

Who's Paying the Rising Cost of Special Education?¹

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- From 1988-89 to 1998-99, special education enrollments grew about twice as fast as those of all students (33% versus 15% growth). Special education costs per student also appear to be rising.
- Combined federal, state, and local spending on special education is rising an estimated \$3 billion per year (including inflation). The unprecedented \$1.4 billion increase in federal special education aid allocated for Fiscal Year 2000 is well short of these rapidly rising costs.
- Although rising special education costs are a legitimate concern, the evidence does not show a deleterious fiscal effect on general education. Over the past 15 years, general education spending has risen by an estimated 69%.
- Over a five-year span beginning with the 1993-94 year, the state share of special education funding decreased (55% to 47%), and the burden on local funding sources increased (39% to 45%).
- The majority of new special education enrollments come from students in less severe categories of disability. State and local general and special educators will need to work together to increase the capacity of general education to accommodate a higher degree of learning diversity if special education expansion is to be brought under greater control.

Questions about rising special education costs and their impact on general education are

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currently among the most contentious issues in public education. Although these rising costs are a legitimate concern, the evidence does not support the claim that they are having a deleterious fiscal impact on general education. In fact, spending on general education² has risen considerably since the passage of the Individual with Disabilities Education Act (IDEA) in 1975. It is just not growing at as fast a rate as special education spending. Available data also suggest that the state share of special education costs is declining, which is requiring increased contributions from school districts. Consequently, the cost impact of special education is increasingly being felt at the local level. New federal contributions have not made considerable inroads in regard to these expenditure trends. Growing special education enrollments are the major factor driving rising costs. Therefore, without comprehensive school reform that encompasses general and special education, these trends of rising enrollments and costs are likely to continue.

One view of the tension between general and special education is presented in “Irreconcilable Differences? Defining the Rising Conflict Between Regular and Special Education,” by Meredith and Underwood (1995). They raise the issue of resource competition between these two groups of students as a major concern, and conclude that “the cost of educating disabled students ... is threatening our ability to educate nondisabled students in many districts and, therefore, is placing the entire public education edifice potentially at risk” (213).

Across the States

The data presented in this article substantiate several predominant themes regarding special and general education. They show rising special education enrollments and costs, varying levels of state effort to curb or offset these rising costs, the general trend of these new costs

Research.

² General education for this article corresponds to total K-12 public education spending less estimated total spending

falling disproportionately on local school districts, and concerns about their effect on general education programming. These themes are illustrated in the following examples from the states.

In Vermont, the Blue Ribbon Commission on Special Education Costs, set up by the Legislature in 1998, concluded that “the cost of special education is rising at a rate that Vermont cannot sustain ... cost-containment must become a system-wide priority.”

In California, a nearly \$2 billion claim filed by school districts against the state for insufficiently funding special education was just settled. As described by the *Los Angeles Times*, “finding ways to pay for special education services has become a crisis in many school districts as the number of qualified students has increased” (Pyle, 1999).

In Michigan, over 300 districts have filed a lawsuit against the state seeking more funding for special education (*Special Education Report*, 2000). Similarly, Wisconsin’s *Evaluation of Special Education Funding* (1999) report cites rising special education costs of nearly 37% between 1992-93 and 1997-98 and special education enrollments growing by 19% in relation to public school enrollment increases of just over 6%.

In Massachusetts, the Association of School Superintendents established a task force to study “rapidly increasing special education costs across the state.” A soon-to-be released update of this report (Berman, et al., forthcoming, 2001) found that rising special education costs were “exacerbated by the state’s new education reform funding formula...which sets unrealistically low percentages for students in special education and allocates less than half of what would be required to pay for services for these students.”

In a recent analysis of special education funding in Pennsylvania, Hartman³ describes the

on special education.

³ See article by Hartman in this volume.

state's prior special education funding system as "approaching fiscal meltdown" and reports that "in the eyes of the legislature, the system was a black hole with an insatiable thirst for state funds." He then presents data to show that the impact of subsequent reform was to limit state spending while district special education costs continue to rise.

In Hawaii, the State Department of Education reports that it has more than doubled its spending on special education since 1994 through federal court rulings under the Felix Consent Decree. The State Superintendent, however, maintains that "he doesn't believe the negative effect on regular education is pervasive." "No funds have been taken from general education," but rather that "a disproportionate amount of the new money is going to special education." He goes on to say, however, that he does see this as a legitimate concern. (West Hawaii Today, January 8, 2001).

Research Findings

In *Where's the Money Gone?* Rothstein and Miles (1995) analyzed spending in nine school districts between 1967 and 1991. They found that expenditures going to general education had dropped from 80% to 59%, while the share going to special education had climbed from 4% to 17%. In a similar analysis of spending in New York, Lankford and Wyckoff (1999) found that the share of resources spent on general education teaching fell from 53% in 1979-80 to 49% in 1992-93, while the share of resources spent on special education more than doubled—from 5% to 11%.

These findings support national concerns about rising special education costs, and also suggest deleterious effects on general education. However, to fully understand the implications of this research, it is important to examine their data more closely.

The findings of Rothstein and Miles (1995) and Lankford and Wyckoff (1999) track changes in special education vis-a-vis general education spending from a time close to the passage of the federal IDEA in 1975 well into the future (12 to 24 years). At the time IDEA was passed, it was widely acknowledged that this landmark legislation was needed because many students with disabilities were unserved or underserved. IDEA represents a monumental national commitment to provide “free and appropriate public education” to all students with disabilities. No one doubted at the time, or should be surprised later, that this national commitment would require considerable additional investments in public education.

Despite the magnitude of this commitment, however, the contention that higher special education spending has eroded general education budgets is not borne out by either of these two studies. To the contrary, Rothstein and Miles report that real spending per general education student (factoring out special education dollars) actually rose at an average annual rate (adjusted for inflation) of about 1% over this 25-year period (or about 25% overall). Lankford and Wyckoff (1999) also find gains in real spending for general education students.

In subsequent analyses, Rothstein (1997) revisited these nine districts to track resource allocation patterns across general and special education from 1991 to 1996—a period sufficiently distanced from the initiation of the IDEA to ensure that he was not simply capturing costs associated with previously unserved or underserved students. For this time period, he reports that special education’s share of total spending rose by only 1.2% (from 17.8% to 19%).

What Do National Data Show?

Although national expenditure data on special education are not reported annually, it is possible to compare overall changes in special and general education spending over time through

data released by the Center for Special Education Finance (CSEF, 2001) at four points in time spanning a 15 year period.

Table 1 shows considerable increases in both special and general education spending over this time period. It shows that special education spending rose more than general education spending (117% versus 69%) and that special education spending rose as a percentage of total K-12 public spending (from 10.5% to 13.1%). However, despite the considerable rise in special education spending during this time period, general education spending also rose considerably (by 69%). In addition, these real gains in general education spending occurred despite the fact that the most costly-to-educate students were increasingly being pulled out of general education to receive customized instruction in special education. Thus, at least from one perspective, general education spending increased at a time when its costs were being reduced.

Table 1: Estimates of Special and General Education Spending Over Time In Constant 1998-99 Dollars

	<u>Estimated Inflation-Adjusted Spending</u>		<u>Special Education's % of Total Spending</u>	<u>Overall Growth in Spending</u>	
	<u>Special Education</u>	<u>General Education</u>		<u>Special Education</u>	<u>General Education</u>
82-83	\$21,287,926,365	\$181,220,431,306	10.5%		
87-88	\$27,372,449,544	\$223,275,663,523	10.9%		
93-94	\$33,711,479,739	\$259,851,166,200	11.5%		
98-99	\$46,092,249,389	\$305,445,201,770	13.1%	117%	69%

These findings do not support the argument that special education spending has substantially encroached on general education. Rather, they suggest that despite the considerable expansion of special education programs in the United States over the past 15 years, general education programs have also received considerable additional support. Recent analyses by Chambers and Guarino, using data from Kentucky, and by Hartman, in his analyses of special

and general education spending in Pennsylvania, also provide no evidence of substantial special education encroachment on general education.⁴

What are the Sources of Rising Special Education Expenditures?

Although the data above challenge the allegation that rising special education costs are adversely affecting general education, there are legitimate concerns over the fact that special education enrollments have increased as a percentage of total enrollments every year since the passage of the IDEA nearly 25 years ago. If this pattern continues, special education costs will continue to rise and concerns about special education in relation to general education spending will grow.

In considering appropriate policy interventions, it is important to understand the extent to which increased special education costs are a function of rising special education enrollments as opposed to growing expenditures per special education student. In attempting to distinguish between these two factors, Lankford and Wyckoff (1999) found that in New York (excluding New York City) 90% of rising special education expenditures were due to rising enrollments and only 10% to increasing expenditures per student. However, for New York City, they found an almost opposite pattern with only 15% of rising costs attributable to changes in special education enrollments.

In the Wisconsin Department of Public Instruction study (1999), the increase in special education spending was attributed exclusively to rising special education enrollments, with special education expenditures per student reportedly growing at a slower rate than for general education (15% compared to 18%). In the California lawsuit described above, the major factor

⁴ See article by Chambers & Guarino and article by Hartman in this volume.

cited as driving increased special education expenditures was a doubling of the statewide special education enrollment from 1990 to the present.

Over the period 1988-89 to 1998-99, the count of special education students has increased about twice as fast as total enrollment (33% versus 15%). (U.S. Department of Education, 1999) At the same time, special education costs per student appear to be increasing. Based on data released by the Center for Special Education Finance (2001), trends in spending per student (in constant dollars) appear as follows:

Table 2: Special Education Spending per Student Over Time
(Expressed in 1998-99 Dollars)

1982-83	1987-88	1993-94	1998-99
\$5,010	\$6,210	\$6,453	\$7,612

These data seem to support a recently released Massachusetts’ School Superintendents’ Report (2000), which found that:

...the increase in special education has been due to such medical, economic, and social factors as the advances in medical knowledge and technology, the deinstitutionalization of special needs children, the consequences of higher percentages of children living in poverty, and the increase in families experiencing social and economic stress. Due to these factors, more children with more severe special needs are entering public schools. (p. 5)

Based on these findings, the report concludes that “the increase in special education costs have not been a result of school district policy and practice.”

Although national data, (Table 3) support the claim from the Massachusetts report that “more children with more severe special needs are entering public schools, in fact, the major changes in special education enrollment over the past ten years have been in categories of disability that generally enroll students with less severe special needs. These are students for

whom assignment to special education is likely to be more within district control. For example, Column 6 shows that 60% of the total increase in special education enrollment over this period was in the Specific Learning Disabilities category.

To examine how increased enrollments are distributed by disability category, we followed a typology of disabilities adopted by California. Using this typology, the data show that 87% of the overall change in student counts over this time period occurs in “non severe” disability categories. In addition, cost estimates by disability from the last national expenditure study (Moore et al., 1988), expressed in 1996-97 dollars, show an estimated 75% of new costs allocated to the category of “non severe” disabilities.

These data challenge the Massachusetts report’s conclusion that special education costs have not resulted from school district policies and practices. While increases in the enrollment of students with very severe needs are arguably beyond district control, the predominant categories of rising enrollment are in the less severe categories of disability. For at least some of these students, enhancing the capacity of general education to address a broader range of learning diversity appears to be what is needed if rising special education costs and enrollments are to be brought under greater control.

Table 3: Special Education Identification Trends by Disability, 1988-89 thru 1998-99

Disability	Counts of Students*				% By Disability 98-99 (5)	% of Enrollment Growth (6)	% of Additional Costs (7)	Estimated Cost/Student** (8)
	1988-1989 (1)	1998-1999 (2)	Enrollment Growth (3)	% Growth (4)				
Autism***		54,074	54,074	-	1%	4%	8%	\$13,902
Traumatic Brain Injury***		12,984	12,984	-	0%	1%	5%	\$33,500
Multiple Disabilities	84,480	107,811	23,331	28%	2%	2%	3%	\$12,844
Mental Retardation	576,671	610,739	34,068	6%	11%	2%	3%	\$8,393
Orthopedic Impairments	47,195	69,447	22,252	47%	1%	2%	2%	\$9,225
Developmental Delay		11,910	11,910	-	0%	1%	2%	\$13,902
Hearing Impairments	57,117	70,900	13,783	24%	1%	1%	1%	\$9,530
Visual Impairments	22,461	26,113	3,652	16%	0%	0%	0%	\$8,982
Deaf-Blindness	1,494	1,620	126	8%	0%	0%	0%	\$33,544
Total Severe**	789,418	965,598	176,180	22%	17%	13%	25%	\$9,805
Specific Learning Disabilities	1,995,186	2,816,000	820,814	41%	51%	60%	44%	\$4,865
Other Health Impairments	50,321	221,902	171,581	341%	4%	13%	18%	\$9,751
Emotional Disturbance	373,202	462,920	89,718	24%	8%	7%	8%	\$8,251
Speech or Language Impairments	965,385	1,074,368	108,983	11%	19%	8%	4%	\$3,286
Total Non Severe****	3,384,094	4,575,190	1,191,096	35%	83%	87%	75%	\$5,074
All Disabilities	4,173,512	5,540,788	1,367,276	33%	100%	100%	100%	

*Counts of students, ages 6-21, taken from the 21st Annual Report to Congress, Table AA14.

**Estimates derived from Moore et al., 1988. Data from 1985-86 adjusted to 1996-97 dollars.

***Reporting on autism and traumatic brain injury was required under IDEA beginning in 1992-93 and was optional in 1991-92.

****Categories of disability are divided into severe and non severe based on a classification scheme adopted by the State of California

Increasing our Knowledge of Special Education Spending

Unfortunately, the spending estimates shown above are over 15 years old (Moore et al., 1988). Through funding from the U.S. Department of Education, however, the Center for Special Education Finance (CSEF)⁵ is attempting to fill this information gap. CSEF is currently conducting a national Special Education Expenditure Project (SEEP). This vast undertaking will provide updated national special education spending information collected from all 50 states and from approximately 250 school districts. For each state, at least two school districts are included

⁵ The Center for Special Education Finance (CSEF) is located at the American Institutes for Research (AIR) in Palo Alto, California.

in this national sample. To provide information that does not rely on local accounting conventions and is truly comparable across the nation, expenditure information is constructed from detailed pictures of the resources going to individual students, schools, school districts and states. To this end, SEEP surveys have been sent to a sample of schools (where teachers are providing information about themselves and about a sample of the students they serve), to district offices, and to state departments of special education. In return, SEEP will provide participating districts with information about how their resource allocation patterns and expenditures on special education compare with those of other districts and states across the nation.

At the same time, nine states have contracted for extended SEEP studies.⁶ The sample of SEEP districts in these states is expanded substantially beyond what is included in the federal study, which will allow customized analyses of special education expenditures that are fully representative of each state and unique to its special interests and concerns. This will also allow these states to compare their own state and district expenditures with those of other comparable states and districts across the nation.

In addition, CSEF is also conducting a study for the Milwaukee Public Schools to examine special education resource allocation patterns across the district's schools. These data will assist future policy decisions about how to best allocate special education resources under a school-based management system. These data will also help inform district funding of special education services in charter schools and in private schools receiving state vouchers.

Moreover, in conjunction with the National Association of State Directors of Special Education (NASDSE), CSEF has administered a special education finance survey to all 50

⁶ The extended SEEP study states are Alabama, Delaware, Indiana, Kansas, Missouri New Jersey, New York, Ohio, and Rhode Island.

states. This survey asks questions about special education spending, fiscal reform efforts and current formula provisions. This information is being used to publish the third in a series of reports about special education finance across the states.⁷ Some preliminary results from this survey follow.

Estimated Spending - Who Pays?

From these survey results, CSEF researchers were able to derive estimates of total special education spending for 34 states, as well as the trends in federal, state and local special education funding shown in Table 4. These data show a relatively recent change in the share of support for special education programs borne by federal, state, and local government. While much media attention has focused on increased federal funding for special education over the past few years, the percentage share of federal special education funding has changed relatively little during the period represented in Table 4 (from 7% to 8%). The big shift in this time period is the decreasing state share of funding (56% to 47%) and the increasing burden on local funding sources (37% to 45%).

Table 4: Estimates of Special Education Revenue Shares Over Time

	Federal	State	Local	Total
82-83	7%	56%	37%	100%
87-88	6%	58%	36%	100%
93-94	6%	55%	39%	100%
98-99	8%	47%	45%	100%

How Much Is Needed?

Although growth in federal support for special education appears fairly minimal based on

⁷Additional information about these projects can be found on these web sites: <http://www.seep.org> and <http://csef.air.org>

the table above, federal revenues have expanded fairly substantially since 1998-99. However, primarily due to rising enrollments, special education costs are rising substantially faster than new federal funding. Unless the states are willing to substantially increase their share (reversing observed trends over the past five years) or the federal contribution is increased to the allowable allocation of 40% of the nation's average per pupil expenditure, the additional funds needed for special education will increasingly come from local sources.

Nationally, the count of special education students over the past five years for which data are currently available (1993-94 to 1998-99) has risen an average of 127,000 per year. Over this same time period, estimated special education spending has risen an estimated \$3 billion per year (including inflation). If these increases in total special education spending continue—even with the \$500 million annual increases in federal special education funding seen over the past few years—states and localities will continue to face an increasing special education revenue burden. Even the unprecedented \$1.4 billion increase in federal special education aid allocated for Fiscal Year 2000 is well short of these rapidly rising costs.

Policy Implications

As mentioned, while the federal government has been increasing fiscal support, the state share of special education support appears to be declining. This may seem ironic to states that have undoubtedly seen this segment of their state budget grow. For example, in Hawaii, despite its considerable increase in state spending for special education since 1994, a federal ruling recently found that the state had “failed to significantly improve the care for disabled children first ordered six years ago” (Special Education Report, 2000). In Michigan, where districts are

suing the state for lack of special education support, a spokesman for the Governor insists that the state is meeting its obligations: “per-pupil spending is at an all time high” (Special Education Report, 2000).

In response to the NASDSE state survey described above, 30 states say their state funding formula has changed over the past six years, and 20 say they are currently considering additional changes. Special education cost control is a likely factor affecting much of this change. However, it appears from the data above that limiting state spending on special education only places greater pressure on local education revenues. It is likely that the states will have to take a more systemic and holistic approach to education change if they really want to stem rising enrollments in special education and their corresponding costs.

Further suggesting the need for systemic change is the evidence cited earlier that the majority of new special education enrollments and costs come from increased numbers of students in the less severe categories of disability. These are the students for whom states and districts may need to seek modes of service other than special education if the growth in rising enrollments and costs are to be brought under greater control.

Conclusion

It is tempting to focus all concern regarding rising special education costs on special education itself. However, as much of the growing expenditures seem attributable to continuously rising identification rates, it seems insufficient to look to special education alone for the solution. For the most part, it is those students not making appropriate progress in general education who are referred to special education for supplemental services. To understand why special education is growing, we need a better understanding of why increasing numbers of

children are not finding success within general education.

The more state and local officials continue to raise the bar for student achievement and heighten the sanctions for school failure, the more likely it becomes that parents will argue for, and educators will agree to, the referral of more students for individualized treatment through special education. Such trends exemplify the concern of Meredith and Underwood (1995), that “current state fiscal legislation is increasingly encouraging an educational ecosystem in which the regular and special education communities become direct competitors for an increasingly narrow resource base” (207).

The reaction of some states to rising special education expenditures is simply to cap state aid for special education. At the same time, they may be adopting statewide accountability measures that single out low performing students, inadvertently driving them into special education. For example, Wisconsin found that while special education costs increased 37% from 1992-93 through 1997-98, federal support for these programs increased only 30%, and state support increased a paltry 6% (Wisconsin Department of Public Instruction, 1999).

Despite Vermont’s rising costs, the Blue Ribbon Commission concluded that it still “‘supports the strategic direction’ laid out a decade ago, when the state moved to beef up its special education services.” This 1990 law prescribed “‘educational support systems to catch and remedy learning problems early on’ and reduce referral to the more costly special education system. ‘We really can’t reduce special education costs unless there are alternative support services for kids’” (Gram, 1999, August 8).

In addition, as shown in Table 3, more children are arriving in the public schools with a need for complex interventions. In response to growing numbers of high cost children, Meredith

and Underwood (1995) express concern over an increasing failure to amortize these special education costs. State and federal funding mechanisms need to provide differential funding for these extraordinarily high cost cases. Otherwise, “the risk of random, devastating expenditures striking a particular school budget increases.”

In conclusion, in considering rising special education expenditures and their impact on general education programs, the wisdom of the cartoon character Pogo may apply: “We have met the enemy and it is us.” As educators, we cannot increasingly refer students with diverse learning needs to special education and then look with alarm as this segment of the school budget rises. As state policymakers, we need to support programs that attempt to assist students *prior* to their referral to more costly special education interventions—especially in light of ever-increasing student standards and high stakes accountability. We also need to target supplementary special education aid to districts serving students with extraordinarily high cost special needs. At the same time, it is essential to begin bridging the gap between general and special education programs and providers to more fully address the educational needs of all children.

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