



GETTING DOWN — TO FACTS II —

Technical Report

Revisiting Finance and Governance Issues in Special Education

Paul Warren
Laura Hill

Public Policy Institute of California

September 2018

About: The *Getting Down to Facts* project seeks to create a common evidence base for understanding the current state of California school systems and lay the foundation for substantive conversations about what education policies should be sustained and what might be improved to ensure increased opportunity and success for all students in California in the decades ahead. *Getting Down to Facts II* follows approximately a decade after the first *Getting Down to Facts* effort in 2007. This technical report is one of 36 in the set of *Getting Down to Facts II* studies that cover four main areas related to state education policy: student success, governance, personnel, and funding.

Stanford
University

 **PACE**
Policy Analysis for California Education

Revisiting Finance and Governance Issues in Special Education

Paul Warren
Public Policy Institute of California

Laura Hill
Public Policy Institute of California

Acknowledgments

The authors would like to thank Patrick Murphy, Maureen Burness, Robin Lake, and Randall Reback for their helpful reviews of earlier drafts of this paper. Any errors are our own.

Summary

Special education is the largest categorical funding program in California's K-12 education budget. The budget allocated more than \$3.2 billion from the state General Fund for the program in 2015-16 to help more than 750,000 young children and K-12 students. In 2013, the Local Control Funding Formula (LCFF) was enacted, eliminating most other K-12 categorical programs in an effort to maximize local control over school finances. In 2016, the Public Policy Institute of California published *Special Education Finance in California*, which looked at changes that would align the state's special education program with the principles underlying the Local Control Funding Formula and the goals of the 2015 Statewide Task Force on Special Education.

Our 2016 report spurred significant discussion about the funding and governance of services for students with disabilities. In this second report, we revisit these issues, focusing on two main issues. First, we discuss the strengths and weaknesses of the state's financial formulas, and identify options for ensuring that state support for special education keeps pace with district costs. Second, we reexamine special education governance issues posed by the intermediary entities, known as Special Education Local Planning Areas (SELPAs), and provide options that will help align special education with the underlying principles of LCFF.

In the financial area, we find:

- Special education funding supports a core district responsibility, and holding special education funding constant while increasing LCFF base grants has required districts to provide an increasing share of special education funding. The state could revise the annual budget adjustment so that special education receives the same proportional increase as base LCFF funds or it could set the adjustment at a level that keeps the state's share of program costs constant.
- The strength of the current special education funding formula is that it does not create incentives that encourage districts to identify more preschool children with learning issues. The formula does not, however, adequately address costs associated with providing special education services to infants and toddlers with disabilities.

On governance, we explore options for align governance of special education with LCFF's principles of transparency, district control, and parent and community access. Specifically, we find:

- SELPAs planning and budget practices do not provide the transparency or parent and community input that is a hallmark of LCFF, suggesting that existing SELPA plans should be aligned with district plans under LCFF.

- A survey of school superintendents shows strong support for their local SELPA. A minority, however, voice a desire for more information or assistance from their SELPA. Some SELPAs are more flexible in accommodating district desires. For instance, some allow districts to operate special education programs independently from their SELPA under certain conditions.
- Special education is quite complex, making it difficult to obtain an accurate picture of the progress of students with disabilities. SELPAs are well-positioned to assist districts to surmount the data barriers that complicate getting an accurate picture of student outcomes.

LCFF has highlighted accountability for student success, and special education is an area where many districts need to improve. Statewide, LCFF outcome data shows that students with disabilities perform at low levels. Thus, along with special education funding issues, the state should also consider how to support districts in their efforts to improve outcomes for students with disabilities.

Introduction

Special education addresses the needs of students with disabilities to help them succeed in school. Federal and state laws play a major role in shaping how districts identify and serve students. State and federal budgets include significant annual appropriations to help districts pay for these additional services. In addition, state law creates intermediate agencies known as Special Education Local Planning Areas (SELPA) to assist districts with the task of providing the appropriate educational services to students.

The passage of LCFF in 2013 changed the K-12 policy landscape. Most state categorical programs were consolidated into district base grants that had few restrictions. LCFF also stressed district accountability—for spending, student outcomes, and parent and community goals for schools and students. But special education remained apart from LCFF and its new district processes. Instead, the state convened the Statewide Special Education Task Force to advise the state on how to improve special education. The group’s 2015 report made a wide range of recommendations, including increasing state funding, a stronger emphasis on early intervention, and integrating special education into K-12 classrooms instead of operating as separate classes or schools.

In November 2016, the Public Policy Institute of California published *Special Education Finance in California*, which examined California’s special education finance and governance system.¹ The report focused on two major questions: (1) how could the state align special education funding with the principles of local control and accountability as laid out in the LCFF and (2) is special education organized and financed in a way that promotes the objective of a more integrated special and general education system that was called for by the state’s 2015 Statewide Special Education Task force?

The 2016 PPIC report made two major recommendations:

- **Modify special education funding formulas.** The report recommends adding significant new dollars to the special education formula to recognize that the proportion of students identified as disabled has increased significantly over the past decade while funding remained static. The report suggests using these new funds to equalize district per-pupil rates, as there seemed to be no justification for the wide variation in rates across the state. State funding formulas also fail to recognize increasing district costs for serving infants and preschoolers with disabilities.
- **Increase district autonomy and accountability for special education.** The 2016 report suggests sending state and federal funds to districts rather than SELPAs, which would give districts direct control over its allocation. This would address various concerns with the way some SELPAs allocate state and federal funding. In addition, by including special education funds in LCFF, the state would raise the profile of the program at the district level, generating new discussion about how special education funds are spent and how students with disabilities are performing.

¹ The report was supported by a grant from the Dirk and Charlene Kabcenell Foundation and the Stuart Foundation.

The report stimulated considerable debate. SELPAs strongly objected to our proposal to direct state and federal funds to districts, questioning how it would affect their ability to operate. They also expressed concerns about how very small districts would be able to operate without SELPA assistance. Parents and district staff felt uncomfortable with the idea reducing restrictions on the use of special education funds. Finally, many observers worried that local plans under LCFF are already far too long and detailed, and the notion of adding special education program objectives and budget plans to district Local Control Accountability Plans (LCAPs) sounded counterproductive to some.

A year after the publication of the PPIC report, these issues remain unresolved. In part, the problem is one of data. On the issue of small district spending, the state K-12 accounting system does not allow for an accurate assessment of the amount districts spend each year. And on other questions, the issue requires a willingness to weigh the costs and benefits of alternatives to the existing system of special education governance and funding. We thought our recommendations would allow the current system to become more flexible and innovative. Unfortunately, many saw them as an existential threat to SELPAs.

To continue the discussion of these special education issues as part of the Getting Down to Facts II, this report leaves aside the contentious issue of funding districts rather than SELPAs. Instead, we examine the issues of special education finance and governance identified in PPIC's 2016 report and develop alternative approaches that we hope will be amenable to educators in the field. For this report, we re-interviewed special education experts to get their perspective on the issues raised in our previous report. We also expanded our outreach to include additional special education administrators and directors of agencies who assist parents on issues relating to special education.

We begin with a discussion of the funding issues and the basic elements of a funding formula that would provide a reasonable base for local costs over time. Then, we discuss governance and accountability, looking for options to align SELPA incentives with those of districts. Each section contains a brief summary of the first report's analysis and recommendations. However, we do not restate everything discussed in the initial report, so the reader may wish to refer to it for additional details and background material.

Special Education Funding

Special education is the largest remaining categorical funding program left after the passage of LCFF. Much of our 2016 report focused on the distribution and growth in district special education costs. In this section, we expand our discussion of special education funding and suggest specific revisions to the current system, known as the AB 602 formula. We begin with a short recap of findings and recommendations from our 2016 report. Following that, we address four key issues that are critical in any revision of special education funding:

- The use of Average Daily Attendance (ADA) to distribute state funds.
- Adjusting special education funding based on actual district costs.
- Equity in district funding rates.
- Support for infant and preschool services.

PPIC 2016 report: Special Education Costs Increase While Funding Has Not

In 2014-15, schools in California spent over \$12 billion on special education. Of this amount, state Proposition 98 funds supplied \$3.2 billion and the federal government provided \$1.2 billion. The remainder, or about 60% of special education costs, were borne by school districts. While many students with disabilities are high-need students and generate extra per pupil funding through the supplemental and concentration grants of the LCFF, these grants are not meant to be spent on special education services.² This sizeable share of costs gives districts strong incentives to serve students with special needs efficiently.

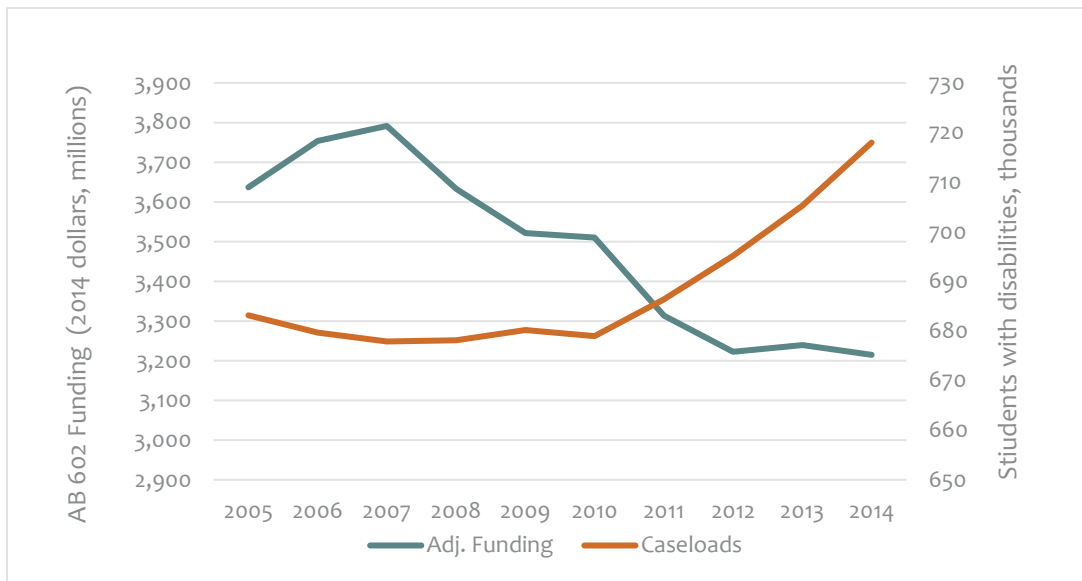
The budget allocates state special education funds through several funding streams. However, almost all of the \$3.2 billion are dedicated to base special education grants (\$2.6 billion) and a large categorical that supports mental health services for special education students (\$357 million). The base grant distributes funds based on the total ADA of all students in the districts that make up each SELPA.³ Known as the “AB 602” formula, basing special education funding on ADA rather than counts of special education students was intended to avoid creating negative financial incentives for identifying or placing students with disabilities.

The 2016 report examined special education caseloads over the past decade and found that it has not kept pace with district costs. Figure 1 below is reproduced from our 2016 report, showing that the number students with disabilities increased 5.1% from 2005 to 2014, while total ADA stayed almost flat. In addition, the mix of disabilities changed over this time, with higher-cost disabilities increasing and lower-cost categories falling. Based on somewhat dated national cost figures, we estimated that special education costs increased \$1.1 billion due to these two trends.

² In total, 70% of students with disabilities are high need, in comparison to 62% of all K-12 students. Thirty-one percent of students with disabilities are EL students, and 64 percent are low-income, substantially higher than their shares of 21 and 59 percent, respectively.

³ While school districts are responsible for serving children starting at age 3 and as old as 21, ADA is based on the attendance of children in kindergarten or later. Several districts in California also serve infant with disabilities. In most areas, however, infants are served by the state Department of Developmental Services.

Figure 1. Inflation-adjusted state special education funding has decreased while the number of student with disabilities has increased



Source: CDE CASEMIS and AB 602 funding data. Including state property tax used in AB 602 funding distribution calculations and the Out-of-Home care program

Notes: Includes ages 3-22

We also examined the distribution of special educating funding and special needs students across the state. While AB 602 establishes a consistent base for distributing funding, existing district per-pupil rates violate LCFF’s equity principle. These rates vary substantially—the top 10 percent of SELPAs receive 50 percent more per ADA than the average of the other 90 percent.

We also found major differences in the proportion of students who were identified for services. Among SELPAs, the rate ranged from 7 to 17 percent, averaging 12 percent statewide. As noted above, state funding is not based on the number of students with disabilities in each area but on the size of the total student population, so it is not surprising that the AB 602 formula is not a particularly good match to district spending on special education. However, in our interviews of district and SELPA representatives, we found little interest at the local level for changing the AB 602 formula.

Recommendation: equalize funding rates, increase support for preschool. In light of these findings, the 2016 report recommended several major changes to special education funding. Recognizing that state funding has not kept pace with the number of students with disabilities and the proportion of higher cost disabilities, the report calls for equalizing district AB 602 rates at an annual cost of \$670 million in new funds. The current categorical program for mental health services would also be folded into base special education grants, increasing local flexibility over the use of those funds. Finally, the report calls for additional resources for services to preschool children with disabilities, as the AB 602 formula does not count them

towards district ADA totals. Two options were identified: counting preschool students as ADA in the AB 602 formula or increasing slots for students with disabilities in state funded preschool programs.

ADA-based funding is still a good alternative

One recommendation we did not make is to distribute all or some portion of state funding based on the number of special education students. As noted earlier, total student ADA was used as a way of avoiding negative financial incentives for identifying or placing students with disabilities. In part, identification rates are influenced by the way districts serve students. In this section, we examine special education caseloads in two counties as a way of illustrating why funding based on the number of students identified with disabilities is problematic.

Local practice affects which students are identified. The AB 602 formula was originally proposed in a joint report by the California Departments of Education and Finance and the Legislative Analyst's Office (LAO, 1995). Concerns that the existing formula (based on the number of students with disabilities) created incentives to identify students as disabled and place them in unnecessarily restrictive and expensive settings led to the adoption of the AB 602 formula.

The ADA-based formula also is consistent with the statewide Task Force's emphasis on prevention—that is, providing early services to students before determining they require the intensive level of services provided by special education. The Task Force identifies one structure districts use to implement that strategy, known as the Multi-Tiered System of Supports (MTSS). This program offers different levels of services to students prior to being identified for special education. Returning to a formula based on the number of students identified for special education may make districts less interested in implementing programs such as MTSS.

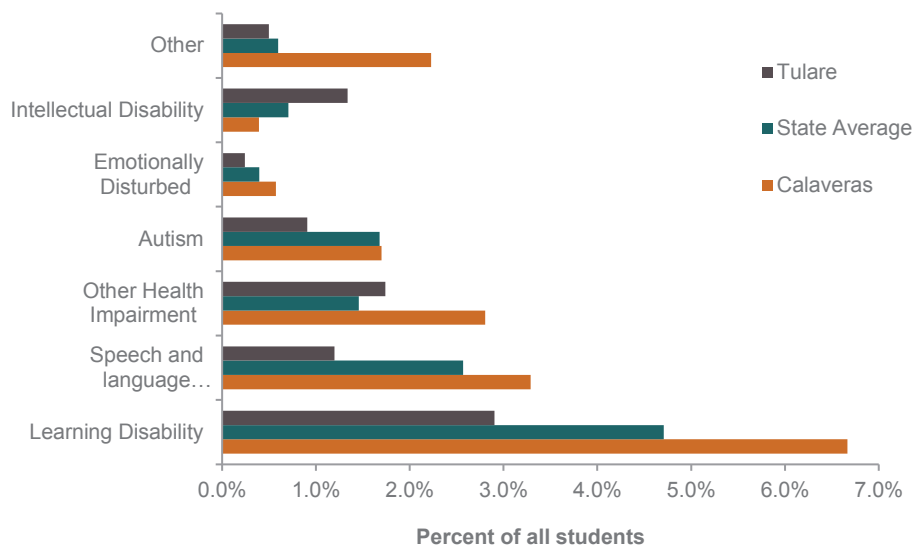
Figure 2 illustrates how the proportion of students in special education can vary at the local level. The figure shows students with disabilities as a proportion of all students in two counties, Calaveras and Tulare, and the state average. We chose these two counties because they represent the high and low county average in the state for the proportion of students identified as disabled. Tulare had 8.8% of students in special education in 2016-17; Calaveras had 17.6%. There are many important differences in the two counties, such as the proportion of low-income and English Learner students.⁴ Moreover, the two counties are very different in scale—Tulare has over 100,000 students while Calaveras educates only 5,600 children.

Yet, the many demographic differences between the two counties are unlikely to explain the huge difference in students identified as disabled. As Figure 2 illustrates, schools in Calaveras County have higher identification rates for most disabling categories. Tulare has a

⁴ Unfortunately, available data do not allow us to explore whether these differences influence the size of the counties' special education population. However, in Calaveras County, a higher proportion of students with disabilities are high need students than in the county's K-12 population, while the opposite is true in Tulare County.

higher rate only students with intellectual disabilities. The largest differences between the two counties occur in speech and language impairment and learning disabled—which are also the two largest categories at the state level. Calaveras County schools identify almost 6.7% of students as learning disabled, 2.9% higher than the state average and 3.9% higher than Tulare County schools. Similarly, schools in Calaveras County identify 3.3% of students as having a language impairment while in Tulare only 1.2% of students are so classified. These two categories account for two-thirds difference in identification rates between the two counties.

Figure 2. Local practices for identifying students can result in very different identification rates



SOURCE: California Department of Education, DataQuest web site. 2016-17 data.

NOTE: Data show the number of students by disabling category as a percent of the total student population in the county.

To understand the local forces that result in these differences, we spoke to special education experts in both counties. How districts administer general and special education appears to explain much of the variation. In Calaveras County, declining enrollment has reduced funding and led to higher attrition among teachers and administrators, making it difficult to find the funding or focus to implement early intervention strategies like MTSS. As a result, special education became the default option for providing additional services to students who may need additional help.⁵ In Tulare County, districts emphasize preventive services that are available through the general education program before determining that students need extra help through special education. The county also has made infant and preschool services for children who may have learning problems a priority, which also could contribute to its lower disability rate.

The differences in the way special education is administered affect costs and student placements in the two counties. But exactly how those differences influence costs and

⁵ According to administrators we spoke to in Calaveras County, districts are working closely with county office staff in 2018 to implement new processes for early intervention and behavioral and mental health services.

outcomes can be difficult to measure. Given the large difference in special education caseloads, it is reasonable to expect that average costs are higher in Calaveras County. State accounting data, indeed, show spending on special education per ADA in Calaveras is more than twice the level than Tulare—consistent with the large difference in the rate of identification.⁶ However, special education spending data does not include the costs of Tulare’s pre-identification intervention services, making the comparison incomplete.

If special education funding were distributed on the basis of the number of students identified for services, Calaveras would benefit financially. It also might make sense for Tulare to identify more students for special education services. In our view, creating such an incentive would be inappropriate since, to the extent possible, the need for services should be determined separately from finances. The state Task Force encouraged districts to adopt programs like MTSS as a way of promoting early intervention and pre-identification services. Counting the number of special education students in the state’s funding formula would weaken existing incentives for districts to adopt this approach. Thus, evidence supports the existing ADA-based formula in AB 602 as a neutral way for the state to distribute special education funds.

AB 602 Does Not Adjust as Costs Increase

Our 2016 report found that state funding has not kept pace with higher district costs caused by changes in special education caseloads over the past decade. We found two underlying causes for higher costs. First, the number of students with disabilities increased 5.1% from 2005 to 2014, while total ADA stayed almost flat. This meant that ADA-based funding stayed almost constant while costs of serving a higher number of students rose. Second, the mix of disabilities changed over this time, with higher-cost disabilities increasing and lower-cost categories falling.

The current special education formula does not adjust to a changing mix of disabilities or a statewide trend of higher rates of identification in districts. The impact of these trends, over time, can grow quite large. Based on somewhat dated national cost figures, we estimated that special education costs increased \$1.1 billion from 2005-06 to 2014-15 due to these two factors.

Special education funding is like base funding. Our estimate illustrates only one source of cost pressures facing special education. Districts face higher costs stemming from inflation, higher salaries and health benefits, and increasing costs of retirement benefits. These increases are determined largely independently of special education revenues. The state acknowledges these cost pressures by increasing the special education appropriation by a cost-of-living adjustment (COLA), which is based on national data on inflation in state and local government. But if district costs rise faster than the inflation adjustment, it means that the state special education appropriation shrinks even further as a proportion of district program costs. Salary

⁶ Based on data from the Standardized Account Code in 2015-16, we estimate spending per ADA in Calaveras County averaged \$2,580 and \$1,190 in Tulare County. If we measure spending per special education students, Tulare County districts, spent slightly more.

negotiations, for instance, generally center on overall district revenue expectations. Thus, if salary increases negotiated by districts rise faster than inflation, the extra cost will be borne by district base funds.

The three-agency report that led to the enactment of AB 602 recognized these district cost pressures, recommending that special education funds should be adjusted each year consistent with changes proposed for base district funds (Legislative Analyst's Office et al, 1995).⁷ In most years, that recommendation was followed—standard practice called for increasing base and special education funding by a COLA. With the advent of LCFF, district base allocations increased beyond the COLA each year as part of the effort to restore funding cuts that were made during the 2008-2010 recession. The higher funding levels enabled districts to hire additional staff and teachers and provide salary increases. Special education appropriations, however, were not similarly adjusted.

To guard against the continued erosion of state funding as a proportion of district expenditures, the state could consider modifying the AB 602 inflation adjustment. One way to do that is by following the original intent of the three-agency report and include an annual budget adjustment for special education that reflects the same increase as the LCFF base grant. This adjustment would ensure that funding for special education would increase at the same rate as core school revenues, and avoid the problem where large LCFF augmentations results in an increase in the local share of special education program costs.

Another option is to adjust the state's special education appropriation for changes in actual program spending for the most recent year for which data are available. This option would increase the state appropriation based on the average statewide change in local spending on special education, thereby maintaining the state's share of special education costs at a fixed rate. Because all districts would receive the same percentage adjustment, individual districts would not benefit directly from higher spending totals in the prior year.

Unequal Per-Pupil Funding Rates Merit Action

While AB 602 establishes a consistent ADA base for funding, district per-pupil funding rates vary substantially, violating LCFF's equity principle. We found, for example that the top 10 percent of SELPAs receive 50 percent more per pupil than the average of the other 90 percent of SELPAs. To address this problem, our 2016 report recommends equalizing AB 602 funding rates. One option for doing this would bring all district rates up to the current 90th percentile at a cost of about \$670 million annually.

We think our 2016 discussion of SELPA rates and the need for equalization requires no elaboration. Equity is a core principle of LCFF. The three-agency report also found no justification for different SELPA funding levels. If the state considers increasing special education funding in recognition of the factors that led to higher district program costs over the past decade, equalization should be considered as a reasonable use for any new funding.

⁷ See Table 2 in the executive summary, for instance. In 1998, base funding was known as "revenue limit funding."

AB 602 Does Not Adequately Fund Preschool Programs

The state Task Force found that high-quality services for very young children promote gains in language and behavioral and cognitive development.⁸ Our 2016 report found that existing programs for these services, however, are supported through a patchwork of state and federal categorical funding streams and base special education funds. And the ADA-based AB 602 formula does not adjust to changes in the number of preschool children or infants served by districts, as ADA counts only students enrolled in kindergarten or higher.

We also expressed concern that this funding base may undercut district incentives for finding and enrolling disabled children in programs at an early age. Given the value of early services, we laid out two options for resolving this problem. The state could include preschool students in the AB 602 formula. The cost of this idea is high, however—over \$500 million a year for students who are currently served by districts. The second alternative is to include children with disabilities in state-funded preschool programs. This has the added advantage of reducing the use of separate classes to serve disabled preschoolers. Further discussions with educators convinced us that both alternatives are important to consider. We discuss them in more detail below.

Early services for disabled children can have long-term benefits. As we discussed in the previous report, the funding system for preschoolers creates a disincentive to serve this group. This is because the AB 602 formula does not count infants and preschoolers as students (and therefore they do not add to ADA). Since district and SELPA resources are not increased if the number of preschoolers increase, static funding of the base AB 602 grant in the face of rising costs means that placing a local priority on serving 3 and 4 year olds requires districts to commit general fund resources to the task.

The Task Force recommended a grant of \$4,000 per child, which is much less than the average per-pupil additional cost of services for school-aged students with disabilities. At this rate, the incentive would cost about \$200 million initially and grow along with the number of children served

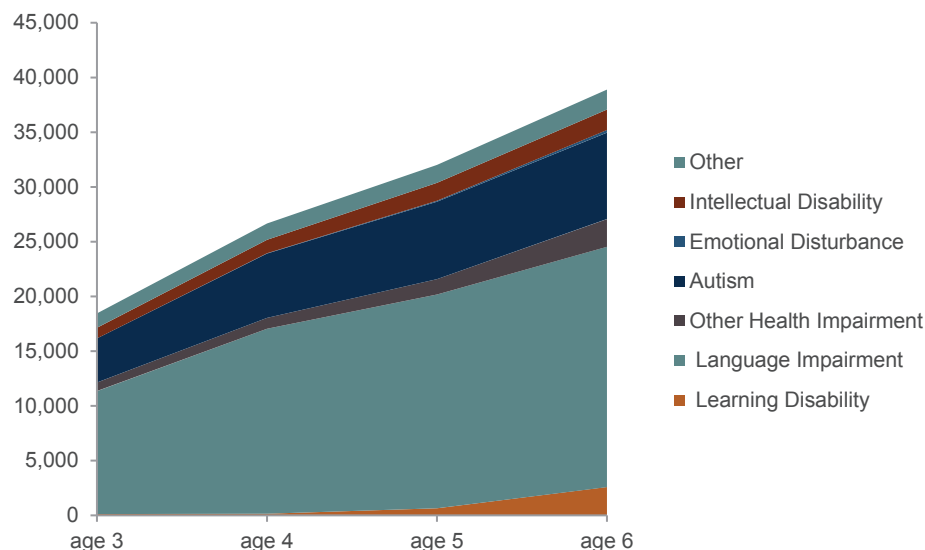
The data that suggest a significant number of additional students could benefit from participating in special education before kindergarten. Federal law requires school districts assist disabled children beginning at age 3. The law also requires that educators actively seek children who may have a disability. Districts and county offices use a variety of sources to find preschoolers who may need early services, including referrals from programs serving disabled infants and toddlers, referrals from day care operators, and inquiries from individual parents.

State data show that many children who are identified as disabled in kindergarten or first grade do not receive services at age three or four. Figure 3 displays the growth in one cohort of students from age three through six. The number of children identified as disabled almost doubles during these years, going from about 18,500 three-year olds to almost 39,000 six year old children over this period. This suggests that only about half of 6-year old students

⁸ Statewide Task Force (2015), page 11.

with disabilities participated in the program at age three. Similarly, only about two-thirds of six year olds participated at age four.⁹ Federal data on the share of children ages 3 to 5 in special education also show California has a somewhat lower rate of participation than the national average.¹⁰

Figure 3. The number of students identified as disabled doubles from age 3 to 6



SOURCE: California Department of Education DataQuest website.

NOTE: Data are for children who were age 6 in December 2015.

These data suggest California could expand its early intervention program to reach many more children who will be identified for special education in later years. Research shows early services can produce important long-term benefits for some groups of children. To create a stronger incentive for educators to expand services to preschoolers the state should consider options like the \$4,000 in funds that was proposed by the Task Force. The state could authorize the incentive program for five years. After five years, it could evaluate the program to ensure that it accomplishes the goal of increasing the proportion of students served at earlier ages.

While offering incentive funding, the state also can help districts develop more effective ways to serve preschool children. What types of assessments allow the early identification of students that currently are not considered disabled until first or second grade? What cost-effective service delivery models are available to expand services at lowest cost? A combination of incentive funding plus technical assistance may give SELPAs and districts the best chance to make a smart investment in early services for children.

Few children with disabilities enroll in state preschool. Federal law mandates preschool for disabled children, which provides a program of learning and play for three and

⁹ The proportions would be lower if some of the 3 or 4 year olds no longer needed special education services when they reached kindergarten or first grade.

¹⁰ Part B Data Display: California. Publication Year 2016. (Data are for 2014-15). California reported 5.1% of students with disabilities were ages 3 to 5 compared to 6.3% nationally.

four (and sometimes five) year-old children. There are three public sources of preschool: federal Head Start programs, state preschool programs, and special education preschool administered by districts or county offices of education. Many disabled children can participate in Head Start or state preschool supplemented with support from the local school district or county office of education.

Educators often find barriers to enrolling disabled children in these programs. Both Head Start and state preschool primarily serve families that are low income.¹¹ Children from families whose income exceeds program limits generally cannot attend these programs. Head Start serves children from families under the federal poverty line (\$24,600 for a family of four) although federal law permits a modest proportion of children to come from families whose income is higher than allowed.¹² California’s state preschool program serves a broader low-income population, with a maximum family income of \$46,000 for a family of four. Parents of eligible families also must be employed, seeking employment, or involved in training that leads to employment. Up to 10% of children may exceed the state preschool income limits if space is available.¹³

Both programs take steps to include disabled children. Head Start sets aside 10% of its slots for disabled children.¹⁴ This fixed target appears to work—Head Start data for California show that 14,850 disabled children, or 11.3% of children served by the program, attended preschool at a federally funded center in 2014-15.¹⁵ State law does not create similar fixed targets, instead opting for financial incentives for serving students with disabilities. Specifically, centers receive 20% more for serving students with disabilities. Unfortunately, we were unable to obtain data from CDE on the proportion of state preschool students who were identified with a disability. Data we could access, however, suggest that relatively few children with disabilities attend state preschool programs—perhaps less than 1 percent of children in state preschool.¹⁶ Educators we spoke to cited various barriers to coordinating with Head Start and state preschool, including facility constraints and the income and employment rules that centers must follow. Demand for publicly funded preschool slots also is very high, and there may be no openings at the time the parents of a disabled student are looking find preschool for their child.

One option the state could consider is strengthening the connection between state preschool and special education by requiring state preschool programs meet the same percentage targets as Head Start for serving children with disabilities. The Legislative Analyst’s

¹¹ Both programs also place a priority on foster children.

¹² Up to 10% of children may come from families whose income exceeds program guidelines. In addition, 35% of children may come from families with income that exceeds program limits by 30%. Section 645 of the Head Start Act and *California Head Start* data found on [Benefits.gov](https://www.benefits.gov).

¹³ Of those 10%, family income may exceed program limits by up to 15%.

¹⁴ Head start programs may get a waiver of this requirement based on certain criteria.

¹⁵ California Head Start Association, *Head Start/Early Head Start Program Data Report, 2014-15 Statistics*.

¹⁶ The Legislative Analyst’s Office reports that 39 percent of disabled children ages 3 and 4 were enrolled in state preschool or Head Start, or about 20,000 children (LAO, 2018). If about half of these children participated in Head Start with the other half attending a state preschool program, that would suggest that about 0.5% of preschool attendees were children with disabilities.

Office recommended this in 2015, suggesting that between 5 percent and 15 percent of state preschool slots be reserved for children with disabilities (Legislative Analyst’s Office, 2015). Before setting a specific proportion, however, we think the state needs better information on current practices and the barriers to serving this population. Better information on the number of disabled children currently participating in state preschool and the barriers that make increasing this number difficult would help policymakers craft effective solutions to the problems that prevent more students with disabilities from enrolling in state preschool programs.

Conclusion: Update Special Education Funding Formulas

Our analysis suggests that California’s special education funding programs need attention. The basic AB 602 ADA-based formula seems sound, but it fails to adjust to longer term trends in the share of students identified with disabilities and the cost of serving them. In addition, the per-pupil special education grants are quite different from one SELPA to the next, which is at odds with LCFF’s equal per-pupil grants.

For instance, growth in AB 602 over the years has not kept pace with district costs. Total student ADA has stayed almost constant while the special education population has increased. In addition, per-pupil costs have increased faster than inflation due to rising district employee costs and an increase the proportion of high cost disabilities. We also found that disabled preschool students do not count towards ADA—and, therefore, special education funding does not adjust to reflect higher costs associated with identifying more preschool children for services.

We also identify options for addressing these problems. These options, when fully implemented, require significant new funding for special education. This would reduce the amount of Proposition 98 revenues available for base and supplemental and concentration grants under LCFF. In one sense, spending more on special education would merely shift funding from one formula (LCFF) to another (special education). But seen from a different perspective, more responsive special education formulas would help the state maintain its commitment to paying for a set portion of local costs. Current practice of boosting base funding while ignoring the impact of those increases on special education costs inevitably results in a rising district share of costs. By committing the state to paying for a constant share of program costs over time, the state could address the financial connections between special education and LCFF.

Governance and Accountability

The state requires all districts to be part of a SELPA. Special education is unique in K-12 education in this regard. SELPAs are regional agencies designed to assist and monitor districts in the delivery of special education. Large districts typically operate their own SELPA; smaller districts are members of multi-districts SELPAs. State and federal funds flow through SELPAs,

and our 2016 report identified conflicts between the current system and LCFF’s emphasis on district control over decision-making and accountability. In this section, we delve further into these governance issues.

As we noted at the outset, this report looks for other options for harmonizing special education governance with the principles of LCFF. Our 2016 report recommended directing funding to districts through LCFF as a way to align district fiscal autonomy with their accountability for the success of students with disabilities. Our discussion begins with a short summary of findings and recommendations from our 2016 report. We then discuss three specific issues;

- District perspectives on SELPA finance and program decisions,
- Aligning SELPA plans with LCFF’s planning process and focus on outcomes, and
- The challenge facing districts to understand the progress of students with disabilities.

PPIC 2016 Report: SELPAs Conflict with LCFF’s District Emphasis

Our 2016 report examined the roles of districts and SELPAs in the funding and administration of local programs. State law requires all districts to join a SELPA. There are 40 single-district SELPAs (mostly large districts) and 85 multi-district SELPAs. Most counties have at least one multi-district SELPA and there are four “CHELPAs,” or statewide SELPAs that serve exclusively charter schools. Multi-district SELPAs are governed by councils composed of member-district leaders. Each SELPA has its own rules for the size of the council and how its membership is determined.

SELPAs generally do not operate schools or classes. Instead, state law tasks SELPAs with supporting students and districts in several ways. SELPAs are required to ensure that districts have a coordinated system of identifying and serving students. They also hear complaints from parents who feel that their children’s needs are not being met. SELPAs also help train district staff and coordinate with other public agencies that serve students with special needs.

SELPAs also distribute state and federal funds to districts. The California Department of Education determines each SELPA’s allocation of state and federal special education funds, and SELPAs distribute those funds for SELPA-wide activities or to districts. The ability to reallocate state and federal funds allow SELPAs to recognize local variations in costs, especially in small districts.

The report found that SELPA funding and governance is inconsistent with the principles of local control, transparency, and equity underlying LCFF. Specifically, the report found:

- ***SELPA budgets do not always distribute funds based on ADA.*** SELPAs redistribute funds in a number of ways. For instance, we found some that passed almost all state and federal funds to districts on a per-ADA formula. Other SELPAs may retain a significant share of funds for regional activities or distribute funds based on criteria other than ADA. Some of these SELPA budget practices create negative incentives for districts. For example, SELPAs sometimes provide significant additional funds to districts based on the number of students who are identified with one of several types of disabilities that

are considered “severe.”¹⁷ The higher funding levels create incentives that encourage districts to identify students in one of these severe categories. Some SELPAs also fully pay for the cost of regional special education classes, which undermine district incentives to serve students in settings that are closer to home.

- ***The governance of multi-district SELPAs do not provide the same level of local control or transparency that is the hallmark of LCFF.*** Outcomes in these SELPAs are negotiated, and unhappy districts have little recourse—state law provides no appeal avenue and districts generally are unable to leave a SELPA. The report also concluded that SELPA budgets and programs are not as open to parent and community input as districts are under LCFF. SELPA budgets are often neither uniform nor accessible on line, performance data on students in the SELPA is generally unavailable, and the main conduit for parent and community input is a required community advisory committee.

Recommendation: distribute special education dollars through LCFF. The 2016 report identified several steps designed to align special education funding with LCFF and eliminate the negative incentives created by SELPA funding rules. First, the report recommends including state special education funds as part of the LCFF formula. This change would deliver state funds to districts, not SELPAs, thereby giving districts greater autonomy over services they want from their SELPA. In fact, this is how virtually all other states administer special education: funding goes primarily to districts, and regional support agencies are paid by districts for services rendered. Before making this change, however, we felt the state needed better information about small district special education costs. We were concerned that including special education funds in LCFF could be problematic for small districts.¹⁸ We identified several options the state could consider, but no recommendation was possible given the lack of good spending data for small districts.

Distributing special education funds through LCFF has other advantages. It would require districts to include special education funds and services in the annual LCFF plan. This would make available important information to parents and community members about district goals for students with disabilities and the steps administrators propose to improve outcomes for those students. We thought increasing the visibility of disabled student outcomes in the district planning process was, itself, an important step for special education.

SELPAs Can Strengthen District Voice

Our 2016 report recommended funding SELPAs primarily as a means of mirroring the LCFF emphasis on district control over funding and programs in the funding of special education. A secondary consideration was giving districts greater options for obtaining the

¹⁷ Severe is a term used by the California Department of Education that includes the following disability categories: autism; blindness including visually impairment; deafness and other hearing impairments; orthopedic impairment; serious emotional disturbance; intellectual disability; traumatic brain injury; and multiple disabilities.

¹⁸ Currently, there are approximately 20 SELPAs which qualify as Necessary Small SELPAs because the combined K-12 enrollment of their member districts is fewer than 15,000.

support and training that is currently part of the SELPA role. Just as CHELPAs give charter schools choices in special education, it made sense to give districts the same level of autonomy

State laws and regulations discourage districts from seeking to operate their own SELPA. Elementary and high school districts are not allowed to form single-district SELPAs. Unified districts must meet “size and scope” requirements—that is, they are large enough provide the range of services students with disabilities need. State Board regulations, adopted in 1983, set the minimum size at 30,000 students in urban and rural areas and 15,000 in rural areas.¹⁹ All districts, including elementary and high school districts, may seek a waiver of these rules from the State Board of Education allowing them to become their own SELPA.

Outside of a State Board waiver, these rules effectively give districts no option when they are unhappy with their SELPA. Multi-district SELPAs generally are governed by a council composed of administrators from districts that belong to the SELPA. However, each entity establishes the composition of its board and the process for filling its seats. As a consequence, districts may feel their needs are unmet by their SELPA, but have no way to appeal its decisions.

To explore these governance issues further, we included several questions on a survey of school superintendents administered by researchers overseeing the Getting Down to Facts project on the topic of SELPAs. The survey interviewed 91 superintendents in districts of different sizes and types (unified, elementary, and high school districts) on a wide range of K-12 topics. The special education questions represented a very small part of the overall survey.

The results of the survey show superintendents are very supportive of their SELPAs. Virtually all superintendents surveyed wanted SELPAs to continue—only two felt they should be abolished. However, the results were more mixed when asked whether they think SELPA services could improve. Only 59 of the 91 superintendents surveyed (65%) responded to this question, with the others indicating they didn’t know.²⁰ Of those responding, 80 percent rated their SELPAs positively, and only 20 percent expressed more negative reviews. Those who were are happy with their SELPAs often made strong statements about the high quality of their local collaborative. Many also stated they served as part of the SELPA boards.

In a separate question, a quarter of all superintendents surveyed thought SELPAs could be more helpful. Superintendents from districts with between 5,000 and 10,000 students were most likely to say their SELPAs could be more helpful (38%) and leaders from very small and large districts were least likely (17% and 11 percent respectively). When asked to elaborate, superintendents cited a wide array of services they would like SELPAs to provide, such as help with data and progress monitoring of students with disabilities, more or different professional development, and more equitable or transparent financial practices. But even among this group, only a couple of superintendents expressed strong dissatisfaction, and many tempered

¹⁹ *Size and Scope of Special Education Local Plan Areas as approved by the State Board of Education at the November 17-18, 1983 meeting.* Accessed on line.

²⁰ Of those who gave no opinion, 31 said they “don’t know” and 1 said it was too soon to know.

their suggestions with a recognition that SELPA funding is limited and that not all district wants can be met.

We conclude from the survey results that most superintendents are pretty satisfied with their SELPA, and we found no common thread to the comments of those who feel otherwise. This is good news, as it suggest SELPAs are generally meeting district needs. But a small minority were dissatisfied, and a quarter of superintendents thought their SELPA could be more helpful.

The survey results do not suggest an obvious solution for unhappy districts. The results, however, suggest two possible areas where SELPAs could be more responsive to district needs:

- **Finance.** SELPAs could establish a process for allowing districts to request its ADA-based share of federal and state funds from the SELPA. This would give an option to districts that feel disadvantaged by existing SELPA allocations.
- **Services.** SELPAs could canvas districts about the quality and range of services provided through the SELPA. This would ensure that districts had direct input on the services SELPAs provide.

Giving the districts the power to get its per-pupil share of state and federal funds would give districts some financial independence from their SELPA. However, SELPAs would continue to monitor these districts in other special education areas, such as ensuring appropriate services and settings for its students with disabilities. In addition, SELPAs could insist that districts interested in financial independence give SELPAs time to adjust to the loss of funding and agree to provide funding for continuing SELPA responsibilities, such as data collection, coordination with other agencies, and dispute resolution processes.

We talked to an administrator in a SELPA that offers this type of independence. Not surprisingly, only a few districts have decided to take the funds and separate financially from the SELPA. Overall, the process appears to be a straight-forward way to give districts more financial options over its share of state and federal funds while also maintaining a long-term relationship with its SELPA.

Our survey shows that district superintendents think SELPAs function pretty well in most places. Some however, would like more financial autonomy or a different mix of services than what their SELPAs currently provide. Giving districts options in these areas is a respectful way to allowing districts the freedom to do what they think is best for students. This gets at the core of LCFF's local control principle: give districts the latitude to succeed or fail. In either case, it will help them understand better what they need to do to improve the quality of schooling for students with disabilities.

SELPA Plans Could Address a Number of Issues

The 2016 recommendation to send funding to districts rather than SELPAs was motivated by a desire to include special education in district planning, outreach, and reform processes that are the heart of LCFF. There are other options, however for updating SELPA processes consistent with the underlying principles of LCFF. Specifically, we found that existing SELPA plans could:

- **Increase transparency about SELPA budgets.** Our 2016 report found that SELPA budget plans were often not posted on SELPA websites. Those that were available often provided little detail about how funds were to be used. Confusion about SELPA budgets extended to districts. We found financial studies of SELPAs that were conducted because districts did not understand SELPA financial practices. Our survey of superintendents also found concerns about the transparency of SELPA finances. A SELPA LCAP could provide this basic information in an accessible public document. The state also could consider whether surveys of parents would heighten an awareness of the SELPAs role and provide feedback on parental satisfaction with the services their children receive.
- **Increase SELPA focus on student outcomes.** SELPAs are not held accountable for student success. Instead, much of what SELPAs do involves process. While these processes are important—for example, protecting student rights—LCFF asks educators to develop strategic plans for improving student outcomes. Currently, SELPAs are being brought into performance discussions at the regional level, as so many districts struggle with low student outcomes for this group.²¹ A SELPA plan could highlight the progress of all students with disabilities in the SELPA, and identify opportunities districts could work together to improve services to students.
- **Improve regionalized services.** SELPAs differ in the scope and size of regional services funded with state and federal funds. Regional services include training of district staff and teachers, for example. SELPAs also arrange for regional classes to ensure that districts have affordable options for addressing all types of disabilities—even those that are uncommon. SELPA plans could mirror district LCAPs by assessing the success of regionalized services and classes and outlining plans for improving them. This effort could be informed by district surveys we suggested previously.

As we have seen with LCFF, plans can easily become too long and detailed to communicate effectively. Thus, if the state finds the idea of SELPA plans intriguing, it should give SELPAs some flexibility over the content of plans. A high-level picture of how resources are distributed and the SELPAs' plans for improving student outcomes would provide useful

²¹ 228 districts in California are required to get assistance for inadequate performance in 2017. Of these, about 150 districts were identified because of low performance of students with disabilities. *One in 4 California school districts required to get county help based on new state performance data*, EdSource, December 7, 2017. In response, the 2018-19 Governor's Budget requests \$10 million to allow SELPAs to work with county offices of education to address districts performance issues as part of the state system of technical assistance under LCFF. Governor's Budget Summary, 2018-19, page 26.

information to parents and member districts. Each SELPA could determine whether more information would be helpful for furthering local discussions. ²²

Special Education Accountability Is Complex

Federal law holds districts accountable for the performance of students with disabilities. To satisfy this requirement, the State Board of Education includes students with disabilities as a subgroup when evaluating district performance under LCFF. SELPAs currently do not participate in LCFF accountability, as districts are held accountable for the progress of students with disabilities.

Special education is a complex program, however, and the dynamics of special education affects performance data. As a result, an accurate picture of student progress requires using longitudinal data to follow the gains of individual students over time. Districts often lack the capacity to assemble and analyze data this way. This is important problem because accurate data is a cornerstone of the improvement process. District efforts to improve student outcomes are hampered if they have a muddy picture of the gains students make over time.

To address this problem, SELPAs could play a greater role in helping districts access and understand accurate data on growth in student performance. Below, we discuss three problems with existing performance data:

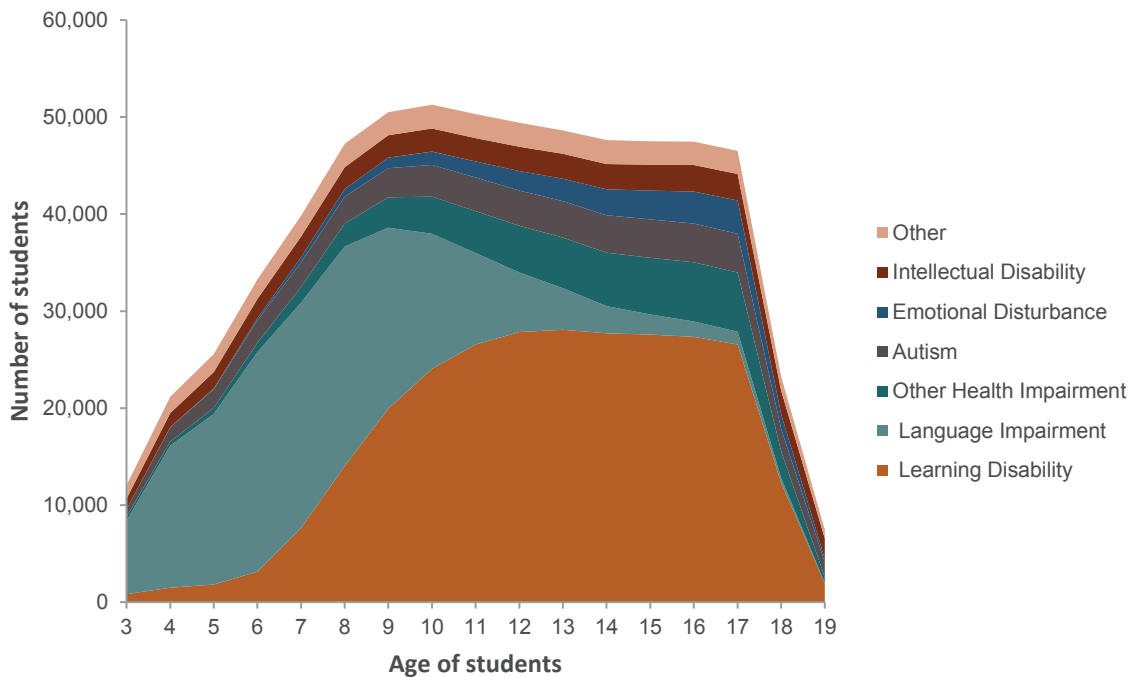
- Annual data does not recognize that there is a constant churn of students entering and leaving the program over time.
- Local practices for identifying and serving can differ markedly from district to district, affecting the number of students identified as disabled and the indicators of school and district performance the state uses for accountability.
- Special education identifies many students as disabled because they fail to thrive in class. For this group, therefore, average academic performance may always be lower than the average of all students.

Population changes as students progress through the grades. The number of students identified with disabilities changes significantly over time as children grow up. Figure 4 displays the number of students with disabilities by disability category for the same group of students from age 3 through 19. These students were 3 years old in 2001. Our data ends at age 19—the year after most students in this group graduated from high school. As the figure suggests, the

²² As this report was being written, Governor Brown’s 2018-19 proposed budget was released. One provision of the education budget is a proposal to require SELPAs to develop plans that are similar to what we discussed above. The budget identifies aligning SELPA plans with district goals and increasing transparency about SELPA budgets. Its approach to this task, however, is somewhat different than what we describe above. Specifically, the Governor’s Budget states that the plan would align SELPA services and resources with the goals of district LCAPs. While this is similar to what we suggest, we think it makes more sense for the plans to focus on issues that are common to districts within the SELPA, specifically regional student performance challenges and effective regional services. Details of this proposal, which were not available at the time this was written, will provide a clearer sense of what the administration hopes to achieve through the plan.

number of students in each category changes every year, sometimes significantly. As we saw in Figure 3 earlier, speech and language impairment is the largest category for children ages 3 to 6. This category peaks at age 7 (generally second grade), reaching more than 23,000 students, and declines fairly quickly starting at age 9. As it falls, the number of students with learning disabilities increases, becoming the largest category when students reach the age of 9. This group stabilizes when students reach the age of 11 or 12. The number of students in other disability categories is relatively stable, although there is a general increase in these categories over the grades.

Figure 4. The special education population changes significantly over the grades



SOURCE: California Department of Education, DataQuest web site.

NOTE: Data are for students who were age three in December 2001. Most of these students graduated from high school in 2015-16

This picture of special education participation over the grades is important to understand. Many students move into and out of special education during their time in K-12; it is not a static population. Overall, significant growth occurs almost every year in the elementary grades, moderating considerably beginning in about middle school. Students also move from one category to another—and unknown proportion of the fall in the number of students in the speech and language category reflects those students being placed into different disabling categories.²³ And, although there are 13 major disabling categories, two categories, speech and

²³ The data in Figure 3 is based on statewide counts taken in December each year. A more accurate description of the dynamics of the special education population would be possible using student-level data.

language impaired and learning disabilities, account for 69 percent of the membership in special education on average.

For policymakers, we point out two implications of these data. Similar to our preschool discussion earlier in this report, the statewide task force called for a greater emphasis on early intervention, but Figure 4 shows many students in this cohort were identified after third grade.²⁴ Between age 8 and 11 (or for most students, between third and sixth grade) 12,500 additional students were identified as learning disabled (a 90% increase). While it is unlikely that all students who need special education services can be identified earlier, these data illuminate the problem the task force identified.

Second, the changing mix of students over time affects the meaning of student outcome data that is used for accountability programs. The state’s testing program, for instance, assesses students in grades three through eight and grade 11. Thus, the bulk of test score data comes as the mix of students with disabilities is rapidly changing from grade to grade. In the early grades, students with speech and language problems is the largest group. If these students have no cognitive impairments, they may do as well in school. However, these students appear to leave the program in later grades. This dynamic—where a portion of students with language disabilities graduate from special education only to be replaced by students who are failing to learn at rates expected of other students—would make the special education subgroup look as if its test scores were falling. This is why following outcomes at the student level in special education is so important.

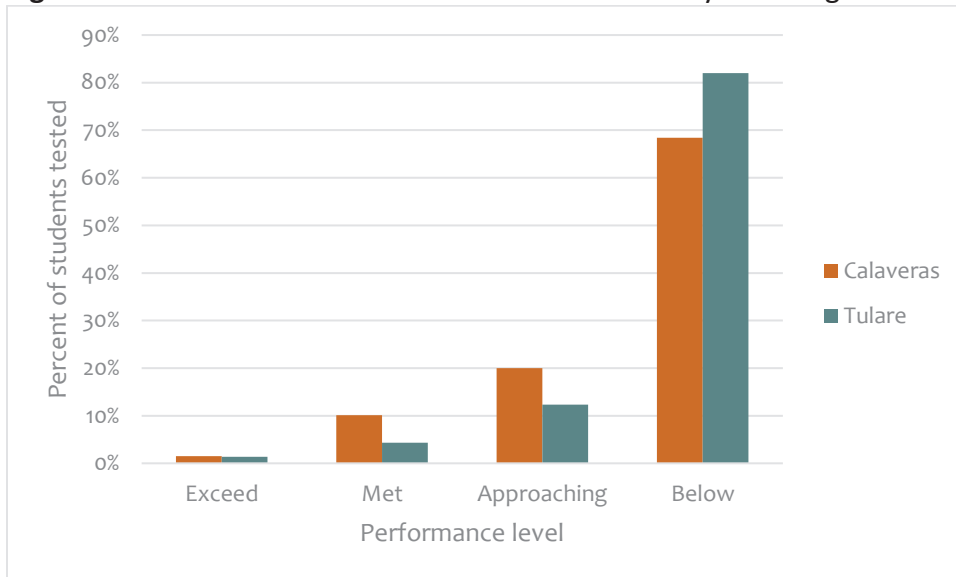
District practices affect the proportion of students identified for services. Local practices in the two counties also affect the meaning of district outcome data. As we discussed earlier, Tulare and Calaveras counties identify very different proportions of students for special education services, partly due to district educational practices. This difference may mean that the average special education student in Calaveras has more moderate disabilities than the average student in Tulare, and we would expect group performance in the two counties to reflect that difference.

Figure 5 displays the proportion of students in each performance level on the state Smarter Balanced Assessment Collaborative tests. Indeed, Tulare County, which identifies only 8.8 percent of students as disabled, has a higher proportion of students performing at the lowest “below standard” level, and fewer students scoring in the middle two performance levels. Since Calaveras County identifies more than 17.6 percent of students for special services, it seems reasonable to assume that Calaveras identifies some students that, in Tulare, would be assisted through other programs.

²⁴ “Research shows that well-timed and well-executed early intervention reduces the number of students with [specific] learning disabilities—by far the largest cohort in the special education ranks—and improves school outcomes for everyone.” Statewide Special Education Task Force report (page 2).

So, how meaningful is the state testing data, given the significant differences between these two counties? The comparison assumes the student populations in the two counties are roughly similar, but of course, they are not. In addition to the large difference in the proportion of students in special education, Tulare County schools serve a large EL student group while schools in Calaveras County do not, and many EL students in both counties score in the below standard level. This is just one of many differences that make comparisons of outcomes among districts or counties difficult. The difference in local education practices for addressing student needs is another significant complicating factor.

Figure 5. Students with disabilities in Calaveras County score higher than those in Tulare County



SOURCE: California Department of Education CCASPP website, 2015-16 data.

NOTE:

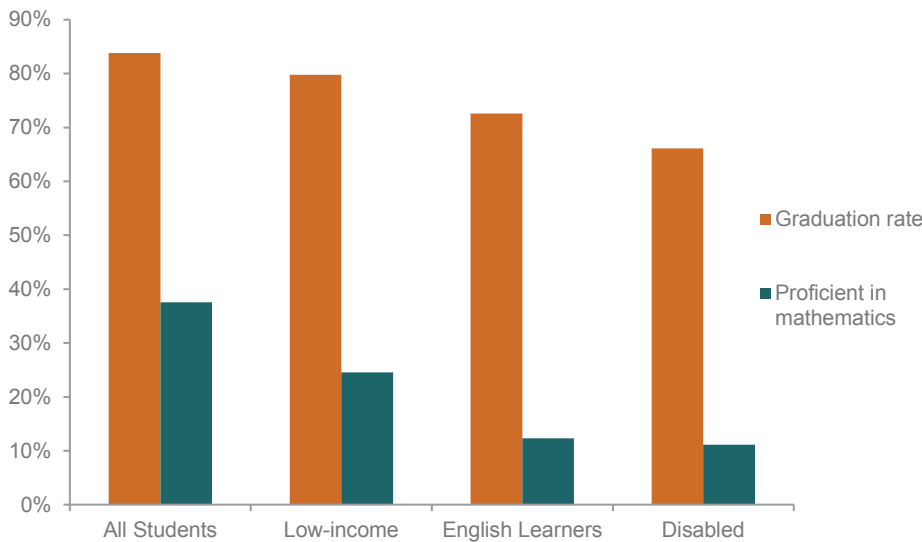
Variation in local practices affect special education outcomes. Districts that use special education as the conduit for additional help for struggling students are likely to identify more students than those who attempt to address student learning issues outside of special education. That higher rate can result in the appearance of better special education outcomes, but given the differences in the proportion of students identified with disabilities, it is hard to say what the data actually mean. Districts that work to address student needs before they are identified for services will have more severely disabled students in the program, which could make district outcomes for this group appear worse.

Growth is a more meaningful performance metric. The below-standard test scores for most students with disabilities in Calaveras and Tulare illustrate another important fact about outcome data: special education works to address the learning needs of students who may receive special education services because they cannot learn at the same pace as other students due to a specific disability. As a consequence, average outcomes for students in

special education will be lower than for all students. Indeed, below-average performance seems hard-wired into the very nature of the special education program. The inherent bias of special education data combined with is yet another factor that makes it difficult to understand what outcome data actually mean about the quality of a school or district special education program. In our view, growth is the more meaningful measure.

State LCFF indicators show students with disabilities perform as a group at lower levels. Figures 6 and 7 display student outcome data for four performance metrics that are part of LCFF’s system of school and district outcome measures. Figure 6 shows that students with disabilities are less likely to perform at standard on the state mathematics test and graduate on time from high school than low-income and English learner students. This should not be too surprising. The special education program is charged with helping students with learning differences that make it difficult for them to achieve at levels desired by the state. Learning disabled students, for instance, have no apparent physical or mental disability, but struggle to learn at a pace typical for students their age.²⁵ As Figure 4 illustrated, the number of students with learning disabilities increases rapidly in elementary school. Clearly, as Figure 6 shows, this influx of students into the program depresses average test scores for special education in the elementary grades.

Figure 6. Academic outcomes for students with disabilities are lower than for other student groups



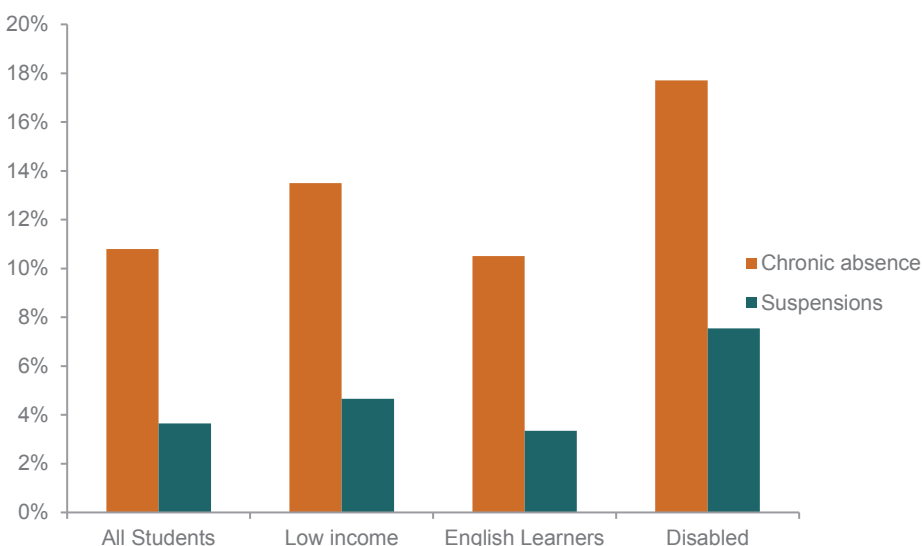
SOURCE: California Department of Education

NOTE: Graduation data from 2015-16. Mathematics data represents the proportion scoring or above state standards for all tested students in 2016-17, Does not reflect adjustments CDE makes when it uses the data for accountability purposes.

²⁵ One study states that the defining characteristic of students with learning disabilities is “specific and significant achievement deficits in the presence of adequate overall intelligence.” Characteristics of Children with Learning Disabilities, National Association of Special Education Teachers

Figure 7 displays chronic absence and suspension data for the same groups.²⁶ Again, data show that students with disabilities have higher absence (17.7%) and suspension rates (7.5%) than the other groups. Understanding why rates for students with disabilities is so high goes beyond the scope of this report. However, we found a large number of studies on social and emotional problems, including anxiety and depression, of students with learning disabilities. One study estimated that 75% of learning students with disabilities exhibit social skill deficits, such as difficulty resolving conflict, managing frustrations, and listening (Kavale and Forness, 1996). Thus, the emotional and social problems that students may also experience may partially explain their higher absence and suspension numbers.

Figure 7. Students with disabilities are more often chronically absent or suspended from school



SOURCE: California Department of Education.

NOTE: Data are for 2016-17. Chronic absence occurs when a student is absent for at least 10% of the school year.

SELPAs could help districts access and interpret student performance data. Special education is a complex program, and the number of students identified for services is a function of age and district educational practices. Further, the program addresses the problems of students who may be unable to learn at the pace of other students. As a result, district outcomes for special education programs will look less successful—with lower test scores and graduation rates. In our view, this bias means that growth in student performance is a better

²⁶ Chronic absence is one indicator that has been approved by the State Board of Education to be one of the state’s accountability measures. However, data on schools and districts will be included on dashboards later in 2018. See *State Schools Chief Tom Torlakson Announces Statewide Chronic Absenteeism Data Available for the First Time, December 5, 2017.*

indicator of school or district success than the level of outcome. And, over time, sustained growth can narrow the differences between students with disabilities and other students.

As special education becomes a focus in the state and federal accountability program, districts and SELPAs will need to become more sophisticated consumers of student performance data. Growth is the more meaningful measure. But accurate assessments of growth require tracking the progress of individual students using longitudinal data and fairly sophisticated statistical software. SELPAs could play a key role in this area, by collecting and analyzing student-level data for districts that lack the capacity to do so. Assisting districts with outcome data dovetails with idea of aligning SELPAs with the core design features of LCFF. SELPAs that understand the challenges district face in improving student performance will be well-positioned to develop local plans that meet district needs.

Conclusion

This report has given us the opportunity to revisit the issues we discussed in our 2016 report and deepen our analysis. Specifically, we outline in more detail options that would allow the state's financial formulas to keep pace with district costs. We also provide a different way to think about aligning special education with the LCFF's principles of transparency, district control, and parent and community access.

In the financial area, our analysis shows the value of continuing the use of the ADA-based AB 602 formula. While it is not perfect, it creates few negative incentives while fairly allocating funds to SELPAs. However, the formula is less successful at adjusting to long-term changes in local spending for special education. And the local share of special education costs has increased significantly in recent years. This issue could be addressed by revising the annual budget adjustment that updates special education funds for cost increases.

In addition, the formula discourages districts from identifying more preschool children with learning issues. Early services can be very beneficial to some students, but data show that many are not identified until they are six years old. The state could address this shortcoming by establishing a special education preschool grant or expanding opportunities for children with disabilities to participate in state preschool programs.

On special education governance, we find that the budget and policy structure that SELPAs operate in is inconsistent with the LCFF priorities on transparency, parent and community input, and accountability for student outcomes. , While most superintendents surveyed are happy with their SELPA, many would like more help from their SELPAs in specific areas. Connecting SELPAs more closely to the need to improve student outcomes is a direction the state should strongly consider. In fact, we think SELPAs are well-positioned to help districts surmount the barriers in the data that complicate getting an accurate picture of the progress of students with disabilities.

In the process of this deeper dive into special education governance and finance issues, we highlighted the complexity of the program—the relatively small number of young children that are identified at early ages and the rapid increases that occur each year during the elementary grades. The dynamics of special education make any assessment of the success of school or district programs quite complicated. Students move in and out of the program, and the changing mix of students from year to year means measuring the progress of students must be done at the individual level, as group data yields unreliable results. The way special education is administered in districts—whether identification is the gateway to supplemental services or only the last of several interventions—affects the proportion of students who participate in special education. With special education a core part of the state’s accountability program, educators and policymakers need to better understand how these program characteristics affect the accuracy of accountability indicators for students with disabilities.

References

- California Statewide Task Force on Special Education, *One System: Reforming Education to Serve All Students*, March 2015
- California Department of Education, *Size and Scope of Special Education Local Plan Areas as approved by the State Board of Education at the November 17-18, 1983 meeting*.
- California Department of Finance, 2018-19 Governor's Budget: Proposed Budget Summary, January 10, 2018
- Currie, Janet, David Figlio, Joshua Goodman, **Claudia Persico** and Jeffrey Roth, *The Effects of Early Intervention for Autism*, a paper presented at the 2013 APPAM Fall Research Conference, 2013
- EdSource, *One in 4 California school districts required to get county help based on new state performance data*, December 7, 2017
- Legislative Analyst's Office, California Departments of Education and Finance, *New Funding Model For Special Education, Final Report, Part I*, November 1995
- Legislative Analyst's Office, *Proposition 98: May Revision Overview*, May 18, 2015
- Hill, Laura, Paul Warren, Patrick Murphy, Iwunze Ugo, and Aditi Pathak, *Special Education in California*, Public Policy Institute of California, San Francisco, CA November, 2016
- Kavale, K.A. and Forness, S.R., *Social Skill Deficits and Learning Disabilities, A Meta Analysis*, *Journal of Learning Disabilities*, June 1996
- National Association of Special Education Teachers, *Characteristics of Children with Learning Disabilities*, NASET LD Report #3

About the Authors

Paul Warren is a research associate at the Public Policy Institute of California, where he focuses on K–12 education finance and accountability. Before he joined PPIC, he worked in the California Legislative Analyst’s Office for more than 20 years as a policy analyst and director. He primarily analyzed education policy, but he also addressed welfare and tax issues. Prior to that, he was chief consultant to the state Assembly’s committee on education. He also served as deputy director for the California Department of Education, helping to implement testing and accountability programs. He holds a master’s degree in public policy from Harvard’s Kennedy School of Government.

Laura Hill is a senior fellow at the Public Policy Institute of California. Her areas of expertise are K–12 education and immigration. She is currently researching English Learners in California schools, the implementation of the Local Control Funding Formula, and undocumented immigrants and health insurance. Prior to joining PPIC, she was a research associate at the SPHERE Institute and a National Institute of Aging postdoctoral fellow. She holds a PhD in demography and an MA in economics from the University of California, Berkeley.