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ABSTRACT

This paper describes options available to states for distributing funds for preschool education programs in light of the mandate of the Individuals with Disabilities Education Act that states must provide a free public education to children with disabilities, age 3 through 5 years. It begins with a general discussion of the different types of state funding formulas. A 1991 national survey is reported which found that 36 states used different funding formulas for distributing funds for preschool education than they used for distributing general or special education funds for school-age special education services. Following this, brief examples of funding formulas currently used by selected states for preschool programs are presented. These are: flat grant per child; flat grant per teacher/classroom unit; weighted pupil; and percentage of cost. Finally, some advantages and disadvantages of these different funding strategies are discussed. (DB)

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Preschool Special Education Funding Formulas: Options for State Policymakers

by

Deborah F. Perry

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The 1986 Amendments to the Education of the Handicapped Act (now called the Individuals with Disabilities Education Act) required states to extend their mandate for a free appropriate public education down to include children with disabilities, age 3 through 5 years, in order to continue to qualify for federal funding. While there has been some study of special education funding formulas in general, not much work has been done to examine whether states are funding special education services differently for preschoolers than services for school-age populations. This paper will provide information regarding different options for distributing funds for preschool special education programs. This information is intended to be useful to preschool special education coordinators and others involved in the administration of preschool programs at the state and local levels.

States have a variety of options as to how to distribute state funds to local education agencies (LEAs) and intermediate education units (IEUs) for special education services provided to children with disabilities. The mechanism a state employs to distribute funds can impact on many aspects of the delivery of services, including who is served and where they receive services. Ultimately, the funding formula should be easy to administer, provide incentives to serve only those students who require special education services, and encourage the provision of appropriate services in the least restrictive environment.

This paper will begin with a general discussion of the different types of state funding formulas to provide a context in which to understand the funding strategies states are utilizing for preschool special education. Following this, brief examples of funding formulas currently used by selected states for preschool programs will be presented. Finally, some advantages and disadvantages of the different funding strategies will be discussed.

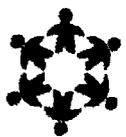
State Special Education Funding Formulas

Moore, Walker, and Holland (1982) describe funding mechanisms for special education along two dimensions: the type of method used to distribute the allocation (e.g., weights, percentages, flat grants), and the element upon which the allocation is based (e.g., students, resources, costs).

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This generates six types of viable combinations of formula types: (1) Weighted Pupil, (2) Weighted Teacher/Classroom Unit, (3) Percentage of Salaries, (4) Percentage of Cost (Excess Cost), (5) Flat Grant: Per Child, and (6) Flat Grant: Teacher/Classroom Unit. The discussion below is based on Moore, Walker, and Holland's categories of funding formulas. For purposes of comparison, formulas are paired in the discussion. The parenthetical numbers refer back to the list above.

A Weighted Pupil (1) formula distributes funding on a per child basis, giving a different dollar amount to different types of student characteristics. For example, under a formula based upon categorical labeling, a student with multiple disabilities could receive a higher level of funding than a student who has mild learning disabilities. A Per Child Flat Grant (5) formula provides the same per child dollar amount for every student served.

In Teacher/Classroom Unit formulas, funding is determined on the basis of the classroom as a unit, rather than on the number of individual children served. A Flat Grant Teacher/Classroom Unit (6) formula distributes the same amount of funding for each classroom formed to serve children with disabilities. A Weighted Teacher/Classroom Unit (2) formula provides a different amount of funding to different types of classrooms; an example of this would be a formula which provides increased funding for a self-contained classroom for children who are deaf and blind, and a lesser amount for a resource room that serves students with mild retardation.

Funding formulas which distribute money based on a percentage of expenditures are either excess cost or percentage of salary formulas. In an Excess Cost (4) formula, the amount of funding provided is a percentage of the actual costs of serving a student with disabilities. One type of excess cost formula reimburses districts on the basis of how much more it costs to educate an individual child with disabilities than a nondisabled child. Formulas which distribute funds on a Percentage of Salary (3) basis pay districts a portion of the salary of the teacher or other special education personnel. This may take into account pupil-teacher ratios or minimum salaries within the state.

NEC*TAS collects data annually through a survey of state preschool special education coordinators (published in *A Profile of Section 619 Services*). Recently the survey has been expanded to cover a

variety of topical areas, including personnel, transition, least restrictive environment, and funding. Questions related to funding include the manner in which federal preschool funding is distributed to local education agencies (LEAs), sources of funding which states draw upon to serve preschool children with disabilities, and state funding mechanisms for this population.

The 1991 survey of the 50 states and the District of Columbia also sought information regarding state funding formulas for preschool special education services. States were asked the following questions:

1. Is there a funding formula/mechanism used to allocate state general education funds for preschool special education services which differs from that used for school-age special education services?
2. Is there a funding formula/mechanism used to allocate state special education funds for preschool special education services which differs from that used for school-age special education services?

Those responding affirmatively to either question were asked to provide a description of the formula(s). A total of 36 states reported using different funding formulas for distributing funds for preschool special education: 15 for general education funds, 15 for special education funds, and 6 for both. This information is displayed in Figure 1 on page 3.

Specific examples of the different types of funding formulas used by states for preschool special education are presented below. [NOTE: Examples of weighted teacher/classroom unit and percentage of salaries formulas were not available.]

State Examples of Preschool Funding Mechanisms

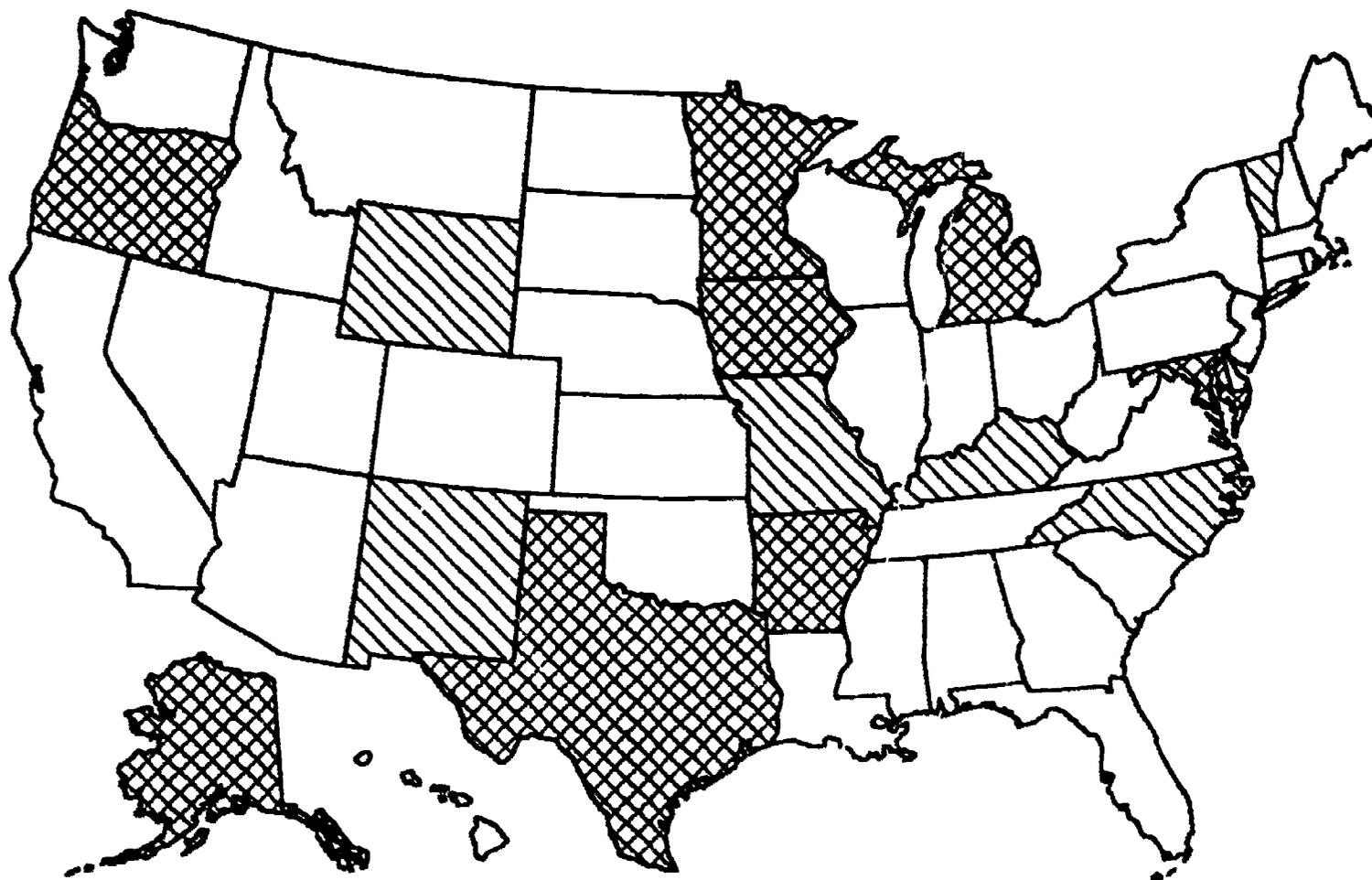
Flat Grant: Per Child



In Kansas, all children age 6 through 21 years are counted as 1.0 full-time equivalent (FTE) for state general education funds, while students ages 3 through 5 years are counted as .5 FTE for state general education aid. Thus, every

Figure 1

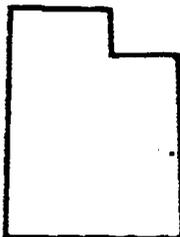
STATES WITH DIFFERENT FUNDING FORMULAS FOR ALLOCATING FUNDS FOR PRESCHOOL SPECIAL EDUCATION THAN FOR SCHOOL-AGE SPECIAL EDUCATION



-  Different formula for allocating special education funds for preschool special education
-  Different formula for allocating general education funds for preschool special education
-  Different formula for allocating both general and special education funds for preschool special education

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preschool-age child generates the same dollar amount, regardless of disability or placement.



In Utah, the allocation of state special education funds for preschoolers to the LEAs is determined based on the December 1 count submitted to the federal government, and a flat grant per child is distributed. This differs from the weighted pupil formula

the state uses to calculate the allocation for school-age special education services.

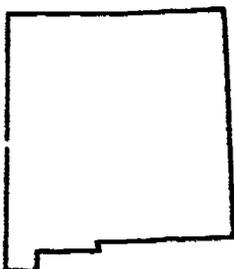
Flat Grant: Teacher/Classroom Unit



Montana distributes special education funds to an LEA when at least four students, ages 3 through 5 years, with disabilities have been

identified. This qualifies the LEA for funding for a .5 FTE special education teacher. If the LEA identifies six preschoolers with disabilities, it qualifies for a .5 FTE special education teacher and a .5 FTE aide. Ten or more preschoolers qualifies the LEA for a 1.0 FTE special education teacher.

Weighted Pupil



In New Mexico, funding is provided for special education students based on levels of service, which correspond to the amount of time the student spends in special education. The levels vary from A through D, with A representing a less

intensive level of service (e.g., resource room) and D being a higher percentage of time spent outside the regular classroom. Preschoolers are funded at the same level as all D-level children of any age, regardless of the type of placement in which they are receiving services.



Washington funds preschool special education according to the same principles it applies to school-age services. There is, however, a separate funding

category, "developmentally handicapped," which can

be applied to this age group. A preschooler also can be "communication disordered," which generates a lower per child amount. Districts in Washington can submit a monthly child count, based upon the number of individual educational plans, and an annual average amount per child determined on the basis of categorical labels.

Percentage of Cost



The manner in which funds for preschool special education in Missouri are distributed was revised recently. The new system went into effect July 1, 1991. Beginning with school year 1991-

92, there are separate early childhood special education funds available for special education students, ages 3 through 5. State money will flow to the districts based upon approved program costs in these categories: contracted staff salaries, fringe benefits, facilities, transportation, comprehensive system for personnel development (CSPD), purchase of services, materials and equipment, and indirect costs. Costs are assessed on an individual basis for each district. Applications for allocations will be due in January of each year and will be based on projections of the number of students to be served. By May of each year, districts will prepare actual budgets, and can amend their child counts upwards if necessary.



State special education funds are paid to approved preschool programs directly by counties in New York, in accordance with a contract with the state education agency (SEA). The rates are

approved by the (SEA). The SEA reimburses the counties for up to 50% of actual expenditures for students ages 3 and 4 years who are served in these programs. For school-age children (age 5 years and older), school districts expend and are then reimbursed by the SEA according to the state aid formula.

Advantages and Disadvantages of Different Types of Funding Formulas

The manner in which a state distributes funding to local districts or intermediate units can impact on many aspects of the provision of special

education services across the state. State-level administrators may value a formula that is easy to administer, but should keep in mind the fact that the formula will influence implementation of policies at the local level. Several key variables which the formula may affect include who receives services, in what setting services are provided, and how students are classified. Some generalizations can be made regarding the advantages and disadvantages of the different types of formulas for distributing funds. The discussion which follows draws on *State Special Education Finance System* (O'Reilly, December 1989), produced for the National Association of State Directors of Special Education.

In general, flat grant per pupil formulas are easy to administer. This is the type of funding formula by which the Office of Special Education Programs allocates federal preschool dollars under Part B. An unintended consequence of this funding mechanism can be the overidentification of children with disabilities. This can result since the district's award is based solely on the number of children served. Often, however, the per child award represents only a small portion of the total cost of providing special education to the student; this can serve to counteract the incentive to overidentify students. Another disadvantage of this type of formula is that it fails to take into account the individual differences in the costs of educating students with differing disabilities in different districts.

Formulas based upon flat grants for teacher/classroom units also are very easy to administer. However, the use of a flat grant for classroom formula can be problematic for states in which there are a lot of small or rural school districts, or for low incidence programs, if students are served in categorical settings. Rural school districts, for example, could have trouble finding sufficient numbers of students to qualify for reimbursement for a teacher. On the other hand, this type of formula can serve as an incentive to a school district to achieve a high level of integration in the least restrictive environment; this is true in Montana, since districts receive only a .5 FTE for every four students identified. Another disadvantage of flat grants for classrooms is that they do not take into account the actual cost of educating individual students in districts with differing fiscal resources.

Weighted pupil formulas can reimburse districts differentially based on the type of disability students have. However, these formulas often do not

take into account different fiscal realities in each district. The formulas often are complex and can be difficult to administer. Misclassification can be rewarded unintentionally if the weighing system is based on categories of disability, as can placements in more restrictive environments if these are reimbursed at a higher rate. These placements often have higher costs associated with the educational services provided to the student. Nevertheless, the state should examine how the finance formula may be impacting on placement decisions at the local level. Under New Mexico's system of levels, for instance, the formula provides reimbursement to the LEA for preschoolers at the highest level; thus, the formula may serve as an incentive for districts to place children solely based on their educational needs, and encourage creative programming in the least restrictive environment.

The cost-based methods of distribution of funding include percentage of cost (excess cost) and percentage of salaries formulas. An advantage of a percentage of cost formula is that it takes into account the differing costs associated with serving children in different districts. Costs can be controlled somewhat by the level of reimbursement the state is willing to provide. An unintended consequence can be the overclassification of students, since districts are reimbursed for a percentage of the actual costs, but there is much less danger of misclassification since there is no need to apply labels.

Formulas which are based on percentage of salaries are much less widely used by states, as are those derived from weighted teacher/classroom units. Percentage of salary and weighted teacher/classroom formulas are often easy to administer and require little additional record-keeping. However, both types of formulas can be difficult to implement at a district level if sufficient numbers of students are not identified to constitute a reimbursable unit. Another disadvantage of a weighted classroom formula is that this type of formula may support placement of students based upon their disability category, rather than their individual educational needs. On the other hand, it may result in more creative placements if a district has difficulty generating a fundable unit.

When state administrators responsible for programs that serve preschoolers with disabilities are examining options for distributing state funds, they should consider the overall state funding formula, and work with the state legislature where necessary to

design a system to finance services that is consistent with the state's policies, priorities, and administrative needs. Each funding formula has advantages and disadvantages. State policy makers need to balance their desire for a formula which is easy to administer with incentives to local providers to serve only those students who require special education in the most appropriate, least restrictive environment.

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