state regulations mandate the student/teacher ratio for speech/language pathologists at 1:60; whereas, ISBE regulations mandate the student/teacher ratio for the special education teachers range from 1:15 or 1:8 depending on the amount of services required by the students with disabilities. Future funding schemes must consider the various state regulations mandating class size and the severity of the disabilities served by the school districts.

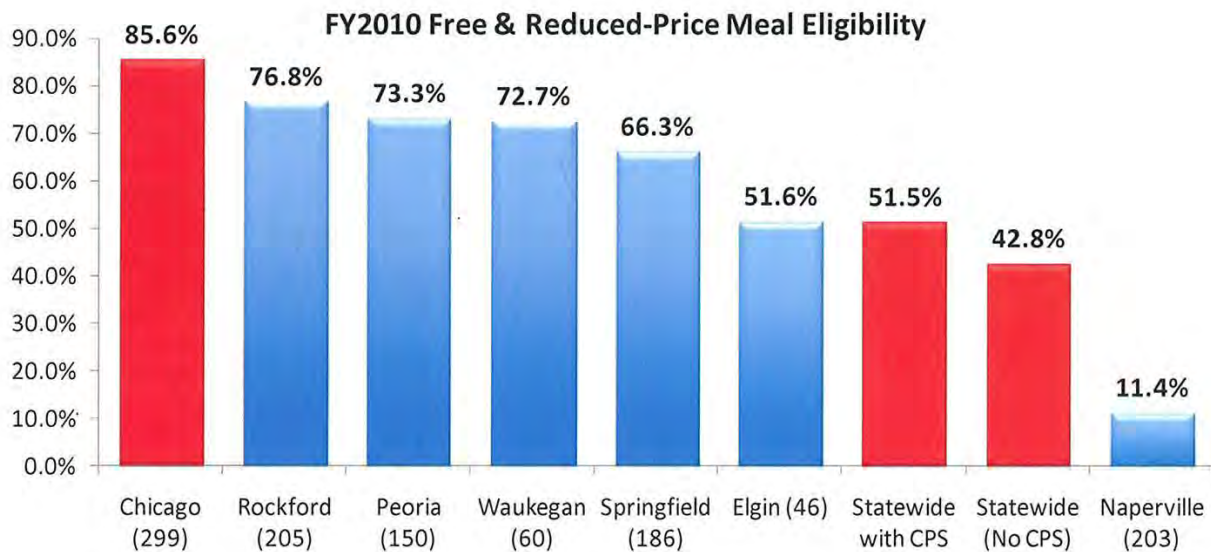


In addition to being the largest district in the state of Illinois, CPS also has a high percentage of students that qualify for free and reduced priced meals. Poverty figures are exceptionally important to take into account as economic challenges further exacerbate already fragile special needs cases.

Educate · Inspire · Transform

Ron Huberman
Chief Executive Officer

Deborah E. Duskey
Chief Specialized Services Officer



As the task force considers a range of options for the future funding of special education in the state of Illinois, it is important to consider these aforementioned statistics when attempting to understand Chicago's special education block grant. Intended to provide flexibility and account for fundamental management disparities between CPS and the rest of the state (i.e. differing pension systems, higher percentages of district schools offering various program options to students with disabilities, and compliance with the *Corey H* consent decrees amongst others), the special education block grant is the lynchpin of efficient special education administration in the state's largest district.

In its final deliberations, CPS is hopeful that the committee will consider several key criteria in its recommendations:

1. That future special education funding in Illinois be in full compliance with IDEA. As noted in the 1997 ISBE special education study, in Judge Gettleman's 1998 decision against ISBE in *Corey H*, and in the current Parrish report, IDEA compliance remains a significant concern. The current funding formula is not consistent with IDEA because it more generously reimburses costs associated with more restrictive environments.
2. Acknowledge the *Corey H* legal obligations imposed on CPS through ISBE's settlement agreement and consider its implications for special education funding in Chicago.



Office of Specialized Services • 125 South Clark Street, Suite 800 • Chicago, Illinois 60603
Telephone: 773-553-1800

Ron Huberman
Chief Executive Officer

Deborah E. Duskey
Chief Specialized Services Officer

3. Acknowledge regional variations in the cost of living. Analysis of special education funding in Illinois should take into account differences in the cost of living throughout Illinois. Several regional cost measures show that these differences are significant – up to 60% (e.g. the Regional Price Parity research of the Bureau of Economic Analysis, U.S. Dept of Commerce and the Comparable Wage Index developed by the National Center for Education Statistics, U.S. Department of Education). In addition, at least 15 states take into account variations in the cost of living or cost of education in their state education funding formulas (see *State Policies that Pay – A Survey of School Finance Policies and Outcomes*, Editorial Projects in Education, Inc., 2010).
4. Use enrollment as the basic student count in all census based special education funding in Illinois. The current state program “funding for children requiring special education services” uses average daily attendance as its basic student count. However, school budgets and staffing are based on enrollment. Moreover, using average daily attendance disadvantages districts that have lower attendance or districts whose student population is likely to have a higher proportion of poor and minority students than the state as a whole.
5. The large disparity in state funding for teacher pensions in Chicago versus the rest of the state must be considered. In FY 2010 state funding for teacher pensions in Chicago was only \$38 million and funding for TRS was \$2.4 billion (Chicago funding was less than 2% of teacher pension funding for the rest of the state). This great disparity plus the fact that special education teachers generate pension costs means that comparing state special education funding in Chicago with that of the rest of the state must now take state pension funding into account.

Thank you for your consideration of these important issues.

Sincerely,

Deborah E. Duskey
Chief Specialized Services Officer

Cc: Eileen Rudden
Gretchen Brumley
Drew Beres

Educate • Inspire • Transform

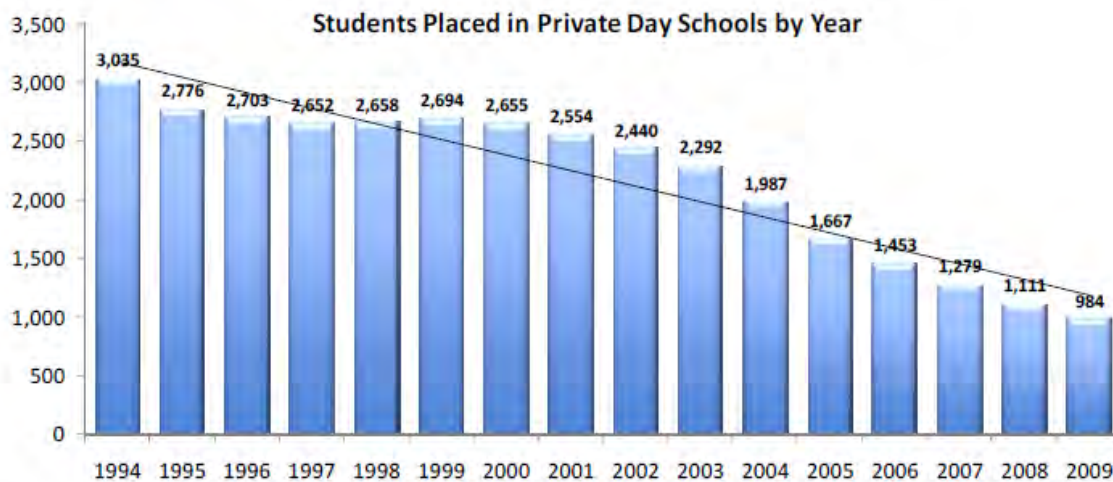
To the House Joint Resolution 24 Special Education Funding Task Force:

On behalf of the Chicago Public Schools (“CPS”), let me begin by thanking the task force for the opportunity to make comments on the findings referenced in Dr. Tom Parrish’s report on special education funding in the state of Illinois. It is of paramount concern for CPS that all students with disabilities receive a high quality education. The achievement of our goal, in this era of severe budgetary challenges, is dependent on proper funding for special education and related services.

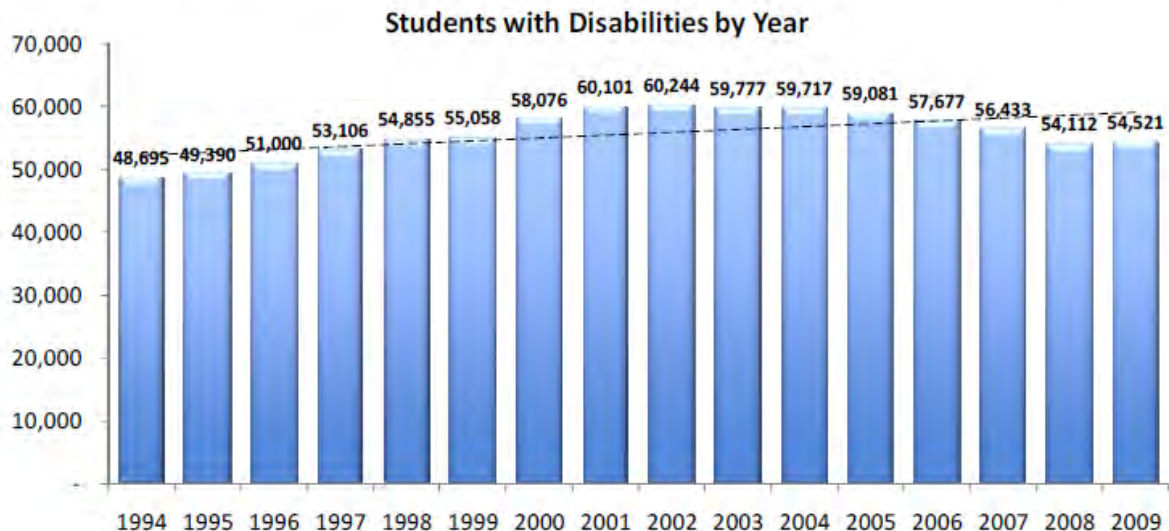
Before getting into the more substantive comments, some points must be made exceptionally clear:

- Though it is the largest school district in the state of Illinois and has the largest population of students with disabilities, the **Chicago Public Schools had no representation on this task force.**
- Moreover, when CPS became aware that this task force’s findings were based on erroneous data, CPS shared accurate data with Dr. Parrish. **None of this correct information was integrated into the report.**
- Dr. Parrish’s proposed funding structure would lead to a \$206 million reduction in funding for the Chicago Public Schools and an over \$100 million reduction in funding for south suburban Cook County. In effect, the **funding proposal diverts funding from the two areas with the highest concentration of poverty and highest number of students with disabilities in the state of Illinois** and redistributes it to districts with significantly lower volumes of poverty and lower numbers of students with disabilities.
- This report does not acknowledge the obligations imposed on CPS by ISBE’s *Corey H* consent decree or consider the fact that, unlike every other district in Illinois, **CPS pays its own teacher pensions which contributes to significantly higher personnel costs.**

CPS is committed to educating students with disabilities in the least restrictive environment and ensuring them access to all schools and program options available in the district. Private special education facilities are a part of the LRE continuum of services and CPS utilizes a wide network of excellent organizations to provide special education services for students with disabilities who require placement in separate schools or residential settings. In addition to using private providers, since 1995 CPS has invested in an infrastructure that supports LRE and expands placement options. This commitment has been pursued at significant cost to the district. The Illinois State Board of Education’s consent decree in, *Corey H. v Board of Education of the City of Chicago*, Case No. 92 C 3409 (“*Corey H.*”), imposed minimum enrollment targets and maximum enrollment caps on all CPS schools and LRE targets on the district as a whole. As a result, CPS significantly expanded program options for students with disabilities, particularly for students with low incidence disabilities. The scale of this work causes the district’s overall special education costs to be higher than a district that is able to place a higher proportion of its students with disabilities in one or two of its schools or in private settings outside of the district. Future funding schemes must consider the cost implications of CPS’ mandated special education delivery system.

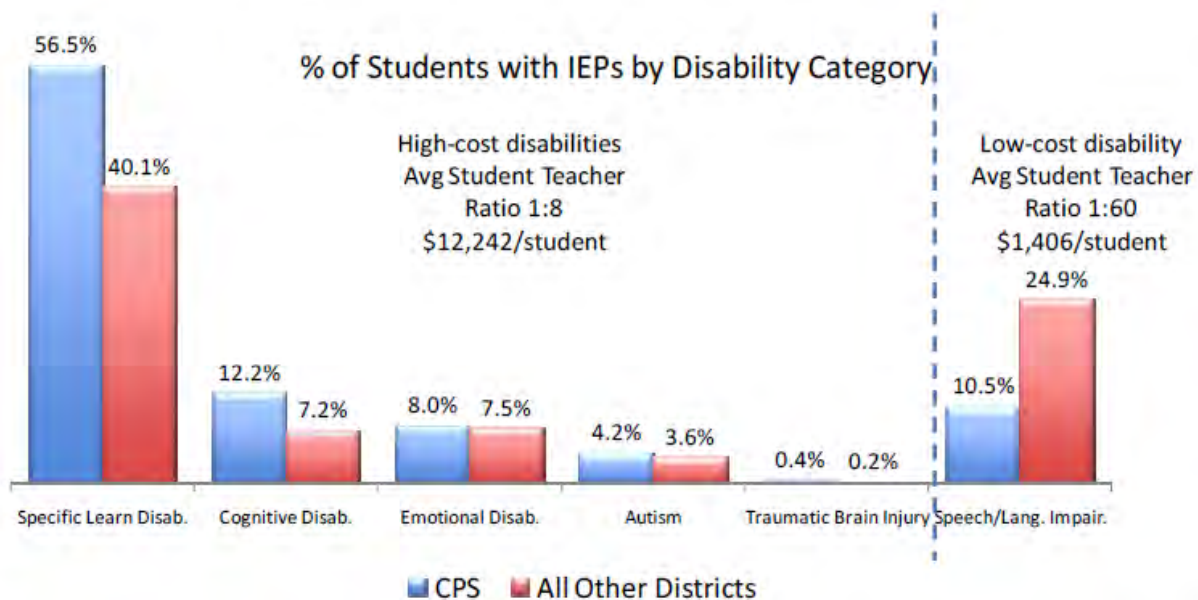


While the number of private day placements has declined 68% since 1994, CPS has expanded the number of CPS programs for students with disabilities traditionally placed in private day settings. Those programs now exist in over 200 CPS elementary and high schools. During the same period, CPS also experienced a 12% increase in the number of students requiring special education services.

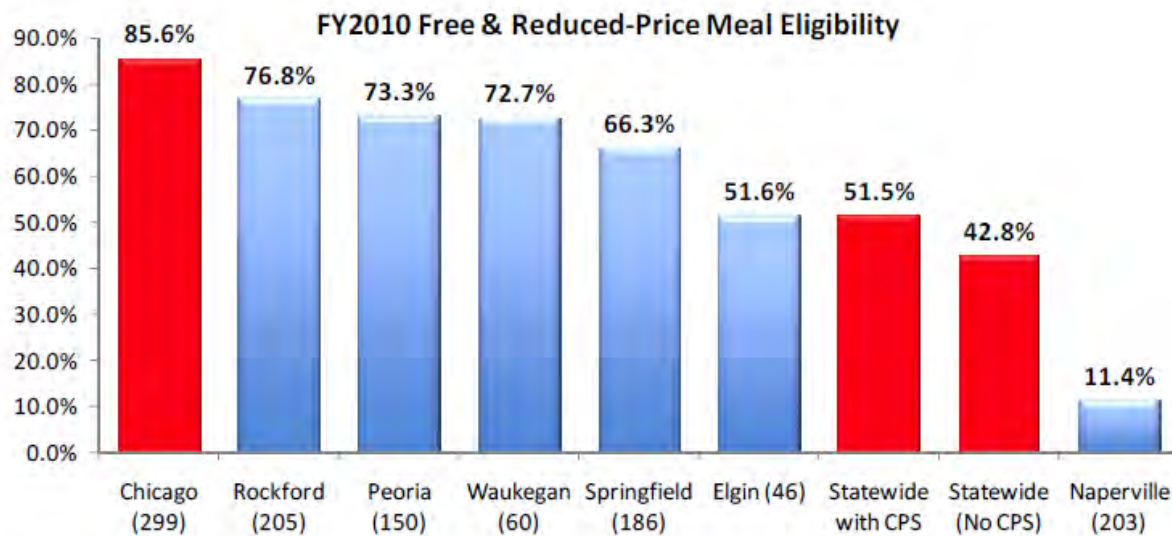


While the number of students with disabilities has increased since the special education block grant's inception, it is important to note that 90% of CPS students with disabilities have disabilities other than speech/language impairment only; as compared to the rest of the school districts in the state, where 25% of the students have only a speech/language impairment. ISBE state regulations mandate the student/teacher ratio for speech/language pathologists at 1:60; whereas, ISBE regulations mandate the student/teacher ratio for the special education teachers range from 1:15 or 1:8 depending on the amount of services required by the students with disabilities. Future funding schemes must consider the various state regulations mandating class size and the severity of the disabilities served by the school districts.

Please note, that on page 27 of his report, Dr. Parrish incorrectly states that “the number of special education students and staff employed, have declined for Chicago.” During public comment at the June 17, 2010 task force meeting, CPS was able to bring this glaring inaccuracy to Dr. Parrish’s attention and he committed to removing it from his report.



In addition to being the largest district in the state of Illinois, CPS also has a high percentage of students that qualify for free and reduced priced meals. Poverty figures are exceptionally important to take into account as economic challenges further exacerbate already fragile special needs cases.



As the task force considers a range of options for the future funding of special education in the state of Illinois, it is important to consider these aforementioned statistics when attempting to understand Chicago's special education block grant. Intended to provide flexibility and account for fundamental management disparities between CPS and the rest of the state (i.e. differing pension systems, higher percentages of district schools offering various program options to students with disabilities, and compliance with the *Corey H* consent decrees amongst others), the special education block grant is the lynchpin of efficient special education administration in the state's largest district.

In its final deliberations, CPS is hopeful that the committee will consider several key criteria in its recommendations:

1. Acknowledge the *Corey H* legal obligations imposed on CPS through ISBE's settlement agreement and consider its implications for special education funding in Chicago.
2. Acknowledge regional variations in the cost of living. Analysis of special education funding in Illinois should take into account differences in the cost of living throughout Illinois. Several regional cost measures show that these differences are significant – up to 60% (e.g. the Regional Price Parity research of the Bureau of Economic Analysis, U.S. Dept of Commerce and the Comparable Wage Index developed by the National Center for Education Statistics, U.S. Department of Education). In addition, at least 15 states take into account variations in the cost of living or cost of education in their state education funding formulas (see *State Policies that Pay – A Survey of School Finance Policies and Outcomes*, Editorial Projects in Education, Inc., 2010).
3. Use enrollment as the basic student count in all census based special education funding in Illinois The current state program “funding for children requiring special education services” uses average daily attendance as its basic student count. However, school budgets and staffing are based on enrollment. Moreover, using average daily attendance disadvantages districts that have lower attendance or districts whose student population is likely to have a higher proportion of poor and minority students than the state as a whole.
4. The large disparity in state funding for teacher pensions in Chicago versus the rest of the state must be considered. In FY 2010 state funding for teacher pensions in Chicago was only \$38 million and funding for TRS was \$2.4 billion (Chicago funding was less than 2% of teacher pension funding for the rest of the state). This great disparity plus the fact that special education teachers generate pension costs means that comparing state special education funding in Chicago with that of the rest of the state must take into account the fact that Chicago must fund its teacher pensions on its own whereas every other district in Illinois receives a substantial amount from the state of Illinois for theirs. This pension obligation adds significant costs to Chicago that every other district in the state of Illinois does not have to contend with.

Thank you for your consideration of these important issues.

Appendix M: Alternative Report to Proposed HJR 24 Special Education Finance Task Force Report Distributed by Bridget Helmholz at the June 17, 2010 Task Force Meeting

HJR 24 Mission: To study current special education funding needs and to make recommendations as to how the State can increase special education funding and ease the financial burden on school districts

This alternative report principally covers two areas:

I. Alternative recommendations regarding means of accomplishing the Task Force mission

II. The “vote” by 6 of the 9 attendees (one voted “present”, and the Task Force has 16 members) at the May meeting that the current funding formula is not “placement-neutral.” This “vote” is not a majority of the Task Force membership. A quorum was never identified, since a vote was not anticipated.

Alternative Option #1: Consider The Value of an Inflation Factor for Increasing Special Education Funding To Provide An Appropriate Education For All the Students who Need It:

Representatives of constituencies including parents and families and the 10,000 students currently receiving services in therapeutic day schools have agreed that there are several ways upon which we can implement the mission given to this Task Force.

Several of these methods are found in the funding formulas developed in other states as described in the paper “*Financing Special Education: State Funding Formulas*,” by Eileen Ahearn (April 2010). These methods are itemized below:

- 1) Consider the use of an inflation factor in at least one of the formulas, such as Personnel Reimbursement or Services for Students Requiring Special Education, in Illinois. States using this method are California (Cost of Living Adjustment or COLA), New York (Consumer Price Index or CPI), Pennsylvania (inflation index with modifications), and South Dakota (CPI or 3%, whichever is less).

The former Extraordinary Formula and the current formula for high-cost students in Services for Students Requiring Special Education (SRSES) have been capped in either one of two ways. First, the Extraordinary formula provided a discrete amount of \$2,000 per student. At the time this formula was implemented this figure matched the difference with the formula for “Private Tuition.” However, the absence of any inflation factor for the Extraordinary formula resulted in the amount of funding available remaining static, and ultimately dwindling over time to the detriment of service delivery to students for whom this formula was designed to serve.

1.

When the Extraordinary formula was replaced by the SRSES in 2004, an even worse mistake was made in the legislation by the Illinois Alliance of Administrators of Special Education (IAASE). The funds available for to pay for services to the highest cost students was tied to a relatively small and finite amount of money: the money **left over** after room and board funds were paid out of the federal discretionary money.

However, we call to your attention that the SRSES formula provides an alternative source of funding for school districts: the census-based formula that, when combined with the formula for excess costs, results in a large appropriation of \$331, 051,100 (FY 2009 figures), which could have easily been available in its entirety to pay for the \$52 million currently needed to fund the most vulnerable students who are over 4 per capita. As of FY 2004, this \$331 million, which formerly went to pay for high-cost students, has been spread around to all districts. Now, IAASE seeks a new source of funding for high-cost students. It was once available; wholesale change was made; now dissatisfied with that change, IAASE seeks to both keep the unsatisfactory change and add more to it. This addition comes at a substantial price: an even larger appropriation shifted to the architects of poorly drafted legislation at the expense of District #299 and the most vulnerable students in the State, i.e., those in poverty and those who are served in the successful private schools.

Caveat to Alternative Option #1: More Appropriations Require Greater Accountability, Cost Containment and Transparency. Much discussion has occurred during the Task Force deliberations about the monitoring, cost-reporting/containment, and substantial consequences for non-compliance that exist in the private sector for services to the most vulnerable population. The report makes no mention of these discussions.

Given best practices, the General Assembly's and Governor's Office's call for accountability and transparency, and the concerns of legislators who are knowledgeable about education with the mismanagement of funds in education, a larger appropriation for high-cost students must include:

- Cost-containment: 89 Il. Adm. Code Part 900, The Illinois Purchased Care Review Board, governs all rate-setting for private programs. Rates are set on two year-old costs, with annual caps provided on occupancy, support and administrative costs.
- Auditing: All costs for each program are audited annually
- Effective Monitoring: On-site monitoring occurs every 3 years; and approval is required every year.
- Effective sanctions for non-compliance: Approval for private schools requires compliance with every area of Part 401 rules. If compliance is not corrected within a specified period of time, private schools will be placed on "pending" status and cannot provide services to children.

The dramatic sanctions for nonpublic schools in Part 401 identified in the last bullet point are substantially different from the enforcement of compliance in public schools. In the

most recent Illinois State Performance Plan repeated referred to the need for improvement of systems administration and monitoring of the compliance of school districts in areas that are fundamentally important to the provision of a Free Appropriate Public Education (FAPE) for students. These required improvements included a) “employ incentives and sanctions as identified within the focused monitoring procedures ‘to ensure school district compliance’”; b) “identify and impose sanctions to school districts for timeline violations,” and c) provide “prompt and appropriate remediation or professional discipline for failure to document appropriate timelines.”

- Program evaluation: Although school districts receive monitoring, there is no specific schedule for monitoring the highest-cost programs for the most vulnerable students, as there should be. In the report “*Financing Special Education: State Funding Formulas*,” (April 2010), the State of Iowa requires that students funded with specific weights and funded under specific sections shall have their programs audited to determine that the “children...have received the appropriate special education instruction and support services.” In addition, “an evaluation of the special education instructional program (shall) determine if the program is adequate and proper to meet the needs of the child.”

During Task Force deliberations, there have repeatedly been efforts to connect the additional funds with additional accountability and transparency...to no avail.

In fact, “The White Paper: Special Education Funding Formula (November 1998),” has been quoted because of a statement about federal compliance, but no reference has been made regarding the following statements contained in it:

Any funding formula change should “address cost-containment provisions, program accountability, greater accountability for student achievement, continuation of the Chicago Block Grant, and more efficient, effective use of resources.” If 12 year-old proposals are used by the Task Force, do not cherry-pick the recommendations.

Finally, including these elements will fix the recurring problem of “creative accounting,” which was again referenced in “The White Paper,” and which continues to occur. At one meeting of the Task Force, the ISBE Division Administrator for Finance and Disbursement stated that the cost claims from school districts “lack fiscal integrity.” Has this problem been fixed? The answer to this question might be found in the cited proration for excess cost programs in the current formula. The proration is 4.88% for FY 2005. The appropriation required to fully fund excess cost is estimated at \$52 million. This is the estimated amount District #299 stands to lose due to the drop in the block grant percentages from 48.4% for “Private Tuition” to 29.2% for “SRSES.”

Alternative Option #2: Consider amending Section 17-2.2a (105 ILCS 5) of the Illinois School Code to increase the amount of the special education levy.

Given the grave financial circumstances of the State, any new appropriation is unlikely.

However, to meet the mission of the Task Force to “increase funding for special education and to ease the financial burden on school districts,” amendments in local tax fund availability and raising the ceiling on percentage amounts specifically for special education is an option to consider.

Alternative Option #3: Eliminate the current census-based SRSES formula and use the \$331,051,100 (FY 09) appropriation for payment of high-cost services.

This option provides substantial additional money to pay districts for students whose program costs over 4 per capita, and possibly for those students whose services cost over 3 per capita.

The Underrated Funding Formula Criterion: Political Feasibility

One could argue about the political feasibility of the abovementioned change; to which we would respond: Consider the political feasibility of merging “Private Tuition” and “Services for Students Requiring Special Education.”

The latest report incorporates the 12 year-old “White Paper: Special Education Funding Formula” (November 1998), which stated “it appears that the current state law is out of compliance with the new federal law” (which, at that time was IDEA 1997). In a discussion with then Director of the Office of Special Education Programs, Dr. Thomas Hehir, he informed an Illinois delegation that the “Illinois funding formula is not out of compliance with Federal law.” We are keenly aware that just saying so in a paper, in a Task Force, does not make it so.

There have been at least three occasions where efforts have been made to eliminate the statute that provides the budget line item for “Private Tuition.” After the 1997 White Paper, there was an effort by the administration headed by Superintendent Joseph Spagnolo and again with legislation sponsored by Representative Jerry Mitchell. In both of those instances, the Superintendent and the Representative agreed that elimination of this line item would not be supported.

The preamble to Section 14-7.02 for “Private Tuition,” states:

“The General Assembly recognizes that non-public schools or special education facilities provide an important service in the educational system in Illinois.” We believe the Illinois General Assembly understands the value, cost-effectiveness, and the necessity of private schools in special education. The ability of parents to have the choice to obtain this service for their children is a substantial service that legislators can provide to their constituents.

Whether this service is available throughout the State can be handled by Regional Offices of Education; but principally, and understandably, the availability of

private schools is a function of population density: there must be a large enough number of students to make such programs viable.

In this latest effort to eliminate the line item, once again, the argument is that the “Private Tuition” line item is not “placement neutral.” The phrase “placement neutral” is specious in that it is not contained anywhere in federal conference report, law, or rule.

Compliance with Federal IDEA: The State is required to “have policies and procedures in place to ensure compliance” so that students are placed “in special schools....only when the nature and severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieve satisfactorily.

Nothing in the current report provides proof that the State of Illinois is out of compliance with the LRE provision of Federal law or that the current funding formula “Private Tuition” undercuts the individual IEP and placement processes in either an individual or systematic way.

The Congressional Conference Report for IDEA of 2004 reads as follows:

“The law requires that each public agency shall ensure that a continuum of alternative placements (instruction in regular clases, special classes, special school, home instruction, and instruction in hospitals and institutions) is available to meet the needs of children with disabilities for special education and related services. State funding mechanisms are in place to ensure funding is available to support the requirements of this provision, not to provide an incentive or disincentive for placement. (Note: premiums for placement in regular classroom have been disallowed by OSEP as well).

Part B’s LRE principle is intended to ensure that a child with a disability is served in a setting where the child can be educated successfully in the least restrictive environment. Through the IEP *process* the teach shall make placement decisions that are individually determined on the basis of each child’s abilities and needs. The new provisions in this section were added to prohibit States from maintaining funding mechanisms that violate appropriate placement decisions, not to require States to change funding mechanisms that support appropriate placement decisions.”

In fact, in the recent state funding formula review, “type of placement” was a form of funding identified in 12 states (page 3), not including Illinois. In addition, placement by private setting was identified in Arizona, Georgia, Idaho, Maryland, Nebraska, New Jersey, New York, Texas and Virginia. And, these are only the identified ones. The author states early in the report that the review is not all-inclusive:

“This report focuses on main funding sources. It is important to note that students with disabilities are also supported through other funding mechanisms in most states such as risk pools for students with high-cost needs or targeted assistance for special programs such as extended school year services or for students who need behavioral supports or other mechanisms.” (Page 7)

EQUITY AND POVERTY: Rather than improving funding support for the neediest children, the redistribution of funds as proposed in the report would shift funds to districts at the high end of the spending spectrum and away from the children for whom the funds were explicitly appropriated, i.e., Chicago (in the block grant) and the poor districts in Illinois (as evidenced in the two per capita provision found in the “Private Tuition” line item). As a result, adequacy will not be reasonably attained, causing irreparable harm to the neediest children in Illinois.

While addressing the concept of equity and educational adequacy, one must identify if the policy adopted will truly result in “equity.” Does the policy reflect the intended outcome or were adjustments made in the policy (i.e., hold harmless, prorations and caps) that result in a “significant gap between intention and actual effect (Verstegen & Driscoll, 20009)? The real test of a funding formula’s equity is the difference between intent of the statute and outcome. Stated differently, does the formula reach its intent of a quality education for all children?

Because of a substantial shortage in state funds, reshuffling and redistribution of the categorical dollars will result in a proration of the appropriated funds. Allowing these statutorily provided funds to be redistributed away from their intended purpose would be tragic to the neediest children of Illinois. These funds were originated out of the needs of children. These children have not gone away; their needs continue to exist.

SUMMARY: This Task Force has not carefully deliberated on the funding needs of special education, nor has it developed a consensus on how to meet those needs or how to increase funding for the most vulnerable students in education. Rather, it has become a repository for the preconceived ideas of a small group of people who identified a forum in which their “shuffling of the current dollars” could be called a report. We disagree with the process and the substance.

Respectfully submitted,

Bridget Helmholz
Representative, HJR 24 Special Education Funding Task Force
June 17, 2010

**Appendix N: Additional materials submitted to the Task Force by member,
Bridget Helmholtz, June 23, 2010**

Dr. Tom Parrish
American Institute for Research
Palo Alto, CA 94304

Dear Dr. Parrish:

This is a cover letter to the following documents:

- Options to Increase Special Education Funding in Illinois (see appendix M)
- An Historical Perspective In Special Education Finance,
including “Summary of Principles”
- Review and Assessment of HJR 24 Draft Report

As discussed at the last meeting of the Task Force, several of us on the Committee (including Beth Conran, Charlotte des Jardins, Dr. Frances Carroll, and myself) and those who gave public testimony, including staff of the Chicago Public Schools, I am enclosing these documents as proof in writing that views that are different from your own have consistently been raised at every meeting of the Task Force. Our concern is that these views are not in the report, and thus the report is not reflective of the discussion of the Task Force.

We agreed at the last meeting that you would draft a report that includes our points of view. Therefore, I am submitting the abovementioned reports to you along with this letter. I encourage you, also, to review the tapes of the meetings, since I am confident you will find the opinions expressed in these papers were also consistently voiced at every meeting of the Task Force.

The paper entitled “Options to Increase Special Education Funding in Illinois,” had the previous title of Alternative Report to the HJR 24 Task Force Report. Since a vote has not been taken on any report, I have renamed this report and submitted it in my name, as a representative of all of the constituents of the Illinois Association of Private Special Education Centers (IAPSEC). Please call me if you have questions.

Sincerely,

Bridget Helmholtz
Governmental Affairs Consultant
Illinois Association of Private Special Education Centers



**PROTECT EDUCATION FOR 10,000 OF ILLINOIS' MOST VULNERABLE STUDENTS:
OPPOSE THE "MERGE" OF THE MANDATED CATEGORICALS (PRIVATE TUITION) AND (SERVICES FOR STUDENTS REQUIRING SPECIAL EDUCATION)
SUMMARY OF PRINCIPLES**

- Over time, resource-based and census-based funding consistently lead to the need for subsequent development of categorical funding for high cost students.
- Dollars no longer follow the child in the current public sector formula. The power of the legislature to ensure service availability is mitigated with a lack of dedicated funding and regulatory oversight in this formula.
- The use of the entire public sector formula as a census-based appropriation appeared to be an effort to allow local control and decision-making for the funds.
- A historical perspective reveals that such values (local control and decision-making) provide an indirect effect of developing a new problem: how to pay for high-cost students who are located in districts that have substantial variations in revenues and expenditures.
- Comparing the funding formulas outlined in Sections 14-7.02 and 14-7.02b are like comparing apples and oranges. Special schools have discrete funding through their formula. Any additional source of revenue the schools receive is offset in their rate-setting by the Illinois Purchased Care Review Board. However, for public school districts, there is a menu of 34 other line items in the ISBE budget that school districts have to select from in order to fund students whose services are high cost. Consider, for example, an average per capita of \$6,500; average Federal funding of \$1,300, and State Special Education reimbursement of \$2,832. The total is \$10,632, which is very close to the \$10,840, which is the average special education expenditure.

Contact: *Bridget Helmholtz, Illinois Association of Private Special Education Centers, 217-638-1351; brh1105@gmail.com*

AN HISTORICAL PERSPECTIVE SPECIAL EDUCATION FINANCE IN ILLINOIS

Background: A proposal has been made to the Governing Board of the Illinois State Board of Education (ISBE) to merge two line items in the ISBE budget: “Private Tuition” and “Services for Students Requiring Special Education.” These funding sources are codified in Sections 14-7.02 and Section 14-7.02b of the Illinois School Code, respectively. Before any funding formulas are merged in the State of Illinois, a review of what has transpired with changes in public sector funding is key to identifying the underlying problems inherent in this proposal.

1) Resource-based and census-based funding consistently lead to the need for subsequent development of categorical funding for high-cost students.

The “Extraordinary” funding formula was legislated in the early 1970’s when it was discovered that the resource-based funding for special education for all school districts (Personnel Reimbursement) was inadequate to protect districts from the fiscal impact of students requiring very costly services.

The Extraordinary formula was cost-based and was applied for every student whose program cost more than one district per-capita, and was later changed to reimburse districts for every student whose program cost 1 ½ times the district per capita.

With the passage of P.A. 93-1022 in 2004, the \$243,058,000 previously spent on high-cost students was distributed on a census basis, not for reimbursement of program costs driven by specific student Individualized Educational Programs (IEP’s). ***In this current formula, dollars no longer follow the child. The power of the legislature to ensure service availability is mitigated with a lack of dedicated funding and regulatory oversight.***

In the legislation, a small appropriation (residual federal funds remaining after payment for the room and board of students who were placed in residential facilities by school districts) was tied to students who were high-cost (over 4 times the district per capita). ***The use of the entire appropriation of General Revenue Funds for a census-based formula*** (rather than the high-cost student criterion), and the small, finite federal appropriation tied to high-cost students ***appeared to be an effort to allow local control and decision-making for the use of the funds.***

In 2009, a number of special education cooperatives generated a proposal that, once again, provides a separate reimbursement formula for high-cost students, which would add the appropriation currently earmarked for students in private schools.

The census-based formula adopted in 2004 was enacted to increase local control and to ease the burden of paperwork and administrative costs. This chronology reveals that such values provide an indirect effect of developing a new problem, that is, how to pay for high-cost students who are located in districts that have substantial variations in revenues and expenditures.

There is another danger here. P.A. 93-1022 appears to have created some of the greatest losers amongst the high poverty school districts. For example

- *80% of the districts who lost money with this formula have over 50% poverty rate:*
 - A) East Peoria has a 78% poverty level and 70% minority students and lost \$954,000.*
 - B) East St. Louis has 90% poverty level and a 99% minority students and lost over \$400,000.*

80% of the districts who received additional dollars in the formula have under 50% poverty rates:

- A)Northbrook (0% poverty and 1% minority students)*
- B) Lake Forest (0 % poverty and 7% minority students) gained over \$100,00*
- C) New Trier (2% poverty and 12% minority students) received an additional \$374,000*
- D) Batavia (4% poverty and 10% minority students) received an additional \$381,000*

Block grant proposals, again providing local flexibility and administrative simplicity, fail to safeguard the rights of students under federal law for an appropriate education. *State oversight of school districts and cooperatives, including effective monitoring with the ability to enforce findings, along with earmarked funding for the most vulnerable populations provides the most effective route to ensuring appropriate education for students with disabilities.*

2) The reimbursement process to date is fraught with a lack of fiscal integrity, based as it is, on cost reports that are consistently viewed as excessive, are based on district self-attestation, and are unmonitored by the State.

Starting with the Extraordinary funding formula in the early 70's, and continuing with the change to the Extraordinary formula in 1993, districts began claiming students as "high-cost" whose programs cost as little as one dollar over the per capita tuition charge. The State was well aware of this "loading up," and districts were as well. The greatest criticisms of school districts about themselves, as expressed in the Special Education Finance Task Force in 1998, was the variation in sophistication of districts in claiming; thereby resulting in large variations in reimbursement using this formula.

A merge of line items with the consistent abuse of previous and existing funding formulas promises a future of unbridled growth in the costs claimed for students in special education.

REVIEW AND ASSESSMENT OF THE
SPECIAL EDUCATION NONPUBLIC COMPLIANCE MONITORING REVIEW REPORT
BY THE
IAPSEC OUTCOMES AND ACCOUNTABILITY COMMITTEE
5/22/08

BACKGROUND: The abovementioned report was reviewed by IAPSEC members at their meeting on 5/16/08. The draft report was provided to IAPSEC membership upon request of Beth Hanselman, ISBE Assistant Superintendent for Special Education. IAPSEC offered to work with ISBE to develop a tool that, in our initial understanding, would more closely replicate the practices currently engaged in by Illinois public school districts.

TOOL REVIEW AND ASSESSMENT: It is the sense of this group that the draft report is merely the old compliance monitoring checklist with quantitative assessment and a new numbering or “grading” system, which will result in several outcomes for non-compliance. We agree with the development of a tool that removes unnecessary administrative discretion on the part of the monitors. The standardization of monitoring from school-to-school, removing any whim of the current monitor is an important change.

The grading system is listed on page 12 of the document and essentially requires that any scoring in the document that results in a score below 100% can result in a school being designated as “approved with administrative review.” Although this degree of scrupulousness is consistent with the “letter” of the Part 401 rules; we believe that there are changes we can recommend that would be more congruent with the “spirit” of compliance.

We believe the scoring system is overly punitive in that it does not differentiate between categories of non-compliance of a more substantive nature from those that are essentially ministerial. There is one important distinction, however, wherein schools with scores below 85% are placed on “pending further review.” We believe this is an appropriate distinction.

IAPSEC endorses full compliance with the Part 401 rules. However, we disagree that all infractions between 85% and 99% should carry equal merit. We believe that a mechanism can be developed whereby categories of non-compliance can be grouped by level of seriousness in their impact on students, staff, and the learning environment. For example, the less serious infractions could be handled by drafting a letter of intent between the school and the monitor regarding less serious infractions. Proof of compliance could be offered to the monitor prior to the completion and distribution of the final report. If proof is offered regarding current compliance on issues cited, the designation of “approved with administrative review” could be avoided. This is just one example of a system that acknowledges there are substantial variations amongst the items on the checklist with regard to importance.

Finally, this group feels that work with ISBE and IAPSEC should continue in a formal fashion to develop outcomes measures that, when appropriate, more closely mirror the focus on outcomes that directly impact students and their learning that are currently ongoing in public school districts. In order to properly measure the value and quality of student learning in nonpublic

special education facilities, we propose development of a monitoring process that measures some of the most valued features in public school instructions, i.e.,

- Evidence of the use of state learning standards
- Access to the general education curriculum
- Individual student behavior improvement
- Individual student learning improvement
- Linkage of the above elements to transition and/or post-discharge outcomes

Appendix O: Statement from Tim Imler, Division Administrator, Division of Funding and Disbursement Services, Illinois State Board of Education (ISBE)

These revenue data reflect FY 2009 special education disbursement allocation for all 871 school districts. Six special education programs were included in the file and are commonly referred to as the mandated categoricals. Those programs include the Funding for Children Requiring Special Education Services, Special Education Personnel, Special Education Private Facilities, Special Education Summer School, Special Education Transportation and Special Education Orphanage. All but the Special Education Orphanage program operate on a reimbursement basis; that is, funding is provided in the fiscal year following service delivery. For these programs the FY 2009 special education disbursement amount is for cost claims submitted in the 2007-08 school year. The Special Education Orphanage program is operated on a current year basis with funding provided in the school year of service. For this program, the FY 2009 special education disbursement amount is for cost claims submitted in the 2008-09 school year.

Most districts are part of special education joint agreements or regional programs and therefore may not file claims for certain special education programs such as personnel and transportation due to the fact that the joint agreement hires the staff, operates the program and provides transportation. In order to allocate funding to school districts for the purposes of the FY 2009 special education disbursement file, the December 1, 2007 special education child count for each district was taken into proportion to the total special education count for the cooperative or joint agreement for which they are a member to calculate a percentage. The district percentage was multiplied by the cooperative or regional program disbursement amount to derive an allocation amount for the district. These amounts are represented in the columns labeled Personnel Coop, Transportation Coop and Orphanage Coop for joint agreement programs and Other Personnel for regional special education programs.

Appendix P: Additional materials submitted to the Task Force by member, Beth Conran, June 23, 2010

Additions to the current proposed report. These comments have been repeatedly made during the Task Force Meetings and in previous comments provided.

Page 2: Necessary Additions to the Introduction

In Illinois and across the nation, we are experiencing the effects of a recession that are taking their toll on the ability of local school districts to provide the services that they need and want to provide, not just for children with special needs but for all children in their respective school districts. The Task Force was formed prior to these hard times and I applaud the foresight of the General Assembly in their attempt to be proactive on the subject. Often during times of economic hardship, one will find people moved to accept change, but some changes can result in the better and other changes can result in turning neighbors against each other. The Task Force members need to take care not to allow the latter to occur. The members of this Task Force are hard working, dedicated individuals with the common goal of providing the best services for the children of Illinois. I urge the membership to take care to seek out all relevant information and to move with care in all recommendations.

The focus of the Task Force shifted from making recommendations on “new” funds to identification of how to redistribute current funds. There was little if any discussion in our meetings relative to leveraging additional dollars for students with special needs. There is much work to be done as the ability of the Local Education Agencies (LEA) to leverage local wealth is creating significant disparities in resources to students across Illinois. This issue has reached critical mass in Illinois as the gap between the haves and the have not’s grows as does the gap in the achievement levels of our children.

Many Task Force members felt that state funds should be used to equalize resources to all the children of the state, reducing the disparity in local wealth realized in Illinois. These members felt that it is every child’s constitutional right to an adequate education, as indicated in the U.S. Constitution. There were members present who felt that equalization should be defined as everyone getting their fair share of state funds.

Members of the Task Force discussed protections afforded under the current formula to the neediest students in the state. The Individuals with Disability Education Act (IDEA) of 2004 mandates the availability of a full continuum of services in the provision of a Free and Appropriate Public Education. IDEA (2004) does not mandate full inclusion. In fact, the multi dimensional funding formulas found in Illinois currently provide for state funds to follow the child by assisting districts in funding for all placements.

The Task Force had discussions on containing costs and auditing expenses, essential to our state’s ability to reasonably provide school districts with funds for children with disabilities. The Task Force members all agreed that any new funding formula developed will need to rely heavily on cost containment. Additionally, the associated costs will need to be audited with financial reports created according to

Generally Accepted Accounting Procedures (GAAP). The costs of services to the special education child need to be identified, weighed, and contained to maintain adequate but not excessive funding.

Page 2

Additional information about the contractual obligations specified in the contract between Dr. Parrish and Illinois needs to be explicitly stated. Inclusion of the exact language of the contract's "Scope of Work" is necessary so that the reader has an understanding as to whether the author fulfilled his contractual obligations to the State of Illinois as written. This will enable the Task Force to identify if the author's work went beyond the scope of the contractual agreement or if the provisions were appropriately followed.

In Paragraph 5 of this page, it needs to be clarified where in the report the recommendations for increasing special education funding in the state are addressed.

Page 3, Paragraph 1

The author omitted the information he received at the Task Force meeting from members of the previous Task Force. Information was shared with Dr. Parrish during Task Force meetings and in numerous correspondences regarding the OSEP finding that indicated that the funding formulas in Illinois were indeed in compliance with the requirements set forth in IDEA.

It is essential that the current report clearly states that the Riffel report (repeatedly cited in the current report by Dr. Parrish) resulted in a funding formula change in Illinois. This change has further resulted in many poor districts losing state funding. The same leaders who were staunch proponents of the last change are currently asking for a change that would allow wealthy districts to dip into a funding source that was explicitly set aside for the poor districts and their neediest and most fragile students.

Page 3, Paragraph 3 through Page 4

Dr. Parrish indicates numerous times that the current formulas in Illinois are not "placement neutral" as required in IDEA. IDEA never uses the term "placement neutral". That is a term that has been coined by the author. It needs to be clearly indicated in the report that IDEA does not in any version discuss "placement neutrality". Dr. Parrish's statements lead the reader to believe that IDEA does include such a statement.

Page 3, Paragraph 3: Additional thoughts that need to be included in the report

Equity for Whom?

We need to first identify for whom fiscal equity is being sought: the child or the taxpayer? In the case of educational equity, the answer is the **child**. Education is the key focus of schooling and education is intended to provide opportunity for the child, not the taxpayer. Indeed, providing equitable educational opportunities for all children is the charge placed by the Illinois General Assembly on the appointed members of the Task Force.

Research supports the concept that some children are more costly to educate than others. One could reasonably assume that that members of the Special Education Funding Task Force would unanimously

agree on this point. Further, research also supports the concept that children who are disabled and children who live in poverty will be more costly to educate than the children who do not have these characteristics. As a nation and a state, we have embraced these differences and afforded these children additional resources in our efforts as a society to provide equal opportunities and a Free and Appropriate Public Education (FAPE) as required under federal law for all children.

Special education funding that is based on the provision of adequacy in education and the distribution of additional funds is considered a weighted system of funding. Within the range of special education needs, there lay additional variables or characteristics which one could argue should be weighted as well. It is the impact of poverty and who is responsible for equalizing resources to respond to this impact that is in disagreement among Task Force members. The author contends that the Task Force cannot choose what to weigh and not weigh in their deliberations. Empirically-based research indicates poverty has as significant an impact on the efficacy of a child's education as does a disability. The child who has both a disability and lives in poverty has even greater needs than the child who does not. To choose to ignore the variable of poverty in discussions of funding for special education would be discriminatory.

To argue that a weighted system will create an increase to any one weight would be an argument against additional funds to the poor and the disabled. Children are different. There is not a one size fits all formula. This reality supports the argument for the current weighted system found in federal, state, and local distributions of funds and in the provision of an equitable funding system as defined by a system that provides unequal resources for unequals. Researchers of economic phenomenon identify a weighted system as essential in ensuring equity in education. Weighting children recognizes the relationship of disparities among children relative to both individual characteristics and environmental influences.

Equity in Education a Historical Perspective

Improving the educational outcomes for students from economically disadvantaged households and for children with disabilities has been a priority for federal and state educational agencies, notably since the Supreme Court's 1954 *Brown v. Board of Education* decision to end racial segregation in schools. Federal policy writers furthered the fight for the provision of equity with aggressive legislation such as the Elementary Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA). These landmark Acts were designed to improve educational opportunities for economically disadvantaged children as well as children with disabilities. Federal policies were developed with the notion that no child should experience educational deprivation, supporting the nationally held belief that education is the constitutional right of every child.

Discussing the landmark 1971 *Serrano v Priest* case, Verstegen and Driscoll (2009) indicate in their work "On Equity: The Illinois Dilemma Revisited a Response to a Response":

"The court adopted the principal of fiscal neutrality—that is, equal opportunity—that the level of resources available should not be a function of wealth, other than the wealth of the state as a whole. This opinion found that the state has a constitutional obligation to equalize the value of the taxable wealth in each district, so that equal tax efforts will yield equal resources." (p. 58)

The *Serrano v. Priest* finding affected numerous fiscal equity cases across the nation with state courts noting, “Every child is a child of the state”. Rebell (2006) indicates that judges have “learned that education funding in the United States was based more on inequitable political deals than on any serious assessment of actual educational needs” (p. 2). There is a judicial priority to level funding and provide an adequate education for all children.

The quality of a child’s education cannot be diminished because of a child’s disability nor should it be a result of local wealth. Instead, one should find that educational funding is a result of the state as a whole. State funding, as argued litigiously and supported by court findings, should be wealth neutral, providing equal educational opportunity for all children. The provision of equitable resources to all children supports the nationally recognized notion that all children of the state are equally important (emphasis added) and are entitled to the same advantages.

Equitable Distribution of Funding Resulting in Adequacy

Adequacy of education should be a key issue when discussing educational funding at all levels of governmental policy making. Verstegen and Driscoll (2008) stated that, in Illinois, funding at the bottom of the distribution is dismal and insufficient. Over half of Illinois children have funding below the level established through research as needed to “adequately” meet state laws and standards set forth by State Education Agencies.

In efforts to quantify educational adequacy across a state, Chambers, Levin, and Parrish (2006) indicated:

“... we calculated the ratio of the projected expenditures necessary to achieve adequacy to actual expenditures, and we refer to this as the *adequacy gap*. The adequacy gap essentially measures the need of a district relative to its current condition in the context of the level of resources it employs. Given a set amount of resources, districts with higher proportions of pupils in poverty, students with disabilities, English language learner students, or lower levels of actual current spending have larger adequacy gaps” (p.24).

As an example, Chicago contains approximately 25% of the weighted pupils in the state and falls at the low end of the funding range with about \$4,634 per weighted pupil spending. One will find a wide disparity of spending with other districts afforded \$18,000 per pupil (Verstegen & Driscoll, 2009). Rather than improving funding support for the neediest children, the redistribution of funds as proposed in the current document would shift funds to districts at the high end of the spending spectrum and away from the children for whom the funds were explicitly appropriated, i.e., Chicago (block grant) and the poor districts (as evidenced in the two per capita provision found in the Private Tuition line Item) of Illinois. As a result, adequacy will not be reasonably attained, causing irreparable harm to the neediest children in Illinois.

While addressing the concept of equity and educational adequacy, one must identify if the policy adopted will truly result in “equity” as argued in this document. Does the policy reflect the intended outcome or were adjustments made in the policy (i.e. hold harmless, pro-rations and caps) that result in a “significant gap between intention and actual effect” (Verstegen & Driscoll, 2009, p. 45)? The real test of a funding formula’s equity is the difference between the intent of the statute and the outcome.

Stated differently, does the formula reach its intent of a quality education for all children? Because of a substantial shortage in state funds, reshuffling and redistribution of the categorical dollars will result in a proration of the appropriated funds. Allowing these statutorily provided funds to be redistributed away from their intended purpose would be catastrophic to the neediest children of Illinois. These funds originated out of the needs of children. These children have not gone away. They exist. Their needs continue to exist as well.

Pages 7-9: Enrollment, placement, and funding data in Illinois and the nation

The author excludes the SPP data for 5b without a thorough analysis of why those numbers have changed over time. The author again does not use data to support his analysis. He has chosen specific information to make his case and excluded other information. This is not in keeping with the AIR research protocol and Code of Conduct that requires AIR researchers to provide all the relevant data.

In this section it would be appropriate to use the terms set forth by OSEP since the federal requirements are being cited. A description of each of the categories under Indicator 5 and a description of the placements should be included. In omitting this, the reader is without important information and perspective (i.e. 5a is 80% or more in regular class, 5b is students placed out of the general education class between 40% and 79% of the time, and 5c are those children placed in public day schools, private day schools, home, hospitals, and residential settings.)

Also, the ISBE and several others have provided Dr. Parrish with data that disaggregate those children placed in 5c by exact placement under 5c. These data include changes in the actual placement by location under 5c. These data have also been excluded from the report and need to be included.

Pages 9-10

Dr. Parrish has not completed his research in the area of standardized salary estimates. He excluded information about variables that play into salary estimates, such as local wealth and district funding sources for retirement. For example, Chicago's teacher retirement is funded differently from the rest of the state but comparisons were made in the report that did not thoroughly investigate the impact of this difference. Conclusions were drawn based on inaccurate information or lack of information. One can only conclude that there are variables across states that create disparities in salaries which is why the USDE created a Personnel-Based Special Education Expenditure Index and did not do a simple side by side raw data analysis of Regions as conducted in the current document. **One cannot statistically draw these conclusions without first taking into account or, at the very least explicitly noting, that factors exist that cause these conclusions to be inaccurate and inconclusive.**

Page 11: Personnel component of the formula

The author does not include that this formula is a census-based formula where funds are not distributed based on local wealth or by the district's ability to leverage local wealth. It is merely based on the number of personnel that a district employs. If a district can afford to hire more personnel, they will receive more funds back from the state. A district that cannot hire more personnel or find qualified personnel will receive less reimbursement. This compounds the disparities between the rich and the poor, widening the gap between the haves and have not's. This issue is further compounded by the pro-

ration of the line item. Districts who have hired more personnel have created a shortage in the line item which then required legislators to pro-rate the line item. This leaves poor districts with even less state funding and leaves local tax payers with an additional burden in funding.

Page 15

The author neglects to include factors such as cost of living by area, cost of personnel by region, and other variables that most researchers contribute to why the statistical findings are not uncommon. Additionally, there is no inclusion of the differences in funding revenues and funding expenditures by regions, which calls into question the scientific merit of the conclusions that were subsequently drawn.

Page 16

Who determined what the relevant data were by region? Identification of the data to be used was never discussed by the Task Force as a whole. Similarly, the way that data were to be analyzed was never discussed in the Task Force meeting. These data were merely presented to the Task Force, with little if any input or communication among the Task Force membership as a whole.

Page 17: Criteria for considering a change to the formula

“Promoting comparable services for students with comparable needs across the state”: This statement should be expanded upon to explain that we had prioritized equalization of funds based on the district’s ability to leverage local wealth. This was an integral part of Task Force discussion and needs to be included in the report.

In this section, the Task Force also prioritized the need to serve students in the LRE. This was not a discussion of “placement neutrality” but of service in the LRE.

Page 18

Again, “placement neutrality” was not the focus. Instead, placement in the LRE was a prioritized area. The IEP drives placement.

Pages 18-23

Additionally, there is no inclusion of the differences in funding revenues and funding expenditures by regions, again making the conclusions drawn without scientific merit. While the size of district is a consideration, the author again does not follow the appropriate research protocol in that there is no analysis of district type in the report. This was clarified for the author in the February responses to the draft report. However, this information has not been addressed, even after it was pointed out as a variable that could alter the conclusions drastically.

Page 23: Concerns with the State Special Education Formula

The author again does not support statements with sound scientific research. His statements are opinions without a statistical basis and he has failed to include data and materials he was presented with at Task Force meetings. These data contradict his statements but were not included in his report:

1. Equity as it was defined by the Task Force is not included in the report. The report does not reflect the Task Force definition and understanding of equity. The author supports equality as

horizontal equity while task force members agreed that vertical equity was essential. In a meeting held in February 2010, the Task Force clarified that equity was not the equal distribution of funds to all children based on a census formula but rather equity was defined as the equalization of resources. The Task Force membership indicated over and over again that state resources were to be used to equalize resources to needy children and NOT that each child gets their equal share. THIS NEEDS TO BE CHANGED AS THE REPORT IS FALSIFYING THE FINDINGS OF THE TASK FORCE.

2. The current version of equity within the private line item does provide the equity that the Task Force is seeking to provide, with accountability and transparency. It is the model that has provided for the neediest students and supported the poorest districts.
3. Dr. Parrish states that “the nonpublic component of the formula provides substantial incentives for private placement.” Dr. Parrish has no data that support this claim. It is his opinion. Without sound research, this statement is just an opinion or a theory, but it is recorded in the report as a research-based conclusion. In a report of this magnitude, the work of a researcher from AIR should not be opinion but rather should be based on sound statistical research. Inclusion of data taken from the State Performance Plan regarding the numbers of students placed privately in comparison with those placed publicly does not support Dr. Parrish’s opinion. However, even after repeatedly giving him these data, he refused to include this information in the report. Additionally, the private line item is perfectly aligned with the Task Force’s definition of equity. Again, this information has been excluded from the report as it does not support Dr. Parrish’s conclusions. Research does not support these conclusions.
4. Dr. Parrish refers to changes in the provision of LRE from IDEA 92 to IDEA 97. There are not substantive changes in the law from IDEA 92 to IDEA 97. Dr. Parrish continues to make this statement, but does not show where the changes were made. Again, he has not provided data that support his claim nor has he been able to identify where in IDEA the term placement neutral is used.
5. Dr. Parrish continues to reference a report that was written in 1998. This was a report that was discounted by both the legislature and the ISBE. The only funding change made that was suggested by the 1998 report resulted in over 80% of the districts who have over 50% poverty losing state funding.
6. Dr. Parrish does not point out that there is a requirement in IDEA for districts to provide a continuum of placements. Having funds set aside by the state to do just this is necessary for the poor districts of our state. The line item originates as a result of small districts and districts of great need to have dollars explicitly set aside to provide these services.

Page 24, Paragraph 3

Dr. Parrish makes numerous references to the IAASE Position Paper but never references the IAPSEC Position paper or information shared by other members of the Task Force, thereby excluding integral information. This is not in keeping with appropriate scientific research protocol.

Page 24

Dr. Parrish continues to ignore the fact that children placed in private schools have only been placed there after the public school district has exhausted on campus and off campus programs. The report negates to inform the reader that the children placed in private placements are only done so after all public options have been exhausted where by indicating the severe nature of the child's disability. Section 14-7.02 of the Illinois School Code requires districts in Illinois to certify to the State Superintendent of Education the following:

“Nothing in this Section authorizes the reimbursement of a school district for the amount paid for tuition of a child attending a non-public school or special education facility, public out-of-state school or county special education facility unless the school district certifies to the State Superintendent of Education that the special education program of that district is unable to meet the needs of that child because of his disability and the State Superintendent of Education finds that the school district is in substantial compliance with Section 14-4.01.”

Despite data to the contrary, Dr. Parrish's continued concern that districts are placing children based on a funding formula and not following the requirements of IDEA and Illinois School Code is an affront to all educators across the state. Dr. Parrish is accusing the Superintendents of Illinois of falsifying state-required reporting and of essentially stealing from the people of Illinois to line their pockets.

Page 24: The nonpublic component of the formula contributes substantially to inequities in the system

This statement needs to be clarified. What Dr. Parrish is referring to is that wealthy districts cannot get the money that is set aside for the poor districts. It means that state funds should be distributed equally and not dependent on poverty or need and that everyone gets the same amount, which is not, of course, the purpose of state funds. Numerous research studies have been shared with Dr. Parrish regarding inequities in Illinois, none of which have made their way to this report. In fact, studies developed in 2009 and 2010 were overlooked while studies from 1984 were cited. Research that is almost 20 years old was used rather than research from 2009 and 2010 by researchers from reputable institutions.

Page 26, Paragraph 3

Data does not include variables that create the disparities across the state. He has not conducted any statistical data runs that can demonstrate causal relationships nor be considered research using scientific principles.

Page 26, Paragraph 6

Dr. Parrish does not include teacher retirement, a significant variable found only in Chicago. Inclusion of this information is essential if an accurate analysis is to be made and conclusions drawn. The data need to be analyzed taking all the variables into consideration, so that accurate and unprejudiced conclusions can be drawn.

Page 38: Consideration of new formula

The report states:

“...the disparity in academic performance observed across the system, with some districts reporting 80% or more of their special education students testing proficient in reading and a number of districts reporting less than 20% of their special education students achieving at this level. It can also be observed that these highs and lows are occurring in districts of comparable size. While an inverse relationship between poverty and performance is generally observed, it can also be seen that some high poverty districts show very high levels of achievement for their special education students (e.g. greater than 80%) and some quite low (e.g. less than 20%). Thus, while poverty seems related to achievement, it is not an absolute determinant.” (p.38)

There are three different types of districts in Illinois: elementary districts serving K-8th grade students, high school districts serving 9-12th grade students, and unit districts serving K-12th grade students. To make comparisons across all districts does not take into account the grade level differences of pupils. The Task Force needs to consider a pupil weighted system for analysis rather than comparing the achievement levels of an elementary district to a high school district. Research supports the notion that as a child ages, the achievement gap between the disabled child and their non-disabled peers widens. The percentage of children in Illinois and across the nation who perform close to grade level is higher in the elementary grades than in high school. It also needs to be noted that Illinois high schools test in the 11th or 12th grade, where the achievement gap is at its widest. Thus, comparing an elementary district to a high school district skews the results. The NTL2 (2006) states that “results of the NLTS2 direct assessment demonstrate that by the time students who receive special education services reach secondary school, serious academic deficits are apparent for many students” (p.47). When the chart shown in the draft document was presented to the Task Force, these points were made but perhaps not clarified. The Task Force needs to consider weighing pupil characteristics, perhaps using a statistical model similar to that of the authors of “On Equity: The Illinois Dilemma”.

There are concerns across the state relative to a district’s ability to leverage local wealth and the cost to local school districts. In Illinois, local education agencies carry the lion’s share in the fiscal provision of education. The state is a local control state, putting great responsibility on local school districts in the provision of an adequate education for all children. We need to explore the concept of increasing available state resources to those communities that are unable to leverage local wealth instead of focusing on how to redistribute funds.

Page 40: Severity and student outcome

The report states:

“It is also interesting to note the positive relationship observed between the percentages of special education students served predominately in general education classrooms and the percentage proficient in reading. However, it is not clear as to what extent this is simply an artifact of lower poverty districts “including” more students in general education or whether there appears a relationship between placement and performance beyond the influence of poverty. The percentage of students spending 80% or more in the general education class does show a positive statistically significant relationship with reading proficiency.” (p. 40)

IDEA 2004 has a provision for children that indicates that special education services in a setting without regular contact with nondisabled age-appropriate peers is appropriate when the nature or severity of the child's disability is such that education in a less restrictive environment with the use of supplementary aids and services cannot be achieved satisfactorily. Given this provision, one could reasonably state that the academic performance of a child placed in a more restrictive environment would be significantly more impaired than one placed in a general education classroom. This leads to the conclusion that the child's performance is not a **result** of the placement but rather due to the nature and severity of the disability. Research supports this. For example, as Chambers, Levin, and Parrish write, "District average pass rates among special education students is also shown to plummet as need increases: from 52% to 21%, 21% to 5%, and 80% to 51% for elementary, middle, and high schools, respectively" (p. 25). Noted previously in the Chamber, Levin, and Parrish document is the definition of need as related to poverty, ELL, students with disabilities, and spending levels.

One needs to consider that children placed in a more restrictive environment have not had their educational needs met in the less restrictive environment. Further, drawing a conclusion that a child's lack of academic growth is a result of their current placement is not supported by the type of statistical analysis outlined in the draft report. Although the author reports that there is a relationship between placement and reading proficiency, it is important to note that this is not a **causal relationship**. The report is misleading to imply, on the basis of a correlational relationship, that placement causes lower or higher reading proficiency. Characteristics of the child, including severity of disability and years in each placement, would need to be weighed prior to the Task Force drawing these types of conclusions in relation to making recommendations relevant to funding formula changes.

In addition, the Task Force should consider additional research in discussions relevant to student performance. In 2006, the National Longitudinal Transition Study 2 (NLTS2), for example, conducted a thorough statistical analysis of factors related to the disabled student's educational progress. In another example, a study conducted by the Institute of Education Sciences, National Center for Special Education Research (2009) draws the following conclusions relative to students with mental retardation in high school:

"Performance on standardized academic assessments revealed that, across all subtest, all but 1 percent of students with mental retardation scored below the norm, and all assessment subtest had mean standard scores more than two standard deviations below the norm." (Institute of Education Sciences, National Center for Special Education, p. 31)

The IES (2006) indicates in the NLTS2 that there are several factors associated with the academic achievement of youth with disabilities. The study states that "being from a low-income household has a relationship to academic achievement" (p. 48). Further, gender and "variations in families' support for the education of their adolescent children with disabilities add significantly to an understanding of their patterns of academic achievement" (p. 48). The report specifically notes that there is no evidence that placement can be correlated with academic achievement. However, the study does indicate that the severity of the child's disability is a factor that can be reasonably associated with academic achievement, stating that:

“youth’s disabilities affect their functioning broadly and that those who were affected by their disabilities earlier in their lives have lower scores on many of the subtests than youth whose disabilities are reported to affect a more limited number of domains or who did not manifest a disability as early, independent of other factors included in the analyses” (p.47)

The study goes on to indicate that:

“disability related factors explain much of the variation in measures of youth’s academic achievement. However, apart from differences in their disabilities and functioning, differences in their racial/ethnic backgrounds and in the incomes of the households in which they live also related significantly to differences in their academic achievement.”(p. 48)

HJR 24 SPECIAL EDUCATION FUNDING TASK FORCE

RESPONSES FROM TASK FORCE MEMBER ON DRAFT REPORT

Elizabeth Conran

2/10/2010

The following are comments relative to the Draft Report written from The Special Education Funding Task Force formed through HJR 24 of which the author is an appointed member.

Executive Summary

In Illinois and across the nation we are experiencing the effects of a recession that are taking their toll on the ability of local school districts to provide the services that they need and want to provide, not just for children with special needs but for all children in their respective school districts. The Task Force was formed prior to these hard times and I applaud the foresight of the General Assembly in their attempt to be proactive on the subject. Often during times of economic hardship, one will find people moved to acceptance of change, but some changes can result in the better and other changes can result in turning neighbors against each other. The Task Force members need to take care not to allow the latter to occur. The members of this Task Force are hard working dedicated individuals with the common goal of providing the best services for the children of Illinois. I urge the membership to take care to seek out all relevant information and to move with care in all recommendations. This said I respectfully request that the Task Force and General Assembly consider the points made in the attached document.

There are several key points I would like to make relative to the draft report, points made by myself and others during the meetings but perhaps not clarified or stated to this extent. I have attempted to provide the Task Force members with research that supports these concepts so they may be entered into the final report to the General Assembly.

Focus seems to have moved from making recommendations on “new” funds to identification of how to redistribute current funds. There was little if any discussion in our meetings relative to leveraging additional dollars for students with special needs. Instead we seemed to have put the majority of our efforts into how to redistribute the existing funds. There is much work to be completed as Local Education Agencies (LEA) ability to leverage local wealth is creating significant disparity in resources to students across Illinois. This issue has reached critical mass in Illinois as the gap between the haves and the have not’s grows as does the achievement levels of our children. I believe this is where the Task Force should be putting the lion’s share of our efforts and not in how we can take from Peter to pay Paul.

The notion of equity needs to be thoroughly discussed, as there were points made in the Task Force meetings that are not reflected in the draft document. While the Task Force members did not agree on the definition of equity only one side of the discussion is identified in the draft document. Many of Task Force members felt that state funds should be used to equalize resources to all the children of the state reducing the disparity in local wealth realized in Illinois. These members felt that it is every child’s constitutional right to an adequate education as indicated in the U.S. Constitution. There were members present who felt that equalization should be defined as everyone getting their fair share of state funds. Both perspectives are real for the members and both versions should be reflected in the final document.

The Task Force had discussions relative to student outcomes and severity of disabilities, while the draft document begins to touch on these discussions there is relevant information missing. Members of the Task Force discussed protections afforded under the current formula to the neediest students in the state. The Individuals with Disability Education Act (IDEA) of 2004 mandates the

provision for a full continuum of services in the provision of a Free and Appropriate Public Education. IDEA (2004) does not mandate full inclusion. In fact the multi dimensional funding formulas found in Illinois currently provide for state funds to follow the child by assisting districts in funding for all placements.

Lastly, there is a lack of information relative to the Task Force's discussions on containing costs and auditing of expenses essential to our state's ability to reasonably provide school districts with funds for children with disabilities. The Task Force members all agreed that any new funding formula developed will need to weigh heavily on cost containment. Additionally, the costs associated will need to be audited with financial reports created according to Generally Accepted Accounting Procedures (GAAP). The costs of services to the special education child need to be identified, weighed, and contained to maintain adequate but not excessive funding.

In an effort to have the thoughts of the Task Force members reflected and the voice of needy children across the state heard I urge the author of the draft report to include the following information in the final report to the General Assembly. I hope this document assists members of the Task Force to understand: why equity cannot and should not be defined as the equal distribution of revenues; why one needs to clearly define the needs of the children and accurately depicting the data on articulating the affect of the funding formulas, and not just the policies intent; and finally, to thoroughly report to the General Assembly the discussion points made in the Task Force meetings of the whole.

Aristotle writes, “...the source of battles and complaints is either that people who are equal have unequal shares, or that people who are not equal have equal shares, distributed to them”.

On the subject of Fiscal Equity Cubberley (1906) writes:

“All Children of the state are equally important and are entitled to the same advantages”.

Equity for Whom?

We need to first identify for whom fiscal equity is being sought: the child or the taxpayer? In the case of educational equity the answer is the **child**. Education is the key focus of schooling and education is intended to provide opportunity for the child not the taxpayer. Indeed, providing equitable educational opportunities for all children is the charge placed by the Illinois General Assembly to the appointed members of Task Force.

Research supports the concept that some children are more costly to educate than others. One could reasonable assume that that members of the Special Education Funding Task Force would unanimously agree on this point. Further, research also supports the concept that children who are disabled and children who live in poverty will be more costly to educate than the children who do not have these characteristics. As a nation and a state, we have embraced these differences and afforded these children additional resources in our efforts as a society to provide equal opportunities and a Free and Appropriate Public Education (FAPE) as required under federal law for all children.

Special education funding that is based on the provision of adequacy in education and the distribution of additional funds is considered a weighted system of funding. Within the range of special education needs, there lies additional variables or characteristics by which one could argue should be weighted as well. It is the impact of poverty and who is responsible for equalizing resources of this impact that is in disagreement among Task Force members. The author contends that the Task Force cannot choose what to weigh and not weigh in their deliberations. Empirically based research indicates poverty has as a significant impact on the effects of a child’s education as does a disability. The child who has both a disability and lives in poverty has even greater needs than the child who does not. To choose to ignore the variable of poverty in discussions of funding for special education would be discriminatory.

To argue that a weighted system will create an increase to any one weight would be an argument against additional funds to the poor and the disabled. Children are different. There is not a one size fits all formula. This reality supports the argument for the current weighted system found in federal, state, and local distributions of funds and in the provision of an equitable funding system as defined by a system that provides unequal resources for unequals. Researchers of economic phenomenon identify a weighted system as essential in assuring equity in education. Weighting children recognizes the relationship of disparities among children relative to both individual characteristics and environmental influences.

Equity in Education a Historical Perspective

Improving the educational outcomes for students from economically disadvantaged households and children with disabilities has been a priority for federal and state educational agencies notably since the Supreme Court's 1954 *Brown v. Board of Education* decision to end racial segregation in schools. Federal policy writers furthered the fight for the provision of equity with aggressive legislation such as the Elementary Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA). These landmark Acts were designed to improve educational opportunities for the economically disadvantaged children as well as children with disabilities. Federal policies were developed with the notion that no child should experience educational deprivation in the school, supporting the nationally believed notion that education is the constitutional right of every child.

Discussing the landmark 1971 *Serrano v Priest* case, Verstegen and Driscoll (2009) indicate in their work "On Equity: The Illinois Dilemma Revisited a Response to a Response":

The court adopted the principal of fiscal neutrality—that is, equal opportunity—that the level of resources available should not be a function of wealth, other than the wealth of the state as a whole. This opinion found that the state has a constitutional obligation to equalize the value of the taxable wealth in each district, so that equal tax efforts will yield equal resources (p. 58).

The *Serrano v. Priest* finding affected numerous fiscal equity cases across the nation with state courts noting, "Every child is a child of the state". Rebell (2006) indicates that judges have "learned that education funding in the United States was based more on inequitable political deals than on any serious assessment of actual educational needs" (p. 2). There is a judicial priority to level funding and provide an adequate education for all children.

The quality of a child's education cannot be diminished because of a child's disability nor a result of local wealth. Instead, one should find educational funding is a result of the state as a whole. State funding, as argued litigiously and supported by court findings, should be wealth neutral, providing equal educational opportunity for all children. The provision of equitable resources to all children supports the nationally recognized notion that all children of the state are equally important (emphasis added) and are entitled to the same advantages.

Equitable Distribution of Funding Resulting in Adequacy

Adequacy of education should be a key issue when discussing educational funding at all levels of government policy making. Verstegen and Driscoll (2008) write that, in Illinois funding at the bottom of the distribution is dismal and insufficient over half of the Illinois children have funding below the level established through research as needed to "adequately" meet state laws and standards set forth by State Education Agencies.

In efforts to identify, educational adequacy across a state Chambers, Levin, and Parrish (2006) indicated, "... we calculated the ratio of the projected expenditures necessary to achieve adequacy to

actual expenditures, and we refer to this as the *adequacy gap*. The adequacy gap essentially measures the need of a district relative to its current condition in the context of the level of resources it employs. Given a set amount of resources, districts with higher proportions of pupils in poverty, students with disabilities, English language learner students, or lower levels of actual current spending have larger adequacy gaps” (p.24). As an example, Chicago contains approximately 25% of the weighted pupils in the state and falls at the low end of the funding range with about \$4,634 per weighted pupil spending. One will find a wide disparity of spending with other districts afforded \$18,000 per pupil (Versetgen & Driscoll, 2009). Rather than improving funding support for the neediest children, the redistribution of funds as proposed in the draft document would shift funds to districts at the high end of the spending spectrum and away from the children for whom the funds were explicitly appropriated for, i.e., Chicago (block grant) and the poor districts (as evidenced in the two per capita provision found in the Private Tuition Line Item) of Illinois. As a result, adequacy will not be reasonable attained, causing irreparable harm to the neediest children in Illinois.

While addressing the concept of equity and educational adequacy, one must identify if the policy adopted will truly result in “equity” as argued in this document. Does the policy reflect the intended outcome or were adjustments made in the policy (i.e. hold harmless, pro-rations and caps) that result in a “significant gap between intention and actual effect” (Verstegen & Driscoll, 2009, p. 45). The real test of a funding formulas equity is the difference between intent of the statute and outcome. Stated differently, does the formula reach its intent of a quality education for all children? Because of a substantial shortage in state funds, reshuffling and redistribution of the categorical dollars will result in a proration of the appropriated funds. Allowing these statutorily provided funds to be redistributed away from their intended purpose would be catastrophic to the neediest children of Illinois. These funds were originated out of the needs of children. These children have not gone away they exist; the needs continue to exist.

Severity and Student Outcome

The draft report states

It is also interesting to note the positive relationship observed between the percentages of special education students served predominately in general education classrooms and the percentage proficient in reading. However, it is not clear as to what extent this is simply an artifact of lower poverty districts “including” more students in general education or whether there appears a relationship between placement and performance beyond the influence of poverty. The percentage of students spending 80% or more in the general education class does show a positive statistically significant relationship with reading proficiency. (p. 33)

IDEA 2004 has a provision for children that indicates special education services in a setting where regular contact with nondisabled age-appropriate peers is appropriate when the nature or severity of the child’s disability is such that education in a less restrictive environment with the use of supplementary aids and services cannot be achieved satisfactorily. Given this provision one could reasonably state that the academic performance of a child placed in a more restrictive environment

would be significantly more impaired than one placed in a general education classroom, leading to the conclusion that the child's performance is not a **result** of the placement but rather due to the nature and severity of the disability. Research supports this. For example, as Chambers, Levin, and Parrish write, "District average pass rates among special education students is also shown to plummet as need increases: from 52% to 21%, 21% to 5%, and 80% to 51% for elementary, middle, and high schools, respectively" (p. 25). Noted previously in this document is the definition (Chamber, Levin, and Parrish) of need as related to poverty, ELL, students with disabilities, and spending levels.

One needs to consider that children placed in a more restrictive environment have not had their educational needs met in the less restrictive environment. Further, drawing a conclusion that a child's lack of academic growth is a result of their current placement is not supported by the type of statistical analysis outlined in the draft report. Although the author reports that there is a relationship between placement and reading proficiency, it is important to note that this is not a **causal relationship**. The report is misleading to imply, on the basis of a correlational relationship, that placement causes lower or higher reading proficiency. Characteristics of the child including severity of disability and years in each placement, would need to be weighed prior to the Task Force drawing these types of conclusions in relation to making recommendations relevant to the funding formula changes.

In addition, the Task Force should consider additional research in discussions relevant to student performance. In 2006, the National Longitudinal Transition Study 2 (NLTS2) for example conducted a thorough statistical analysis of factors related to the disabled student's educational progress. For example, a study conducted by the Institute of Education Sciences, National Center for Special Education Research (2009) draws the following conclusions relative to students with mental retardation in high school.

Performance on standardized academic assessments revealed that, across all subtests, all but 1 percent of students with mental retardation scored below the norm, and all assessment subtests had mean standard scores more than two standard deviations below the norm. (Institute of Education Sciences, National Center for Special Education (p. 31)

The IES (2006) indicates in the NLTS2 there are several factors that are associated with the academic achievement of youth with disabilities. The study indicates "being from a low-income household has a relationship to academic achievement" (p. 48), gender and "variations in families' support for the education of their adolescent children with disabilities add significantly to an understanding of their patterns of academic achievement" (p. 48). The report specifically notes there is no evidence that placement can be correlated with academic achievement. However, the study does indicate that the severity of the child's disability is a factor that can be reasonably associated with academic achievement. The NLTS2 states

youth's disabilities affect their functioning broadly and that they were affected by their disabilities earlier in their lives have lower scores on many of the subtests than youth whose disabilities are reported to affect a more limited number of domains or who did not manifest a disability as early, independent of other factors included in the analyses (p.47)

The study goes on to indicate that the

disability related factors explain much of the variation in measures of youth's academic achievement. However, apart from differences in their disabilities and functioning, differences in their racial/ethnic backgrounds and in the incomes of the households in which they live also related significantly to differences in their academic achievement (p. 48).

Comparison of Districts in Illinois

The draft report states

the disparity in academic performance observed across the system, with some districts reporting 80% or more of their special education students testing proficient in reading and a number of districts reporting less than 20% of their special education students achieving at this level. It can also be observed that these highs and lows are occurring in districts of comparable size. While an inverse relationship between poverty and performance is generally observed, it can also be seen that some high poverty districts show very high levels of achievement for their special education students (e.g. greater than 80%) and some quite low (e.g. less than 20%). Thus, while poverty seems related to achievement it is not an absolute determinant. (p.32)

There are three different types of districts in Illinois: elementary serving K-8 grade students, high school serving 9-12 grade students, and unit districts serving grades K-12 students. To make comparisons by district would not take into account the grade level differences of pupils. The Task Force needs to consider a pupil weighted system for analysis rather than comparing the achievement levels of an elementary district to a high school district. Research supports the notion that as a child ages the achievement gap between the disabled child and their non-disabled peers widens. One will find the percent of children in Illinois and across the nation perform closer to grade level in the elementary grades than in high school. It needs to be noted that in Illinois high schools test in the 11th or 12th grade where the achievement gap is at its widest so comparing an elementary district to a high school district skews the results. The NTL2 (2006) states "Results of the NTL2 direct assessment demonstrate that by the time students who receive special education services reach secondary school, serious academic deficits are apparent for many students" (p.47). When the chart shown in the draft document was presented to the Task Force, these points were made but perhaps not clarified. The Task Force needs to consider weighing pupil characteristics perhaps using a similar statistical model as the authors of "On Equity: The Illinois Dilemma".

There are concerns across the state relative to a districts ability to leverage local wealth and the cost to local school districts. In Illinois, local education agencies carry the lions share in the fiscal provision of education. The state is and remains a local control state putting great responsible on local school districts in the provision of an adequate education for all children. We need to explore the concept of increasing available state resources to those communities who are unable to leverage local wealth instead of focusing on how to redistribute funds.

Cost Containment and Audited Costs

The Task Force talked at length regarding cost containment with audited costs being a part of any funding formula considered. Discussions that are not reflected in the report occurred in the Task Force meeting indicated that the ISBE already has a system in place for cost containment with widely accepted General Accepted Accounting Practice (GAAP) audits. This is currently used to determine rates for private placements. Below is a summary of what this might look like in Illinois

1. Setting caps for allowed expenses in certain areas such as occupancy, administration, and support services. Caps should be based on the previous year's state average across schools. For example, the occupancy costs are generally rents. The rent or mortgage payments of school buildings are averaged to come up with a cap. If a district exceeds this, those costs are not allowed to be calculated in the costs of educating the special education student. (For example, if your rent is \$110,000 per year, and the capped amount is \$100,000, the \$10,000 overage would not be allowed and your costs are based on the \$100,000.)
2. Costs should be determined through the use of historical data. The data would come from the district's financial reports.
3. There should be a thorough Consolidated Financial Report (CFR) completed that is supported by an audited financial reports created according to GAAP. The CFR should have a cross walk to ensure accuracy in determining the acceptable costs. These should not be adjusted by inflation but rather actual costs.
4. An inflation factor should be factored in based on accepted inflation scales.
5. Certain costs should be disallowed such as life insurance and membership in organizations.
6. Cost containment should include caps on staffing numbers. If the staffing plan seems excessive as determined by ISBE, information would need to be presented to justify the costs.

The cost containment currently being used is extremely effective in accurately capturing the costs and disallowing costs that are not relevant to the education of the child. However, in consideration of the cost containment issue, one needs to consider the need for an increase in ISBE staff to manage such a system statewide.

Summary

It is my hope that the Task Force membership will consider the comments made and use the research provided in moving forward. We need to carefully make informed decisions. We need to critically consider our next steps, as they will affect services for children across the state.

References

- Chambers, J. G., Levin, J.D., & Parrish, T. B. (2006). Examining the relationship between educational outcomes and gaps in funding: An extension of the New York Adequacy study. *Peabody journal of education*, 81(2), 1-32
- National Center for Special Education Research (2006). The Academic Achievement and functional performance of youth with disabilities. National Longitudinal Transition Study 2.
- Parrish, T. & Harr, J.J. (2006). Special education funding: Considering adequacy, equity, and efficiency. Paper presented at the AERA 2006 Meeting, San Francisco.
- Rebell, M. A. (2007). Professional rigor, public engagement, and judicial review: A proposal for enhancing the validity of education adequacy studies. *Teachers College Record* 109 (6). Retrieved February 3, 2010 from, <http://www.tcrecord.org>.
- Verstegen, D.A. & Driscoll, L.G. (2009). On equity: The Illinois dilemma revisited: A response to a response. *Journal of Education Finance*, 35 (1) 43-59.
- Yu, J., Niewman, L., Wagner, M., SRI International, (2009). *Secondary school experiences and academic performance of students with mental retardation*. National Longitudinal Transition Study 2.