

More Money Is Not Enough: The Case for Reconsidering Federal Special Education Funding Formulas

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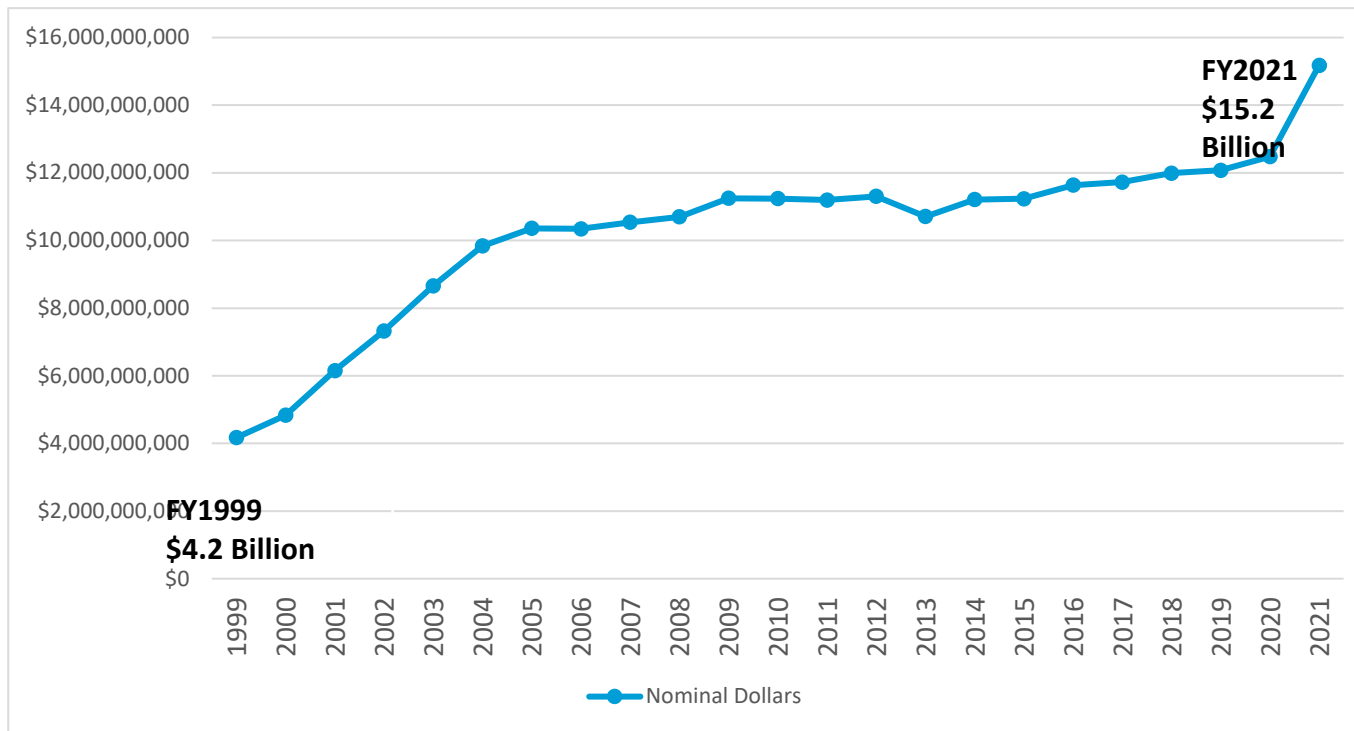
The Promise of "Full Funding"

- In 1975, Congress set a maximum target for the federal contribution to special education spending equal to 40% of the estimated excess cost of educating children with disabilities
 - Thus, if the program were "fully funded," the states would receive their maximum grants, calculated at 40 percent of the **national average per pupil expenditure (APPE) times the number of children with disabilities served in the school year 2004-2005**, adjusted for population changes
 - A state's count of children with disabilities **cannot exceed 12 percent** of its total school population.

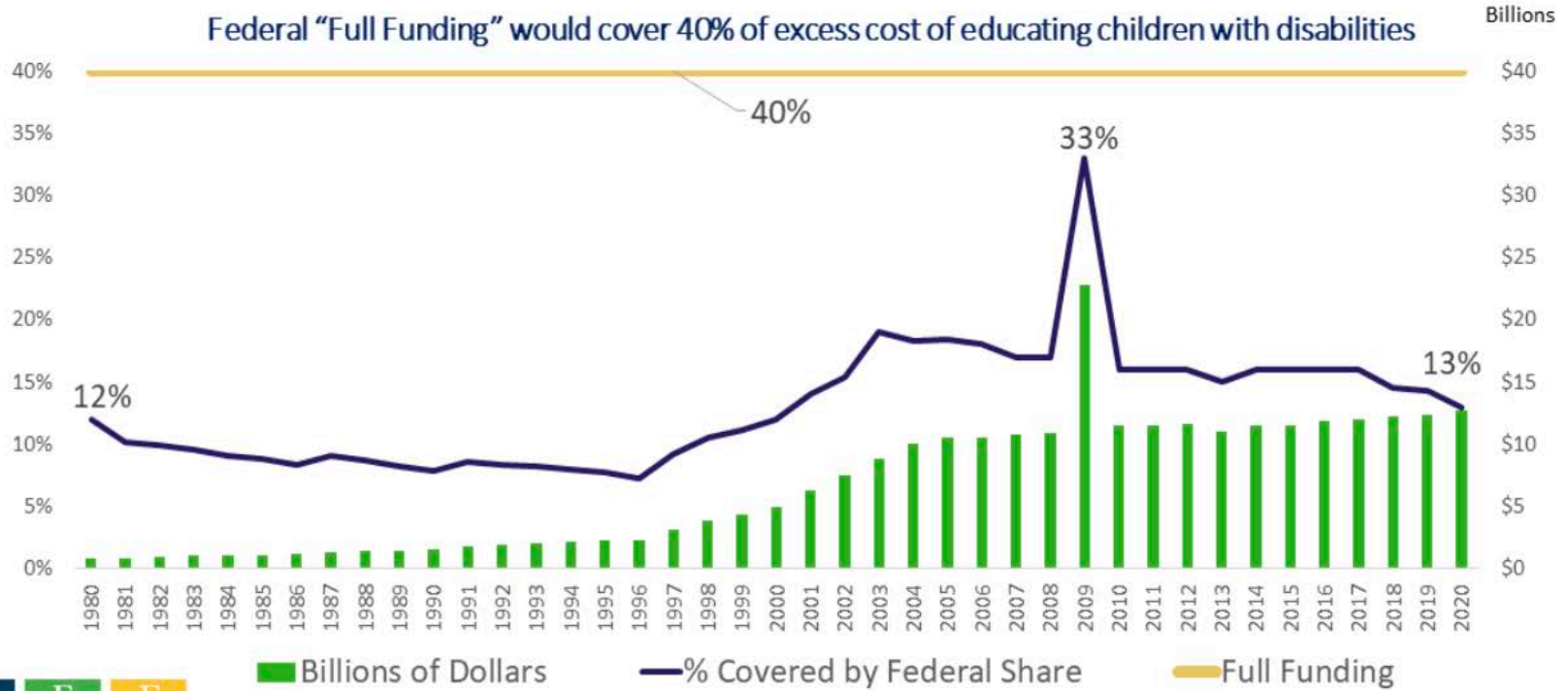
IDEA Has Never Been “Fully Funded”

Full Funding
~\$38 Billion

FY2022
\$17.2 Billion



Federal "Full Funding" would cover 40% of excess cost of educating children with disabilities



Source: CRS and ED funding history

1/30/20

- Source: <https://leader.pubs.asha.org/doi/10.1044/2020-1127-idea-45-years/full/>

Overlooked consideration ...

- Policy proposals to increase funding **largely overlook the formula** used to **distribute** existing and potentially new federal IDEA appropriations to states
 - State IDEA grants are calculated using a **complex set of calculations** that are intended to **divide federal funds among states according to differences in student need**
 - HOWEVER, there are long standing **concerns** that the **existing formula allocates IDEA appropriations inequitably**

How IDEA-Part B(611) Funding is Allocated to States

Then ...

- Prior to FY2001:
 - Allocated to states according to **number of children receiving special education services**

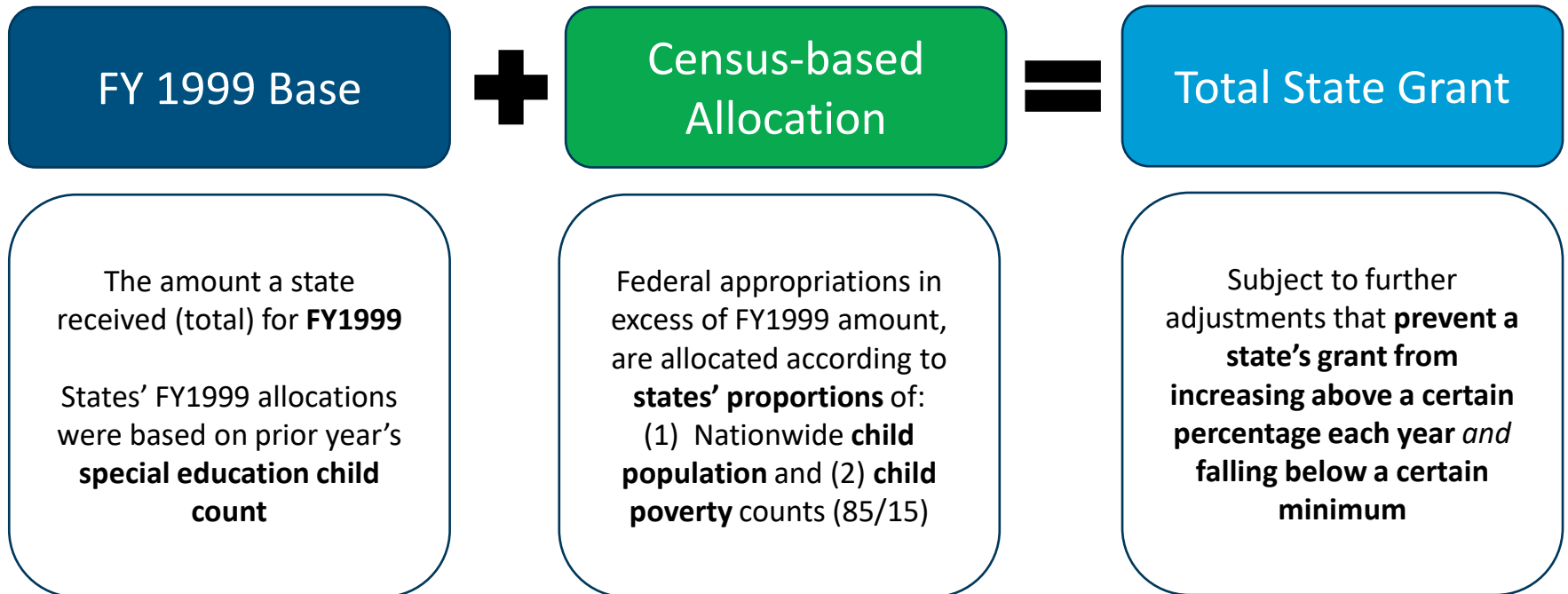


Now ...

- After FY2001:
 - **New appropriations** allocated based on states' **student population and poverty counts** (i.e., census-based calculation)
 - Incorporated **new minimum and maximum grant calculations** to enhance year-to-year stability in state grant amounts

Common goal: Allocating IDEA appropriations to states equitably, according to differences among states in the extent of need for special education services

Calculating States' IDEA Grant Amounts



IDEA Funding Trickles Down to LEAs

Federal Appropriations for IDEA Part B

Federal Government Allocates Available Funding to SEAs by Formula

SEA's Allocate to Available Funding to LEAs Using Same Federal Formula

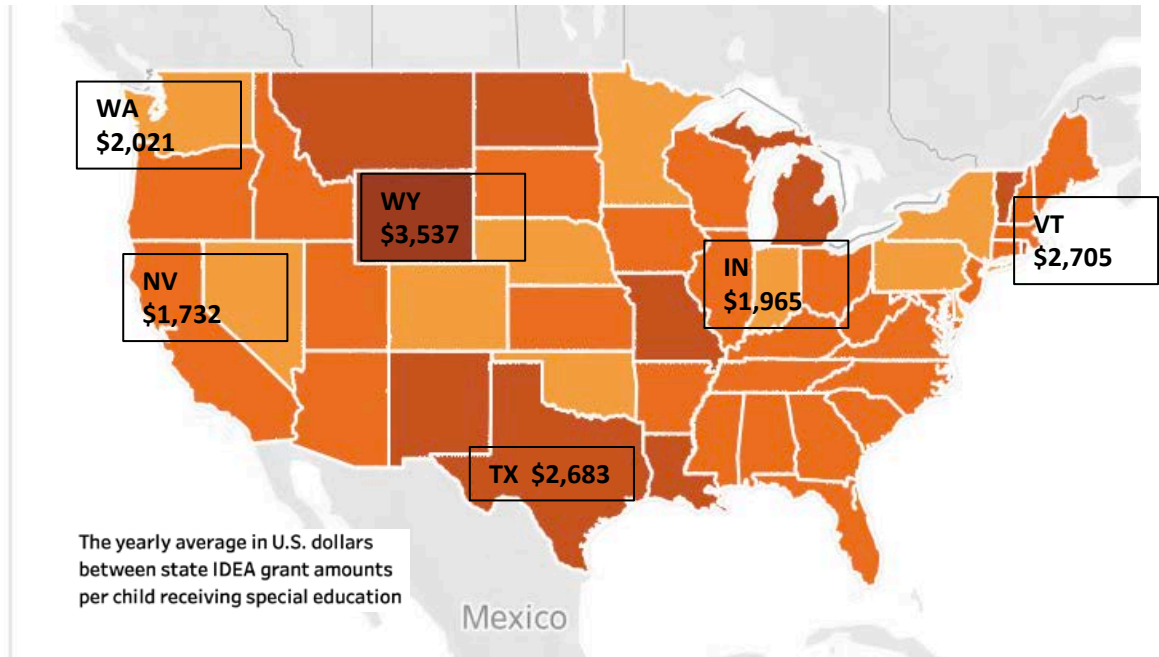
Key questions for policymakers ...

- Does the existing formula allocate IDEA appropriations equitably among states and districts?
- What will happen if the current formula is used to distribute potential future increases in IDEA appropriations?
- In what ways might the existing formula be revised to distribute IDEA Part B funding among states in a more equitable manner?

What did we find?



There are significant disparities among states in IDEA grant amounts



Average IDEA grant amount per child (\$)

1,090

3,537

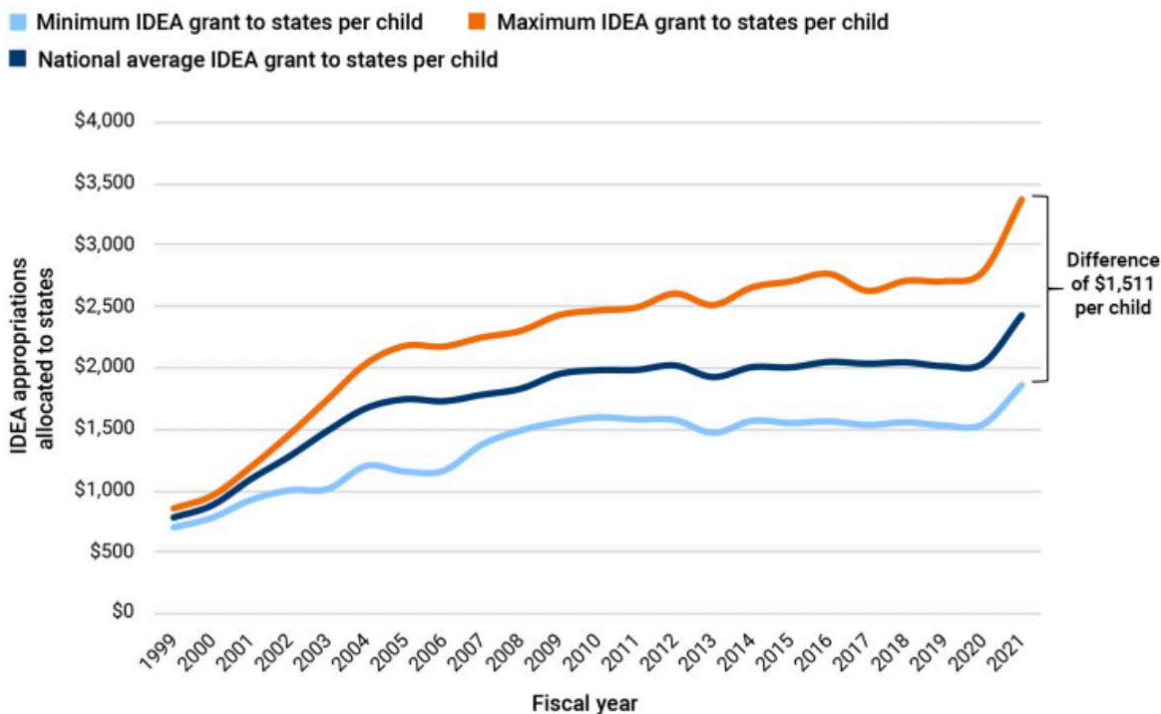
FY2023

Link to interactive map:

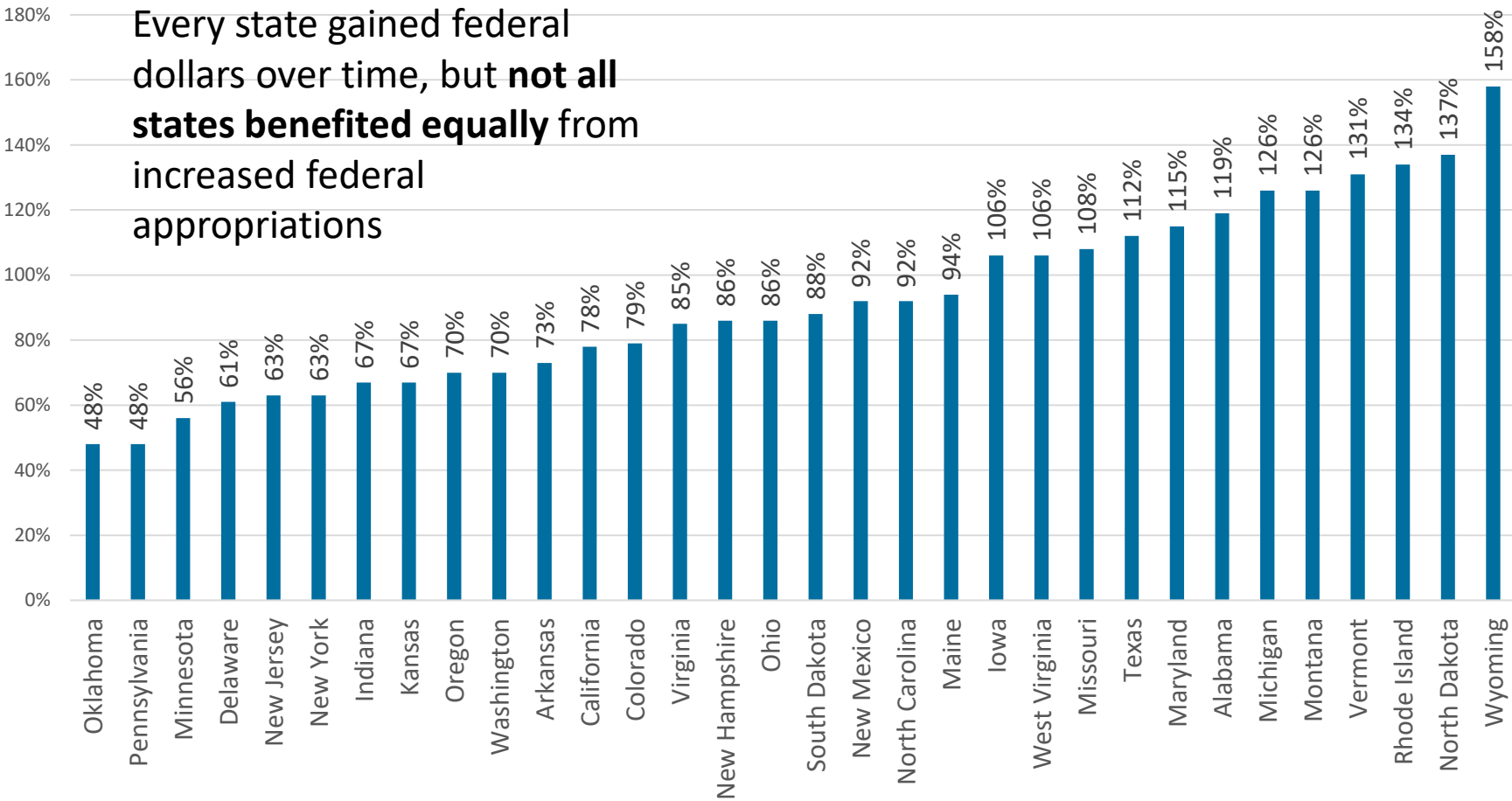
<https://www.brookings.edu/blog/brown-center-chalkboard/2022/10/03/more-money-is-not-enough-the-case-for-reconsidering-federal-special-education-funding-formulas>

Disparities Among States in IDEA grant Amounts Grew in the Time Period After the Formula Change

Range in IDEA grant amounts to states (FY1999-2021)

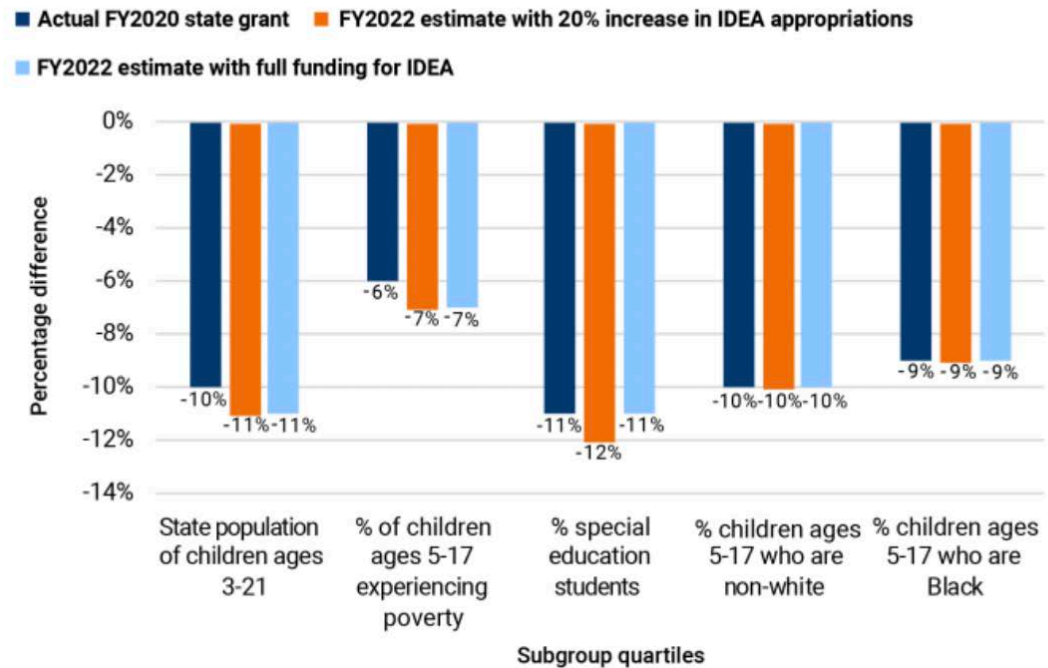


Percent Change in IDEA Funding Between 1999 & 2021 (In Real Dollars)



The Distribution of Federal IDEA Part B Appropriations Among States Systematically Disadvantages Certain States

Percentage difference in IDEA funding between states in top and bottom subgroup quartiles



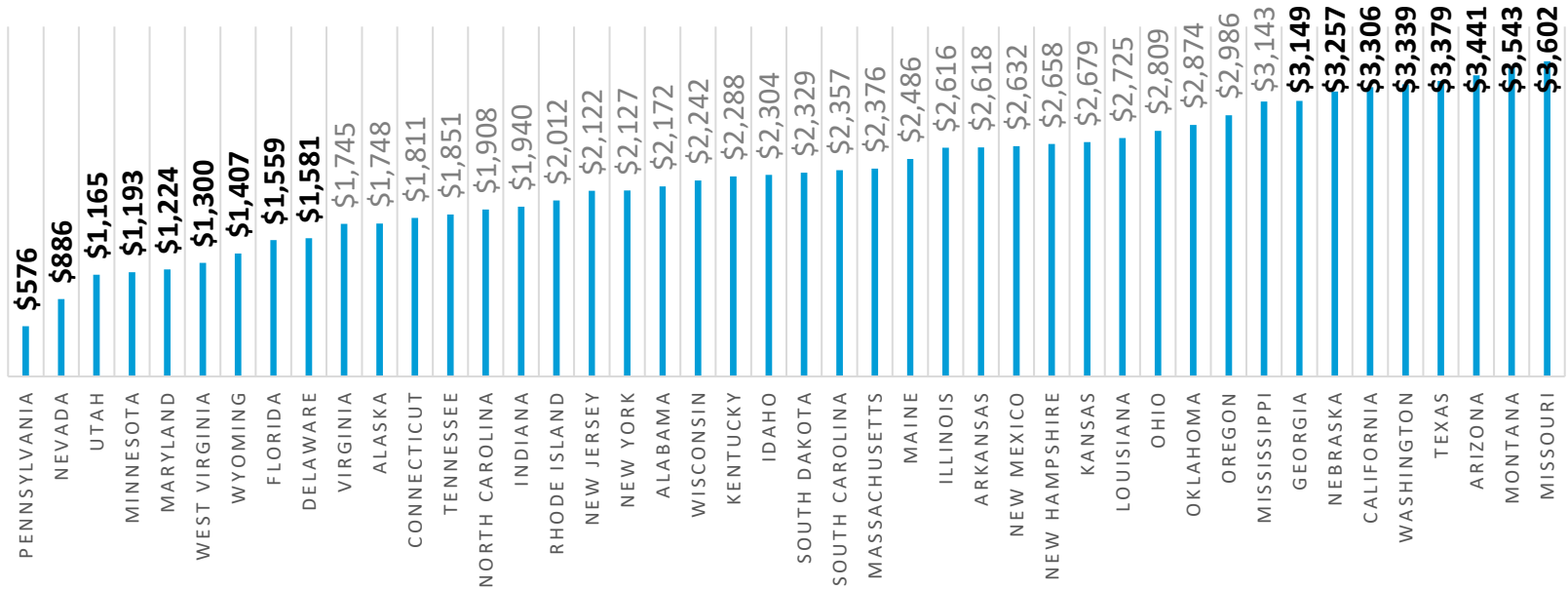
What does this mean for LEAs?

Variation Among LEA Grant Amounts Nationwide

Coefficient of
Variation =
29.76%

	Mean	Standard Deviation	Minimum	Maximum
LEA Grant Amount per Student with IEP	\$1,550.16	\$461.34	\$310.79	\$4,160.00

Difference Between Minimum & Maximum IDEA Grants to LEAs Within States



Distribution of IDEA Funding Per Student with an IEP Among LEAs Nationwide

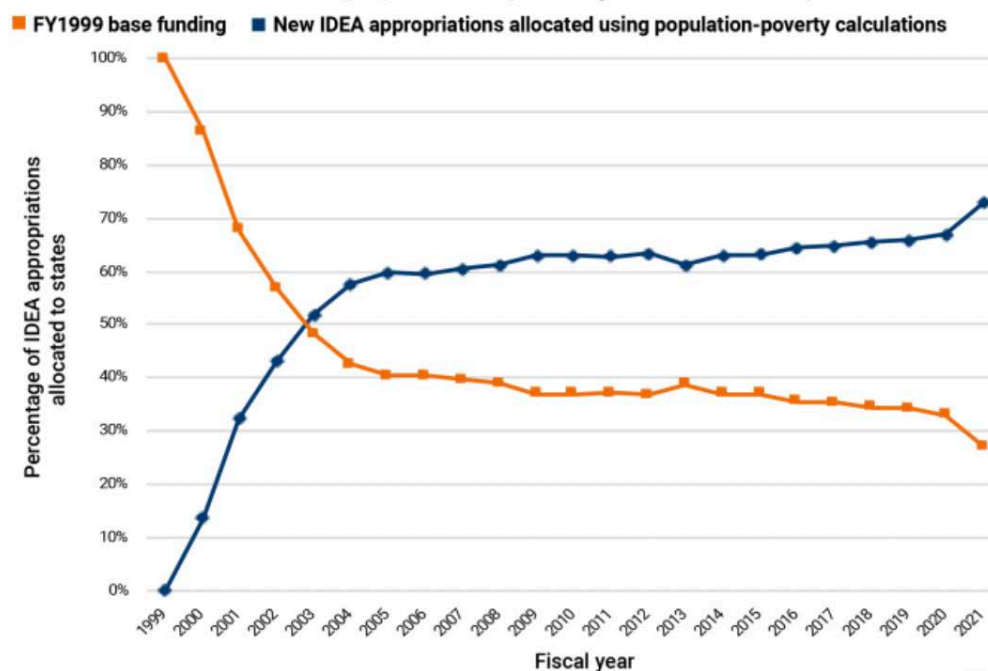
On average:

- **Larger LEAs receive fewer dollars**
- **LEAs with larger percentages of students experiencing poverty receive more dollars**
- **LEAs with larger numbers of students with IEPs receive fewer dollars**

The Root of the Problem ...

1. The **FY1999 base** became a **static fixed amount** that states receive each year rather than an amount recalibrated annually for need
2. **Increasing shares** of IDEA appropriations **allocated using the population-poverty** calculation
3. **“Hold harmless” provisions** prevent states from substantial reductions in IDEA funding, regardless of need

Percentage of IDEA appropriations allocated to states according to FY1999 base amount & population-poverty calculations (FY1999-FY2021)



What would happen if we went to full funding without changing the formula?

Variation in State Grant Amounts with “Full Funding”

	Mean (\$)	Standard Deviation (\$)	Minimum (\$)	Maximum (\$)	CV (%)
2020FY Allocation	1,890.43	282.01	1,384.30	2,826.49	14.92%
2022FY Estimate	2,313.17	345.14	1,731.79	3,536.99	14.92%
Full Funding Estimate <i>(Without hold harmless provisions)</i>	5,527.35	1,209.50	3,259.30	9,747.05	21.88%

Distribution of Full Funding Among States

	Q1 (Smallest)	Q4 (Largest)	Q4 - Q1 Percent Difference
<u>% Student Population (Nationally)</u>			
2020 FY	\$ 2,040.85	\$ 1,856.64	-10%
2022 FY Estimate	\$ 2,507.59	\$ 2,261.08	-11%
Full Funding	\$ 6,045.09	\$ 5,466.99	-11%
<u>% Poverty</u>			
2020 FY	\$ 2,022.40	\$ 1,904.25	-6%
2022 FY Estimate	\$ 2,485.46	\$ 2,322.54	-7%
Full Funding	\$ 5,990.76	\$ 5,607.18	-7%
<u>% Non-white</u>			
2020 FY	\$ 2,018.80	\$ 1,835.21	-10%
2022 FY Estimate	\$ 2,475.37	\$ 2,250.00	-10%
Full Funding	\$ 5,968.32	\$ 5,407.45	-10%
<u>% Black</u>			
2020 FY	\$ 2,041.09	\$ 1,873.27	-9%
2022 FY Estimate	\$ 2,507.98	\$ 2,298.89	-9%
Full Funding	\$ 6,033.98	\$ 5,523.45	-9%

Key Takeaways ...

Implications ...

1. **Policy proposals** that would **significantly increase federal funding** for special education – including efforts to “fully fund” IDEA – bring a **new sense of urgency to reconsidering the formula** used to allocate IDEA appropriations.
2. **Simply adding dollars to existing IDEA appropriations without modifying the current formula** works against IDEA’s promise to equalize educational opportunities for students with disabilities and **will perpetuate, and in some instances worsen, funding disparities** among states.

Conclusions ...

The existing formula:

- » **Falls short of meeting standards for nominal parity in funding among states**
- » **Generates large and concerning disparities in state grant amounts that systematically discriminate against certain states** with larger populations of K12 students, children living in poverty, children identified for special education, and minoritized children

For more information ...

- Contact information:
 - Tammy Kolbe, AIR; tkolbe@air.org
- Research & Findings:
 - More money is not enough: The case for reconsidering federal special education funding formulas. (Kolbe, Dhuey, & Doutre; [Brookings Brown Center Chalkboard, October 3, 2022](#))
 - Includes interactive map
 - More money is not enough: (Re)Considering Policy Proposals to Increase Federal Funding for Special Education (Kolbe, Dhuey & Doutre; [American Journal of Education, In Press](#))
 - Shows in more detail implications of increasing IDEA funding without modifying formula
 - Unequal & Increasingly Unfair: How Federal Policy Creates Disparities in Special Education (Kolbe, Dhuey, & Doutre; [Exceptional Children, Forthcoming; Annenberg EdWorking Paper, 2022](#))
 - Shows how formula modifications created disparities in funding
 - Working paper includes simulations; Due to page limitations the *Exceptional Children* paper does not include the simulations.