

March 6, 2013

Overview of Special Education Budget Proposals

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Advisory Commission on Special Education





Overview of 2013-14 Governor's Budget

Governor's Proposals

- Projects Balanced Budget, \$1 Billion Reserve.*** Includes expenditures of roughly \$140 billion, a 5 percent increase compared to 2012-13.

- Maintains "Baseline Budget" for Most Programs, Contains Five Major New Proposals.*** (1) Increases Proposition 98 spending by \$2.7 billion, (2) proposes new allocation formula for K-12 schools, (3) uses Proposition 39 funding for projects at schools and community colleges, (4) increases funding for the University of California and the California State University, and (5) expands Medi-Cal coverage to implement the federal Affordable Care Act.

- Contains Multiyear Plan to Eliminate the "Wall of Debt."***

LAO Comments

- Governor's Focus on Fiscal Restraint and Paying Off Debts Is Appropriate.***

- Issues Highlighted by Governor Merit Legislative Consideration.***

- Much Uncertainty Remains Regarding Revenues.***



Overview of Existing Special Education Funding System

- Most Special Education Funds Allocated Based on Overall Student Population.** “Census-based” formula allocates funding based on a Special Education Local Plan Area’s (SELPA’s) average daily attendance (ADA), regardless of the number of students with disabilities or special education expenditures.
- Most Special Education Funds Allocated Using AB 602 Formula.** Formula originally designed to blend state and federal funds to a unique per-ADA funding rate. (“State” funds also include local property tax revenue.) The AB 602 allocations total about \$4 billion—\$3 billion in state funds and \$1 billion in federal funds.

 - Somewhat different approach used for charter-only SELPAs.
- AB 602 Per-Pupil Funding Rates Vary Across SELPAs.** The statewide average is about \$660 per ADA, but rates range from about \$570 to about \$1,090 per ADA based on historical factors.
- Modification to AB 602 Formula Has Led to Complications.** The state allocation formula was modified in 2005-06 to partially delink federal funds from AB 602 calculation.
- Some Special Education Funding is Provided to SELPAs for Specific Purposes.** The SELPAs are allocated about \$930 million in state and federal funds via 16 discrete grants. Some special education funds also support state-level initiatives such as professional development and technical assistance.



Budget Proposal #1: Delinking Federal Funds from State's AB 602 Formula

Governor's Proposal

- Removes Federal Funds from State's AB 602 Formula.*

LAO Recommendations

- Adopt Governor's Proposal to Fully Delink State and Federal Allocation Formulas.*
- Provide Additional Funds to Equalize AB 602 Funding Rates in Tandem with Other K-12 Funding Rates.*
- Update Statewide Target Rate to Reflect New Equalization Target.*

Illustration of Four AB 602 Funding Models^a

Per-Pupil Funding Rates for:	Existing ADA	New ADA	Lost ADA	Effects
Original Model (1998-2005)	\$660 SELPA's unique blended rate	+\$600 Blended STR	-\$660 SELPA's unique blended rate	Uses blended rate for both growing and declining SELPAs. Equalizes to blended STR.
Current Model (2006-Present)	\$660 SELPA's unique blended rate	+\$465 State STR ^b	-\$660 SELPA's unique blended rate	Uses state rate for growing SELPAs and blended rate for declining SELPAs. Ratchets down per-pupil rates for growing SELPAs.
Governor's Proposed Model	\$475 SELPA's unique state rate	+\$465 State STR	-\$475 SELPA's unique state rate	Uses state rate for both growing and declining SELPAs similarly. Equalizes per-pupil rates down to low STR.
LAO Recommended Model	\$475 SELPA's unique state rate	+\$535 Updated state STR	-\$475 SELPA's unique state rate	Uses state rate for both growing and declining SELPAs similarly. Equalizes per-pupil rates to 90 th percentile.

^a Simplified display with illustrative rates.

^b Funded with a combination of state and federal funds. In all other cases shown, "state" is funded only with state funds (and "blended" is funded with a combination of state and federal funds).

ADA average daily attendance; SELPAs = Special Education Local Plan Area; and STR = Statewide Target Rates.



Budget Proposal #2: Consolidating Special Education Categorical Grants

- Governor’s Proposal: Consolidate 8 Grants Into 4 Larger Grants.**
- LAO Recommendation: Consolidate 12 Grants Into 5 Larger Grants.** Broaden spending parameters, provide greater flexibility at the local level.

LAO Alternative for Consolidating Special Education Grants		
<i>2013-14 Proposed Amounts</i>		
Affected Grants	Governor’s Proposal	LAO Recommendation
Changes to Base Funding		
<ul style="list-style-type: none"> • Program specialists and regionalized services (PSRS) (\$90.3 million) and supplement for small SELPAs (\$2.7 million) • Staff development (\$2.5 million) • Mental health funding (\$426 million) 	Adds PSRS and staff development to AB 602 base funding. No proposed change for mental health funding.	Adopt Governor’s proposal, but also add mental health funding to AB 602 base. Continue providing some supplemental AB 602 funding for small SELPAs.
Transition Services		
<ul style="list-style-type: none"> • WorkAbility I LEA Project (\$29.5 million) • WorkAbility I Vocational Education Project (\$10.3 million) 	Combines, does not change allocation or program requirements.	Combine into new “Transition Services” funding supplement, remove specific program requirements, change distribution to allocate equal amount per ADA in grades 9-12.
LID Programs		
<ul style="list-style-type: none"> • LID materials (\$13.4 million) • LID services (\$1.7 million) • LID ROCP (\$5.3 million) 	Combines LID materials and services. No proposed change for LID ROCP.	Adopt Governor’s proposal, but also combine LID ROCP funding into new “LID Block Grant,” remove ROCP-related requirements.
Statewide Activities		
<ul style="list-style-type: none"> • Statewide training and technical assistance (\$1.1 million) • Cross-cultural assessments (\$200,000) 	Combines.	Adopt Governor’s proposal.
Extraordinary Cost Pools		
<ul style="list-style-type: none"> • For NPS placements (\$3 million) • For NPS placements (mental health) (\$3 million) 	None.	Combine, adopt uniform set of eligibility criteria for subsidizing high-cost student placements.
<small>SELPAs = Special Education Local Plan Area; LEA = local educational agency; LID = low-incidence disability; ROCP = Regional Occupational Center or Program; and NPS = nonpublic school.</small>		



Budget Proposal #3: Modifying Requirements for Behavioral Intervention Plan (BIP) Mandate

Governor's Proposals

- Modifies Requirements for BIP.*** Would make state requirements less prescriptive while largely conforming with federal requirements. Districts no longer would be required to use specific assessments and specific behavioral interventions.
 - Would retain some existing state provisions that (1) prohibit certain types of interventions and (2) prescribe certain activities related to emergency interventions.

- Adds Funding for Remaining Requirements to Mandates Block Grant.*** After making changes to BIP requirements, the Governor estimates remaining BIP costs would be about \$7 million annually. The Governor proposes to add \$100 million to mandates block grant for BIP and one other costly mandate.

LAO Recommendations

- Adopt Proposed Statutory Changes for BIP.*** Would provide districts with greater flexibility in addressing behavioral problems while maintaining certain stronger student protections not included in federal law.

- Reject Proposal to Add BIP to Mandate Block Grant.*** The Commission on State Mandates already has determined that AB 602 funds offset BIP requirements.