

Fixing the Special Education Funding Gap

May 2022



Introduction

Students with disabilities have a right to a free appropriate public education under federal and state law. But despite growing enrollment in special education and higher costs, state funding in Pennsylvania has remained stagnant for more than a decade, leaving responsibility to meet this legal obligation to local communities. State lawmakers – the people with the responsibility to fund this commitment – have walked away.

Education for Pennsylvania students is the single most important responsibility of state government – enshrined in the constitutional requirement to provide a “thorough and efficient system of public education.”¹ Yet the General Assembly is failing at this obligation, providing just 38% of current education expenditures² and less than 22% of special education costs.³

Just over a decade ago, the state contributed close to one-third of the total cost of special education. If the share of state funding in 2019-20 was the same as it was in 2008-09, the state would be contributing an additional \$551 million in funds that could support additional special education services *and* pay for teachers, counselors, and reading and math specialists. The current system is a lose-lose for students, families, and communities.

The General Assembly should make good on its responsibility to students by supporting a significant increase in basic and special education funding this year. The state’s large revenue surplus will allow the commonwealth to make significant progress toward closing the large and longstanding education funding gap.

Special Education Services Support Children’s Success

The Individuals with Disabilities Education Act (IDEA) guarantees students with disabilities the right to a free appropriate public education (FAPE), including specially designed instruction provided at no cost to parents that meets the needs of a child with a disability.⁴ Chapter 14 of the Pennsylvania Code affirms and implements this right and provides additional protections for students with disabilities across the commonwealth.⁵

Special education services are jointly funded with federal, state, and local dollars. Students are entitled to education in the least restrictive environment, most often in an inclusive classroom with their non-disabled peers, and they are entitled to receive specially designed instruction from trained teachers and support services depending on the needs identified in each student’s Individualized Education Program (IEP).

A total of 307,644 Pennsylvania students received special education services in 2019-20, up 14% over 2008-09.⁶ Pennsylvania’s numbers reflect a nationwide trend,⁷ due in part to increases in identification of autism eligibility⁸ and other specific developmental disabilities.⁹

¹ Pa. Const. art. III, § 14.

² U.S. Census Bureau, “Annual Survey of School System Finances, 2019,” May 18, 2021. See Summary Table 5. Accessed at: <https://www.census.gov/data/tables/2019/econ/school-finances/secondary-education-finance.html>

³ See Table 1.

⁴ IDEA 20 U.S.C. §1400 (d)(1)(a).

⁵ 22 Pa Code Chapter 14 (Special Education).

⁶ Pennsylvania Department of Education, Special Education and Total Enrollment by LEA, 2008-2020. Accessed at: <https://penndata.hbg.psu.edu/Additional-Reports>

⁷ See National Center for Education Statistics, available at <https://nces.ed.gov/programs/coe/indicator/cgg>

⁸ Cardinal, Donald N., et al, “An Investigation of Increased Autism at U.S. Public Schools,” *Psychology in Schools*, 2020: 1-17. Accessed at: <https://www.chapman.edu/education/centers-and-partnerships/thompson-policy-institute/autism-prevalence-in-schools-research-article-2020.pdf>

⁹ Zablotsky B, et al, “Prevalence and Trends of Developmental Disabilities among Children in the US: 2009–2017,” *Pediatrics*, 144(4) (2017). Accessed at: <https://www.cdc.gov/ncbddd/developmentaldisabilities/features/increase-in-developmental-disabilities.html>

Underfunding Delays Services – With Grave Consequences

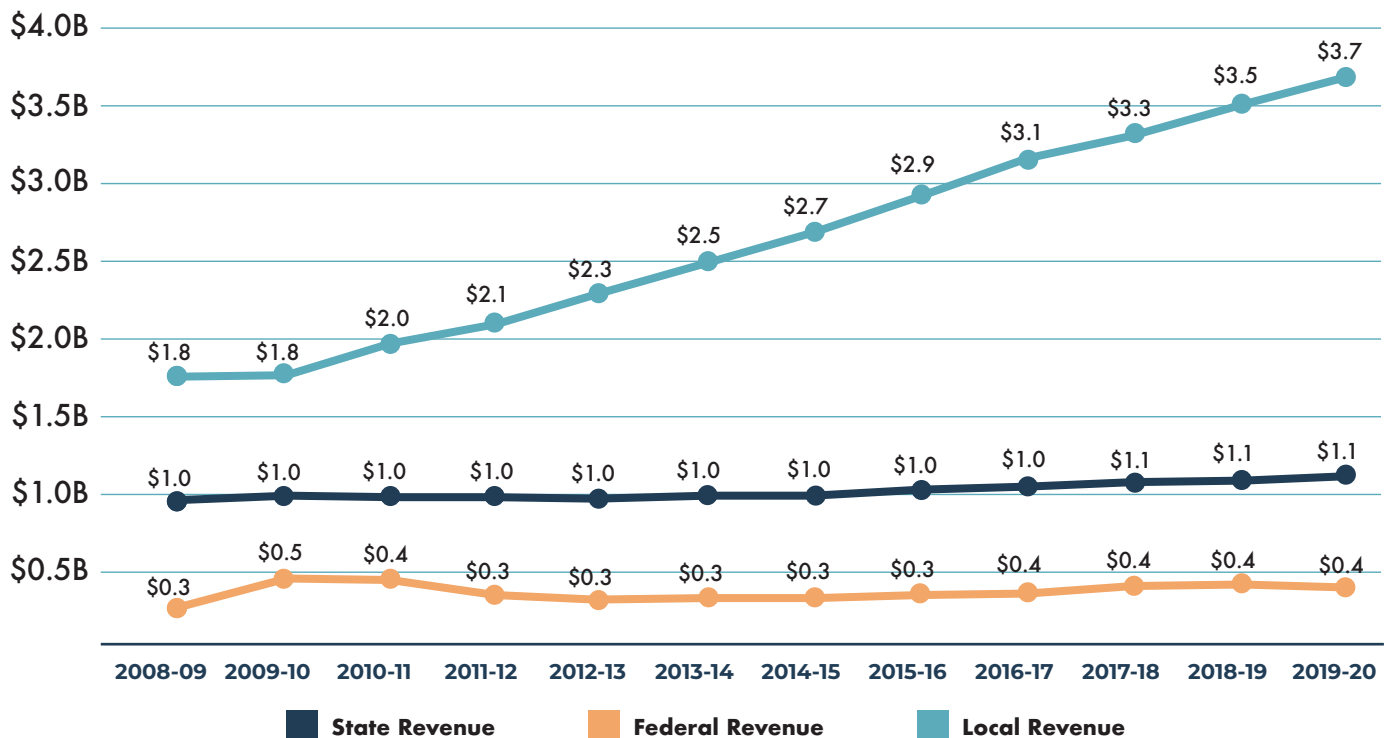
From the moment D.A. was told to repeat kindergarten, her mother began asking for her to be tested to see if she had a learning disability. Having four other children, her mother knew that D.A. was not learning to read like she should. Year after year, the school told her mother that D.A. was on a waiting list for an evaluation from the school psychologist because the district could not afford to hire additional psychologists. Although federal law requires prompt evaluation, the testing was not completed until D.A. was in fourth grade, and the tests revealed she had learning disabilities. At 10 years old, she did not know all the letter sounds and could not read any words.

It is well established that special education and related services help students to succeed, to graduate, and to be prepared for adulthood, and these benefits are particularly strong for students who are in inclusive learning environments.¹⁰ For students with disabilities in Pennsylvania, the four-year high school graduation rate is 73%, 31% of graduates are enrolled in higher education, and 76% are enrolled in postsecondary education or training or are competitively employed.¹¹ These statistics are averages that mask disparities between districts in low-wealth and high-wealth communities.

TABLE 1

State Funding Flat as Special Education Costs Grow

(all figures in billions)



Source: Pennsylvania Department of Education, Annual Financial Reports.

¹⁰ Choi, Jeong Hoon, et al, "Improving Education for All Students Through Equity-based Inclusive Reform Practices," Remedial and Special Education, Vol. 38(1), 2017: 28-41. Accessed at: <https://files.eric.ed.gov/fulltext/EJ1129873.pdf>

¹¹ Pennsylvania Department of Education, Special Education Data Book, 2019-20.

Accessed at: https://penndata.hbg.psu.edu/Portals/66/documents/SpecialEducationSummary/2019-2020_Special_Education_Data_Book_4-12-2021.pdf

State Funding for Special Education Continues to Fall Short

While special education enrollment and costs have grown, state funding has stagnated. From 2008-09 to 2019-20, total special education expenditures grew by \$2.2 billion dollars to almost \$5.2 billion – while total state funding has grown by only \$156 million. State funds have covered only one out of every 14 dollars in increased expenditures over this period. As expenditures rose, the portion of total special education costs covered by the state dwindled from 32% to less than 22%. While state aid was flat for most of that period, the local contribution toward special education costs more than doubled.

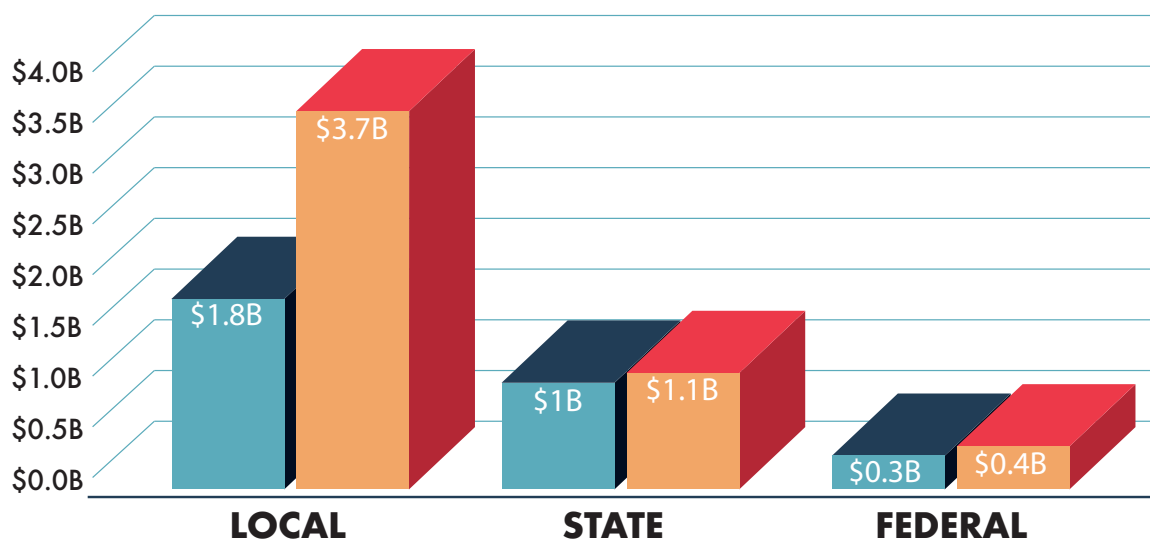
Local Taxpayers Make Up the Difference

Local communities have, out of necessity, paid increased local property taxes to fill the gap left by state lawmakers' neglect of special education students. This is a huge challenge for districts that cannot raise enough locally – especially for poor urban, rural, and suburban districts with limited local wealth. Children in these districts are losing out – as well as the homeowners and renters who bear the brunt of these taxes.

TABLE 2

Education Funding by Source, 2008-09 and 2019-20

(all figures in billions)



Source: Pennsylvania Department of Education, Annual Financial Reports.

■ 2008-09 ■ 2019-20

When state funding is inadequate, all students are deprived of needed resources. In many districts, funding for the classroom – teachers, counselors, books, equipment, programs, facilities – has been diverted to fill the special education funding gap. At the same time, although students have a legal right to education, parents report a lack of resources to provide appropriate and timely services to students and delays in identifying students and completing or updating IEPs.

Lack of sufficient funding has real-world consequences for students with disabilities; it denies them access to individualized support, deprives them of assistive technology, and limits their access to needed interventions and related services. This impact is particularly acute for students living in poverty, who are more likely to be identified as needing special education services.¹²

¹² According to the National Survey of Children's Health, children living at or below the federal poverty level are more than twice as likely to be identified with a specific learning disability as children in households with income four times the poverty level. See Committee to Evaluate the Supplemental Security Income Disability Program for Children with Mental Disorders (2015), *Mental disorders and disabilities among low-income children*. Boat, T. F., & Wu, J. T. (Eds.). Washington, DC: National Academies Press. According to the U.S. Census Bureau in 2019, children living in poverty were more likely to have a disability (6.5%) than children living above the poverty threshold (3.8%). See U.S. Childhood Disability Rate Up in 2019 From 2008 at <https://www.census.gov/library/stories/2021/03/united-states-childhood-disability-rate-up-in-2019-from-2008.html>

Charter School Loophole Presents Additional Burden

School district tuition payments to charter schools for students with disabilities, which rely on an antiquated formula, are costly to all school districts but particularly burdensome to the most underfunded districts. These payments range from around \$10,000 per student to more than \$50,000 per student, without regard to the level of services needed to meet the students' needs.¹³ A cost-based special education funding formula adopted by the state in 2014¹⁴ does not apply to charter schools, and in many cases school districts are providing charter schools with funding that far exceeds the charter's actual spending on special education programs, even while school districts are scrambling to provide funding for students with disabilities who are served in their schools.

This charter school loophole – whereby a school district must provide charter schools a fixed amount of funding per pupil regardless of a student's disability – also incentivizes the systemic exclusion of certain groups of students with disabilities from charter schools. A 2019 ELC report¹⁵ found that that brick-and-mortar charter schools in Philadelphia have a higher share of students needing lower-cost services such as speech and language services but serve very few students with autism or intellectual disabilities, who require more intensive services. A report by Education Voters of Pennsylvania found a similar pattern statewide.¹⁶

The General Assembly's Special Education Funding Commission recommended modest revisions to the special education formula in its 2021 report but was barred by the legislature from considering any change that would close the charter loophole.¹⁷ This failure continues the perverse incentive to shut out certain students with disabilities from charter schools and adds an estimated \$174 million to school district costs, compounding the gap between state funding and special education costs.¹⁸

Lack of State Funding Adds to Significant Adequacy Gaps

The problem of underfunding is not limited to students with disabilities. Pennsylvania shortchanges its public schools by billions of dollars annually¹⁹ and has historically kept state taxes down, while passing on rising costs and responsibility for tax increases to school districts. The state share of total K-12 education revenue is just 38%, ranking Pennsylvania 45th in the nation. In Pennsylvania, the General Assembly has passed the buck to local taxpayers and failed to meet its constitutional requirement.

But local districts vary considerably in their ability to meet the needs of their students. Low-wealth districts have difficulty raising additional funds even when they increase property tax millage rates, so the impact of state negligence on resources available for students in a low-wealth district is much greater.

13 Pennsylvania Department of Education, Charter School Tuition Rates, 2019-20 Rates based on PDE-363s received by PDE, 2022. Accessed at: <https://www.education.pa.gov/K-12/Charter%20Schools/Pages/Charter-School-Funding.aspx>

14 24 P.S. Education § 25-2509.5

15 Education Law Center "Safeguarding Educational Equity: Protecting Philadelphia Student's Civil Rights Through Charter Oversight," 2019. Accessed at: https://www.elc-pa.org/wp-content/uploads/2021/10/elc_report-safeguarding-civil-rights-final.pdf

16 Education Voters of Pennsylvania, "Fixing the Flaws in PA's Special Education Funding System for Charter Schools," 2020. Accessed at: <http://educationvoterspa.org/fixing-the-flaws-in-pas-special-education-funding-system-for-charter-schools/>

17 Act 16 2019, §122-K (2) limited the work of the Commission to special education payments to school districts.

18 Pennsylvania Department of Education, Comprehensive Charter Law Reform Savings, 2022. Accessed at: <https://www.education.pa.gov/K-12/Charter%20Schools/CharterPolicyReform/Pages/LegisProposal.aspx>

19 "Summary of Expert Report by Dr. Matthew Kelly," Fund Our Schools PA, 2021. Accessed at: <https://www.fundourschoolspa.org/expert-reports>

Scarce Resources Cause Gaps in Vital Services

R.S. is a 10-year-old girl with an intellectual disability. In third grade, she received most of her instruction in a life skills classroom with a teacher trained to work with children with intellectual disabilities. She made great progress with this support. When R.S. entered fourth grade, there was not an equivalent classroom, so her school placed her in an autistic support classroom. The teacher told her mother that the school did not have the resources for both a life skills classroom and an autistic support classroom in the fourth grade. While in this program, R.S. regressed in all areas. The experiences of R.S. and D.A. and others like them reflect the impossible choices that are made daily by underfunded school districts where robbing Peter to pay Paul is a daily occurrence.

An analysis by Penn State Professor Matthew Kelly showed that the gap in revenue between the wealthiest 100 school districts and the poorest 100 school districts is more than \$4,800 per student.²⁰ Per student market value – a measure of local wealth – ranges by a factor of 20, from just \$74,264 in Reading School District to \$1,482,228 in New Hope-Solebury. Both districts have rising special education costs, but Reading lacks the resources to cover those costs with local property taxes.²¹

The problem is further compounded because the commonwealth's total education spending is not sufficient to ensure that all students can meet state standards or graduate college- and career-ready. This gap — Pennsylvania's systemwide adequacy gap — is more than \$4.6 billion; 86% of school districts have adequacy gaps, and in 227 school districts that gap is more than \$2,000 per student.²²

The basic education funding appropriation – the primary state funding source for school districts – has been insufficient to cover district and student needs or keep pace with growth in mandated costs such as charter school tuition and pension payments. The current funding system results in large equity and adequacy gaps, leaving low-wealth districts without resources to meet the needs of their students. These gaps in basic education funding also impact students with disabilities, who spend much or all their time in inclusive classrooms with high student-teacher ratios, outdated books, and antiquated buildings.

The quality and timeliness of services to students with disabilities should not be dictated by the community that students live in or the school district they attend.

Federal COVID Funding Will Not Fill the Gap

The COVID-19 pandemic created particular challenges for students with disabilities, who have suffered significant learning disruption, especially when services were unavailable or unsuccessfully delivered in the virtual environment. Teachers struggled to differentiate instruction, and many students with disabilities were unable to benefit from online learning platforms at all, while others were separated from essential hands-on instructional supports and physical or cognitive therapies required by their IEPs.²³ Educational disruption has negatively affected academic growth, widening pre-existing disparities for underserved students, including students with disabilities, who already lag behind peers in academic achievement.²⁴

²⁰ Ibid.

²¹ Pennsylvania Department of Education, Financial Data Elements, Finances, Aid Ratio 2018-19.

Accessed at: <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/FinancialDataElements/Pages/default.aspx>

²² See Fund Our Schools PA, 2021. Accessed at <https://www.fundourschoolspa.org/>

²³ Lauren Morando-Rhim and Sumeyra Ekin, "How Has the Pandemic Affected Students with Disabilities? A Review of the Evidence to Date," Center on Reinventing Public Education, June 2021. Accessed at: <https://eric.ed.gov/?id=ED615189>

²⁴ U.S. Department of Education, Office for Civil Rights, "Education in a Pandemic, The Disparate Impacts of COVID-19 on America's Students," June 9, 2021.

Accessed at: <https://www2.ed.gov/about/offices/list/ocr/docs/20210608-impacts-of-covid19.pdf>

COVID-19 increased costs for school districts while at the same time reducing local tax revenue in almost half of Pennsylvania districts.²⁵ Congress appropriated a total of \$6 billion over five fiscal years in COVID-19 aid to Pennsylvania school districts to address these new demands and to mitigate the disproportionate impact of the pandemic on historically underserved children.²⁸ School districts are using the funding to overhaul inadequate ventilation systems, upgrade electrical systems to accommodate new technology, purchase computers for remote learning, recruit and train staff (from teachers to bus drivers), and improve mental health services for students. Districts must spend at least 20% of funds to address learning loss among all students and allocate a share of funding to address the disproportionate learning loss that has affected underserved students, including students with disabilities.²⁷

Federal funds, however welcome and undisputedly necessary, are time-limited and non-recurring. School administrators, school boards, and families are acutely aware of the large cuts in programs that were required when one-time federal economic stimulus funds expired in 2010-11 and were not replaced with state dollars. Federal COVID funds will not reverse the chronic underfunding of special education services.

The General Assembly Must Act This Year

While federal and state laws clearly provide protections and rights to students with disabilities, the state has failed to provide sufficient funds to meet student needs. The General Assembly can begin to reverse this trend this year by supporting a significant increase in basic and special education funding.

Recommendations:

- (1) The state share of special education funding has declined from one in three dollars to one in five dollars. We urge the General Assembly to restore the state share to at least one-third of special education funding within five years and set a longer-term goal of an increased state share of special education funding.
- (2) As a first step, the General Assembly should add \$200 million in special education funding for the 2022-23 school year. This will cover expected cost increases and begin to reverse the decline in state share.
- (3) Allocate \$1.55 billion in new funding for basic education for 2022-23 to begin to address the adequacy gap as proposed by Gov. Tom Wolf.
- (4) Eliminate the special education charter school loophole.

An increase of this size can be sustainably funded with revenue surpluses that total more than \$6.5 billion this year and more than \$3 billion in 2022-23, even after accounting for these significant new investments in education.²⁸

Some lawmakers have argued that they must hold back surplus revenue to avoid a tax increase that might have to happen at some unspecified date in the future. In fact, local property taxpayers have had multiple increases as a direct result of the General Assembly's inaction, which has disproportionately impacted low-wealth communities.

²⁵ Pennsylvania Association of School Administrators (PASA) and Pennsylvania Association of School Business Officials (PASBO), "COVID Impact Part III, Districts Focus on Student Needs," January 2022. Accessed at: https://www.pasbo.org/Files/Winter%202022%20Report_Final.pdf

²⁶ Pennsylvania Department of Education, "ESSER Funding Information." Accessed at: <https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/CARESAct/Pages/default.aspx>

²⁷ See PASA/PASBO, COVID Impact Part III, 2022.

²⁸ Commonwealth of Pennsylvania, Governor's Executive Budget 2022-23, Seven Year Financial Statement, p. 77. Accessed at: https://www.budget.pa.gov/Publications%20and%20Reports/Documents/OtherPublications/Budget%20Book%202022-23_Web%20Version.Updated.pdf

Pennsylvania's inattention to the needs of its students must end. The combined impact of underfunding basic and special education has robbed many students, most notably those in low-wealth districts and Black and Brown students, of a secure future. It is not too late to take important steps towards righting this wrong. Without a plan for comprehensive state action, issues of inadequacy and inequity will continue to deepen for students with disabilities across the commonwealth. We urge the General Assembly to make a commitment to these recommended additional investments in basic and special education funding to meet its obligations now and in the future.

A Note on Methodology

All data is from the Pennsylvania Department of Education, Annual Financial Reports, Detailed Reports, fiscal years 2008-09 through 2019-20.

Total expenditures include expenses listed under Special Education (Cost Code 1200) and Student Services (Cost Codes 2140 and 2150 only).

State revenue includes Special Education Funding for School Age Pupils and Early Intervention (Revenue Codes 7271 and 7272).

Federal revenue includes direct IDEA and ARRA-IDEA funding to school districts (Revenue Codes 8512, 8513, 8701 and 8702) and Medicaid ACCESS reimbursement funds (Revenue Codes 8810, 8820, 8830). It also includes federal IDEA pass-through funds reported by school districts as local revenue (Revenue Codes 6832 and 6833).

Local revenue is calculated as total expenditures less the sum of state and federal revenue.

Individual school district data can be found at bit.ly/spec-ed-2022

