Under federal and California law, cost alone cannot be used as a defense for modifying or denying education and support services to a student with a disability. This has contributed to growth in special education spending. However, funding has not kept up with costs, forcing school administrators to "encroach" upon general education revenues to pay the costs of special education. Over a quarter of special education program expenditures in California, on average, are paid from a school district's general fund. Because most students with disabilities today spend the majority of the school day in regular classrooms, the actual cost of educating a child with a disability is higher than the program costs alone would imply. There is a need to re-examine special education spending. Reductions in costs could come about by implementing a reasonableness standard to protect schools from excessive costs, neutralizing adverse financial incentives, allowing more private sector participation, funding special education on a block grant basis, and relaxing some staffing requirements. Appendixes provide detailed statistical data from the study. (Contains 35 endnotes.) (JDD)
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To comply with the federal mandate now known as the Individuals with Disabilities Education Act, California implemented the Master Plan for Special Education in 1980. That legislation ushered in a new era of education rights for children with disabilities.

Although Congress and the California legislature created ample provisions to protect and serve children with disabilities, neither included a cost-control provision in the law to protect the schools. In fact, under the law, cost alone cannot be used as a defense for modifying or denying education and support services to a student with a disability. This has contributed to growth in special-education spending. In Los Angeles, for example, inflation-adjusted direct-instructional expenditures for special-education grew by 147 percent between 1980-81 and 1991-92. By contrast, spending for general education increased by 46 percent. After adjustments for enrollment growth, spending for direct instruction increased 47 percent per pupil in special education compared to an increase of 24 percent for nondisabled students in general education.

While special-education spending continues to grow, funding has not kept up, forcing school administrators to “encroach” upon general-education revenues to pay the costs of special education. Over a quarter of all special-education program expenditures in California, on average, are paid from a school district’s general fund. In 1990-91, statewide encroachment was $577 million for special education, beyond the $167 million already contributed from local general funds as mandated by law.

Because most students with disabilities today spend the majority of the school-day in regular classrooms, the actual cost of educating a child with a disability is higher than the program costs alone would imply. Taking total costs into account, the average cost of educating a student with a disability in the Los Angeles Unified School District was approximately $11,500 during 1991-92. For nondisabled students, spending averaged $4,000 per pupil.

The above figures illustrate the need to reexamine special-education spending. Reductions in costs could come about by implementing a reasonableness standard to protect schools from excessive costs, neutralizing adverse financial incentives, and allowing more private-sector participation in special-education service delivery if costs can be lowered or service-quality improved. Greater efficiencies in service delivery could be realized by funding special education on a block-grant basis rather than using the current practice which ties funding to specific uses. In addition, relaxing some staffing requirements, such as the requirement that instructional aides be provided to 80 percent of resource specialists, would enable schools to staff according to local needs rather than state mandates.
# TABLE OF CONTENTS

I. INTRODUCTION .......................................................... 3

II. SPECIAL EDUCATION: WHO DOES IT SERVE? ................. 5

III. BACKGROUND .......................................................... 6

IV. FINANCING SPECIAL EDUCATION .................................. 9

V. EXPENDITURES .......................................................... 13
   Computing Total Costs .................................................. 16

VI. WHAT DRIVES SPECIAL-EDUCATION COSTS? ................. 17
   A. IPSU Requirements .................................................. 18
   B. Staffing Requirements ............................................. 18
   C. Nonpublic Schools ................................................. 19
   D. Reasonableness Standard .......................................... 23

VII. CONCLUSION .......................................................... 24

VIII. SUMMARY OF POLICY RECOMMENDATIONS .................... 26

APPENDIX I ............................................................... 27

APPENDIX II .............................................................. 28

APPENDIX III ............................................................. 29

ABOUT THE AUTHOR ...................................................... 30

ACKNOWLEDGEMENT ....................................................... 30

ENDNOTES ................................................................. 31
I. INTRODUCTION

The stated purpose of public education is to provide every child with the knowledge and learning skills necessary to help that child reach his or her full potential. This commitment to all youth includes children with disabilities. In making that commitment to educate, taxpayers have assumed responsibility for paying its costs—costs which vary from student to student depending on a child's unique talents, abilities and needs. Most people accept the financial inequities inherent in public education. Yet, most people would also concede that such inequities must not be allowed to become so great as to jeopardize educational opportunities for everyone.

The challenge to educators is to balance limited financial resources in a way that is fair and respects the needs of all students. The task is not an easy one. Special education is among the most costly of school programs. The annual cost of providing special-education services to a single student can range from a thousand to tens-of-thousands of dollars. In extreme cases, costs can approach $100,000 a year for a single student. The following examples, some typical, some exceptional, illustrate the kinds of services public schools and the state have been responsible for providing to students with disabilities.

- A four-year-old autistic child attends a private school at public expense in Los Angeles where tuition is $4,000 per month. Because of his age and the fact that the school is located away from his home in northern California, he and his family requested additional reimbursement from Union Elementary School District, within whose borders the child lives, for airfare to and from the school, transportation costs while in Los Angeles, rental housing at $895 per month paid on an apartment so a parent can be near the child when school is in session, and reimbursement for utilities. When the school district sought protection from these costs, a U.S. District Court upheld the decision of California's Special Education Hearing Office which had earlier decided in favor of the family. The case is now before Court of Appeals for the Ninth Circuit.

- In a hearing before the California Special Education Hearing Office, a school has been ordered to pay the costs for an out-of-state placement in a private-residential facility for an 18-year-old student with a serious emotional disturbance, including transportation costs for that student. Because his parents testified that he was incapable of traveling to and from the school unaccompanied during vacation breaks and holidays, the hearing officer required that one of his parents be flown to Texas, where the school is located, to escort the student at the commencement
and end of each school term, the Thanksgiving holiday, spring and winter breaks, and for therapeutic passes earned at the school.³

- A child is assessed with having a specific learning disability (SLD). To help him compensate, he attends class in a special-resource room with more individualized attention from a specially certified teacher and an aide for one or two periods a day. He is also entitled to support services such as counseling because of his disability. The cost of providing these services annually, on top of the cost of the child’s regular education, is roughly $4,000 on average in Los Angeles schools.⁴ In 1980–81, there were approximately 157,000 children receiving services for SLD in California. By 1991–92, that number had increased to 275,000 children with SLD.⁵

- A dispute over reimbursement for a portion of a $3,000 one-time placement cost between a school district and the plaintiff family is settled on behalf of the family during a two-day hearing before the California Special Education Hearing Office. Attorney’s fees incurred by the plaintiff and charged to the school district for the hearing totaled over $25,000.⁶

- A five-year old child with developmental delays has attended preschool in a separate class for children his age with disabilities. He also receives speech therapy services and adapted-physical education. Now that he is of kindergarten age, his parents decide to place him in a regular kindergarten class with the support of a full-time aide, paid for by the school district. The annual cost of the aide is approximately $20,000 versus the $7,000 cost of the separate class. Despite the higher cost of complying with the parents’ preference for full-inclusion, the district acquiesces rather than take the case before a special-education hearing officer and risk incurring attorney’s fees thought to be in excess of $50,000 if the fair hearing is lost.⁷

At issue is not whether students with disabilities are entitled to an education, but at what public-sector cost? Each child is unique. Some require little assistance to learn, others require a great deal. Subsequently, some students may be more costly to educate, some less. Ultimately, public schools must balance the individual needs of all children against limited resources. Educational quality depends not just on the total resources available, but on how they are shared.
Balancing the demands of various students has been frustrated by a far-reaching law designed to protect students with disabilities. Under the federal law known as the Individuals with Disabilities Education Act (IDEA), schools are required to provide the education services deemed necessary for that child’s education virtually regardless of their costs or the local school district’s ability to pay for them. Designated funding for special education has rarely, if ever, covered its costs. In 1991-92, the special-education program in Los Angeles incurred a deficit of $154 million—a deficit recovered through nonmandated encroachment into the school district’s general fund. Moreover, in Los Angeles as elsewhere, for the last decade costs for special education have grown at a faster rate than total district costs, despite the fact that the proportion of children receiving special-education services has increased relatively little. Some have called for fully funded special education—in essence requiring the state to pay the costs of special education regardless of how high those costs might go. But given state-budget constraints and the lack of adequate cost-control measures for special education, such a response at the state level is unlikely and unwise.

This report will examine special-education spending growth and several of the policies which drive it. In addition, the report will propose policies to improve the cost-effectiveness of special-education programs. These include:

1) funding special education with block grants;
2) deregulating some aspects of special-education service delivery;
3) conducting performance or financial audits to safeguard service quality and economic efficiency;
4) neutralizing adverse financial incentives; and
5) implementing a “reasonableness” standard to control excessive costs and reduce litigation.

II. SPECIAL EDUCATION: WHO DOES IT SERVE?

About 495,000 children under the age of 22 in California receive special education through elementary and secondary schools. As a percentage of total school enrollment, the proportion of children identified as needing special-education services has remained fairly constant over the last decade at about 8.0 to 8.5 percent in California. By contrast, direct expenditures for special education in many districts have grown steadily.

Who are the children who receive special-education services, and what are their identified disabilities? According to national data, students receiving special education tend to be male and are more likely to come from single-parent and low-income families than are nondisabled children. The number of African-American children with disabilities in the United States is higher relative to their representation in the general population. For whites and Latinos, the
number of children with disabilities is proportionately lower. The reason for these disparities continues to be the subject of much debate.

By far the most common disabilities are Specific Learning Disabilities, or SLD. Today, students with SLD make up over half of all students with disabilities. Learning disabilities are perhaps the least well-defined disability category. California’s Education Code defines the eligibility criteria for SLD as:

(W)hen it is determined that all of the following exist:
(a) A severe discrepancy exists between the intellectual ability and achievements in one or more of the following academic areas: oral expression, listening comprehension, written expression, basic reading skills, reading comprehension, mathematics calculation, mathematics reasoning.
(b) The discrepancy is due to a disorder in one or more of the basic psychological processes and is not the result of environmental, cultural, or economic disadvantages.
(c) The discrepancy cannot be corrected through other regular or categorical services offered within the regular instructional program.

So ambiguous is the eligibility criteria for SLD in general that researchers at the University of Minnesota found that 85 percent of the students they tested, who had previously been identified as normal, would have been classified as learning disabled under one or another of the SLD assessment systems used by professional assessors.

Table I shows the composition of students with disabilities in California by their primary-handicapping condition. These figures vary from district to district.

III. BACKGROUND

When Congress passed the landmark Education of All Handicapped Children Act (P.L. 94-142) in 1975, it set in motion a legislative mandate that would fundamentally alter the way students with disabilities are served in the public schools. The act, later renamed the Individuals with Disabilities Education Act (IDEA), provides federal funds to states for the purpose of educating students with disabilities. In order to receive such funds, IDEA requires that states adopt specified policies and procedures for special education. IDEA mandates that every child with a
disability be provided with a “free appropriate public education” in the “least restrictive environment.” To comply with IDEA, California implemented the Master Plan for Special Education (SB 1870) in 1980. The Master Plan is administered at the local level through approximately 110 regional offices called Special Education Local Plan Areas (SELPAs).

SELPAs may encompass a single school district, a single county, several districts or several counties, depending on the size of the special-education population served. Each SELPA specifies how it will provide special-education services to children ranging in age from birth until the age of 22 residing within its boundaries. Responsibilities of SELPA directors include the distribution and management of federal, state, and local funds for special education, curriculum development, legal assistance, staff development, contracting for nonpublic school placements, and ensuring that all children with disabilities are served. Depending on the size of a community, or the local administrative plan for special-education service delivery, the functions involved in providing special education may be carried out by either a SELPA, a school district, or a county office of education. For purposes of simplification, the term Local Education Agency (LEA) shall be used in this report to denote these organizations.

LEAs are responsible for identifying, assessing and serving children with disabilities. Educational and support programs are mandatory for all school-aged and pre-school-aged children (ages 3 to 18), as are programs which serve students between the ages of 18 and 21 who have not yet completed their individualized study programs. Some programs for infants are also mandatory.  

Once a student has been identified and assessed for a disability, a small team of specialists, teachers and the child’s parents or guardians are directed to meet regularly to design and review an Individualized Education Plan (IEP) for that student. Such a plan specifies the type and duration of educational services, the student’s current level of academic achievement, and educational goals. For older students, career planning is included in the IEP. Support services such as psychological counseling, transportation, and medical care, are also specified in the IEP.

As articulated by IDEA, Congress intended that children with disabilities be educated in the “least restrictive environment.” Rather than segregating children with disabilities into special schools or special classrooms, the law encourages the placement of children with disabilities into the regular classroom when appropriate. This has been accomplished largely through “mainstreaming,” or placing children in the regular classroom for portions of the school day. In recent years, some educators and parents have gone a step beyond mainstreaming calling for “full-inclusion.” Advocates of full-inclusion contend that children with disabilities have a right to be in a regular classroom for the entire school day. Opponents, both inside and outside the special-education community, believe that regular classrooms are not suitable for every child.
Whether educated in the regular classroom for all, part, or none of the school day, children with disabilities must be provided with a continuum of placement options as required by federal law. With this in mind, IEP teams may select one or a combination of the following placement settings as a supplement or replacement for the regular classroom setting:

*Resource Specialist Program (RSP):* RSP students spend most of the instructional day in regular classrooms receiving special-education services on a pull-out basis (Pull-out refers to the provision of supplemental education outside the regular classroom). RSP is the most common placement setting. No resource specialist may have a caseload exceeding 28 students and at least 80 percent of resource specialists within a SELPA must be provided with an aide.

*Special Day Class or Center (SDC):* This is a placement for those students who receive special-education services for more than 50 percent of the day. Students placed in SDCs tend to have more severe disabilities or disabilities which are less easily accommodated in the regular classroom (such as a severe hearing impairment). SDC classes are funded based on an average class-size of 10 students. Following RSP, SDC is the second-most utilized setting. Under “full-inclusion,” some LEAs have begun moving students out of SDC and nonpublic schools and into the regular classroom where they may be assisted by a special aide in addition to the regular teacher.

*Designated Instruction and Support (DIS):* DIS services are those services not normally provided in RSP, SDC, or regular classrooms. DIS services include: speech therapy, vision and audiological services, adapted-physical education, physical therapy, and counseling. Caseloads may not exceed 55 students for language, speech and hearing specialists on average across a SELPA.

*Nonpublic School (NPS):* Fewer than 2 percent of California’s special-education population attend nonpublic schools located both within and outside the state’s borders. Nonpublic schools are privately operated nonsectarian schools which contract with LEAs to provide special-education services. Unlike regular private schools, nonpublic schools are certified by the California Department of Education to provide special-education services. Tuition at nonpublic schools is at public, not parent, expense and is negotiated by public schools. As the placement of last resort, nonpublic schools are available “when no appropriate public-education program is available.” Most placements in NPS are for children with severe emotional disturbances. Some of these children are placed in out-of-state NPS residential facilities. Private-sector providers of special education are also referred to as nonpublic agencies.
State Special-Education Schools and Hospitals: This includes hospital programs, state schools for the blind and the deaf, and the Diagnostic School for Neurologically Handicapped Children.

Figure I shows the number of California students with disabilities in each of the most common placement categories. Extensive due-process procedures ensure parental participation in all aspects of assessment, placement, and education-program design for children with disabilities. No assessment or placement may be conducted without the written consent of the child’s parent or guardian. Due-process hearings and complaint procedures are available when disputes arise.

Figure I
Placement Settings
California
1991-1992

RSP 204,402 Students
41%

SDC 150,929 Students
30%

NPS 7,810 Students
2%

DIS 132,111 Students
27%

Source: California Department of Education, Special Education Division

IV. FINANCING SPECIAL EDUCATION

In California, special education is funded on the basis of each LEA’s expenditure for various special-education program costs in the base year of 1979–80, shortly before California’s Master Plan was enacted statewide. By law, the base-year amount increases with total enrollment.
growth and through cost-of-living adjustments (inflation), but in practice, such increases have not always been funded due to state-budget constraints. Depending on how expenditures were reported in the base year, large disparities in funding can, and do, exist between LEAs. These disparities have prompted many in the special-education community to call for equalization in special-education funding, or a complete revision of the funding model altogether.

Computation of the state's contribution to special-education programs (a type of categorical aid) involves several steps. Briefly, state funding for each LEA equals the difference between the entitlement formula and all other sources of funding. The entitlement formula computes the amount of total funding for special education to which the LEA is entitled. The computation is based on a combination of base-year costs and the special-education pupil count categorized according to placement setting (i.e. RSP, SDC, DIS, NPS). The entitlement is capped at a level which represents service provision to 10 percent of the total student population. In other words, LEAs may only receive funding for special education for up to 10 percent of their total student population.

In calculating the entitlement (and hence, revenues), units, not students, are the basis for allocation. A unit, called an Instructional Personnel Service Unit (IPSU), can be thought of as a classroom. That is, an IPSU represents a teacher plus any required aides for a particular class type and size, including salary and benefits for both. Units have different dollar values, depending on the type of classroom (SDC, RSP, or DIS), whether or not the students have severe or nonsevere disabilities, and the base-year costs of personnel at that LEA. For example, the value of a unit was $58,591 for a Special Day Class for nonseverely handicapped children with one teacher and one aide in the Los Angeles Unified School District (LAUSD) in 1991-1992. The IPSU is augmented by a support-services entitlement. The value of the support services entitlement is derived by applying a state-specified percentage to the IPSU. For the case above, the support-services ratio was .5321, resulting in an additional $31,176 for the IPSU entitlement. To arrive at the calculated entitlement formula presented in the first line of Table II, all of the IPSU entitlements are summed along with entitlements for low-incidence disabilities, and Program Specialists and Regionalized Services (PS/RS).

Once the entitlement has been calculated, nearly all known sources of revenues are deducted (on paper only) from the entitlement to arrive at the state's share of special-education funding. This is shown in Table II. Deductions include federal funds for IDEA, the Local General Fund Contribution (LGFC)—the amount of money each education agency is required to contribute to special education from its general fund depending on base-year levels, and the per-student revenue-limit allocation when applicable. (Revenue-limit money is the basic funding for every student that comes from the state-education budget and local-property taxes. Revenue limits are only deducted for students in SDC-placement settings because those students spend most of their time in special classrooms. Revenue-limit funding for students placed in nonpublic schools is used by the LEA to help offset the costs of tuition.)
In 1991–92, Los Angeles’s computed state-aid entitlement was $271,219,538, including Program Specialists and Regionalized Services (PS/RS) and the low-incidence fund. State allocations for special education have been below the reported entitlement level because cost-of-living adjustments (which increase the unit rate) have not been funded in recent years. Because of this “deficiency factor” (.9070 in 1991–92), Los Angeles actually received less in state-entitlement revenues than the computed entitlement. Actual state revenues were $248,083,426. Los Angeles also receives the funds that are “deducted” in the process of calculating the state’s share of special-education funding.

<table>
<thead>
<tr>
<th>Calculated Entitlement</th>
<th>$376,372,887</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Revenue limit</td>
<td>$55,088,891</td>
</tr>
<tr>
<td>Federal funds</td>
<td>$18,676,040</td>
</tr>
<tr>
<td>LGFC</td>
<td>$39,178,280</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$263,429,676</td>
</tr>
<tr>
<td>Less: Nondeficited amount</td>
<td>$21,001,834</td>
</tr>
<tr>
<td>Plus: PS/RS entitlement</td>
<td>$6,236,699</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$248,664,541</td>
</tr>
<tr>
<td>(to which the deficit applies)</td>
<td></td>
</tr>
<tr>
<td><strong>Deficiency Factor</strong></td>
<td>.9069585401</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$225,528,429</td>
</tr>
<tr>
<td>Plus: Low-incidence fund</td>
<td>$1,553,163</td>
</tr>
<tr>
<td>Nondeficited amount</td>
<td>$21,001,834</td>
</tr>
<tr>
<td><strong>Net Entitlement (State funding)</strong></td>
<td>$248,083,426</td>
</tr>
</tbody>
</table>

Funds for preschool programs, licensed children’s institutions (LCI), and several other programs are usually funded directly by the state and federal government or through noneducational agencies, such as local-county offices of mental health. For students placed in nonpublic schools (NPS), the LEA receives the revenue-limit amount for that student and must apply it toward the NPS cost. Beyond that amount, the state will reimburse 70 percent of the NPS cost at year’s end while the LEA pays the remaining 30 percent. Costs for transportation and other support, if included in the contract between the LEA and the NPS, may also be reimbursed at the 70/30 rate. Because the deficiency factor applies to the state’s share as well, the LEA may actually end up paying more than 30 percent of the cost of the NPS placement. The exception to the 70/30 split is when the student is placed by a nonschool agency such as a health or social services agency. In that case, the state pays 100 percent of the cost of the placement beyond the revenue-limit amount.

When the Master Plan was enacted, a cap of 10 percent of the total school population was placed on the number of students who would be funded for special-education services under the act (excluding preschool students). Translated as units, this means that although an LEA may
operate units in excess of the number needed to serve 10 percent of the total population, the state will only provide funding for up to the 10 percent level. To the extent that they have children in need of special-education services, LEAs usually have an incentive to operate units, and receive state funding, up to the 10 percent cap. (The exception to this is when the reported-historic costs of school personnel are so low that, even with inflation and COLA adjustments, the cost of operating the IPSU exceeds the state funding for it). Paul Goldfinger, a school-finance consultant and vice president of School Services of California, Inc. writes in Revenues and Limits: A Guide to School Finance in California:

In almost all cases, the marginal revenues from the unit rate and support entitlement will exceed the marginal cost of operating that unit. Because of this, the funding formulas create an incentive to operate the highest number of IPS units that will be funded.\(^{20}\)

The 10 percent is a cap on funding, not on services. This means that LEAs can provide services to more than 10 percent of their student population, but they will not receive extra funding for those services beyond the amount they take in for per-pupil revenue limits. Exceeding the 10 percent cap in their special-education population, or spending beyond the level funded by IPSUs contributes to "encroachment."

Encroachment results when school districts spend more for special-education programs than they take in through federal, state, and local revenues designated for special education. As a result, school administrators must frequently dip into, or encroach upon, the unrestricted portion of the general fund beyond the mandated-minimum level known as the Local General Fund Contribution (LGFC). The LGFC is the portion of the school district's general fund that school districts must, by law, spend on special education, in addition to all other sources of special-education revenues. Encroachment, and more generally, unbounded spending growth for special-education programs, is a serious problem for California's schools.

In 1990–91, nonmandated encroachment statewide was $577 million beyond the Local General Fund Contribution amount of $167 million.\(^{21}\) This total of $744 million represents 25.9 percent of the special-education budget, meaning that over a quarter of special-education program costs were paid from the general fund. In LAUSD alone, encroachment totaled $154 million (excluding the LGFC of $39 million) during 1991–92. Taken together, the $193.5 million represents 37.6 percent of special education expenditures in the LAUSD. Figure II shows the level of encroachment over time in the LAUSD as spending for special-education programs has consistently exceeded special-education revenues. (See Appendix I for data.)

There is considerable disagreement over the definition of encroachment among educators, finance specialists, and policy makers. Some include the LGFC in the encroachment figure arguing that the LGFC was calculated based on based-year measures of encroachment in 1979–80. Others count only the amount of deficit spending in excess of the LGFC pointing out
that localities are expected and required by law to contribute a portion of their unrestricted general funds to special education. Either way it is defined, encroachment consumes millions of dollars from local general funds in California schools.

V. EXPENDITURES

Special education is a multibillion-dollar industry in California. In 1991–92, spending topped $2.6 billion for special-education programs and support services. Over 495,000 children under the age of 22 receive special-education services in California. Special education provides employment to nearly 56,000 full-time, or full-time equivalent special-education professionals under contract or employment with the state of California and local governments. Less than half of these professionals are classroom teachers; the majority are teachers’ aides, psychologists,
counselors, physical-education teachers, physical therapists, recreational and occupational therapists, social workers, diagnosticians, and administrators.\textsuperscript{24}

In attempting to balance the diverse educational needs of all students against limited-financial resources, many schools have found themselves in the difficult position of having to satisfy one group’s needs at the partial expense of another. IDEA requires that LEAs provide education services to children with disabilities without regard to an LEA’s ability to pay for them. In fact, cost cannot be used as a defense in failing to comply with a student’s IEP, nor may cost be considered in determining the appropriate placement for a student (except when choosing between two otherwise equivalent nonpublic schools). Section 56365.5 of the State Education Code requires the state superintendent of schools to review placements in which the cost exceeds a certain level ($34,374 in 1992–93). In practice, however, this provision serves little more than a rubber stamp. It is no wonder, then, that spending on special education is growing steadily.

Not only are expenditures for special education increasing (after adjustment for inflation), they are doing so at a faster rate than spending for general education. As a consequence, special-education expenditures are composing an ever-increasing portion of the total instructional-education budget. For example, in 1980–81, shortly after the Master Plan for Special Education was implemented statewide, spending on special-education direct instruction in Los Angeles represented 13 percent of instructional costs. A little over a decade later, in 1991–92, that figure has climbed to 20 percent.\textsuperscript{25} Meanwhile, over the same period, enrollment in special education changed from 8.1 percent to 9.6 percent of the total LAUSD population. (The proportion of children served by special education in the Los Angeles Unified School District is slightly higher than the statewide average of 8.6 percent.)

The rate of spending growth differs dramatically between special-education and general-education instructional programs. Figure III shows the growth in direct-instructional expenditures for special education, general education, and both programs combined. As can be seen, growth has not been uniform across all programs. While expenditures for general education increased 46 percent, special-education spending rose 147 percent between school years 1980–81 and 1991–92. Direct-instructional expenditures for both programs combined have risen 59 percent since 1980–81, when the Master Plan for Special Education was implemented. The increase in spending growth is especially dramatic when viewed over the longer period from 1974–75 through 1991–92. During that time, spending for direct instruction increased 288 percent for special education and 24 percent for general education. (See Appendix II for data. Between the years 1980–81 and 1991–92, total enrollment growth increased 19 percent. In 1991–92, direct-instructional program costs composed nearly 58 percent of total LAUSD expenditures.\textsuperscript{26})

Even after spending, in 1992 dollars, is adjusted for the enrollment growth in special education, general education, and total education respectively, significant disparities in expenditure growth rates still exist. Figure IV shows spending growth adjusted for inflation and program-specific enrollment. In other words, total expenditures for each of the three education programs described
are divided by the number of students served in that particular program. Measured this way, per-pupil expenditures increased 47 percent for special-education direct instruction compared with a 24 percent per-pupil increase in general education for direct instruction between the years 1981-82 and 1991-92. Average per-pupil growth for all students rose 29 percent during the same period.

Note: because of changes in accounting procedures in 1986-87, for which no comprehensive data is available, figures that compare spending over time represent only direct-instructional program costs and exclude other programs and support costs such as administration, overhead, and transportation.
Computing Total Costs

During 1991–92 in Los Angeles, the average per-pupil cost of instructional special education programs was roughly $8,900, based on the cost of providing special-education instruction alone. However, because most students with disabilities spend a large portion of their instructional day in regular classrooms receiving special-education services on either a pull-out basis or concurrently with their regular-classroom instruction, the average cost of educating a child with a disability is actually higher than the program costs alone would imply.

The following analysis applies a portion of the cost of regular education for those students in DIS, RSP, and SDC programs who are mainstreamed in regular classrooms for part of the day to the cost of educating a student with a disability. For purposes of identification, this cost will be referred to as the mainstream allocation cost. Students placed in nonpublic schools, residential facilities, separate schools/facilities, or home/hospital programs are not allocated a share of
mainstream costs because few, if any, students in these placements participate in regular classrooms. By combining the costs of special education with a portion of costs representing the amount of time students with disabilities spend in the regular classroom on average, the total per-pupil average cost of education for children with disabilities is around $11,500. Table III shows different per-pupil education costs. See Appendix III for data and explanation.

The above values must not be interpreted to signify the cost savings in the absence of special education. Most of the figures presented above for students with disabilities compose both special-education program costs and a portion of regular-education costs. Presumably, if children were not served by special-education programs, they would consume their full share of regular-education costs.

Note also that the mainstream allocation composes less than 23 percent of the total per-pupil costs for students with disabilities. The mainstreaming allocation does not represent the cost of mainstreaming. Services such as teacher retraining, personal aides, and special curriculum which may be necessary to mainstream a student with a disability into the regular classroom are accounted for in the program cost of special education. The mainstream allocation simply represents the amount of time and services a child with a disability consumes from the regular-school program, depending on the portion of the day he or she spends in regular classes.

### VI. WHAT DRIVES SPECIAL-EDUCATION COSTS?

Federal law requires that children with disabilities be provided with a "free appropriate public education." To fulfill this mandate, California’s Master Plan created an elaborate service-delivery system intended to provide quality services to students with disabilities. When the issue of cost-control is raised, if it is raised at all, many assume that changes to the service-delivery system to economize on costs would implicitly lead to a deterioration of service quality.

Such concerns are understandable, but not entirely justified. Eliminating waste, redundancy, and excessive spending does not require the elimination of needed services. Moreover, to the extent
that special-education cost-controls can hold the line on encroachment, and perhaps reduce it, school administrators will be under less pressure to reconcile the financial requirements of some students at the expense of others. The following paragraphs briefly describe some areas of special-education policy that drive the high costs of special education. These policies should be revised to reduce the growth in spending on special education. It may be the case that both the state and federal-funding formulas should be revised in their entirety, but such an examination is beyond the scope of this policy study.

A. IPSU Requirements

The funding process for special education ties state and federal revenues to procedural checkpoints, not instructional quality. In other words, funding policy tends to put the emphasis on inputs to the service-delivery model, not on outputs. Special-education revenues, funded as units, come with short strings attached. These dictate the settings that must be operated, the size and credentials of the staff, and class-size limits, among other restrictions. When funding for new units is received, those units must be operated. Recall that a “unit” refers to a special-education teacher, and an aide if required, associated with a classroom or caseload of special-education students. These requirements hold even if the existing special-education programs are operating at a financial deficit. Rather than having the flexibility to spend revenues as their local special-education needs would indicate, the IPSU requirements may actually encourage more debt and more encroachment when unit revenues do not cover unit costs.

Policy Recommendation: Deregulation. Grant education agencies flexibility in how they administer funds for special education by distributing special-education funding as a block grant. Block grants would operate under the stipulation that they must be expended on students with disabilities or used perhaps for prevention purposes, for example, providing assistance to “slow learners” to preempt a later identification as learning-disabled. By block granting special-education revenues, LEAs will be able to better respond to the particular service needs of the students with disabilities in their schools.

There are a number of ways that a block grant could be designed. Care must be taken in its design not to create adverse unintended consequences. A block-grant policy should incorporate all of the following safeguards:

1) an accountability mechanism to control spending;
2) deterrents from falsely labeling students for funding purposes;
3) flexibility to enable schools to lower costs;
4) flexibility to serve students in need of special-education services; and
5) monitoring processes to ensure that funds are spent appropriately.

B. Staffing Requirements
Strict policies concerning the use and qualifications of personnel to teach or assist students with disabilities limit the flexibility of LEAs to manage education programs, respond to the needs of their students, and allocate resources in an efficient manner. For example, regulations governing the use of resource specialists mandate the following.\textsuperscript{28}

\begin{itemize}
  \item Case loads (not to be confused with class size) must not exceed 28 pupils, regardless of how much time a student spends per week with the resource specialist.
  \item An instructional aide must be provided to 80 percent of all resource specialists, regardless of the actual need.
  \item A resource specialist cannot simultaneously teach regular classes while assigned to serve as a resource specialist, even when his or her time is under utilized.
  \item Those assigned to teach in the RSP setting must hold a resource-specialist certificate of competence in addition to a regular teaching credential. This creates an effective barrier-to-entry for general-education teachers whose teaching loads might otherwise allow them to provide instruction, when appropriate, to students with disabilities.
\end{itemize}

\textit{Policy Recommendation: Deregulation.} Allow LEAs more flexibility in administering special-education programs by relaxing special-education staffing, caseload, and certification requirements where appropriate. Teaching competence should be the primary consideration in selecting educators, not certification. To maximize utilization of staff time and encourage greater integration of special-education and general-education programs, selected educators and aides should be allowed and encouraged to teach in both settings when appropriate.\textsuperscript{29}

C. Nonpublic Schools

Nonpublic schools are an important component of special-education placement options because they can often provide services or controlled environments not otherwise available in the public schools. Typical day-rates charged by a nonpublic school range from $80 to $120 per pupil. Charges for additional services, such as speech therapy or counseling may or may not be included in the day rate. A child may attend the school for the full year (known as an extended-year program) or for only a portion of the year. In 1991–92, the state of California paid $132 million to nonpublic schools for special education.\textsuperscript{30} This sum does not include the costs incurred by the schools (equivalent to at least 30 percent of NPS costs, beyond the revenue limit amount, when the placement is made by the school district).
Figure V shows the growth of various placements over time. Most noticeable has been the increase in NPS placements. Over the five-year-period beginning in 1987-88 through 1991-92, NPS placements increased by 47 percent. Meanwhile, placements in all settings on average grew by 19 percent. Average per-pupil costs (to the state) for nonpublic schools have also increased by nearly 13 percent after adjustment for inflation.31 (The cost increase may or may not be due in part to a shift in decision making from education agencies, in which case the state reimburses at the 70-percent rate, to noneducation agencies where the state reimburses 190 percent of the excess-tuition costs.)
1. **Last Resort**

The Education Code stipulates that nonpublic schools be the placement of last resort. Because of this requirement, nonpublic schools typically receive the students that are the most difficult (and most expensive) to educate. This has led to the perception that all nonpublic schools, by their very nature as private entities, are more costly than equivalent-service operations in the public schools. This may not be the case. Nonpublic schools may enjoy some competitive advantages over public schools in economies of scale, less regulated employment policies, and exemption from some regulations (such as the Field Act) which govern public schools. As such, they may be able to offer services at lower costs than those typically provided by the public schools. Contracts with nonpublic schools or other private-sector providers in the public-school environment may be more cost-effective, while providing equivalent service quality, than operating similar special-education services in-house.

**Policy Recommendation: Deregulation.** Remove regulations which limit nonpublic schools as placements of last resort subject to the following conditions:

1) the LEA must assume 100 percent of placement costs, with one exception described in the paragraph below;

2) the placement must be at lower cost than the public-sector alternative or provide better service quality at the same cost as the public-sector placement; and

3) the placement must be consistent with the students’s IEP plan.

In cases where an NPS placement is truly a placement of last resort, and no lower cost alternatives are available in the public sector which provide an “appropriate” education, then the LEA would still be eligible for reimbursement under the 70/30 policy. The purpose of deregulating placement options is to broaden the supply of service providers for special-education, while controlling costs through competition. The LEA is made no worse off because the 70/30 policy still applies when an NPS placement is the only placement that will serve a child’s particular needs. The LEA might be better off if it can contract out some services or placements, for which it is responsible for 100 percent of the cost, to the private sector at lower cost or for better service quality.

2. **NPS Cost Allocation**

There are several problems in the way NPS services are contracted which may contribute to higher costs. First, the entity that bears the most cost for nonpublic schools—the state—is furthest removed from the contract-negotiating process. Generally, negotiations take place between the LEA and the nonpublic school. Although the LEA is responsible for some of the
costs of NPS placements and cannot obtain reimbursement until the end of the year, it may not have as great an incentive to control costs because it is not primarily responsible for payment. This division of responsibilities between the one party who negotiates and the other who pays can create perverse incentives, both from the child’s standpoint and the taxpayer’s. For example, some LEAs may actually have an incentive to over-utilize NPS placements when having to choose between paying 100 percent of the cost of an unfunded unit for SDC versus a 30 percent share of NPS costs. For the school, the costs associated with the NPS placement (in which the state picks up the remaining 70 percent of costs, less the deficiency factor) may be less than the cost of the SDC unit. However, the total cost burden is much larger for the NPS placement when all sources of reimbursement are considered.32

There may also be a human cost. Children placed in an SDC, which is separate but adjacent to the regular classrooms, stand a better chance of being mainstreamed for part of the day than do their counterparts placed in nonpublic schools, which use separate facilities. Since placement in the “least restrictive environment” is one of the guiding tenants of IDEA, the funding mechanism for nonpublic schools may actually thwart legislative intent.

Policy Recommendation: Procedural Reform. The state should remove financial incentives to place students in a more costly setting by paying to the LEA the difference in costs incurred by the LEA between the SDC placement and the LEA’s share of the NPS-placement cost. Because the LEA is made neither better nor worse off with the decision to place a student in an SDC or NPS, the placement decision is not affected by financial incentives. Moreover, when students are placed into the SDC, in lieu of the NPS placement under these circumstances, the state saves money.

3. Audits

A third potential problem arises from the fact that there are no state requirements for regular financial audits. On-site performance audits are conducted by the state once every three years to inspect nonpublic schools for compliance with certification, health and safety, and other requirements. LEAs may, at their own discretion, require financial or performance audits of the NPS. However, many LEAs may choose to forgo the expense of an audit in the face of more immediate demands. Financial and performance audits can help verify whether the quality of services contracted for are actually delivered.

Policy Recommendation: Procedural Reform. Public schools must not abdicate their responsibility to ensure that students in NPS settings receive high-quality, cost-effective services. In large metropolitan areas where there is likely to be a large variety of NPS providers, competition among the schools will help control costs. For LEAs in more geographically dispersed areas, where contracts between education agencies and NPS occur with less frequency, the education agency must develop strong, comprehensive monitoring systems for both performance and cost.
These could include: contractor reports, inspections, formal complaint mechanisms, testing, and surveys of parents.

D. Reasonableness Standard

While Congress never sufficiently defined the term “appropriate” in “free appropriate public education,” various court interpretations have shown that Congress never intended for IDEA to foster unbounded spending on special education. The courts have demonstrated many times that cost is one, though not the only, valid consideration in providing special-education and related services. However, both IDEA and California’s Education Code lack an explicit and meaningful cost-control provision. Court decisions in recent years have made the following assertions:

Because the Act (IDEA) requires the state to establish “priorities for providing a free appropriate public education to all handicapped children,” we find that Congress intended the states to balance the competing interests of economic necessity, on the one hand, and the special needs of a handicapped child, on the other, when making education placement decisions. (Barnett vs. Fairfax County School Bd. 927 F. 2d 146, 154, 4th Cir. 1991, Cert. Denied 112 S. Ct. 214.)

Although we agree ... that the Board should not make placement decisions on the basis of financial considerations alone, “appropriate,” does not mean the best possible education that a school could provide if given access to unlimited funds. (Barnett 927 F. 2d 146, 154.)

to require ... the furnishing of every special service necessary to maximize each handicapped child’s potential is... further than Congress intended to go. (Hendrick Hudson Dist. Bd. of Educ. vs. Rowley, 458 U.S. 176 L Ed 2d 690, 102 S Ct 3034.)

The school district must balance the needs of each handicapped child against the needs of other children in the district. If the cost of educating a handicapped child in a regular classroom is so great that it would significantly impact upon the education of other children in the district, then education in a regular classroom is not appropriate. (Greer vs. Rome City School District, 950 F.2d 688.)

Cost is a proper factor to consider since excessive spending on one handicapped child deprives other handicapped children. Cost is no defense, however, if the school district has failed to use its funds to provide a proper continuum of alternative placements for handicapped children. (Roncker on Behalf of Roncker v. Walter, 700 F. 2d 1058, Cert. Denied in 464 U.S. 864, in 104 SC 196.)
California’s Education Code requires that cost must be considered in cases brought before a special-education hearing officer, however such a provision does not in fact constitute a meaningful cost-control measure. The code states:

In decisions relating to the placement of individuals with exceptional needs, the person conducting the state hearing shall consider cost, in addition to all other factors that are considered. (Education Code 56505.7(h))

Short of litigation or the hearing process, LEAs have little protection against unreasonable demands (and costs) and little guidance as to what constitutes an “appropriate” education. Many school administrators are reluctant to pursue court remedies even when they believe the outcome would be in their favor because of the high cost of litigation both in terms of financial resources and goodwill. “We would rather put $50,000 into the kids than into the pockets of an attorney,” said Bob Farran, SELPA Director for the Southwest region of Los Angeles County.

The courts do not accept cost considerations alone as a defense against failing to provide appropriate special-education services to students with disabilities. However, as agencies responsible for balancing the needs of all children against limited-financial resources, LEAs should be afforded some protection against unreasonable demands for services or reimbursement.

Policy Recommendation: Procedural Reform. In State Education Code, codify language of court decisions into a “reasonableness” standard which states that LEAs may use cost as a defense against “unreasonable” demands, provided a continuum of appropriate-education options are available to children with disabilities. Such a standard should avoid a fixed-dollar amount in favor of a more comparative weighing of costs, benefits, and alternatives. Although a reasonableness provision will not rule out court action, and the high cost of litigation, it will send a strong signal that LEAs do have the protection of the courts from unreasonable demands.

Guidelines specifying to the extent possible what constitutes an “appropriate public education” should be included in the Master Plan, and approved by the U.S. Department of Education. The guidelines should specify, with case examples, services or costs which exceed the intent of Congress in its use of the term “appropriate.” Likewise, the guidelines could also describe instances in which children with disabilities have been under-served by public education. Clarifying the responsibilities of the LEAs and where those responsibilities end may help reduce disputes, and attorney’s fees, over placement decisions, support services, and IEP implementation.

VII. CONCLUSION

The past decade has witnessed dramatic increases in special-education spending coupled with high levels of deficit spending for special education. Yet despite the billions of dollars spent for
special education, many students and parents of students with disabilities feel they are underserved by the public schools. While some schools do an outstanding job of serving students with disabilities, others downplay special education fearing a Pandora’s box of costly programs, encroachment, and litigation. Guidelines describing the responsibilities of schools, and the limits of those responsibilities, could alleviate many of these concerns.

Additionally, steps should be taken to reduce the inefficient use of resources within special education. Regulations that constrain the use of talented educators or promote inefficient allocation of resources must be revised. Constraints which limit the involvement of the private sector when such involvement could reduce expenditures or improve service quality at no additional cost should be eliminated. And audits should be conducted to ascertain that paid-for services are actually provided by the private sector.

The need for making special-education policies operate more effectively and efficiently is particularly pressing in light of the duel problems of increased spending growth for special education—often at the partial expense of general education—and state-budget constraints which make additional state funding for special education unlikely. Public-education revenues for all programs are, and will always be, a limited resource. The challenge for administrators, educators, communities, and policy makers is to allocate those resources in a way that meets the individual needs of all children. Including students with disabilities means not just the sharing of educational and social resources, but financial ones as well.
VIII. SUMMARY OF POLICY RECOMMENDATIONS

<table>
<thead>
<tr>
<th>DEREGULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block grant special-education funding.</td>
</tr>
<tr>
<td>Remove special-education staffing and certification regulations beyond those that currently exist for regular education.</td>
</tr>
<tr>
<td>Remove restrictions that relegate nonpublic schools to placements of last resort.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROCEDURAL REFORM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutralize financial incentives for NPS placements.</td>
</tr>
<tr>
<td>Conduct performance and financial audits of private contractors for special education.</td>
</tr>
<tr>
<td>Implement a “reasonableness” standard into the Education Code for special-education expenditures.</td>
</tr>
<tr>
<td>Develop budgetary guidelines to show what constitutes an “appropriate” public education, and what does not.</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
</tr>
<tr>
<td>LGFC</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>Encroachment</strong></td>
</tr>
<tr>
<td>Including LGFC</td>
</tr>
<tr>
<td>Excluding LGFC</td>
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</tbody>
</table>
## APPENDIX II

### LAUSD Per-Pupil Direct Instructional Expenditures from 1974 to 1992 in Constant 1992 Dollars

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>74-75</td>
<td>$87,800,000</td>
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<td>0%</td>
<td>N/A</td>
<td>$1,214,000,000</td>
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<td>-1%</td>
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<td>$1,193,700,000</td>
<td>N/A</td>
<td>-2%</td>
<td>7%</td>
</tr>
<tr>
<td>76-77</td>
<td>$101,700,000</td>
<td>16%</td>
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<td>$1,131,100,000</td>
<td>0%</td>
<td>N/A</td>
<td>$1,232,800,000</td>
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<td>8%</td>
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<tr>
<td>77-78</td>
<td>$115,700,000</td>
<td>32%</td>
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<td>$1,148,500,000</td>
<td>2%</td>
<td>N/A</td>
<td>$1,264,200,000</td>
<td>N/A</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>78-79</td>
<td>$121,400,000</td>
<td>38%</td>
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<td>$1,092,000,000</td>
<td>-3%</td>
<td>N/A</td>
<td>$1,213,600,000</td>
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<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>79-80</td>
<td>$171,700,000</td>
<td>41%</td>
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<td>$1,011,500,000</td>
<td>-10%</td>
<td>N/A</td>
<td>$1,135,200,000</td>
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<td>11%</td>
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<td>80-81</td>
<td>$138,300,000</td>
<td>58%</td>
<td>0%</td>
<td>$953,600,000</td>
<td>-15%</td>
<td>N/A</td>
<td>$1,059,900,000</td>
<td>0%</td>
<td>-10%</td>
<td>13%</td>
</tr>
<tr>
<td>81-82</td>
<td>$175,500,000</td>
<td>100%</td>
<td>27%</td>
<td>$967,100,000</td>
<td>-14%</td>
<td>1%</td>
<td>$1,142,600,000</td>
<td>5%</td>
<td>-6%</td>
<td>15%</td>
</tr>
<tr>
<td>82-83</td>
<td>$179,500,000</td>
<td>104%</td>
<td>30%</td>
<td>$970,500,000</td>
<td>-14%</td>
<td>2%</td>
<td>$1,150,000,000</td>
<td>5%</td>
<td>-5%</td>
<td>16%</td>
</tr>
<tr>
<td>83-84</td>
<td>$189,700,000</td>
<td>116%</td>
<td>37%</td>
<td>$1,045,400,000</td>
<td>-7%</td>
<td>10%</td>
<td>$1,235,200,000</td>
<td>13%</td>
<td>2%</td>
<td>15%</td>
</tr>
<tr>
<td>84-85</td>
<td>$203,300,000</td>
<td>132%</td>
<td>47%</td>
<td>$1,146,000,000</td>
<td>2%</td>
<td>20%</td>
<td>$1,349,200,000</td>
<td>24%</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>85-86</td>
<td>$225,200,000</td>
<td>156%</td>
<td>63%</td>
<td>$1,217,000,000</td>
<td>8%</td>
<td>28%</td>
<td>$1,442,100,000</td>
<td>32%</td>
<td>19%</td>
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<tr>
<td>86-87</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>87-88</td>
<td>$262,100,000</td>
<td>199%</td>
<td>90%</td>
<td>$1,331,600,000</td>
<td>18%</td>
<td>49%</td>
<td>$1,593,700,000</td>
<td>46%</td>
<td>31%</td>
<td>16%</td>
</tr>
<tr>
<td>88-89</td>
<td>$278,300,000</td>
<td>217%</td>
<td>101%</td>
<td>$1,371,400,000</td>
<td>22%</td>
<td>44%</td>
<td>$1,649,700,000</td>
<td>51%</td>
<td>36%</td>
<td>17%</td>
</tr>
<tr>
<td>89-90</td>
<td>$315,900,000</td>
<td>260%</td>
<td>128%</td>
<td>$1,472,300,000</td>
<td>31%</td>
<td>54%</td>
<td>$1,788,200,000</td>
<td>64%</td>
<td>47%</td>
<td>18%</td>
</tr>
<tr>
<td>90-91</td>
<td>$337,300,000</td>
<td>284%</td>
<td>144%</td>
<td>$1,502,700,000</td>
<td>33%</td>
<td>58%</td>
<td>$1,840,000,000</td>
<td>69%</td>
<td>52%</td>
<td>18%</td>
</tr>
<tr>
<td>91-92</td>
<td>$341,182,020</td>
<td>289%</td>
<td>147%</td>
<td>$1,393,612,945</td>
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<td>46%</td>
<td>$1,734,794,965</td>
<td>59%</td>
<td>43%</td>
<td>20%</td>
</tr>
</tbody>
</table>

### Source

All figures adjusted for inflation (to 1992 dollars) using CPI-U annual average data for Los Angeles, Anaheim, Riverside, Bureau of Labor Statistics, and rounded.

APPENDIX III

1. LAUSD SPECIAL-EDUCATION ENROLLMENT BY PERCENTAGE OF DAY MAINSTREAMED FOR RSP, DIS, AND SDC PLACEMENTS (1991–92)

<table>
<thead>
<tr>
<th>Range</th>
<th>Enrollment</th>
<th>Estimated Allocation</th>
<th>Mainstreamed FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-39%</td>
<td>6,951</td>
<td>10%</td>
<td>695</td>
</tr>
<tr>
<td>40-79%</td>
<td>17,625</td>
<td>70%</td>
<td>12,338</td>
</tr>
<tr>
<td>80-99%</td>
<td>28,057</td>
<td>90%</td>
<td>25,251</td>
</tr>
</tbody>
</table>

2. ENROLLMENT (1991–92)

Total: 636,964 Special Ed.: 58,450 Mainstreamed FTE: 38,284 General Ed.: 616,798*

3. EXPENDITURES

Special Education Instruction**: General Education: Other School Expenditures: Total: $3,014,647,317
$521,918,348 $2,102,973,483 $389,755,486

4. CALCULATIONS

General Education Exp./Pupil
($2,102,973,483 + $389,755,486) / 616,798 = $4,041

General Education Exp. for Mainstreamed FTE Special Ed. Students
$4,041 X 38,284 = $154,705,644

Total Exp. for Students with Disabilities
$521,918,348 + $154,705,644 = $676,623,992

5. AVERAGE PER-PUPIL EXPENDITURES

Student with Disabilities
$676,623,992 / 58,450 = $11,576

Nondisabled Students
($3,014,647,317 - $676,623,992) / (636,964 - 58,450) = $4,041

All Students
$3,014,647,317 / 636,964 = $4,733

* Includes mainstreamed FTE
** Includes special-education discretionary grant reported on J-380.
All figures in 1992 dollars based on CPI-U for Los Angeles Bureau of Labor Statistics
NOTES TO APPENDIX III

To compute the actual-average cost of educating a child with a disability, including special education and general education, determine the average portion of the day that a child receiving special-education services spends in the regular classroom. This is referred to here as the mainstream-allocation rate. Applying this rate to the number of students who receive special education, adjusted for the number of students who are not mainstreamed for any part of the day results in an approximate student FTE figure representing the number of students with disabilities who spend the total school day in regular classrooms. This figure multiplied by the average per-pupil cost of nondisabled students, yields the mainstream allocation. Summing the mainstream allocation with the special-education program cost and then dividing by total special-education enrollment results in a more accurate approximation of the average per-pupil cost of educating students with disabilities.

Two key assumptions have been made in the computation of the $11,500 figure. The first is the estimated-allocation factors of 10 percent, 70 percent and 90 percent which attempt to approximate the average amount of mainstreaming for a child classified within the ranges reported by the LAUSD. The second assumption is that children who are mainstreamed consume general education services in direct proportion to the amount of time they spend in the regular classroom. Some children may consume more, demanding more of a regular-classroom teacher's time, for example. Some children may consume less, declining to participate in after-school athletics, for example, or relying on an aide for assistance in lieu of the teacher while mainstreamed. Likewise, some nondisabled children in regular education consume more than “their share” of resources while others consume less. Finally, one caveat: averages draw from a range of values and condense them into one number. For this reason they are useful. Yet averages often fail to convey the whole story. Every child is unique; every IEP is unique. The cost of educating a child with a disability varies dramatically from one child to the next. The averages computed here do not necessarily reflect the costs associated with any one particular placement setting or disability type.

ABOUT THE AUTHOR

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ENDNOTES

1. The school district pays 30 percent of the tuition cost; the state pays the balance. Of the $4,000 monthly amount, $468 was paid by the Regional Center for parent training, a private agency funded by the state.


5. Served under IDEA, Part B and Chapter I of ESEA (SOP), U.S. Department of Education, Office of Special Education Programs, Data Analysis Unit.


7. Correspondence with Bob Farran, SELPA Director, Southwest SELPA, Hawthorne, CA, May 5, 1993.


9. U.S. Department of Education, Office of Special Education Programs, Data Analysis System. In 1991, California served 8.64 percent of its school-aged population under Chapter 1 of ESEA and IDEA, the primary federal education act for children with disabilities. The proportion of students identified as having a disability varies dramatically from state to state. In 1991, Massachusetts provided special-education services to 16.6 percent of its population. By contrast, Hawaii identified just 6.96 percent of its K-12 students for special education. Nationwide, 10.57 percent of all students on average are served under Chapter 1 of ESEA and IDEA.


11. California Education Code, Section 56337.


14. Services for infants under PL 94-457(H) will be expanded as of October 1, 1993 if SB 1085 is passed. To date there has been little opposition to the proposed legislation.

15. California Education Code, Section 56365 (a).


17. In the base-year of 1979–80, all school districts or other education agencies were required to report the operation costs of various special-education services (i.e. teachers’s salaries, equipment costs, etc.) and the amount paid out of the district’s general fund for special-education programs. Some districts overestimated these costs; others underestimated. Regardless of the accuracy of the self-reported figures in the base-year, these figures, coupled with enrollment information, are the single most important determinant in state funding for special education. The base-year also determines the district’s Local General Fund Contribution (LGFC). The LGFC, also referred to by many administrators as mandated encroachment, equals the amount (in current 1979–80 dollars) that a school district spent for special education from the district’s unrestricted general fund in the base year.


24. Department of Education, Office of Special Education Programs, Data Analysis Unit, data from 1990–91.

25. See Appendix II for data.


28. California Education Code, Section 56362.

29. The School-Based Programs Coordination Act (AB 777) allows participating schools to serve students not identified as having a disability with RSP and DIS services provided certain other conditions are met. California Education Code, Section 52860.


33. Telephone interview with Bob Farran, SELPA Director, Southwest SELPA, Hawthorne, Calif., February 22, 1993.

34. What may be an unreasonable demand for one child may be considered essential for another child depending on the nature of the disabilities. Clearly, SELPAs must use judgement and weigh each case separately in determining what constitutes a reasonable service.
