



State Funding Programs for High-Cost Special Education Students

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In this country approximately six-million public school students receive special education services. Of these six-million students, approximately 5%, or 300,000, could be defined as “high need” or “high cost” students. School district expenditures for a high-cost student can exceed thirteen times that of a general education student. In addition, high-cost special education students are not evenly distributed through states — placing disproportionate spending pressures on certain districts.¹

In 2004, the federal government began allowing states to use some Individuals with Disabilities Education Act (IDEA) payments to help provide additional funding to districts with high-cost special education students.² A study conducted by Project Forum at the National Association of State Directors of Special Education in 2006 found that at least 30 states already had high-cost special education programs in place prior to 2004, and other states were looking at taking advantage of the new change in federal law in the near future.³ The Education Commission of the States (ECS) recently reviewed 12 states’ high-cost special education policies to determine how each state defines special education students as being “high-cost” and what, if any, additional funding is provided to districts to address their funding needs.

How Do High-Cost Special Education Funding Programs Function?

States provide high-cost special education funding on top of traditional special education subsidies, which are above and beyond general education funding allotments. For example, a state may provide \$5,000 for a general education student, plus 40% extra for a student with a disability, plus 75% of a student’s special education costs above \$30,000. Under this type of system, a school district with a special education student requiring \$50,000 in expenses would receive the following state funding:

| | |
|---|----------|
| 1. General education | \$ 5,000 |
| 2. Special education (40% * \$5,000) | \$ 2,000 |
| 3. High-cost special education | |
| (\$20,000 beyond the \$30,000 threshold = \$20,000 * 75%) | \$15,000 |
| Total State Funding | \$22,000 |

The state would provide for \$22,000 of the cost of this student and the school district would be responsible for the remaining \$28,000. This same student in a state without a high-cost special education program would generate \$7,000 in state funding — leaving the school district to fund the remaining \$43,000.

How Policy Researchers Define High-Cost

A study published in 2004 by the Special Education Expenditure Project (SEEP) defined high-cost special education students as those who are the 5% highest cost special education students to educate. The SEEP study found that during the 1999-2000 school-year, the average expenditures for the 5% highest cost special education students were between \$35,924 and \$57,129 depending on where the student received their education.⁴ When these numbers are adjusted for inflation (in 2008 dollars) the cost of students in the top 5% ranges from \$44,035 to \$70,028, or 5.5 to 8.7 times greater than the average spending for general education students. The SEEP study also reviewed information about students in the highest 1% of per-student expenditures and found that these students on average cost districts between 8.8 and 13.6 times more to educate than general education students.

Information From The Special Education Expenditure Project

| Educated in: | Average Expenditure Per Student 1999-2000 | | | Average Expenditure Per Student In 2008 Dollars ⁵ | | |
|-----------------------|--|--------------------------------|--------------------------------|---|--------------------------------|--------------------------------|
| | General Education | Special Ed. 5% Highest Cost | Special Ed. 1% Highest Cost | General Education | Special Ed. 5% Highest Cost | Special Ed. 1% Highest Cost |
| Elementary Schools | \$6,556 | \$39,909 | \$57,411 | \$8,036 | \$48,920 | \$70,373 |
| Secondary Schools | \$6,556 | \$35,924 | \$61,381 | \$8,036 | \$44,035 | \$75,240 |
| Special Schools | NA | \$57,129 | \$88,966 | NA | \$70,028 | \$109,053 |

How States Define "High-Cost"

ECS reviewed legislation, rules and regulations in 12 states that provide districts with additional funding for high-cost students with disabilities. Nine of the 12 states in this review (Arkansas, Kansas, Montana, New Jersey, New York, Oregon, Texas, Vermont and Wisconsin) defined a student as being high-cost once a district's expenditures for that student surpass an exact dollar amount. It is important to remember that the lower the threshold amount is set, the quicker state funding kicks in. In Montana, the amount changes each year, but in the other eight states, the dollar amount is fixed in state legislation or rules. Seven states use a single dollar amount which ranged from \$10,000 (New York) to \$50,000 (Vermont) with the average being approximately \$26,500. New Jersey is the only state that uses multiple amounts which ranged from \$40,000 (when educated with non-disabled peers) to \$55,000 (when educated with disabled peers in a private institution).

Three states defined students as being high-cost by comparing their cost to either the average cost of educating all students or the cost of educating general education students. Illinois defined a student as high-cost once his or her expenditures exceed a per-capita tuition rate (which varies for each district). North Carolina defined it as three times the state's average cost of educating a general education student (\$22,788.45 for 2007/2008). For North Dakota, it is 4.5 times the state's average cost of educating all students (\$33,776/elementary students and \$35,010/secondary student for 2007/2008).

How is Additional Funding Provided by the States

ECS's review of 12 states with high-cost special education systems found three basic ways in which states provide additional funding to districts with high-need students.

1. *The state pays for a percentage of the additional costs with a spending cap.*

Three states (Arkansas, Montana and New York) provide districts with a percentage of per-student costs beyond the definition of high-costs but cap their contribution. In Arkansas, the state pays for 100% of the first \$15,000 in special education costs, 80% of the cost beyond \$15,000 up to \$50,000 and 50% of the costs over \$50,000 up to \$100,000. Under this program, the state would pay a maximum of \$68,000 to educate a special education student. Montana reimburses districts for 40% of their expenses once their per-student expenditures pass the state's definition of high-cost — a definition which changes each year. These state reimbursements are capped at 25% of total special education spending. In New York, the state pays for 49% of the costs above \$10,000 but caps their contribution between \$2,000 and \$9,250, depending on the districts wealth.

2. *The state pays for a percentage of the additional costs without a spending cap.*

Four of the 12 states surveyed (Kansas, New Jersey, Vermont and Wisconsin) provide districts with a percentage of the cost above the state's high-cost threshold without capping their contributions. Kansas provides districts with 75% of the per-student costs above \$25,000, while Vermont supplies 90% of the cost beyond the first \$50,000 in expenditures per-student, and Wisconsin provides 90% of costs beyond \$30,000. New Jersey has a two-tiered system that provides 90% of the cost above the threshold amount of \$40,000 for students educated with their non-disabled peers. However, if a student is educated with only other disabled students, the district would receive 75% of the cost above the threshold amount of \$40,000 for a student educated in district and \$55,000 for a student educated in a private school.

3. *Districts can request additional funding from the state.*

In four of the states surveyed (Illinois, North Carolina, Oregon and Texas), districts can request additional funding from the state for each special education student whose individual expenditures exceed the state's definition of "high-cost". In each of these states, funding is distributed to districts on a prorated basis depending on the total number of requests received.

Conclusion

While education researchers and state policymakers have generally recognized that funding high-cost special education students needs to be addressed, there is little consensus about both how to define which students are high-cost and how best to fund those students. Further research on both of these issues is required to help guide future policy development.

| | A Student With Disabilities is Defined as “High-Cost” If His/Her Total Expenditures Exceed: | What Additional Funding Is Provided |
|----------------|--|--|
| Arkansas | \$15,000. | Up to \$53,000 in additional funding based on the state formula. |
| Illinois | 4 times a district’s per-capita tuition rate. | A district may request additional funding from the state if spending exceeds the threshold amount. |
| Kansas | \$25,000 | The state provides 75% of the cost above the threshold amount. |
| Montana | A state-set spending requirement (See state profile) | The state provides up to 40% of the cost above the threshold amount. |
| New Jersey | \$40,000 or \$55,000 (See state profile) | The state provides 75% or 90% of the cost above the threshold amount. (See state profile) |
| New York | \$10,000 | The state provides up to 49% of the cost above the threshold amount. |
| North Carolina | 3 times the cost of educating a general education student. | A district may request additional funding from the state if spending exceeds the threshold amount. |
| North Dakota | 4.5 times the state’s average cost of educating a student. | The state provides 100% of the cost above the threshold amount. |
| Oregon | \$30,000 | A district may request additional funding from the state if spending exceeds the threshold amount. |
| Texas | \$25,000 | A district may request additional funding from the state if spending exceeds the threshold amount. |
| Vermont | \$50,000 | The state provides 90% of the cost above the threshold amount. |
| Wisconsin | \$30,000 | The state provides 90% of the cost above the threshold amount. |

Individual State Profiles

Arkansas

Special Education Catastrophic Occurrence Fund
Administrative code: 5-18-1

How Additional Funding Is Provided:

The state pays for 100% of the first \$15,000 in special education costs, 80% of the cost beyond \$15,000 up to \$50,000 and 50% of the costs over \$50,000 up to \$100,000. Under this program, the state would pay a maximum of \$53,000 in additional spending for an individual high-cost special education student.

Illinois

Special Education Extraordinary Fund
State law: § 14-7.02b

How Additional Funding Is Provided:

Districts can receive additional funding if their total expenditures per special education student is greater than four times the district's per capita tuition rate (this amount varies from district to district). Excess cost reimbursements are distributed from the state's unused federal IDEA Room and Board funds. If excess cost claims exceed the unused amount, reimbursements will be prorated.

Kansas

Special Education Catastrophic State Aid
State law: § 72-983

How Additional Funding Is Provided:

The state will reimburse a district for 75% of the per-student costs beyond \$25,000.

Montana

Reimbursement for Disproportionate Costs
Administrative Rule: 10.16.3812

How Additional Funding Is Provided:

In the event that a district's prior year special education expenditures exceed that district's required spending by a threshold percentage (new percentage each year), the district will be eligible for reimbursement of 40% of these disproportionate costs. Reimbursements for disproportionate costs are capped at 25% of total special education spending.

New Jersey

Extraordinary Special Education Aid
State law: § 18A:7F-55

How Additional Funding Is Provided:

For students educated with non-disabled peers, the state provides 90% of the cost above the threshold amount of \$40,000.

For students educated with disabled peers, the state will provide 75% of the cost above the threshold amount of \$40,000 for a student educated in district and \$55,000 for a student educated in a private school.

New York
Excess Cost Aid
State law: §3602.5

How Additional Funding Is Provided:

The state pays for 49% of the excess cost above the threshold amount of \$10,000 for each student. The state has set a cap of \$2,000 to \$9,250 in additional funding per-student depending on the district's relative wealth.

North Carolina
Children with Disabilities – Risk Pool
State Program report code: 114

How Additional Funding Is Provided:

Districts can request additional funding from the state's risk pool after expending an amount greater than three times the cost of educating a general education student (\$22,788.45 for 2007/2008). If excess costs claims exceed the amount of funding in the risk pool, districts will be reimbursed based on the following priorities:

1. A district's relative wealth measured by the state's poverty index
2. School districts or charter schools with over 12.5% of their students identified as needing special education services
3. School districts or charter schools who have an excessive number of students with special education and related service costs exceeding \$22,788.45
4. School districts or charter schools that do not receive local funding.

North Dakota
Special Education Excess Cost Reimbursements
State law: § 15.1-32-18

How Additional Funding Is Provided:

Districts qualify for excess cost reimbursements after expending an amount over 4.5 times the state average cost of education per-student or if they expend 2% or more of their total education budget on a single special education student. Four and a half times the state's average cost of educating a student equaled \$33,776 for elementary students and \$35,010 for secondary student during the 2007-08 school year. All excess costs beyond the above thresholds are the responsibility of the state.

Oregon
High Cost Disabilities Account
State law: §327.348

How Additional Funding Is Provided:

Districts can request additional state funding after expending \$30,000 on a special education student.

Texas
High-cost Fund
Federal law: 34 CFR §300.114

How Additional Funding Is Provided:

Districts can request additional funding from the state's "High Cost Fund" after expending \$25,000 on a special education student.

Vermont
Extraordinary Services Reimbursement
State law: 16 V.S.A. § 2962

How Additional Funding Is Provided:

The state will reimburse a district for 90% of the cost per student beyond \$50,000.

Wisconsin
High-cost Special Education Aid
State law: §115.881

How Additional Funding Is Provided:

The state will reimburse a district for 90% of the cost per student beyond \$30,000.

End Notes:

¹ U.S. Department of Education Office of Special Education and Rehabilitative Services, *A New Era: Revitalizing Special Education for Children and Their Families*, Washington, DC, 2002, accessed March 2008: <http://www.ed.gov/inits/commissionsboards/whspealeducation/reports/three.html#children>

² Federal legislation: 20 U.S.C. 1412 §611(e)(3)(A)(i)

³ Eve Muller. *Risk Pools: State Approaches*, Project Forum at the National Association of State Directors of Special Education, Alexandria, Virginia. April 2006, accessed January 2008 at: <http://www.projectforum.org/docs/RiskPools-StateApproaches.pdf>

⁴ Jay Chambers, Yael Kidron and Angeline Spain. *Characteristics of High-Expenditure Students with Disabilities, 1999-2000*, Special Education Expenditure Project – Center for Special Education Finance, May 2004, accessed March 2008 at: <http://www.csef-air.org/publications/seep/national/Rpt8.pdf>

⁵ The United States Bureau of Labor Statistics' [Consumer Price Index](#) was used for inflation adjustments.

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