

# School Districts' Alliance for Adequate Funding of Special Education

Bellingham, Bethel, Burlington-Edison, Everett, Federal Way, Issaquah, Lake Washington, Mercer Island, Northshore, Puyallup, Riverside, and Spokane School Districts

## Amounts of Funding: Washington State's Special Education Funding Formula vs. Current Research

The Joint Task Force on Basic Education Finance is currently reviewing and developing proposals on basic education funding (ESSSB 5267 and SSB 6879). In response to a request for information, the School Districts' Alliance for Adequate Funding of Special Education has developed the following suggestion for changing the special education funding formula.

Picus and Associates served as the State's consultants for Washington Learns. In their final report of *An Evidenced-Based Approach to School Finance Adequacy* (September 2006), they correctly state that the 2002 Chambers/Parrish/Harr national study of special education costs (Parrish Study) indicates that the average costs per student in special education are an additional 90 percent above the **average expenditures** spent for regular education programs. The research indicates that the "extra" costs of serving students in special education are 0.9 times more than the average basic education expenditures (Parrish multiplier).<sup>1</sup>

Washington State's formula for funding these "extra" costs approximates the Parrish multiplier by applying a factor of 0.9309 to calculate the amount of excess cost, special education funding each K-21 student in special education generates.<sup>2</sup> Unfortunately, the State's formula **incorrectly applies the Parrish multiplier to the State's basic education allocation rather than basic education expenditures**. As illustrated below, the difference between correctly and incorrectly applying the Parrish multiplier is significant. It is at the heart of the Alliance's policy work and lawsuit.

Washington's current funding system is projected to provide a statewide average of \$4,341 in excess cost funding per K-21 student in special education in the 2007-08 school year.<sup>3</sup> Instead, if the State's funding system applied the Parrish 0.9 multiplier to the projected average basic education expenditures in 2007-08, it would generate approximately \$5,502 in excess cost funding per K-21 student in special education during 2007-08.<sup>4</sup>

In 2007-08, the State's latest financial report predicts that districts will receive excess cost funding for 112,858 students ages K-21 in special education. If we multiply the funding difference of \$1,161 per student<sup>5</sup> times the number of students to be served in special education, the result would generate **more than \$130 million** in additional excess cost funding for special education programs in 2007-08.

Policymakers may not fully appreciate the critical difference between our current funding system's **misapplication of the Parrish multiplier to the basic education allocation and the correct application of the multiplier to the average basic education expenditures**.<sup>6</sup> The Parrish Study provides a framework for analyzing the predictable special education expenditures based on the national average. Washington's current system falls below that average. Furthermore, we urge the Joint Task Force to take the next step because our State Constitution requires the State to go beyond the average in order to meet its "paramount duty" to make "ample provision" for the education of all students in the State. The costs of special education

programs continue to rise as the expectations set by education reform increase. Changing our funding formula to apply the excess cost multiplier to average basic education expenditures is a simple way to bring our funding formula into line with current research and expectations.

---

<sup>1</sup> Because the Parrish multiplier is based on the best available research concerning the average costs of educating students in special education in excess of the average costs of educating students in basic education, it automatically accounts for average basic education expenditures. Beginning with the 2007-08 school year, the State moved from an excess cost accounting system in special education to a full cost accounting system. It has accomplished this by counting some of the basic education allocation that students in special education generate in special education revenue accounts and discontinuing the previous practice of charging a portion of the costs of special education teachers to the basic education expenditure accounts (the Form 1077 process). These accounting changes are not material to the analysis of the shortfall in special education funding using the Parrish multiplier because the Parrish Study is based solely on an analysis of the excess costs of special education.

<sup>2</sup> Beginning in 2007-08, the State is funding pre-kindergarten special education students ages 3 to 5 at a rate of 1.15 times the basic education allocation while providing no basic education allocation. Because this portion of the funding formula is not based upon the Parrish research, we do not include it in this calculation of the shortfall in special education funding.

<sup>3</sup> This number is calculated by multiplying 0.9309 times the 2007-08 projected, unenhanced basic education allocation of \$4,695 (line G of the OSPI Report 1220 for November 30, 2007) minus the Federal Integration Rate per Student of \$30 (line I.2 of the OSPI Report 1220 for November 30, 2007).

<sup>4</sup> This figure is calculated by (a) applying the Parrish multiplier of 0.9 to average basic education expenditures during 2005-06 (the most recent fiscal year for which actual statewide figures are available) of \$5,673 (0.9 times \$5,673 equals \$5,106 per FTE); (b) increasing 85 percent of \$5,106 (the portion of special education expenditures attributable to staff costs) by the 3.3 percent salary increase funded by the State in 2006-07, and (c) increasing the resulting portion of the costs by the 4.33 percent salary increase funded by the State in 2007-08. We calculated the average basic education expenditures in 2005-06 by using the average expenditures from only the following accounts (as confirmed by Dr. Parrish to be consistent with the Parrish Study): Program 01 (basic education) of \$4,324 per FTE; 85.8 percent of Program 97 (district-wide support) of \$1,007 per FTE (0.858 times \$1,173 reported by the State for all support services); and Program 99 (transportation) of \$343 per FTE (OSPI Financial Reporting Summary 2005-06).

<sup>5</sup> The projected amount for 2007-08 supported by the Parrish Study (\$5,502) minus the average amount the State's current funding system is projected to provide during 2007-08 (\$4,341), equals \$1,161.

<sup>6</sup> The K-12 Advisory Committee of Washington Learns recognized this difference when it made its recommendations for improving special education in August 2006. Several of the changes the Committee recommended were fully or partially adopted during the 2007 Legislative Session (change the method for funding pre-kindergartners ages 3-5; adjust the 12.7 percent funding cap to eliminate 3-5 year-olds from the calculation; provide access to Safety Net funding for districts that are legitimately over the funding cap; eliminate in part the diversion of federal funding to pay for State special education obligations; and adopt a more transparent accounting procedure for special education). The K-12 Advisory Committee also recommended that the base against which the excess cost multiplier be increased by adding amounts for the average cost of learning assistance and bilingual programs and using an enhanced apportionment allocation rather than the lower basic education allocation. This recommendation is similar to the Alliance recommendation, but would have generated a smaller number. The Committee's recommendation was not considered in the 2007 Session.

For more information, contact Grace Yuan at 206-370-7814.