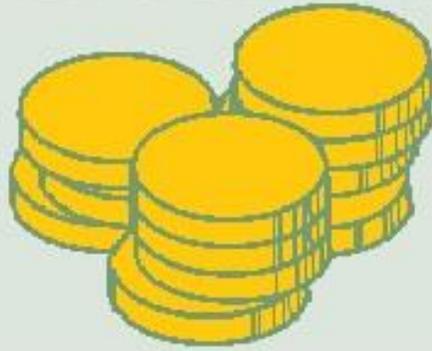




Connecticut's Special Education Funding



Dilemma

As the cost of educating students with disabilities continues to rise, Connecticut's local municipalities are struggling both to meet federal mandates and to balance their annual budgets. General education costs have risen by 40% over the last decade, and costs for special education have increased by 65%, with one in every eight students receiving special education services.¹ These costs can be particularly burdensome at the district-level because, by their very nature, these needs are supplementary and sometimes unanticipated; districts cannot always predict the full extent of their students' potential needs.

In order to alleviate some of this burden, the state of Connecticut administers an Excess Cost Grant to assist school districts with extraordinary special education costs.² The state's Excess Cost Grant is not designed to reimburse school districts for all of their special education costs. Rather, these grants only cover a certain reimbursable percentage that fluctuates from year to year. The Excess Cost Grant is also usually not fully funded by the state. Thus, even with state assistance, districts are still facing the same dilemma every year: allocating funding for special education costs without knowing either: (1) the needs of new, incoming students to the district; or (2) what percentage of the costs of extraordinary services will actually be covered by the state's Excess Cost Grant.

This brief paper explores the impact of Excess Cost Grant shortfalls by reviewing the history behind this funding, some of the challenges it creates, and a case study of one district.

Historical Context

In order to fully understand the Excess Cost Grant, it is necessary to acknowledge the role of the Individuals with Disabilities Education Act (IDEA) on special education services when it was authorized by President Ford 40 years ago. Initially written in 1975 and reauthorized most recently in 2004, IDEA requires that students with disabilities be educated with students who are not disabled, unless the nature or severity of the disability is such that education in a regular classroom with supplemental aids and services cannot be achieved satisfactorily. All children with disabilities must receive a free, appropriate education at public expense in the least restrictive environment possible.³

Complying fully with IDEA can be an expensive proposition, particularly for small school districts. In order to meet these mandates, districts must prepare their annual budgets so that they can provide whatever types of services their students with disabilities will require to be successful in the school environment. These supplemental services are dependent upon the disabilities of the students and can range anywhere from a weekly speech therapy session in a neighborhood school to an outplacement at a special facility that provides more intensive interventions. As the assistance for the student becomes more specialized and the setting more restrictive, the intervention becomes more costly. In the 2014 school year (the most recent year for which data is available), Connecticut public schools spent over \$1.8 billion on special education services, which accounted for 22% of all public school spending.⁴

The federal government authorized a subsection of the IDEA Grant to subsidize each state for the cost of extensive supplemental services. After receiving federal funds, a state reimburses local school districts for exceptionally high expenses according to that state's predetermined formula. In Connecticut, that financial assistance comes in the form of the Excess Cost Grant. Originally, the IDEA Grant was intended to cover 40% of a state's expenditures on special education. However, in reality, the federal government has never fully funded this grant, which leaves both states and local districts responsible for procuring the necessary funds from local tax dollars.⁵ (In fact, the highest percentage of costs ever to be covered by the IDEA grant was 18.5% in 2005.)⁶

Qualifying for the Excess Cost Grant

In theory, Connecticut's Excess Cost Grant should provide a helpful safety net for school districts, but the way that it is calculated and distributed is problematic. Districts can qualify for these funds in two ways.⁷ First, a district qualifies if a student with disabilities is a resident of the district and the district has paid at least 4.5 times more to provide the supplemental services needed to educate the student than the per pupil expense for a general education student. In fiscal year 2015-16, the average per pupil expenditure was \$16,463.⁸ If District A spent \$16,463 to educate each student in that district, District A would have to spend over \$74,083 on a student with disabilities to begin to qualify for the Excess Cost Grant.

However, the grant does not reimburse districts for regular education costs attributable to a special education student. Neither does the grant reimburse districts for the amount of money spent up to the 4.5 threshold expenditure.

The other way that a district may qualify for Excess Cost Grant funds is if a student with disabilities is placed in a district by a state agency and has no identifiable home district. In that case, the grant would cover 100% of the cost of special education for that child. Excess Cost Grant reimbursable expenses include special education personnel, equipment and materials, tuition, transportation, rent for space or equipment, and consultant services.

Problems with the Current System

The current system used to calculate excess costs is problematic for several reasons. First, public school spending varies from district to district. A district with a high per-pupil spending allocation has to spend more before it can qualify for the Excess Cost Grant than a district with low per-pupil spending. In the example from the previous section, District A had a threshold of \$74,083 to

qualify for reimbursement. But if District B has a \$20,000 per-pupil allocation, its threshold for reimbursement is \$90,000.

Second, because districts also have varying numbers of students with extra needs, some districts that have large special education populations may be very over-burdened and remain ineligible for relief by the Excess Cost Grant. District A may have many students needing supplemental educational services, none of whom have individual expenditures that exceed the threshold of 4.5 times the cost of a general education student. District A will, therefore, not qualify for the Excess Cost Grant, even if its total expenses for special education may be high. In contrast, District B may have only one student with extra needs, but that student might have significant disabilities for which District B has spent more than 4.5 times its per-pupil allocation. Therefore District B will qualify to receive reimbursement for one student, even though the total percent of its district expenditures on special education will have been lower than District A's.

The third and most troublesome aspect of the current Excess Cost Grant formula is that the state has capped the Excess Cost Grant at \$140 million since 2011, and reimbursements are prorated to ensure that the state does not exceed its excess cost cap.⁹ Thus, even if a district does qualify to apply for the grant, it will not be reimbursed in full. The level of reimbursement varies from year-to-year based upon the amount of money that is requested by all of the qualifying districts. In 2017, districts were budgeted to receive an average reimbursement of 70% for requested reimbursements. Local taxpayers must pick up the financial burden created by the Excess Cost Grant shortfall.¹⁰

One School District's Perspective

The Bloomfield Public Schools is a small suburban school district west of Hartford with a student enrollment of approximately 2,100 students.¹¹ The district has been recognized statewide for its noteworthy, longitudinal improvement in student achievement over the past few years.¹²

In 2014, Bloomfield's special education population numbered 234 students, about eleven percent of its entire student population. This figure is slightly below both the state average and the District Reference Group (DRG) average.

The table below depicts Bloomfield's Excess Cost reimbursements, as compared to its overall special education costs and total expenditures from 2011-2014. During this time period, Bloomfield has reduced its overall special education spending in both actual dollars and as a percentage of its budget; however, the Excess Cost Grant has picked up a decreasing percentage of overall special education costs. The district must pick up the percentage of Excess Cost Grant expenditures that are not covered each year.

As Anne Marie Cullinan, Interim Chief Academic Officer for Bloomfield, recently observed: "Districts want to do what is right for children. In many situations, it is preferable to have a child educated in district schools. Therefore, it would be in the best interest of the child if the Excess Cost Grant was flexible enough to support districts in providing the best educational programming without restrictions on how to pay for it."

Bloomfield Public Schools' Excess Costs Grants, Total Special Education Costs, and Total Education Costs from FY 2011-FY 2014

Fiscal Year	Excess Cost Grant ¹³	Special Ed. Expenditures ¹⁴	Total District Expenditures ¹⁵	Special Ed. Costs as % of Total Budget	% of Special Ed. Costs Covered by Excess Cost Grant	% of Total Budget Covered by Excess Cost Grant
2011	507,946	6,782,667	43,346,767	16%	7.5%	1.2%
2012	452,517	6,492,067	43,097,969	15%	7.0%	1.0%
2013	235,789	5,921,907	43,867,441	13%	4.0%	0.5%
2014	175,430	6,082,003	46,228,773	13%	2.9%	0.4%

Interestingly, the way that districts qualify for the Excess Cost Grant can actually sometimes create perverse incentives for a district. The table above shows that, even though Bloomfield has been fiscally responsible in its special education expenses, it is actually being compensated less by the grant (both as a percentage of the district's special education costs and as a percentage of its overall costs). If Bloomfield had any special education expenses in 2014 that were close to threshold of costing 4.5 times more than a general education student—the district might have actually benefitted more by electing to provide higher cost programs to its students. Such an outcome might have been more cost effective for the individual district, but less efficient for the state.

Possible Solutions

Fully funding the Excess Cost Grant would be one solution to help districts pay for extraordinary costs. However, due to the state's current budget deficit, it is unlikely that Excess Cost Grant funding will increase in the near future. Connecticut's budget for the fiscal year 2016-2017 has an estimated deficit of \$900 million, and the fiscal climate is focused on cuts rather than on additional spending.¹⁶ There is also a proposed cut of \$8 million in Excess Costs.

However, the state is working to address these fiscal concerns. During last June's Special Session, there were statutory changes that might eventually result in financial savings to local districts.¹⁷ One act established a framework for potentially reducing local districts' special education costs through regionalization. It directed the Regional Education Centers (RESCs) to survey their districts about their services, programs, costs, and numbers of students. The act also asked RESCs to review their own educational services and programs to see if they can provide greater efficiencies by regionalizing transportation, training and therapeutic services. The State Education Resource Center (SERC) was specifically asked to study assistive technology equipment sharing programs and find ways to make them available to school districts. If the RESCs are able to regionalize some of the extraordinary expenses typically borne by each school district that would relieve some of districts' financial burden.¹⁸

At the federal level, the Omnibus Budget Act seeks to increase funding for special education. The act includes a \$415 million increase in funding for special education.¹⁹ However, it is estimated that Connecticut's share of these funds would be about \$4 million, insufficient to compensate for underfunding of the IDEA grant, but a step in the right direction.

In the meantime, it is up to school districts to find ways to reduce special education costs without sacrificing the quality of their programming for students. To that end, some districts are creating programs to bring outplaced students back into their districts.²⁰ These districts are then able to offer their programs to other school districts and charge tuition for hosting participating children from other districts. The district is able to realize tuition and transportation savings for their students by keeping them in-district and also generate some revenues by inviting other districts to join them.

As school districts work to meet the needs of their students with exceptional learning needs, innovative in-district programs, regional collaboration and other creative solutions appear to be the most reliable methods of dealing with the complex problem of funding special education programming.

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