CRPE conducted a preliminary analysis of the city’s efforts to make finance and enrollment policies more equitable, create citywide financial supports for the highest-cost students, boost the capacity of special education teachers and leaders, foster program innovation, and offer grants to help create or scale-up programs to best serve high-needs students. These policy changes and investments aim to ensure that students with special needs have access to a broad array of excellent public school choices, a goal no urban school system has yet achieved.

New Orleans is rife with possibilities, but good outcomes are not guaranteed. Schools will still need to tap expertise and innovative approaches that may not be readily available locally. Families will still need transparent guidance and information about their children’s school options. The state-run Recovery School District (RSD) will need to find powerful ways to gauge outcomes and hold schools accountable for how their special education approaches ultimately work. Looking ahead, we plan to study how the new funding system is working and how special education families in New Orleans are faring in this highly decentralized system.

Introduction

New Orleans is a city of exceptionalism. It’s a city where 42 percent of children are living in poverty—nearly double the national rate. It’s a city whose violent crime rate is double the national average. It has one of the country’s highest proportions of children with mental health issues, yet the city is woefully short of quality social services to help them.

New Orleans is also exceptional in the way it is rebuilding public education. More than 90 percent of the city’s public school students attended charter schools last year, and New Orleans has by far the largest share of charter schools in its public school system. Louisiana lawmakers created the state-run RSD in 2003.

More than 90 percent of the city’s public school students attended charter schools last year, and New Orleans has by far the largest share of charter schools in its public school system.
to transform chronically failing schools across the state. By 2004, New Orleans was considered a district in “academic crisis.” After Hurricane Katrina tore through the city in 2005, devastating city infrastructure and displacing thousands of families, the RSD took over 107 of the city’s 128 schools. It aggressively used charter schools to rapidly rebuild and vastly improve the city’s education offerings and to ensure that the system could never return to its former dysfunction. The RSD took a portfolio management approach, allowing parents to choose among a diverse array of schools that have autonomy but are held accountable for results. In fall 2014, the RSD became the nation’s first big-city school system made up entirely of charter schools. (While the RSD serves 70 percent of the city’s public school students, the Orleans Parish School Board [OPSB] still oversees six traditional public schools and 14 charter schools.)

In the years leading up to Hurricane Katrina, the school system came under fire for a slew of special education problems. Many students lacked appropriate learning support, resulting in failing grades. Many observers charged that students with special needs were simply warehoused in dead-end classrooms.

In 2001, for example, just 5 percent of students with special needs exited the local school system with a high school diploma. In 2013, by contrast, 48 percent of special education students graduated.

**New Orleans schools are graduating a higher percentage of students with disabilities compared to the rest of Louisiana**

<table>
<thead>
<tr>
<th></th>
<th>All Students</th>
<th>Free and Reduced Lunch</th>
<th>Students with Disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Cohort graduation rate by student sub-group</td>
<td>74%</td>
<td>68%</td>
<td>37%</td>
</tr>
<tr>
<td>Percent of cohort that enter 9th grade in fall 2009 and graduated within four years*</td>
<td>73%</td>
<td>72%</td>
<td>48%</td>
</tr>
</tbody>
</table>

LA NOLA

• Louisiana ranked 49th in percent of SWD earning diplomas and in gap between SWD graduation rate and overall rate**

• “Portfolio” of New Orleans high schools has transformed since 2009 – we believe this number can continue to rise


Source: New Schools for New Orleans
citywide. And students with special needs continue to log impressive math and reading test score gains. Yet problems remain. Charter schools in New Orleans don’t have access to district special education services and bear sole financial responsibility for serving any student who enrolls. Parents of students with special needs don’t always know how to find a school to meet their child’s needs and schools don’t always have the resources or expertise to meet those needs. Now that charter schools are the norm, the city needs a more sustainable and systematic approach to special education.

To address these challenges, New Orleans has recently become the first city in the nation to tackle special education on the fiscal, human capital, and program fronts in the context of a full-choice public education landscape. The RSD has disentangled special education dollars from a prescribed service model or mindset, giving schools the freedom to innovate and the chance to serve students with special needs more effectively than before Hurricane Katrina. A new citywide fund now helps schools serve the costliest students, and grants help schools create or scale-up programs to best serve high-needs students. City education leaders have focused on ensuring equity in finance and enrollment (so schools can’t turn away the most challenging or costly students), investing in the capacity of special education teachers and leaders, and fostering program innovation. Just over 11 percent of public school students citywide—roughly 43,000—are categorized as needing special education.

Special education in New Orleans can be seen as a microcosm of the challenges the city has faced over the past decade’s rapid decentralization of public education. The public school landscape in New Orleans has been transformed from a system of traditional schools run by a local school district riddled with corruption, debt, and abysmal student outcomes to a limited, state-run central office overseeing a universe of autonomous charter schools, each offering a distinct mission and approach to educating students and a promise to educate all students to high levels. New Orleans leaders see decentralization as an opportunity to improve outcomes for all students.

Ten years after Katrina, the schools have logged impressive performance results. But work remains to ensure that all families’ needs are being met and that all schools have the resources and tools they need to serve any child who walks through the schoolhouse door.

As charter school leaders across the nation continue to wrestle with special education, New Orleans, which is doing so in a full-choice environment, might wind up offering scalable solutions.

Reducing Schools’ Financial Risks; Paving the Way for Quality

Decentralization in New Orleans means charter schools bear full responsibility for meeting every child’s needs but no longer have central district services to draw on for special education services. And the 57 RSD charter schools serve a much higher percentage of students with moderate to intensive disabilities and needs than the 14 charter schools under local school board jurisdiction. This creates real financial risk for RSD schools and can tax their ability to provide a wide range of interventions.

To address these challenges, the RSD and the school reform group New Schools for New Orleans (NSNO) are working to create a

The RSD has disentangled special education dollars from a prescribed service model or mindset, giving schools the freedom to innovate and the chance to serve students with special needs more effectively than before Hurricane Katrina.
more robust structure to ensure that special education functions effectively in this decentralized system. New Orleans leaders say their special education revamp is a natural next step in the push to preserve parent choice in schools, ensure equity, and promote excellence. They have already turned the tide on persistently failing schools. They have created a common enrollment system designed, in part, to make it harder for schools to resist enrolling high-needs students. They have instituted a unified suspension and expulsion policy so schools can’t game the system by getting rid of challenging students. They now want to free schools as much as possible from worry over financial risk to enable them to focus on creating innovative, effective ways to serve students with special needs.

Maggie Runyan-Shefa of NSNO says the organization is grappling with how to best support charter schools in a highly decentralized system. “We believe in a city of high-quality seats for all students, including those with special needs,” she says. “I think the benefits of decentralization offer huge opportunities for special education in particular. Schools, not districts, are on the hook to serve all kids, so we see school-level innovation that you might not see in a traditional district."

“Our question is, essentially, how do we create the policy and enrollment processes and frameworks that achieve the best kinds of outcomes we want to see in a centralized system without recentralizing the system?”

—Adam Hawf, former assistant superintendent, LDOE

Balancing Innovation, Decentralization, and Coordination

The RSD is tackling the fiscal challenges around serving students with intensive special needs with a new approach aimed at making special education finances fairer, more closely aligning dollars with the level of service a student needs, sharing catastrophic costs across schools, and, with NSNO, giving high-performing schools incentives to expand their special education offerings. (Meanwhile, the state of Louisiana itself struggles to figure out how to pay for special education.)

How these efforts play out remains to be seen. City leaders are grappling with finding the magic balance on the decentralization continuum and asking: How does New Orleans maintain the benefits of a decentralized, choice-based system while finding the right level of coordination and centralization needed to offer more robust, specialized programs and create a system of schools that’s fair to all?

“Our question is, essentially, how do we create the policy and enrollment processes and frameworks that achieve the best kinds of outcomes we want to see in a centralized system without recentralizing the system?” said Adam Hawf, former assistant superintendent with the Louisiana Department of Education. “[So far,] we’ve found decentralization with coordination potentially gets the best of both worlds.”

New Funding Approach Aimed at Fairness and Flexibility

Until 2013, RSD charter schools received special education dollars based on a student’s disability category alone, without regard to how much service a student actually required. This meant charter schools serving students with the costliest intervention needs may have had to gouge their budgets in a scramble to pay for their neediest students.

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1. Most charter schools are funded based on an average allocation per student, regardless of disability type or service need.
For example, under the old funding framework, the schools serving Joey and Sasha received the same amount of money even though Joey needs much more time and cost-intensive services.

The RSD has moved from doling out dollars based on a student’s disability category alone to looking at the disability category plus a student’s total weekly service minutes, tying the dollars to the actual special services a student needs. Differentiating funding by disability diagnosis and services provides Joey’s school with an additional $7,000 to support his additional service needs.

### Joey, Sasha, and the old funding formula

**Joey**
- Diagnosis: Autism
- Total Weekly Service Minutes: 1,650
- Approx. Additional Funding: $15,000
- Joey requires full-day, small-group instruction in a pull-out learning environment with designated adult support.

**Sasha**
- Diagnosis: Autism
- Total Weekly Service Minutes: 135
- Approx. Additional Funding: $15,000
- Sasha thrives in a regular classroom environment with appropriate supports and technology.

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**Joey, Sasha, and the NEW funding formula**

**Joey**
- Diagnosis: Autism
- Total Weekly Service Minutes: 1,650
- Approx. Additional Funding: $20,000
- Joey requires full-day, small-group instruction in a pull-out learning environment with designated adult support.

**Sasha**
- Diagnosis: Autism
- Total Weekly Service Minutes: 135
- Approx. Additional Funding: $13,000
- Sasha thrives in a regular classroom environment with appropriate supports and technology.

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Source: New Schools for New Orleans
Unlike the more prescriptive approach embedded in most traditional school finance systems around the country—which fund a specific classroom configuration or staffing set up—New Orleans grants schools the flexibility to use the resources in the way they think best supports a student. New Orleans’ move takes student-based budgeting into the special education realm, expanding the possibility of finding more innovative ways to serve students with special needs.

The finance changes are intended to have the most impact on charter schools with the highest service need—and highest cost—students. New Orleans has gone from a three-tier to a five-tier funding system, ranging from roughly $1,500 (for speech/language disabilities) to $20,000 additional funding per pupil. Schools receive $13,000, $15,000, or $20,000 for a student with autism; $13,000 or $15,000 for a student with developmental delay; $15,000 or $20,000 for a student with multiple disabilities.

It is worth noting that while the new plan redistributes dollars, it doesn’t come with any spike in the overall funding schools receive from state aid. Officials have built in a hold-harmless-type clause with the new formula so schools are guaranteed not to lose more than 5 percent of their overall budget. (Directly comparing what schools would have received in special education dollars in 2013 for their same students under the old system versus the new system, about half the schools stood to gain dollars, and half stood to lose, according to RSD officials.) OPSB is not part of the new differentiated funding scheme, but a cooperative agreement between the RSD and OPSB envisions such participation in the future.

New Orleans’ move takes student-based budgeting into the special education realm, expanding the possibility of finding more innovative ways to serve students with special needs.

Citywide Fund to Help With Costliest Students; Citywide Therapeutic Program Fills a Gap

The statewide high-risk pool, designed to help defray the cost of serving students with the most significant challenges, hasn’t provided enough money to meet escalating costs. To respond, the RSD and OPSB have created a citywide exceptional-needs fund intended to cover students whose costs exceed $22,000 a year, open to all New Orleans public schools. Schools must apply for a piece of the $1.3 million pie.

“We want to take the financial burden and risk [to schools] off the table,” Hawf says. “And we want to change the mindset and behavior of schools vis-à-vis serving the most expensive students.”

Several charter schools have struggled to pay for the specialized programs they already offer their high-needs, high-cost students. The ReNew charter network runs a therapeutic center for children with severe emotional and behavioral issues (such as those suffering from post-traumatic stress disorder or bipolar disorder), many of whom have been hospitalized for acute care. Most of ReNew’s therapeutic program students have experienced serious trauma, says former director Elizabeth Marcell. In 2013, it cost about $600,000 to serve 16 students in the K–8 self-contained program, which the network kept afloat in part with outside grants.

Collegiate Academies’ school network runs an “Essential Skills” program for high school-age students with severe intellectual disabilities or autism, focusing on both academics and critical job and life skills. Development director Allison Zimmer says they hope the new fund will come close to covering costs. For a student who has a one-to-one aide, rides the special education bus, and receives additional services such as occupational and physical therapy, the per-pupil cost can easily hit $65,000.
Both of these programs, and many others, hope to tap the new citywide fund for relief.

With New Orleans facing a shortage of intensive mental health resources for children (several hospitals have been closed or privatized, leading to a shortage of beds for children who require overnight stays for mental health crises), the RSD is working with Tulane University adolescent and child psychiatry professionals to create a therapeutic day option for children with the toughest behavior issues and mental health challenges. The program (which will likely rely largely on private funding) is expected to start as early as 2015 with 20 K–8 students and be open to public schools citywide.

Creating Incentives for New Special Programs and Capacity; Removing Disincentives

New Orleans charter schools vary widely in their proportion of students with special needs. In 2013 (the most recent data available), RSD schools served a much higher percentage of students with moderate to intensive disabilities and needs than did OPSB schools (RSD served 88 percent of such students). Overall, students with special needs make up nearly 13 percent of RSD schools’ total enrollment, with individual school rates ranging from 4 percent to 22 percent.

New Orleans education leaders say it’s not realistic to expect every school will serve the same proportion or population of special-needs children, given parent choice. If a school has a reputation for being successful with a certain population, more families with children of similar needs are likely to choose that school. But the RSD hopes that by eliminating financial barriers, more schools will be willing and able to create specialized programs for students with special needs. Responsibility for creating these programs must be shared across the charter sector, emphasizes Collegiate Academies’ Allison Zimmer. “We’re looking forward to other schools taking this on so that families have more choices. This can’t be managed by a single network.”

Some New Orleans observers suggest schools under the old funding system have been reluctant to pledge the full array of potential services on a student’s individualized education plan (IEP) because the schools knew they couldn’t pay for it and didn’t want to promise what they couldn’t deliver.

With the new funding schemes in place, “We’d hope to see schools building special expertise and specialization in serving students with really significant disabilities, without fear that they’ll be bankrupted by an influx of those students,” Hawf says. “We’d like schools to have the confidence that it’s not just a mandate to serve these students. Now, there are actual positive economies of scale so there’s an incentive to create great programming that serves these students well.”

A class-action lawsuit filed in 2010 against the Louisiana state education department alleged a host of violations of the federal education law guaranteeing students with special needs a “free, appropriate public education” in more than 30 New Orleans schools, including charter schools. Officials from both the RSD and NSNO said the lawsuit was not the driver for changes in special education finance and expansion in the city, noting that many problems in special education predate the RSD and Katrina. At the end of 2014, a settlement was reached that would require close scrutiny of charter schools’ special education practices, including tracking the number of students served.
Grants from NSNO aim to help high-performing charter schools expand program offerings for students with low-incidence disabilities (for example, autism, traumatic brain injury, and multiple disabilities). The grants have helped ReNew double the capacity for its therapeutic program; Collegiate Academies has tripled the number of students with autism and intellectual disabilities served in its Essential Skills program. Several other operators have been awarded planning grants; launch grants will be awarded in 2015. NSNO is trying to balance the need to fill gaps in the special education landscape without being overly prescriptive to schools in terms of who is served and how, Runyan-Shefa said.

NSNO is also working to bring more “human capital” resources around special education to the city, focusing on providing leadership for charter schools’ special education directors, helping with program design, and working with teacher preparation and training providers to ensure New Orleans teachers have the skills required to successfully work with special-needs students. Many new teachers in New Orleans are working with students in special education and therefore need support. Roughly 40 percent of first-year Teach NOLA Fellows are teaching students with special needs. Regardless of whether or not they have SPED certification, Teach for America (TFA) is prioritizing special education professional development for all of its corps members.2

New Orleans has had a longstanding special education cooperative to offer professional development and support to schools, but the co-op has struggled with leadership issues and is trying to define its future role, Runyan-Shefa says. And she hears from many charter schools that there is a need for a centralized marketplace for specialized services (such as occupational therapists), especially for stand-alone charter schools.

Coordination Still Key to Help Parents Navigate and Choose

New Orleans leaders want to ensure that families do not fall through the cracks in the decentralized system.

“For parents, it’s important that there is a central coordinating body that can help ensure they’re getting the best information on educational options rather than having to figure it out themselves. Charters are really not in the position to take that on as individuals,” Runyan-Shefa says. “It seems special education enrollment is something we need to pay to attention to.”

The RSD is doing just that. New Orleans has a common public school enrollment system, OneApp (all but nine public schools in Orleans Parish participate). In 2014, the RSD deployed a director to focus on special education enrollment, including clarifying the rights of students with special needs regarding enrollment and registration, advocating for families throughout the enrollment process, and, according to the RSD’s description of the post, “exploring ways to ensure eligible students are matched to the appropriate specialized program through a fair and transparent enrollment process.”

“For parents, it’s important that there is a central coordinating body that can help ensure they’re getting the best information on educational options rather than having to figure it out themselves. Charters are really not in the position to take that on as individuals.”

—Maggie Runyan-Shefa, New Schools for New Orleans

2. Of the 65 TFA teachers participating in SPED-specific cohorts, 53 are certified SPED teachers and 45 of these teach in Orleans Parish. However, TFA says that many of its 228 Orleans Parish teachers serve students with special needs in their general education classrooms. In 2014, TFA launched its Special Education and Ability Initiative, which expands regional special education advisory partnerships, forms a national advisory board to inform teacher training and support, and provides an extra year of pre-service training for select admitted undergraduate seniors and ongoing support for current TFA teachers around strengths-based mindsets and inclusive practices. More information can be found here.
In a 2014 CRPE parent survey about school choice in eight “high-choice” cities, the responses from special education families in New Orleans were promising. Unlike other cities, where significantly higher numbers of families with special education students reported struggling to find a good school fit for their children than families whose children did not need special education services, the gap between these two parent populations was lowest in New Orleans. As the city develops more specialized options from which parents can choose, leaders anticipate more discussions among parents and schools around which programs offer the best fit for their child’s needs.

**Going Forward: Critical Implementation Work Ahead**

New Orleans stands alone as the first city in the nation to rebuild special education by tackling issues on the fiscal, human capital, and program fronts, all in the context of a full-choice public education landscape. The RSD has disentangled special education dollars from a prescribed service model or mindset, giving schools the chance to serve students with special needs more effectively than the pre-Katrina New Orleans school district.

City leaders are working to ensure families have a continuum of quality options for their special-needs students—whether a stand-alone “pull-out” program or a model that “pushes in” services to a student in a general education classroom or some hybrid of the two. And they are working to ensure that schools have the financial and human resources needed to build that continuum. The opportunities are vast, but good outcomes are not assured. Schools will need access to expertise and innovative approaches that may not be available now in New Orleans. Parents will still need help navigating their choices and finding a good fit for their children. The RSD will need to find effective ways to measure outcomes and hold schools accountable for how their special education approaches work.

Specific questions ahead include:

- How does the new funding system work in practice?
- What tangible results emerge from the NSNO grants? What do they add to New Orleans’ ecosystem of offerings for families?
- How is parent information managed around special education in a highly decentralized system?
- How do programs work in this highly decentralized system?
- How is solid accountability created in this highly decentralized system?
- How do charter schools juggle a focused mission with serving every child and every child’s needs?
- How do leaders ensure students with severe special needs don’t get left behind in the push for school improvement and test score gains?

These are significant challenges. While charter schools in other cities wrestle with similar issues, the scale of the full-choice landscape New Orleans offers families is unprecedented. In the years ahead, New Orleans could be the city that shows other charter schools and school districts how all students with special needs can receive excellent services in a public school setting—and how equitable finance policies can support that. Capturing these lessons requires careful study so other cities can learn from New Orleans’ ambitious experiment.
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About the Center on Reinventing Public Education

Through research and policy analysis, CRPE seeks ways to make public education more effective, especially for America’s disadvantaged students. We help redesign governance, oversight, and dynamic education delivery systems to make it possible for great educators to do their best work with students and to create a wide range of high-quality public school options for families.

Our work emphasizes evidence over posture and confronts hard truths. We search outside the traditional boundaries of public education to find pragmatic, equitable, and promising approaches to address the complex challenges facing public education. Our goal is to create new possibilities for the parents, educators, and public officials who strive to improve America’s schools.

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