MAINE STATE LEGISLATURE

Analysis of the Essential Programs and Services
Special Education
Cost Component

Report to the Maine Department of Education

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Review of the Special Education Component of the Essential Programs and Services (EPS) Funding Model

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Introduction

The purpose of this report is to review the special education funding component of Maine's Essential Programs and Services funding model. This multi-part component was first implemented in 2005-2006, and was reviewed per Maine statute in 2008 and 2011 in accordance with MRSA Title 20-A Section 15686-A. In addition, an external review of the EPS cost model, including the special education components, was completed in 2013. This 2016 review is the next iteration of the statutory process last conducted in 2011.

Special education programming is an area that is governed by a complex interplay of federal and state policies, as well as state and local practices and beliefs. Multiple stakeholders are involved in making choices about the types of services that will be provided to each individual student. These decision-makers have varying perspectives, and are influenced by historical practices in a district as well as by existing resources and available capacities. With each district's widely varying student needs and expectations, a "prototypical" setting is elusive. This creates challenges for developing a special education funding model.

Thus to provide further context the beginning section of this report provides background on selected federal and state policies that dictate some of the parameters of special education funding. Next, data and analysis of Maine's special education spending are presented. Then the sections that follow give consideration to potential policy options for improving the special education funding component in the EPS model.

Background

Federal Policy Context for Special Education Funding

A major shift in special education began in 1975, with the passage of The Education for All Handicapped Children Act (PL 94-142). At that time, it was mandated that all children with

disabilities receive an education equal to that of their non-disabled classmates. This law was revised in 1997 and became known as the Individuals with Disabilities Education Act (IDEA). Revised again in 2004, the current law is the Individuals with Disabilities Education Improvement Act (IDEIA).

With the shift toward equality in education for students with and without disabilities came six core principles of special education. Those six components are: zero reject, non-discriminatory evaluation, free and appropriate public education, least restrictive environment, procedural safeguards, and parental participation. Each principle is described briefly below.

- *Zero-Reject*: All students must be provided with educational services regardless of their disability. The federal mandate is that states educate students from age six to 18. In Maine, state law requires special education services from age three to 21.
- *Non-discriminatory Evaluation*: Schools must use evaluation processes that include the use of multiple, non-biased evaluations to determine if a student has a disability and requires special education. This includes administering evaluations in the student's native language and choosing assessments that do not discriminate based on race or culture.
- *Free, Appropriate Public Education*: All students, regardless of the type or severity of disability, have a right to education. This means that parents of disabled students do not have to pay any costs related to the education of their child at school. This is also the principle that mandates an Individual Education Plan (IEP) for every student in Special Education. The IEP includes the student's current level of functioning, goals and measurable objectives, and related services that need to be provided.
- *Least Restrictive Environment*: Students with disabilities should participate in the general education classroom and other school activities with their non-disabled peers to the greatest degree possible.
- *Procedural Safeguards:* Schools must provide a process for parents who disagree with the results of evaluations, or with decisions that are made regarding the identification of a student in special education, their placement, or the services they will receive. Parents may have an independent evaluation completed, at no expense to them, if they disagree with the results or methods used in evaluating their child, and they may request a due process hearing if they disagree with decisions being made.
- *Parental Participation*: Parents and students should be involved in the process of determining special education programs and services. Parental voice should be heard and incorporated into the Individual Education Program (IEP).

These principles are important to the implementation of a funding model that is fair and equitable, and also promotes compliance with the fundamental values of special education. It is

mandated that schools provide the services necessary for students to learn, regardless of cost and disability. It is also required that students be provided an education in the least restrictive environment. These policy requirements play an important role in determining the costs of special education services.

State Policy Context: Maine's EPS Special Education Cost Model

Maine's special education funding model has six components, each intended to address some of the considerable variation in special education costs seen across districts:

- *Base Weight*: The Base Weight is calculated by comparing the overall costs of educating a student in general education to the costs of educating a student in special education. The resulting ratio of spending is transformed into the Base Weight, which is applied to a district's special education students, up to 15 percent of the total student population.
- *Prevalence adjustment*: If a district has a special education population that is greater than 15 percent of the total student population, those students in excess of 15 percent are given a lower weight. This is the prevalence adjustment, which is intended to de-incentivize the over-identification of special education students.
- *Small district adjustment*: In accounting for the small size of many districts in Maine, those districts with fewer than 20 special education students receive an additional weight per student to adjust for necessary staffing costs that exist despite the low number of students.
- *High cost in-district adjustment*: Districts receive an adjustment for special needs students educated within the district when costs are estimated to be more than three times the base special education per-pupil amount.
- *High cost out-of-district adjustment*: Districts receive an adjustment for special needs students educated outside of the district when costs are estimated to be more than four times the base special education per-pupil amount.
- *Maintenance of effort (MOE):* Because federal law requires that districts spend at least the same amount on special education each year, districts that would receive less than their current expenditures in their EPS allocation based on the first five elements above receive a "hold harmless" adjustment.

While the different components strive to account for the varying needs of Maine's numerous school districts, the number and complexity of these factors that influence the EPS special education allocations has been known to cause confusion. Each element is explained in more detail in the data analysis to follow. But first, the next report section provides a general context

for the current state of special education, including basic background and enrollment trend data. These data set the stage for the financial analysis that follows.

Overview of Recent Special Education Trends in Maine

Special Education Enrollment

In recent years, the overall population of school-aged children in Maine has declined. From October 2011 to October 2015, the number of students attending Maine public schools declined by 6,810 students—a decrease of 3.6%. Over the same time period, the number of students identified as needing special education has risen slightly, increasing by 3.0%. Thus the overall incidence rate of special education has increased over this timeframe. There are many factors that may influence the prevalence of special education students in any given area, and the increase may be attributed to either a rise in the numbers of children with special needs, an increase in the rate of identification based on changing criteria and screening practices, or a combination of both factors.

Table 1. Special Education Prevalence Rates, 2011-12 to 2015-16

Year	Number of Special Education Students*	Number of Maine Resident Students**	Sp. Ed. Prevalence
2011-2012	29,475	188,686	15.6%
2012-2013	29,646	186,178	15.9%
2013-2014	29,810	182,101	16.4%
2014-2015	29,919	183,460	16.3%
2015-2016	30,356	181,876	16.7%

** Source: Maine Department of Education; Includes state wards and state agency clients*
*** Source: October 1 Resident Pupil data from Maine Department of Education*

Looking deeper into data for students identified with special needs over a slightly longer timeframe (2009-10 to 2015-16), we can see two trends. First, the relative prevalence of specific disabilities has changed over time. The overall numbers of resident special education students have increased in some disability areas (notably Autism, Multiple Disabilities, and Other Health Impairment, which includes ADHD). They have decreased in others, particularly Speech and Language Impairment and Emotional Disability.

Table 2. Changing Context of Children with Special Needs, FY10 to FY16: Disabilities and Placements (Including state agency clients and state wards)

	Total Number of Sp. Ed. students (Oct. 1 Counts)		Change in Total Number	Percent change
	2009-10	**2015-16**		
Autism	2,165	2,884	719	33.2%
Deafness	59	34	-25	-42.4%
Developmentally Delayed	155	170	15	9.7%
Emotional Disability	2,614	2,246	-368	-14.1%
Hearing Impairment	166	103	-63	-38.0%
Intellectual Disability	735	761	26	3.5%
Multiple Disabilities	2,822	3,050	228	8.1%
Orthopedic Impairment	53	46	-7	-13.2%
Other Health Impairment	5,660	6,444	784	13.9%
Specific Learning Disability	9,508	9,356	-152	-1.6%
Speech and Language Impairment	5,949	5,179	-770	-12.9%
Traumatic Brain Injury	74	42	-32	-43.2%
Visual Impairment Incl. Blindness	70	41	-29	-41.4%
Overall	30,030	30,356	326	1.1%

These data show that there have been substantial shifts in the types of disabilities present in Maine schools over the past six years. For example, in 2009-10 students with Autism represented 7.2% of all students with disabilities, but by 2015-16 the proportion increased to 9.5%. It is to be expected that the different proportions of disabilities have demanded commensurate shifts in the types of services that schools must offer to meet their students' needs.

The second trend is that generally, slightly more students are "mainstreamed" or being taught in regular classrooms for 80% or more of the instructional day. This practice is in keeping with the special education principle of placing students in the least restrictive environment (LRE) possible where their needs may be met. Table 3 illustrates these trends and how they vary for specific disabilities. The changes are most marked for students who are deaf, developmentally delayed, or have speech or language impairments, where more students are

both retained in the district and placed in regular classrooms. In other areas trends are more mixed, so that overall the number of out-of-district placements is unchanged and the proportion of students in mainstream classrooms has increased almost 1%.

Table 3. Placement of Children in Less Restrictive Environments, FY10 to FY16

	Percent Placed In-District (Oct. 1 Counts)			Percent of In-District In Regular class 80% or more of day		
	2009-10	**2015-16**	**Change**	**2009-10**	**2015-16**	**Change**
Autism	93.7%	93.2%	-0.5%	47.1%	45.4%	-1.7%
Deafness	72.9%	85.3%	12.4%	67.4%	72.4%	5.0%
Developmentally Delayed	98.1%	99.4%	1.3%	61.2%	69.8%	8.6%
Emotional Disability	88.0%	84.4%	-3.6%	49.7%	52.8%	3.1%
Hearing Impairment	97.0%	99.0%	2.0%	78.3%	73.5%	-4.8%
Intellectual Disability	96.1%	97.1%	1.0%	7.5%	7.4%	-0.1%
Multiple Disabilities	92.7%	91.9%	-0.8%	28.5%	33.3%	4.8%
Orthopedic Impairment	98.1%	97.8%	-0.3%	78.8%	71.1%	-7.7%
Other Health Impairment	97.5%	97.7%	0.2%	61.7%	62.6%	0.9%
Specific Learning Disability	99.3%	99.5%	0.2%	61.1%	61.3%	0.2%
Speech, Language Impairment	99.4%	99.7%	0.3%	78.7%	84.3%	5.6%
Traumatic Brain Injury	93.2%	88.1%	-5.1%	42.0%	45.9%	3.9%
Visual Impairment	95.7%	100.0%	4.3%	77.6%	73.2%	-4.4%
Overall	96.8%	96.8%	0.0%	58.8%	59.7%	0.9%

These percentages tell only part of the story. As the total number of students with Autism and Other Health Impairments has increased, the number of these students in mainstream classrooms has also increased since their placement rates have remained fairly steady.

Cost Implications: Practitioner Input

These changes in overall special education identification rates, prevalence of specific disabilities, and placement of children in less restrictive environments have financial implications. Interviews with selected Special Education Directors have provided potentially illuminating context for these shifts. A focus group conducted with the board of the Maine Administrators of Services for Children with Disabilities (MADSEC), representing special

education directors across the state, was conducted in March 2016. A follow-up interview was conducted in additional depth with one special education director in a large urban district.

The special education administrators emphasized four themes for the shifting cost drivers in special education. First, they discussed the increased costs of placing students with disabilities in regular classrooms. Some students with disabilities require a one-to-one aide in order to be successfully placed in a classroom. The aide may provide intensive physical, behavioral, or instructional support that the classroom teacher is unable to provide on a regular basis. Without this knowledge, it might be assumed that the cost of students in regular classrooms should be less than the costs for those placed in resource rooms or self-contained classrooms, because of the lower teacher ratios in those settings. However, when a child in a regular classroom has a dedicated aide (or even an aide shared with another special needs student), the costs can be as high or higher than for the other service models.

In addition, the administrators described a shift in the provision of special education services for mainstreamed learners. A "pull out" model of service, where students leave their regular classroom and receive supplemental instruction in a resource room, is being gradually supplanted by "push in" delivery models; in these cases, the special education teacher visits students within their regular classes. This model is deemed preferable for the students. It is beyond the scope of this report to investigate the empirical literature to see whether research evidence supports this claim. The "push in" model provides fewer economies of scale because the special education teacher is unable to work with small groups of multi-age students with similar needs at the same time. It also presents scheduling challenges, as teachers need to visit classrooms during the instruction that is relevant to each student's needs. For example, if three children in three different classrooms all require assistance with math, and all three classrooms teach math during the same time, then multiple special education teachers are needed to cover all the students' needs. The shift to push in supports can be partially linked to the policy impetus of least restrictive environment. It was also attributed to the rise of standards-based education models in Maine schools. With increased expectations for special education students to work on obtaining proficiency in the same content as their non-identified peers, it is difficult for the special education teacher to work with groups of students from different grades and

classrooms. Instruction needs to be closely aligned to the classroom curriculum, which favors the push in support model. This also requires more frequent and intensive consultation between special education and classroom teachers.

The third theme the administrators raised was the increasing intensity of student needs. They perceived an increase in the complexity of students identified with special needs, including the rise in Autism rates demonstrated in Table 2. Several directors also felt that increasing poverty and stress in children's home lives was resulting in problems in school, including more aggressive behavior and attention problems for students already facing those challenges.

Lastly, the special education directors cited increasing expectations for the amount and types of services as a cost driver. Some of these were the result of changing views of district staff. As capacities are built within the district staff to provide services to students who require them, they also become available for other students whose needs are less severe but who can still benefit from the new equipment or staff service. This provides a laudable increase in services to students that typically has an added cost. But more frequently cited was the increasing demand for specialized services from parents and their advocates. The process of building the Individual Education Plan (IEP) and thus determining the specific interventions that a student will receive has some subjectivity. Parents may believe that their child would benefit from services that the school professionals do not deem are necessary. In some cases, schools may weigh the costs of independent evaluations, due process, and other litigation expenses that a parent or guardian may legally request, and will choose to provide additional requested services rather than contest them.

In addition to their perspectives on the increasing costs of providing special education services, the special education administrators also lamented challenges they face in the unpredictability of costs in small districts, the burden of Maine Care seed money payments, and the difficulties of serving students who are highly mobile (i.e. move between districts). These issues will be considered in more detail where relevant in the sections that follow.

Overview of Special Education Expenditures and Allocations

Total operating expenditure of state and local funds in Maine School Administrative Units (SAUs) in Fiscal Year 2014-15 was $2,260,485,896. Regular education instruction accounted for $923,309,315 or 40.8% of the total, and special education instruction was $351,800,961 or 15.6%. Expenditure for special education instruction increased by a greater percentage (15.5%) from Fiscal Year 2010 to Fiscal Year 2015 than regular education (10.5%) as indicated in Table 4.

Table 4. Total Spending in Regular and Special Education

	Expenditure 2009-2010	Expenditure 2011-2012	Expenditure 2013-2014	Expenditure 2014-2015	Increase FY 2010-2015
Regular Ed.	$835,323,541	$844,847,723	$895,040,534	$923,309,315	10.5%
Special Ed.	$304,597,844	$305,683,860	$337,613,458	$351,800,961	15.5%
Total Ed.	$2,074,688,358	$2,069,580,963	$2,188,266,642	$2,260,485,896	9.0%

Table 5 shows per-pupil operating expenditure for regular education—including instruction, student and staff support, school and system administration, and operation and maintenance of physical plant—compared to special education instruction from Fiscal Year 2009 through Fiscal Year 2015. On a per-pupil basis, special education instruction expenditure increased by a greater proportion (34.8%) than regular education (13.2%) over that period.

Table 5. Per Pupil Operating Expense

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Regular Instruction	$7,668	$7,694	$7,760	$7,734	$7,940	$8,443	$8,684
Special Ed. Instruction	$9,489	$9,839	$10,750	$11,377	$11,715	$12,339	$12,795
% Increase in Regular Instr.	*N/A*	0.3%	0.9%	-0.3%	2.7%	6.3%	2.9%
% Increase in Special Ed. Instr.	*N/A*	3.7%	9.3%	5.8%	3.0%	5.3%	3.7%

Special Education EPS Allocation and Actual Expenditure

The total statewide amounts of each of the components for several recent years are listed in Table 6 along with the total EPS special education allocation and total allowable

expenses and special education expenditure. The Base Weight is by far the largest component, and has shown growth of $17 million in the four years from 2011-12 to 2015-16. The Maintenance of Effort component is the second largest component and has increased greatly in the same time period, by $48 million. The smallest component is the Small Size Adjustment. However, although it is a small amount statewide, it may be important for the few very small SAUs that operate small special education programs and receive the adjustment.

Table 6. EPS Special Education Components, Allocation, and Expenditure 2011-12 to 2015-16 ($millions)

	2011-12	2012-13	2013-14	2014-15	2015-16
Components:					
Base Weight	$212.4	$213.9	$215.4	$219.8	$228.6
Prevalence Adjustment	$5.4	$5.5	$6.2	$6.9	$8.1
Small Size Adjustment	$1.3	$1.1	$1.1	$1.2	$1.2
High Cost In-District	$16.8	$17.0	$17.2	$17.5	$17.7
High Cost Out-of-District	$5.1	$6.3	$5.3	$5.6	$6.5
(less Federal Revenue)	($37.1)	($39.0)	($40.0)	($39.0)	($40.8)
Maintenance of Effort	$43.6	$61.7	$73.5	$81.2	$91.7
Total Allocation	$247.6	$266.7	$278.7	$293.2	$313.1
Allowable Expense*	$281.7	$295.1	$314.7	n.a.	n.a.
Total Expenditure	$305.7	$319.5	$337.6	n.a.	n.a.

*Allowable expense is shown net of Medicaid reimbursement.

Allowable special education expenses as well as total special education expenditure are also listed in Table 6. Allowable expenses, two years prior, are used in determining the amount of the Maintenance of Effort adjustment and consequently affect the total allocation, as represented by the arrows in the table. Because most SAUs qualify for the Maintenance of Effort Adjustment, the total allocation is very similar to the corresponding year allowable expense (i.e., two years prior). Another result of this, together with the constantly increasing allowable expenses, is that the total allocation is less than the allowable expense for each year on the table where full data is available. Total expenditure, which is also listed on the table and represents all the reported expenditures in the special education instruction budget category, is higher than the allowable expense.

Review of EPS Special Education Cost Model Components

Base Weight

The EPS special education base weight is an additional pupil count for each special education student, up to a special education prevalence of 15% of total enrollment assigned to the SAU when calculating its EPS allocation. The current EPS base weight, calculated in 2011, is 1.2. This means special education students were calculated to cost 2.2 times as much (i.e., an additional 1.2 students) than non-special education students statewide. Table 7 shows an updated calculation of the base weight for special education. The average of the most recent three years indicates a cost ratio of 2.5 for special education students, which would yield a new base weight of 1.5.

Table 7. Calculation of Base Weight

		FY2011	FY2012	FY2013	FY2014	FY2015
In $Millions	Total Special Ed Expenses	$272.4	$288.8	$302.1	$323.9	$335.9
	Medicaid Revenues	$5.6	$7.3	$7.9	$9.2	$8.3
	State and Local Special Ed Costs Excluding Medicaid	$266.9	$281.5	$294.2	$314.7	$327.7
	Federal Expenditures	$37.5	$39.2	$38.0	$39.5	$44.1
	Total	$304.4	$320.6	$332.2	$354.2	$371.7
Special Ed Pupils (excluding State Agency clients and State Wards)		28,315	28,182	28,357	28,706	29,052
In $Dollars	Special Ed Added Per Pupil Expense	$10,750	$11,377	$11,715	$12,339	$12,795
	Total Special Ed Per Pupil Expense	$18,511	$19,111	$19,656	$20,781	$21,479
	Regular Ed Per Pupil Expense	$7,760	$7,734	$7,940	$8,443	$8,684
	Ratio or Total Special Ed Per Pupil to Regular Ed Per Pupil	**2.4**	**2.5**	**2.5**	**2.5**	**2.5**
					3 Year Avg.	**2.5**

Updated parameter: Based on recent data, an updated base weight would be 1.5.

Base Weight Conversion: To apply the base weight to the EPS rates, a conversion must be made, because the base weight of 1.5 is calculated on a per-pupil expenditure. Within each funding year the base weight must be multiplied by the average EPS pupil weight. The average EPS per-pupil rate may be found by dividing the total EPS allocation statewide (after EPS

weighted pupil counts have been applied) by the total base EPS allocation (before EPS weighted pupil counts have been applied). Note that current Maine Revised Statutes Title 20A, Section 15681-A allows "an additional weight of at least 1.20 but not greater than 1.40 for each special education student." The additional weight converted from a base weight of 1.5 will be greater than 1.40.

High Prevalence Adjustment

For each special education student beyond 15% prevalence, the EPS model recognizes an additional weight based on the relative cost of special education students in a regular class placement, i.e. students who spend less than 20% of their time outside of the regular classroom setting. Beyond the base allocation for the first 15% of students identified as special needs, additional students are presumed to have high-incidence disabilities that can be met in regular classroom placements at lower costs.

The current additional weight for special education students beyond a 15% prevalence rate is 0.38. The calculation of an updated weight based on recent expenditure data, including instructional costs for special education students in regular classroom placements and also a proportional amount of the total special education administrative costs, is shown in Table 8 below. Based on the most recent year of data, the updated adjustment would be 0.35.

Table 8. Updated Calculation of the High Prevalence Component

	FY2012	FY2013	FY2014	FY2015
Students in Regular Class Placements*	16,744	16,821	16,926	17,193
Special Ed Expense	$33,048,455	$32,779,550	$33,555,336	$34,087,683
Allocated Administrative Expense	$15,786,018	$16,898,927	$17,057,772	$18,234,506
Total Expense	$48,834,474	$49,678,477	$50,613,108	$52,319,189
Total Expense Per Student	$2,917	$2,953	$2,990	$3,043
Regular Ed Expense Per Student	$7,734	$7,940	$8,443	$8,684
Incremental Weight	**0.38**	**0.37**	**0.35**	**0.35**

**Excludes students categorized as resident students of the Maine Department of Education*

Updated parameter: Based on the most recent year of data, an updated additional weight for special education students in excess of 15% of resident enrollment is 0.35.

Small Size Component

SAUs with fewer than 20 students receive an adjustment to their EPS special education allocation. The current additional weight for programs with fewer than 20 students is 0.29. Table 10 lists the per pupil expenditure by attending enrollment. SAUs with fewer than 20 attending students are shown to have higher expenditures than other enrollment groups by 25%. Unlike previous years, per pupil expenditures for SAUs with fewer than 10 were higher than those with between 10 and 19 students. The additional expenditures for the groups were 38% and 18%, respectively.

Table 9. Per-Pupil Expenditure by Attending Enrollment Group 2013-14

Attending Pupils	# of Districts	Attending Per-Pupil Expenditure	Additional Expenditure
Less than 10	25	$16,533	38%
10-19	14	$14,121	18%
Less than 20	**39**	**$14,971**	**25%**
20-29	15	$11,771	-2%
30-39	10	$12,806	7%
40-49	9	$10,381	-13%
50-59	3	$13,209	10%
60-69	2	$11,311	-6%
70-79	5	$11,918	-1%
80-89	7	$10,120	-16%
90-99	4	$14,057	17%
100 or more	80	$11,968	0%
Overall	**213**	**$11,979**	**0%**

Updated Parameter. Based on the analysis above, an additional weight of .25 may be used in calculating the small size special education EPS component for all SAUs with attending special education enrollment below 20. Alternatively, an additional weight of .38 may be used for SAUs with attending enrollment below 10 and an additional weight of .18 for SAUs with between 10 and 19 attending special education pupils.

Implementation Considerations for the Small Size Component. Currently, in determining each SAU's special education allocation for purposes of state subsidy, the small size component is applied based on the *resident* special education enrollment of each SAU. As a result, SAUs that do not operate schools and therefore do not operate a small special education program, but rather send their few special education students (fewer than 20) to a larger SAU, may be receiving additional subsidy dollars that do not reflect real additional costs of operating a small program. Table 10 lists the per pupil expenditure by resident enrollment. SAUs with fewer than 20 resident students are not shown to have higher expenditures compared to other enrollment groups. Thus, when the small size component weight is applied during the calculation of subsidy, SAUs should be grouped by attending special education enrollment, not resident enrollment.

Table 10. Per-Pupil Expenditure by Resident Enrollment Group 2013-14

Resident Pupils	# of Districts	Resident Per-Pupil Expenditure	Additional Expenditure
Less than 10	49	$10,124	-8%
10-19	23	$9,419	-14%
Less than 20	**72**	**$9,687**	**-12%**
20-29	19	$12,987	18%
30-39	13	$9,581	-13%
40-49	8	$8,903	-19%
50-59	6	$10,387	-5%
60-69	9	$10,705	-3%
70-79	2	$7,676	-30%
80-89	3	$9,885	-10%
90-99	6	$12,705	16%
100 or more	85	$11,044	1%
Overall	**295**	**$10,981**	**0%**

High Cost In-District

It is not feasible to analyze the high-cost in-district element of the EPS model special education component with currently available data. This model element was developed over ten years ago with expenditure information that linked individual students to the services they received. The data served as a basis for estimating costs of students with different disabilities

and in different settings (regular classroom, resource room, or self-contained classroom).Such detailed expenditure data is no longer collected, and since the initial model development this model element has merely been increased by an inflation factor each year.

Table 11 provides a sense of the costs per student based on their placement setting in the most recent fiscal year. Overall, instructional costs for students in regular classroom placements were just $2,614 per student in FY 2015, while resource room students and self-contained classroom students cost $15,275 and $27,817 each, respectively.

Table 11. Instruction Expenditure by In-District Placement Setting

	FY 2009 and FY 2015 Special Education Program Expenditures for Instruction			
	Fiscal Year	**Regular Class Placement**	**Resource Room**	**Self-Contained Classroom**
Students (Oct. 1 Counts)*	FY09	16,474	8,749	3,783
	FY15	17,193	8,550	3,202
General Fund Instruction Expense	FY09	$34,317,654	$115,219,229	$67,186,314
	FY15	$26,692,222	$121,537,472	$85,674,065
Allocated Gen. Fund Administrative Expense	FY09	$12,933,860	$6,868,905	$2,970,061
	FY15	$16,154,570	$8,033,594	$3,008,604
Total General Fund Expense	FY09	$47,251,514	$122,088,134	$70,156,375
	FY15	$42,846,792	$129,571,066	$88,682,669
Per pupil Expense ($Doll.)	FY09	$2,868.25	$13,954.52	$18,545.17
	FY15	$2,492.11	$15,154.51	$27,696.02
Percent Change in Per pupil Expense		-13.1%	8.6%	49.3%

* *Excludes students categorized as residents of the Maine Department of Education*

This validates that the placement setting does have a strong role in predicting costs. It also demonstrates that per-pupil costs have grown most in self-contained classroom settings. Given the feedback from special education directors described in the beginning of this report, there is reason to believe that the nature of services provided to students may have changed in the past decade. For example, there may be certain disability types that are high-cost even in regular classroom placements due to the need for dedicated aides; if the numbers of these

students are small, they may not be readily apparent in the overall per-pupil amounts. Similarly, the principle of LRE may be placing more students with intense needs in resource rooms rather than in self-contained classrooms, and some disability types may be high-cost even in a resource room setting. But most notably, the data in table 11 show that costs for students with the most intense needs have greatly increased in the past six years.

It is thus important to find an alternate means of assessing whether the existing criteria for high-cost students (based on type of disability and placement setting) still capture the intended target group, and whether the estimated costs used now in the EPS allocations are accurate. To further explore the first question, MEPRI has tentatively planned to work with one large urban district in the summer of 2016 to assess the feasibility of compiling special education costs for students based on disability type and classroom placement. The results of this analysis will address two questions: 1) is it feasible for districts to report student-level cost estimates?, and 2) do the current criteria accurately identify the high-cost students in that district (i.e. those for whom the district is spending more than three times the overall per-pupil average)? This analysis will be presented in a separate report. Because the cost data from one district cannot be presumed to be typical, this analysis will not address the question of whether the per-pupil amounts currently used in the EPS high-cost adjustment are accurate.

Such an analysis would require more representative data, which would need more widespread student-level data collection from districts. Tentative feedback from special education administrators implies that identification of the costs of groups of high cost students would be feasible, and could parallel processes already in place for districts that need to determine costs for tuitioned students, or for state agency client billing.

In the policy discussion of this report, some alternative options are presented for providing funding for high-cost students. If one or more of these other models were to be pursued, this element of the model may become unnecessary. If this element is retained then it may be necessary to require more exhaustive data collection from districts at some regular intervals. The work in summer 2016 will inform the level of effort that would be required.

High Cost Out of District

The EPS high cost out-of-district special education cost component is an additional allocation for special education students placed in a program or facility outside the district, when the actual expenditure on each student exceeds four times the special education per-pupil rate. Table 12 lists the number of students meeting that threshold in recent years and the amount of the allocation, which is the actual expenditure beyond four times the statewide average per-pupil special education amount. The total amount of the component has fluctuated in recent years rather than consistently increasing or consistently decreasing.

Table 12. High Cost Out-of-District Component

Year	# of High Cost Students	Cost of High Cost Students	Cost of State Average at 4x	Total Adjustment	Per-pupil adjustment amount
2010-2011	397	$18,102,582	$11,932,160	$7,086,866	$17,851
2011-2012	305	$13,940,684	$9,383,020	$5,134,808	$16,835
2012-2013	423	$19,005,915	$13,182,372	$6,340,047	$14,988
2013-2014	473	$19,589,473	$14,785,980	$5,283,997	$11,171
2014-2015	371	$16,853,410	$11,722,116	$5,572,269	$15,020
2015-2016	398	$18,450,215	$12,613,416	$6,499,693	$16,331

Maintenance of Effort (MOE)

According to federal statute, a school district may not reduce the level of expenditures for support for special education for the preceding fiscal year. Exceptions to this rule include the loss of special education personnel, a decrease in enrollment of special education children, and the termination of programs that are no longer needed.

The EPS Special Education cost model includes a simplified estimate of the amount an SAU might need to fulfill the federal maintenance of effort (MOE) requirement. Specifically, during this step in the EPS cost-model building process, the most recent year of prior approved spending is compared two ways to the next prior year to see if effort was maintained. First, the total approved state and local spending is calculated for the two-year old data. Then a total spending per pupil with disabilities is also calculated using the enrollment data for that year.

Two potential target funding amounts are calculated for the one-year old data: the first is the matching total spending (flat total amount), and the other is the amount that would be spent if the same per-pupil amount from two years ago were spent in the one year prior. If the prior one-year is greater than the two-year old data by either the total or per pupil amount, the district has maintained effort. If not, the cost model will provide additional funds so that the district receives in the *following* (upcoming) fiscal year an amount equivalent to the two-year old spending level, using the lesser of the total amount or projected total based on the per-pupil amount.

Table 13 below shows the total amount of the EPS MOE component for each year. The change in total is the percentage increase or decrease from the previous year adjustment. The Total EPS Special Education Allocation column is the resulting total of the amounts reported on each district's 279 form, and the last column is the percentage of the total that the MOE adjustment accounts for (Total MOE Adjustment/Total EPS).

Table 13. Year-to-year Growth of the Maintenance of Effort Component, 2006-07 to 2015-16

Year	Total MOE Component	# SAUs with Sp. Ed. Allocat.	% SAUs receiving MOE Adjust.	% Change in MOE from prior year	Total EPS Special Education Allocation	MOE as % of Special Education Allocation
2006-07	$29,764,013	261	52.9%	1.76	$217,655,690	13.67
2007-08	$36,717,407	267	55.1%	23.36	$230,840,091	15.91
2008-09	$35,902,754	275	54.9%	-2.22	$220,891,731	16.25
2009-10	$39,855,017	265	49.4%	9.11	$231,985,596	17.18
2010-11	$37,670,261	196	54.1%	-0.05	$239,529,993	15.73
2011-12	$43,644,826	212	57.1%	15.86	$247,585,821	17.63
2012-13	$61,723,299	197	67.0%	41.42	$260,084,954	23.73
2013-14	$73,499,099	201	73.6%	19.08	$275,121,995	26.72
2014-15	$81,201,619	222	71.6%	10.48	$289,216,647	28.08
2015-16	$91,700,124	227	72.7%	12.93	$313,459,471	29.25

While MOE adjustments fluctuated from 2007-08 through 2010-11, ranging from small decreases through large increases, a steady increase in the MOE component amount began in

2011-12. In the nine years from 2006-07 through 2015-16, the MOE has grown from $29.8 million to $91.7 million. While the total EPS also increased steadily from 2008-09 onwards, it increased at a much slower rate than the MOE. As a result, the MOE component, which accounted for 14% of the special education allocation in 2006-07, accounted for a full 29% of the EPS special education allocation in 2015-16. Moreover, the proportion of districts receiving the adjustment has increased over time.

In sum, the size and influence of the MOE adjustment has increased markedly over the past ten years. Affecting about half of districts in early years of the EPS model, this adjustment now affects close to three-quarters of all districts that receive a special education allocation. The MOE adjustment effectively supersedes all of the allocations and adjustments in the preceding five steps of the EPS special education funding model. No matter what the cost model indicates a district's allocation should be based on those five steps, they are provided with an amount equivalent to their most recent year of expenditure data, based on total or per-pupil expenditures (whichever is less). In effect, nearly three-quarters of Maine districts are on a purely expenditure driven model as a consequence of this last step in the EPS special education funding model.

Summary of Policy Challenges

Given the policy context provided in the introduction of this report, it is well recognized that the process of allocating funds for special education is complex. The state and individual districts must meet federal requirements for spending each year in order to receive federal funds. However, the number of special education students and the nature of their individualized needs can be difficult to predict, particularly in smaller districts. Different districts have different approaches, and the costs of special education vary greatly from district to district and within the students in each district. These factors create challenges for accurate cost projections. Additionally, as the cost of special education is on a steady rise, there is increasing public and state pressure for schools to justify their spending. In this report section, we highlight three areas that may warrant additional attention in the EPS funding model: funding for high cost-students, the maintenance of effort element, and MaineCare

reimbursements. Alternative models for special education funding are then discussed and considered for their potential to provide a more accurate cost model for Maine.

High-Cost Special Needs Students

How to fund students who are high cost is a particularly important question in Maine, with a number of small rural districts. While larger districts may be able to absorb unexpected costs of students with severe needs, small districts cannot. There are recent examples of small districts that have had to gain voter approval for additional property taxes in the middle of an academic year because of a sudden and large increase in special education costs.

Additionally, some large districts have developed services and skills to serve high cost students, and report experiencing an influx of students with these needs as families move into the district in order to access their services. If so, these districts would thus have a higher prevalence of special needs students overall as well as a disproportionate ratio of high-cost students. Maine's current system does not incentivize serving more students because any additional students above 15 percent of the student population are funded at a lower rate. Also, because of the limitations in data that prevent a thorough analysis of the current costs of serving high-needs students within each district, it is possible that the funding model is not keeping up with districts' reality. Thus, the challenges of predicting and paying for services for high-cost students affect districts of all sizes.

Maintenance of Effort Issues

As described above, the federal "Maintenance of Effort" policy requires districts to spend as much per pupil in special education from one year to the next. There are several exceptions to maintaining effort, including a decrease in special education personnel, a decrease in the number of students enrolled in special education, the loss of high-cost students due to relocation, graduation, or aging out, or due to high-cost students no longer requiring services, and the completion of long-term projects and payments for facilities and/or equipment.

In current practice, the determination of whether each LEA has met its obligations for maintaining federal MOE are made by staff within the Special Services division of the

Department of Education. Districts complete reports to demonstrate that they have met their obligations, and the Department verifies this or otherwise works with individual districts that are not in compliance. This compliance check occurs after the end of the fiscal year, based on past expenditures, so preventative steps are not usually possible; districts must carefully monitor their own ongoing spending to ensure they will be on track.

In the EPS formula MOE adjustment, districts' prior special expenditure data are analyzed to identify districts that appear to be at risk of not meeting their federal MOE obligations. This is a *budgeting* step in which additional funds are allocated to schools if the cost model estimate for minimum special education funding is less than the actual total amount spent on special education two years prior to the funding year.

There are several disconnects in this process. First, the EPS MOE cost model method is using a *presumption* of failure to meet MOE as a way of projecting future costs. The actual tests for MOE are more nuanced than the process of comparing total or per pupil spending levels used in the EPS calculation. It does not appear that the EPS calculations account for all of the possible exceptions to MOE that are allowed in federal policy—for example, loss of staff or high-cost students. These other potential exceptions are factors that are scrutinized more thoroughly when the Special Services staff perform their post-year monitoring checks. Presumably there may be districts that are able to demonstrate MOE even if their total or per pupil amounts are not sufficient because they have additional data detail at their disposal. In the compliance check process in summer 2015, Special Services staff found four districts to be underspent based on 2013-14 expenditure data, and recouped a total of $113,529 in federal funds to be returned. In summer 2016, only three districts underspent by $57,264 total based on 2014-15 expenditures.

Secondly, the timing of the budget creation process is not ideally aligned to be testing prior expenditure data for MOE. The adjustment in the EPS calculation must by necessity be based on two-year old data, and total budget amounts are projected forward on per-pupil amounts even though the number of pupils in the upcoming budget year is just an estimate. Given the declining enrollments throughout much of the state, this means the EPS maintenance

of effort adjustment may be putting more funds in the formula than are genuinely needed to serve the actual number of students with disabilities that will be enrolled.

Moreover, the MOE mechanism puts systematic upward pressure on the funding formula. The vast majority of districts are spending additional local funds each year on special education above and beyond what the EPS model allocates. This is noteworthy, as an increase in the EPS special education allocation does not force districts to spend more on special education. Since it is not targeted, they could redirect an increase in allocation elsewhere. Yet they generally do spend their full EPS special education allocations, and then more in addition, on qualified special education expenses. As a district spends more in local funds on special education, the MOE adjustment will continually pick up the added costs and convert them into base EPS funding in future budget cycles—and thus also subsidize them with state funds. This ramp up in subsidized spending has intensified over time as amply demonstrated above in Table 13.

At the hub, the EPS maintenance of effort adjustment is flawed by nature because it is grounded in what is intended to be a retrospective comparison process for federal compliance, and using it to project future costs. This flaw is well known, and the adjustment yet exists because no better alternative has been identified. Without it, districts faced with rising costs would have no mechanism for meeting MOE other than through local taxpayer effort. This would not only create unpredictability in costs, but also reduce the amount of special education spending effort that is subsidized with state funds. It is possible that more districts would fail to meet federal MOE without this additional allocation. Furthermore, the federal compliance process is after the fact—districts who are struggling to maintain funding for special education need to have funds in their current budgets so they can meet spending targets and maintain compliance, rather than wait until they have fallen out of sync. Some sort of forecasting mechanism is needed. However, the cumulative impact of this element of the special education cost model is undeniable.

Several of the cost models described below could amend or replace the MOE adjustment to prevent continued growth of this expenditure-based component in Maine's formula. In April 2015, the USDE issued revised rules pertaining to districts' maintenance of

effort. The revised language appears to provide a "reset" for determining LEA MOE based on FY 2015 spending levels. Given the steep increase in spending in recent years, this may at a minimum provide an opportunity to re-establish a baseline for this component.

MaineCare

A separate concern that is impacting the amount of state funding schools receive is MaineCare Reimbursement. In 2010-2011, Maine saw a drastic reduction in the amount of MaineCare revenues going to schools as state reimbursement policies shifted. In moving from bundled rates to an individual reimbursement model, schools were eligible for less funding, and also faced an increase in paperwork and reporting requirements. Revenue decreased from about $27 million in 2009-10 to $5.5 million the following year. While MaineCare revenues have increased slightly since then to approximately $9 million in 2013-2014, it is still a significant reduction from previous levels.

The decrease in MaineCare reimbursement has impacted the rising allocation of state funds toward special education. Because of the Maintenance of Effort mechanism, districts that recovered less money from MaineCare and filled the gap with general fund dollars would effectively shift those costs to state and local funds. Two years after the fact, the MOE calculation would pick up the additional general fund expenditure and add it to the EPS allocation amount. This creates a disincentive to bill for eligible MaineCare expenses. In addition, districts must contribute a "seed money" share that is deducted from their reimbursement via withheld state subsidy. District staff also report confusing and conflicting guidance about the policies and procedures for billing MaineCare, and face a threat of penalties and sanctions if they submit improper claims. These combined factors likely explain at least part of the reduction in MaineCare revenues, as districts may simply forego the billing process in some cases.

While the total dollar amount is comparatively small in relation to other aspects of the special education picture, understanding districts' reimbursements from the MaineCare system is important in efforts to control state spending. Systems should be developed for ensuring that districts are recouping all the federal funds that they are eligible to receive to avoid adding to the state and local cost burden.

Potential Funding Options and Policy Considerations

In this section, alternate funding models are described explored and then explored with particular respect to their potential for improving upon the challenges identified in Maine's current funding system.

Types of Funding Models

Multiple Student Weight Model

Maine currently utilizes a multiple student weight method to determine the amount of money that a district is likely to need to provide special education services. The current special education model accounts for the different costs associated with educating a special education student as compared with a regular education student, and makes adjustments for schools that have a high prevalence of special education students or a small school. Adjustments are also made to account for high cost students, both in and out of district, but the methods of predicting these student costs are challenging. This is due to a lack of detailed data about individual student costs, and to the inherent lag in the funding methodology since it relies on data from two years prior.

One of the strengths of this model is that costs can be estimated fairly accurately when provided with accurate data. A multiple weight model should protect states from overfunding districts that may have a high number of students with mild disabilities and also reduces the impact of exceptionally high cost students as compared to some other models (Connecticut School Finance Project, 2016). However, there are several weaknesses or inefficiencies that result from this model. As identified above, it requires detailed data related to expenditures, students, and the services that students receive. The multiple weight model is also multi-step and difficult for many school districts to understand. Finally, the multiple weight model may incentivize districts to identify students up to 15 percent of the total (Connecticut School Finance Project, 2016). There are many states that use this method of funding, including: Arizona, Colorado, Georgia, Indiana, Iowa, Kentucky, New Mexico, Ohio, Oklahoma, South Carolina, and Texas (Connecticut School Finance Project, 2016).

Single Student Weight Model

The multiple weight model is based on a simpler model, the single weight model. In the single weight model, one rate or weight is assigned equally to all special education students (Connecticut School Finance Project, 2016). The underlying assumption of the model is that there are low cost and high cost students in every district; the single weight would be in the middle of this distribution. The benefit of this model is its simplicity and ease, and minimal requirement for data collection. The major weakness of this method is that it presumes all SAUs have prototypical proportions of high and low cost students. In the event of a high ratio of high- to low-cost students, a school would not have adequate funds to provide the needed services. Accordingly, states using this model often have an accompanying method of providing additional funds for very high cost students. These types of funds usually require substantial documentation of need, and therefore may negate the benefit of ease and simplicity of the single weight method (Connecticut School Finance Project, 2016).

There are a number of states that utilize this method, though not all of them have set rates or weights. The states currently using the single weight method include: Louisiana, Maryland, Missouri, Nevada, New Hampshire, New York, North Carolina, Oregon, and Washington. For those states that have set rates, they range from $5,477 per student in New Hampshire, to $15,547 per student in New York (Connecticut School Finance Project, 2016). The single-weight method does not appear to provide a potential improvement over Maine's current system, as it is less sensitive to differences between districts and is thus ill-equipped to respond to the needs of small SAUs.

Resource Based Model

A third model is the so-called resource based model. In this model, schools are funded based on the resources required to carry out special education. Resource allocations could be based on student to teacher ratios or some other classification system whereby students are ranked based on the extent of resources that are required to educate them. This method is strong in estimating the cost of students with high needs based on the services they require, instead of other measures frequently used such as disability or placement, which are not always correlated with costs. A shortfall of this method relates to allocating funds based on student to

teacher ratios, which could incentive placement in a self-contained classroom as opposed to placement in the regular classroom or least restrictive environment (Connecticut School Finance Project, 2016).

There are only five states that utilize this model: Delaware, Hawaii, Mississippi, Tennessee and Virginia. This model would depend on having better data about the costs of students with various disabilities, which is currently lacking in Maine. If more detailed data were available, it is unclear whether this model would be an improvement over Maine's high-cost adjustment system.

Census Based Model

Census based models are another option for allocating special education funds. In the census-based model, districts are reimbursed based on their total student population and an estimate of the percentage that are likely to have disabilities. Like the single weight method, the census based method is easy to calculate and administer, and easy for districts to understand. However, also like the single-weight model, it does not account for districts that have a disproportionately high number of high cost students. It may also provide more incentive than other methods for under-identification of special education students so as to avoid costly services that are not affordable in the school's budget (Connecticut School Finance Project, 2016).

States currently using a census-based model include Alabama, Alaska, California, Idaho, Massachusetts, Montana, New Jersey, and North Dakota (Connecticut School Finance Project, 2016). As with the single-weight model, it is unclear whether the census model would be an advantage for Maine, as it is not flexible to the uneven needs of small districts.

Partial Reimbursement Model

Another option is a partial reimbursement model, where districts submit their actual special education costs and the State reimburses districts at a certain percentage or up to a set percentage in various categories. The benefits of this model are largely to the State, in having control over funding amounts (Connecticut School Finance Project, 2016). Districts must collect

detailed data to submit for reimbursement, must wait for the reimbursement, and have smaller incentive to be efficient (Connecticut School Finance Project, 2016).

There are five states utilizing a partial reimbursement model: Kansas, Michigan, Nebraska, Wisconsin, and Wyoming (Connecticut School Finance Project, 2016). At first glance this model does not appear to have advantages for Maine. However, as discussed in the Maintenance of Effort section, Maine's current system is actually quite similar to an expenditure-based system for the three-quarters of the districts in the state that receive a MOE adjustment. The partial reimbursement *concept* may have merit when applied selectively to address shortcomings in the current model, such as the MOE component or as a modification to the high-cost student adjustments.

Other Models

There are some additional methods of funding special education that include utilizing a block grant or utilizing the regular education budget, with no specific method of allocating funds for special education. It is common that States have separate funds for high cost students when not providing specific special education funding. The "no-model" model allows for great flexibility in spending and can also incentivize efficiency and cost savings. However, this model relies on districts to budget appropriately with minimal state oversight (Connecticut School Finance Project, 2016).

There are also several states that use a combination of the models described above. Examples include Minnesota, which uses a partial reimbursement and multiple student weight model, or South Dakota, which uses a census and multiple student weight model (Connecticut School Finance Project, 2016).

High-cost Relief Fund Systems

Of potential interest to Maine are states that reserve funds for especially high cost students. Arizona and Florida provide possible examples for adapting an "emergency fund" approach to funding high cost students. In Arizona, the main method of special education funding is a multiple student weight formula. In determining the base weight for all students in Arizona, factors such as school size, the number of students in different grade levels, and

geographic location are considered (Connecticut School Finance Project, 2016). To weight special education students, weights are also applied based on a student's disability. In addition, Arizona maintains statute for a "Catastrophic Education Fund" (Connecticut School Finance Project, 2016). While it has not been funded since 2008, its intent was to offset the exceptionally high cost of a small number of students and the impact of these students on school districts and budgets. Arizona set up an advisory committee to receive applications from school districts seeking assistance for an identified high cost student. When the fund was in operation, the applying school district was required to document all services that the student required and provide justification in their own inability to pay for those services (Connecticut School Finance Project, 2016).

Florida primarily relies on a multiple weight system, but also uses block grants to fund some special education costs (Connecticut School Finance Project, 2016). In Florida, the weight applied to a student with special education needs is based on each student's "need intensity" as determined by the services a student receives, as indicated by the student's Individual Education Plan (Connecticut School Finance Project, 2016). The students are then ranked according to their level of need, on a scale ranging from 1 ("the student requires no services or assistance beyond those normally available to all students") to a level 5 ("the student is receiving continuous and intense (one-on-one or very small group) assistance, multiple services, or substantial modifications for the majority of learning activities") (Connecticut School Finance Project, p. 28, 2016). The Florida model funds the lower level of students using block grants, and the upper levels of students using a weighted formula. Additionally, Florida has supplemental funding for small schools with high cost students (Connecticut School Finance Project, 2016).

Many states have turned to an emergency fund to reimburse school districts for very high-cost students, and then applied a separate model of funding to the remaining special education students with less-intensive needs. It is recognized that such a model requires oversight to avoid incentivizing high needs diagnoses and expensive services. These mechanisms—either block grant funds in anticipation of atypical funding needs or an

emergency fund to provide relief as needs arise—have substantial potential for improving Maine's system for supporting districts with extraordinary costs.

Possible EPS Model Considerations for Maine

There are elements of some of these other funding models that may provide improvements to Maine's existing system. Namely, the concepts of emergency or hardship funds for extraordinary costs, partial reimbursement systems, and block grants warrant further consideration.

The Maintenance of Effort element is a priority for further scrutiny. This component has effectively transformed Maine's multiple weight model to a predominantly expenditure-driven model for most districts. Possible amendments could include partial funding only of the calculated MOE amount (i.e. a set percentage for all districts) or replacing the element with block grants for districts that are in danger of budgeting inadequate funds to meet federal MOE policy requirements. Either of these options could be combined with creation of a hardship fund to which districts could apply for funds in order to ensure adequate spending levels.

Likewise, these alternate models could provide potential improvements to districts that are challenged to afford services for students with intense needs. The current high-cost in-district element of the EPS model is at risk of being out of sync with true costs. If districts were to separately account for expenses for high-cost in-district students based on some established criteria (such as disability and placement setting), it would be possible to more accurately identify and fund costs. In short, these students could be treated similarly to high-cost out-of-district students. A partial reimbursement model, in which districts continue to share in a percentage of costs above a certain threshold, would provide incentive to constrain unnecessary costs. This same concept could be applied to high-cost out-of-district students in order to maintain preference for serving students in-district, consistent with the Least Restrictive Environment principle. While conversations with districts tentatively affirmed that more detailed cost reporting may be feasible, particularly when aggregating costs for groups of students and not reporting by specific individuals, the practicality of this suggestion will be explored further in summer 2016. It is to be noted that if such a change were implemented, it would likely follow that high-cost students would be separated from non-high-cost students in

expenditure data. The meanings and values of the base weight and high prevalence adjustment threshold may then warrant revision.

In summary, there are several challenges with the current EPS Special Education funding model. Different types of districts experience different types of problems with funding the services their students need. The separate steps in determining the funding allocation build upon each other. If substantive changes are to be made in any element of the special education funding model, it will important to consider the interrelation of other affected elements. It is likely that a package of adjustments and changes may need to be developed and implemented to improve the model's function for all districts.

Summary of EPS Special Education Recommendations

Table 14. Summary of EPS Weight Recommendations

Component	Current Weight or Process	Recommended Weight or Process
Base Weight	1.2	1.5
Prevalence Adjustment	0.38	0.35
Small Size Adjustment	0.29, applied to Resident SAU	0.25, apply to Attending SAU
High Cost In-District	Matrix of adjustments based on costs estimated for students with certain disabilities and placement settings, inflated from baseline year.	Collect additional data to re-evaluate and update costs by disability and placement. Consider partial reimbursement model based on actual costs, block grants, and/or emergency fund.
High Cost Out-of-District	Based on actual expenditures above 4x	Consider partial reimbursement model, if also pursued for high-cost in-district.
Maintenance of Effort	Adjustment to meet 100% of prior approved spending	Consider partial funding rate, block grants, or hardship funds for districts at risk for not meeting federal MOE.

References

The Connecticut School Finance Project (March 2016). "Improving How Connecticut Funds Special Education: An Analysis of Special Education Finance Systems Across the Country and Recommendations for Best Practices." Retrieved May 21, 2016, from http://www.CTschoolfinance.org/.

Maintenance of Effort From https://www.regulations.gov/#!documentDetail;D=ED-2012-OSERS-0020-0309)

Report Addendum—January 2017

In connection to analyses undertaken in review of the EPS Economically Disadvantaged Student component, additional work was conducted to look at special education allocations in districts of varying size and poverty levels. FY2016 budget allocation data were used, as they were the most recent available; FY2016 allocations are heavily dependent on FY2014 expenditures. Maine's school districts were categorized into nine groups based on their size (small, medium, or large) and their poverty level, as measured by the proportion of their students eligible for free and reduced price lunch (FRPL). Average poverty districts had student FRPL eligibility rates within one-half standard deviation of the mean rate of 49%, which equated to a range of 39% to 58% poverty. Lower poverty districts had between 5% and 38% students eligible for FRPL, and higher poverty was defined as having 59% or more students in poverty.

With district groupings thus established, special education prevalence rates were computed for each category to provide contextual information. Table A demonstrates that in Maine, as seen elsewhere, higher poverty districts tended to have a higher proportion of students identified with special education needs.

Table A: FY14 Resident Special Education Prevalence by Size and Poverty Level

	Smaller (< 300)			Medium (300-1,200)			Larger (> 1,200)		
Poverty	Lower	Avg.	Higher	Lower	Avg.	Higher	Lower	Avg.	Higher
# Resident Students	3,017	4,081	3,198	8,213	11,313	13,739	44,517	55,972	32,588
# Special Ed. Stud.	454	639	556	1,137	1,902	2,362	6,412	9,058	5,848
Prevalence	15.0%	15.6%	17.4%	13.8%	16.8%	17.2%	14.4%	16.2%	17.9%

Next, the EPS special education allocations of each category of districts were calculated so that they could be compared across size and poverty levels. Table B summarizes these data.

Table B. FY2016 EPS Special Education Allocations per All Resident Pupils*

	Small (< 300)			Medium (300-1,200)			Large (> 1,200)		
Poverty	Lower	Avg.	Higher	Lower	Avg.	Higher	Lower	Avg.	Higher
Number of districts	18	21	14	10	17	17	20	23	11
Number of Students	2,852	3,525	2,199	6,678	10,432	12,300	44,517	51,598	26,580
Per pupil Sp.Ed. Model (Steps 1-5)	$1,129	$1,171	$1,133	$1,149	$1,175	$1,086	$1,272	$1,265	$1,257
Per pupil MOE Adjust. (Step 6)	$766	$655	$624	$625	$587	$475	$606	$462	$621
Total Sp. Ed. EPS Alloc.	$1,895	$1,826	$1,757	$1,774	$1,762	$1,561	$1,878	$1,727	$1,878

* *For districts with EPS allocation data available*

The above analysis reveals that the Special Education component within the EPS formula may merit additional exploration and analysis. Among small and medium sized districts, lower poverty districts are receiving more allocation per resident pupil than both average and high poverty districts, despite having lower special education prevalence rates. Likewise, average poverty small and medium districts receive higher allocations than high poverty districts, even though average poverty districts have lower prevalence rates. This appears attributable to the maintenance of effort (MOE) adjustment, which is lower in high poverty than average and low poverty districts. Among large districts, low and high poverty districts are receiving the same allocation per resident student ($1,878) due to a slightly higher MOE adjustment in high poverty districts while average poverty districts are receiving the least ($1,721), due to lower MOE adjustment. However, because these per pupil amounts are based on all resident students, not just those identified for special education services, this means that low poverty units have more overall resources for special education pupils than high poverty districts.

Appendix A

Table A1: Special Education Expenditures by Program, FY2010 and FY2015 (in $Millions)

Special Education Program	FY2010	FY2015	Change	% Change
Regular Classroom	$24.0	$26.7	$2.7	*11.1%*
Resource Room	$104.9	$121.5	$16.6	*15.8%*
Self-Contained	$64.8	$85.7	$20.9	*32.2%*
Home / Hospital	$0.3	$0.3	$0.0	*3.2%*
Administration	$26.8	$27.3	$0.5	*1.8%*
Extended school	$2.0	$1.9	-$0.1	*-7.2%*
Other	$45.2	$61.7	$16.5	*36.4%*
Total	**$268.1**	**$325.0**	**$57.0**	***21.3%***

Table A2: Special Education Expenditures by Function, FY2010 and FY2015 (in $Millions)

Special Education Function	FY2010	FY2015	Change	% Change
Instruction	$195.6	$236.0	$40.5	*20.7%*
Student Attendance	$8.3	$10.9	$2.6	*31.9%*
Student Guidance	$0.6	$1.0	$0.4	*68.2%*
Student Health	$0.3	$2.5	$2.2	*841.7%*
Student Psychological Services	$7.7	$9.5	$1.8	*23.0%*
Speech pathology	$19.7	$24.0	$4.3	*21.6%*
Occupational therapy	$6.5	$10.6	$4.1	*64.2%*
Audiology	$0.6	$0.5	-$0.1	*-17.5%*
Physical Therapy	$1.8	$2.8	$1.0	*56.5%*
Other Support - Student	$0.4	--	--	
Special Services Administration	$26.8	$27.3	$0.5	*1.9%*
Total	**$268.1**	**$325.0**	**$57.0**	***21.3%***

Table A3: Special Education Expenditures by Object Code, FY2010 and FY2015 (in $Millions)

Special Education Program	FY2010	FY2015	Change	% Change
Salaries	$199.0	$231.5	$32.5	*16.3%*
Benefits	$51.2	$72.6	$21.4	*41.9%*
Training & Development (Incl travel)	$0.3	$0.4	$0.1	*50.1%*
Contracted Special Education Services	$17.6	$20.1	$2.5	*14.1%*
Other professional services	$0.0	$0.5	$0.5	*986.8%*
Total	**$268.1**	**$325.0**	**$57.0**	***21.3%***