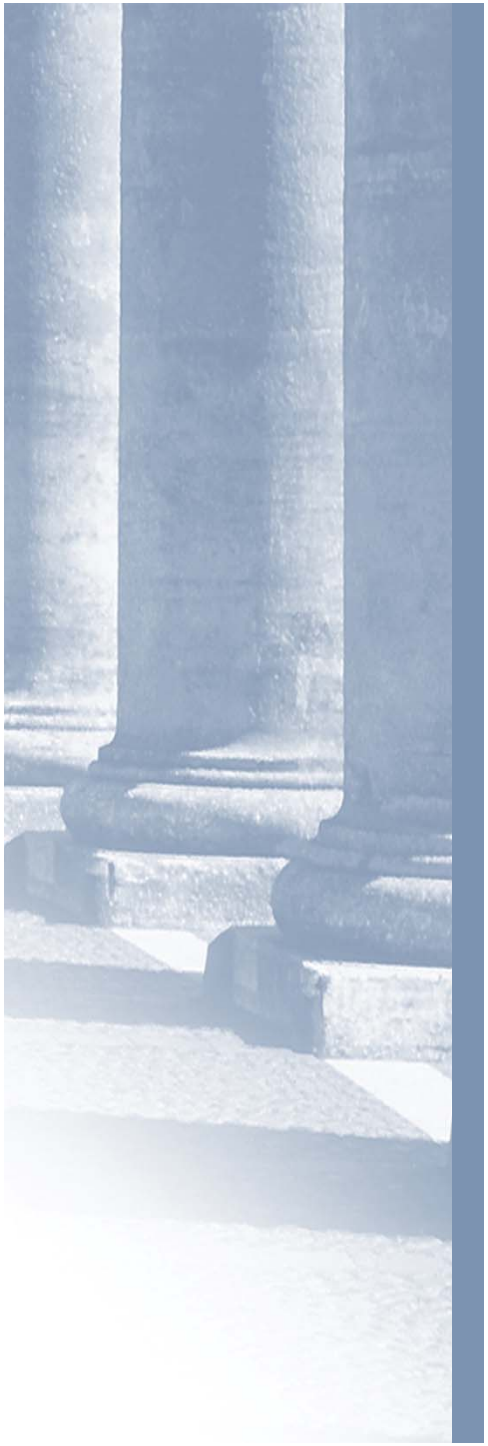

Presentation to Committee to Study a New Method for Funding Public Schools in Nevada

August 14, 2012

Dr. Jay Chambers, Senior Research Fellow, AIR

Dr. Deborah Verstegen, Professor, University of Nevada, Reno

Dr. Teresa Jordan, Professor Emerita, University of Nevada, Las Vegas

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EXHIBIT B

Study Purpose: Evaluate Options to Improve Equity in the Nevada Plan

Four Main Components of Study

1. Provide an overview and critical evaluation of the Nevada funding system.
2. Develop inventories of state finance systems to assess how they adjust funding for the following cost factors:
   a) Pupil Needs (e.g., Low-Income, English Learners, Special Education),
   b) Scale of Operations and Remoteness (District Enrollment, Student Density and Sparsity)
3. Analysis of alternatives for improving equity:
   a) Empirical Analysis of Existing Effective Practices in Other States
   b) Current Practices in Other States
   c) Mainstream Education Finance Literature
4. Develop recommendations to improve current system:
   a) Current Funding Adjustments for 1) Scale of Operations and 2) Differential Staffing Prices in the Distributive School Account (DSA) Model
   b) Provide Additional Funding Adjustments for Low-Income Students and English Learners
   c) Current Funding for Special Education Students

Component 1 – Overview and Analysis of Nevada Funding System

- Modern formula result of Peabody study which recommended a co-terminus county district governance structure taking Nevada from 208 school districts to 17 districts
- Wyoming study corrected for taxpayer inequity issues and study recommendations resulted in the adoption of the *Nevada Plan*, the state's current funding allocation system for K-12 education
- Current Nevada Plan was essentially developed in 1967 with special education funding added in 1973 with minor changes since that time plus added categorical funding outside the formula
- The *Nevada Plan* is an equalized *Minimum Foundation Program* outdated for current state demographics and conditions

Component 1 – Overview and Analysis of Nevada Funding System (continued)

- Most leading educational indicators rank Nevada in bottom quartile of performance.
- Recent national education report card published by Rutgers Education Law Center (Baker et al.) ranked and graded Nevada on four key education funding measures (2009 data):
  - Funding Level Rank — 38th
  - Funding Distribution (Grade) — "F"
  - Effort (Grade) — "F"
  - Coverage Rank — 17th

Component 1 – Analysis of *Nevada Plan* Using Criteria for Optimal Funding Formula

Optimal Funding Criteria	Meets Criteria	Partially Meets Criteria	Does Not Meet Criteria	Insufficient Data to Evaluate
Sufficiently funded; Equitable on horizontal/ vertical dimensions			X	
Transparent, understandable, and accessible		X		
Cost based			X	
Capable of minimizing incentives	X			

Component 1 – Analysis of *Nevada Plan* Using Criteria for Optimal Funding Formula (continued)

Optimal Funding Criteria	Meets Criteria	Partially Meets Criteria	Does Not Meet Criteria	Insufficient Data to Evaluate
Reasonable in its administrative costs				X
Predictable, stable, and timely			X	
Accountable for learning outcomes and spending	X			
Politically Acceptable	X			

Component 1 – Issues to Explore Based on Overview and Analysis of Nevada Funding System

- Formula **does <u>not</u> sufficiently address** the **vertical equity** needs of pupils.
- **Formula developed for state conditions that have dramatically changed** since its inception.
- The *Nevada Plan* **uses incrementally adjusted expenditure data based on a historical benchmark**. Adjustments to outdated data runs risk of perpetuating past inequities.
- **Cost data not updated**. Currently, state perpetuates benchmark data incrementally. This can lead to overfunding or underfunding of programs.

Component 1 – Issues to Explore Based on Overview and Analysis of Nevada Funding System (continued)

- **No periodic review** of *Nevada Plan* mandated. Many states require a periodic review; for example, every five years. This insures the funding formula is based on current costs and district characteristics.
- State **uses single count day for enrollment** calculation. May act as disincentive to hold pupils in school. Could be contributing factor to dropout statistics.
- **No state funding support for capital outlay**. Issue for districts at or near bonding capacity to be able to maintain and renovate existing facilities or build new ones.

Component 1 – Issues to Explore Based on Overview and Analysis of Nevada Funding System (continued)

- **No local leeway**. Imposes a greater burden on the state to ensure funding so that all students have the opportunity to meet state standards and pass appropriate proficiency examinations.
- Funding allocation system **does not have sufficiently diverse tax base** to help stabilize funding during changing economic conditions.
- Funding system **not linked to state goals or accountability outcomes**. Formula provides no incentives for productivity or educational outcomes.

Objective 2 – Inventories of States that Address Individual Student Needs and Characteristics

Development of an **inventory of state finance** systems that address individual student needs and characteristics including:

1) **Pupils with disabilities**;
2) **English language learners**;
3) **Pupils who are at-risk** as defined by such metrics as test scores or eligible for free or reduced priced meals; and,
4) **Other individual student needs and characteristics** addressed in the funding models of other states that are deemed notable.
5) Develop a list of states that incorporate **the needs and challenges of school districts in remote areas and small schools** in their methods for financing public schools.

* Major finance approach used across states also discussed to provide context for the examination.

Component 2 – Purpose: Review and Discuss Findings

- *50-State Survey of Finance Policies/Programs*. Focus on Individual Student Needs and School Districts with Small Schools (FY 2011)
  - Survey Method: Iterative process
- Survey sent to Chief State School Officer in 50 states
- Information received for all 50 states for FY 2011 (Maine/Tennessee)
- Web posting and verification by State Department of Education personnel/CEO. Changes/additions incorporated.

Component 2 – Findings: Key Methods for Financing Public Education

- Foundation Program
- District Power Equalizing
- Full State Funding
- Flat Grant
- Combination Approaches

Component 2 – State School Finance Formula

Finance System	State
Foundation Program (36)	AK, AL, AZ, AR, CA, CO, DE, FL, ID, IN, IA, KS, ME, MA, MI, MN, MS, MO, NE, NV, NH, NJ, NM, NY, ND, OH, OR, PA, RI, SC, SD, TN, VAWA, WV, WY
Full State Funding (1)	HI
Flat Grant (1)	NC
District Power Equalizing (DPE) (3)	CT, VT, WI
Combination/Tiered System (9)	GA, IL, KY, LA, MT, MD, OK, TX, UT

Component 2 – State School Finance Formula

- No new major funding approaches have developed over time
- States are adjusting their formulas to make it more equitable
- States are moving away from Minimum Foundation Program to adequate systems—rational versus political approach
- States have added finance adjustments that assist with high costs beyond the control of the district, for example for:
  - Special education
  - At-risk / low income students
  - English Learners / Limited English Proficient/Bilingual students
  - District size, remoteness, cost of education
- How? Mainly through the use of weights.
  - Weight recognizes the excess cost of programs and services beyond general education. If additional costs are 90%, the weight is 0.90 and the student counts 1.90 (1.0 is basic support cost)

Component 2 – State Allocations for Special Education

Method	States
Per Pupil/Weights (20)	AZ, FL, GA, HI, IA, KS, KY, LA, MD, MO, NM, NY, OH, OK, OR, SC, TN, TX, UT WA, WV
Cost Reimbursement (7)	AR, ME, MI, MN, NE, VT, WY
Unit (6)	AL, DE, ID, MS, NV, VA
Census (9)	CA, ID, IL, MA, NJ, NC, ND, NM, PA
Other (16)*	AL, AR, CA, CO, CT, ID, IL, MD, MN, MT, NH, NY, ND, OR, SD, WA

Component 2 – State Allocations for Special Education Summaries of States (Appendix D)

- **Weights** per pupil (20 states)
  - Basis: Disability, Instructional Arrangement, Service Intensity
  - Multiple (OK-12) or Single (MD-.74).
- **Unit** (6 states): teacher support usually based on caseload (NV, VA)
- **Cost reimbursement** (7 states)
  - Wyoming reimburses 100% of approved special education costs.
- **Census** (9): Overall % of students in district
  - California "model based on assumption that, over a reasonably large geographic area, the incidence of disabilities is relatively, uniformly distributed." Also uses concentration grants (below).
- **Other** (16): Growing area of interest is state funding for high costs
  - Extraordinary Costs (CN 4.5 times previous year's average; MA, circuit breaker funds costs above 4 times foundation budget, NH, 100% 10 times state average).

Component 2 – State Funding for Low Income/ At-Risk Students

Program/ Policy	Yes- 36	No- 14
Low Income/ At-Risk Funding	AL, CA, CO, CT, DE, GA, HI, IL, IN, IA, KS, KY, LA, MA, MD, ME, MI, MN, MS, MO, NE, NH, NJ, NY, NC, OH, OK, OR, PA, SC, TN, TX, VT, VA, WA, WI	AK, AZ, AR, FL, ID, MT, NV, NM,ND, RI, SD, UT, WV, WY

Component 2 – Low Income/At-Risk Funding

- Low Income (proxy for “at-risk”)
- State support, 42 states
  - **Eligibility:** Varies
  - Federal free lunch (KY/MS)
  - Free and reduced lunch eligibility (HI, MN);
  - Performance--Students in need of remediation; “at-risk” of not meeting learning standards (SC); students in remedial education programs (GA).
  - **Weights:**
  - Single—Kansas, free meals, 0.456
  - Multiple—Minnesota, free lunch 1.0, reduced lunch .50
  - Sliding Scale—concentration, Arkansas, 0.90 + student lunch ($1,488), 70%-90% ($992); less than 70% ($496)

Component 2 – Low Income/At-Risk Funding

- Weights vary. **Range --** 0.05 in **Mississippi** and 0.97 in **Maryland** .
- The **average** weight is 0.29—(an additional 29% funding per pupil beyond the base).
- Most states provide about an **additional 0.20-0.25** in funding for low-income students and target eligibility on either federal free or reduced price lunch status or both. Selected examples:
  - **Kentucky**, 0.15,
  - **Missouri** provides an additional 0.25,
  - **Georgia**, 0.31,
  - **Oregon**, 0.25
  - **Missouri**, 0.25
  - **Kansas**, 0.456, and
  - **Georgia**, 0.5337

Component 2 – State Funding for Limited English Proficient/English Language Learners

Funding Policy	Yes- 42	No- 8
English Language Learner or Limited English Proficient or Bilingual Education	AL, AK, AZ, AR, CA, CT, FL, HI, ID, IL, IN, IA, GA, KY, KS, LA, ME, MD, MA, MI, MN, MO, NE, NH, NJ, NM, NY, NC, ND, OK, OH, OR, RI, TN, TX, UT, VA, VT, WA, WI, WV, WY	CO, DE, MS, MT, NV, PA, SC, SD

Component 2 – State Funding--LEP/English Learners

- A variety of funding methods, including weighted approaches as well as block grants, per pupil funding, unit funding, and lump-sum general state appropriations.
- Weights **vary** widely from 0.10 in **Texas** to 0.99 in **Maryland**. The **average** weight is 0.387 (another 38.7% in funding). Selected approaches follow:
  - **Wyoming** provides a full-time teacher for every 100 ELL students.
  - **Arizona**, an additional 0.115 is included in the basic state aid calculations.
  - **Florida** reports funding for speakers of other languages weighted at 0.147.
  - **Hawaii** supports ELL students at 0.2373 of general education aid.
  - **Iowa** provides an additional 0.22 per pupil.
  - **Missouri** supports LEP students at 0.60 of Basic Aid when the count of students exceeds the statewide threshold, currently at 1.1% of the district's ADA (average daily attendance).

Component 2 – State Funding for Sparsity/Remote and Small Schools

Program/Policy	Yes- 32	No- 18
Sparsity of Small Schools	AK, AZ, AR, CA, FL, HI, ID, IN, IA, KS, LA, ME, MI, MN, MO, NV, NM, NY, NC, ND, OH, OK, OR, SD, TX, UT, VT, VA, WA. WV, WI, WY	AL, CO, CT, DE, GA, IL, KY, MD, MA, MS, MT, NE, NH, NJ, PA, RI, SC, TN

Component 2 – Funding for Sparsity/Small Schools

- *32 States: Small size–25 states; 15 states–isolated districts.*
- **Kansas** employs **a linear transition formula** ranging from 100 to 1,622 students. Fewer than 100 students have weight of $3,993.42 per pupil. Each increase or decrease of one pupil changes the low-enrollment weight down or up (i.e., inversely to the enrollment change). High enrollments of 1,622 and over--weighted an additional 0.03504 times the Basic State Aid.
- In **New Mexico**, the following types of schools and districts qualify for additional aid:
  - Schools with less than 200 elementary and junior high school pupils;
  - Districts with less than 200 or 400 senior high school pupils;
  - Districts with between 4,000 and 10,000 ADM (average daily membership); and,
  - Districts with less than 4,000 total ADM.
- In **Oklahoma**, school district size of 529 or less is weighted in the State Aid formula with a Small School District Weight.

Component 2 – Other Student Needs/Characteristics: Gifted & Talented

Funding Policy	Yes (33)	No (17)
Gifted and Talented	AK, AR, CA, CO, FL, GA, HI, ID, IA, IN, KY, LA, ME, MD, MN, MS, MO, MT, NJ, NM, NC, ND, OH, OK, PA, SC, TN, TX, UT, VA WA, WI, WY	AL, AZ, CT, DE, IL, KS, MA, MI, NE, NV, NH, NY, OR, RI, SD, VT, WV

Component 2 – Funding for Gifted & Talented Programs

- In **Arkansas**, an incremental weight of 0.15 is provided per pupil based on 5% of the school district's ADM (average daily membership) the previous year.
- In **Virginia**, the state provides one instructional position per 1,000 eligible students.
- **Hawaii** has an incremental weight for gifted and talented students of 0.0265 for an estimated 3% of the school's total population.
- **Louisiana** reports an incremental weight of 0.60 for gifted students.

Component 2 – Summary: Inventories of States that Address Individual Student Needs and Characteristics

- 45 states distribute funding for schools using a foundation program (in part or totally). In Nevada, the foundation program for funding was established in 1967 and is called the **Nevada Plan**.

- 32 states provide differentiated funding for **remote and small schools/districts**. Nevada considers district size when providing teacher allotments and salary factors.

- 49 states have added provisions to the foundation program to fund **students with disabilities,** including Nevada.

Component 2 – Summary: Inventories of States that Address Individual Student Needs and Characteristics

- 36 states have added provisions to fund **low-income or at-risk students**. **Nevada** has not.
- 42 states have added provisions to fund **English Language Learners**. **Nevada** has not.
- 33 states have added provisions to fund **Gifted and Talented Students**. Nevada has not.
- *Only two states, **South Dakota** and **Nevada**, report **no additional state funding** for programs for low income/at risk students, English Learners or Gifted and Talented students.*

Component 2 – 50-State Information

- Appendix D—50-State Summaries, Special Education
- Appendix E—50-State Summaries, Low Income/At-Risk
- Appendix F—Table, Low Income Weights by State
- Appendix G—50-State Summaries, English Learner
- Appendix H—Table, Illustrative Provisions for ELL
- Appendix I—50-State Summaries Sparsity and Small Schools
- Appendix J—50-State Summaries, Gifted and Talented

Component 3 – Analysis of Alternatives for Improving Equity: States with Similar Cost Factors

- Compiled district-level dataset from National Center for Education Statistics (NCES) and the U.S. Census including the following characteristics:
  - Incidence of Student Needs – Free/Reduced Price Lunch, Poverty, English learners, and Special Education
  - Scale of Operations – Enrollment, Student Density, School Concentration
  - Revenues – From Local, State and Federal Sources (not a cost factor, but interesting nonetheless)
- Ran average characteristics within NCES district locale categories (Urban, Suburban, Small Towns and Rural) for each state in the U.S. and compared these to Nevada.
- Findings show that Nevada is truly unique; there are no states that are consistently similar to Nevada across all characteristics.

Component 3 – Analysis of Alternatives for Improving Equity: States with Similar Cost Factors

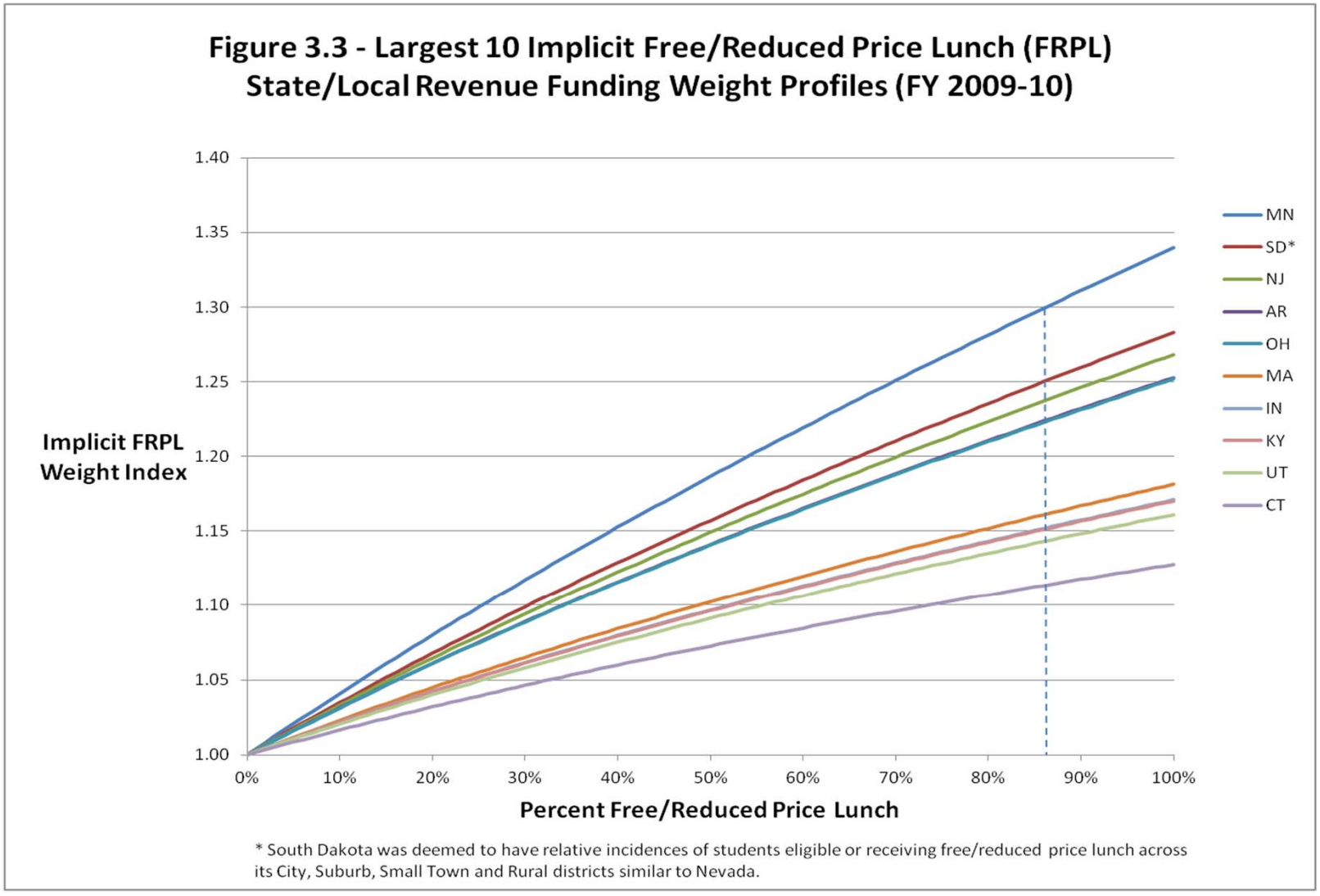
Student Needs			Scale of District Operations					Revenue Sources		
Percent Poverty or Free/Reduced Price Lunch Eligible	Percent English Learners	Percent Special Education	Student Density	Herfindahl Index	Percent of Districts by Locale	Percent of Statewide Enrollment by Locale	District Enrollment Size	Percent of Revenue from Local Sources	Percent of Revenue from State Sources	Percent of Revenue from Federal Sources
CO	AZ	CT	AK	SC	FL	FL	FL	CA	AL	AL
DE	CA	IA	FL	UT	MA	GA	GA	GA	KY	IN
KS	CO	LA	ID	WV	MD	MD	KY	KS	SC	KY
MT	KS	MO	MT		NJ	UT	LA	KY	WV	MT
SD	OR		ND		RI	VA	MD	LA		SD
WY	TX		NM		UT		NM	MI		TN
	UT		WY				TN	OK		TX
							UT	OR		WA
							VA	SC		WV
								TN		
								WV		

Objective 3 – Analysis of Alternatives for Improving Equity: Analysis of Alternative Funding Practices Across States

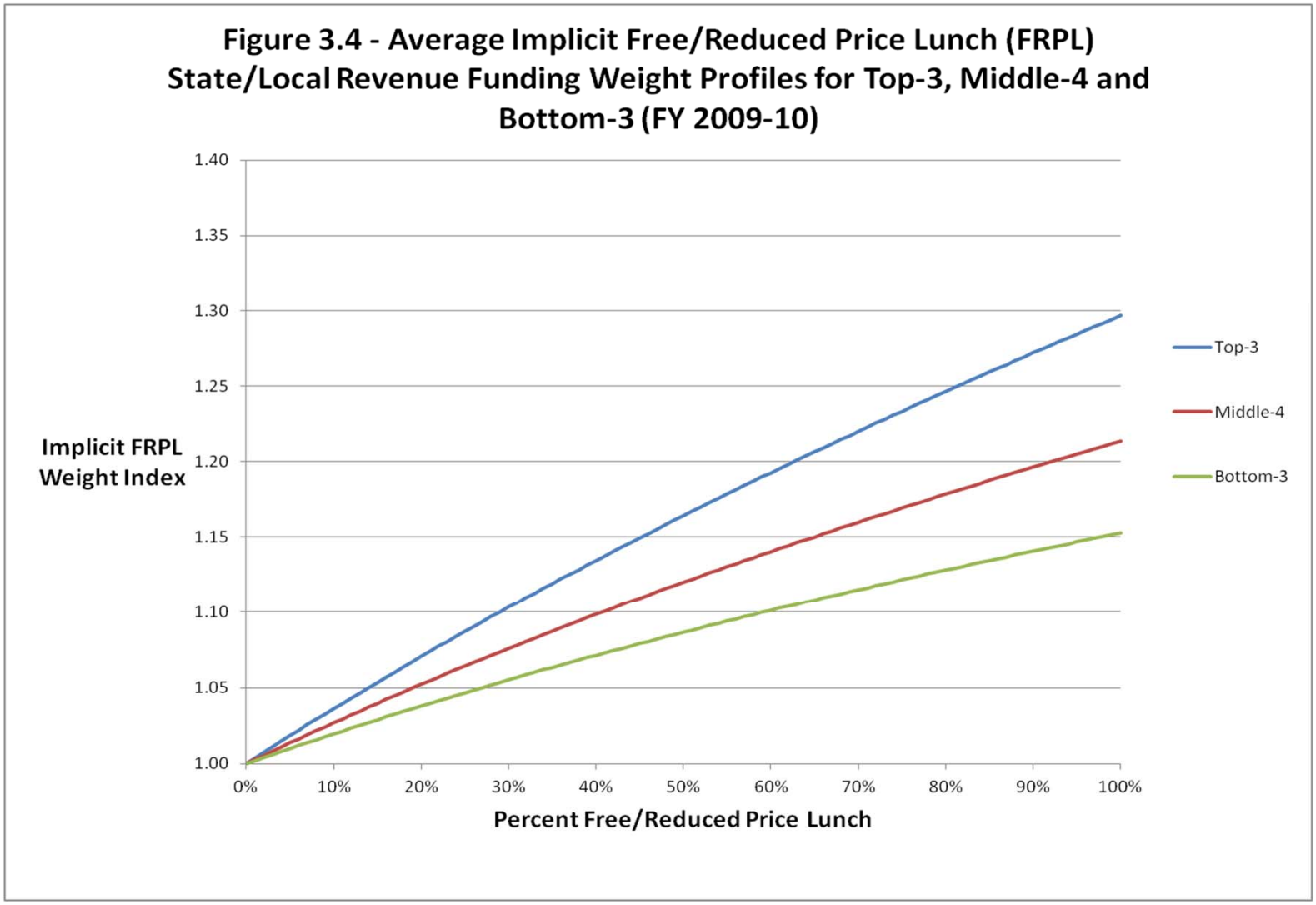
- Statistical analysis of strongest relationships between state/local per-pupil funding and cost factors
  - Estimated *implicit* weights from analysis of funding and **incidence of Low-Income/At-Risk students**
  - Estimated *implicit* weights from analysis of funding and **Scale of Operations**
  - Statistical model used to estimate relationships for each state separately:

    State/Local Revenue Per Pupil = f(Poverty, District Size, Student Density, Wage Levels)
- Alternative practices from state inventories of funding systems
  - Reported *explicit* **English Learner** weights
- Mainstream education finance literature
  - Used **Special Education** *implicit* weights by disability category from national study from Special Education Expenditure Project (SEEP) and considered Census-Based funding
  - **Adjustments for geographic variation in staff prices** from National Center for Education Statistics (NCES) Comparable Wage Index

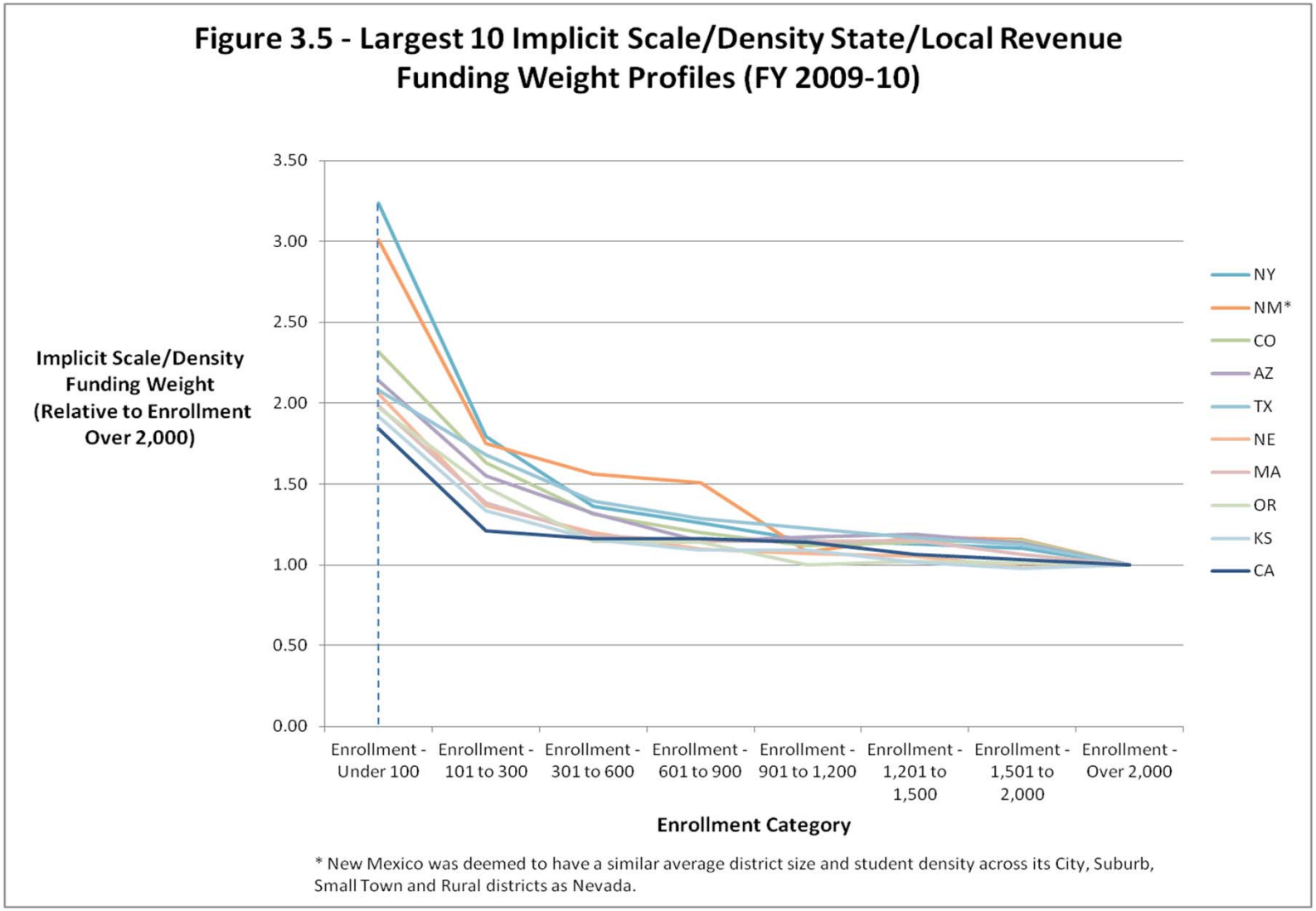
Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for Low Income/At-Risk



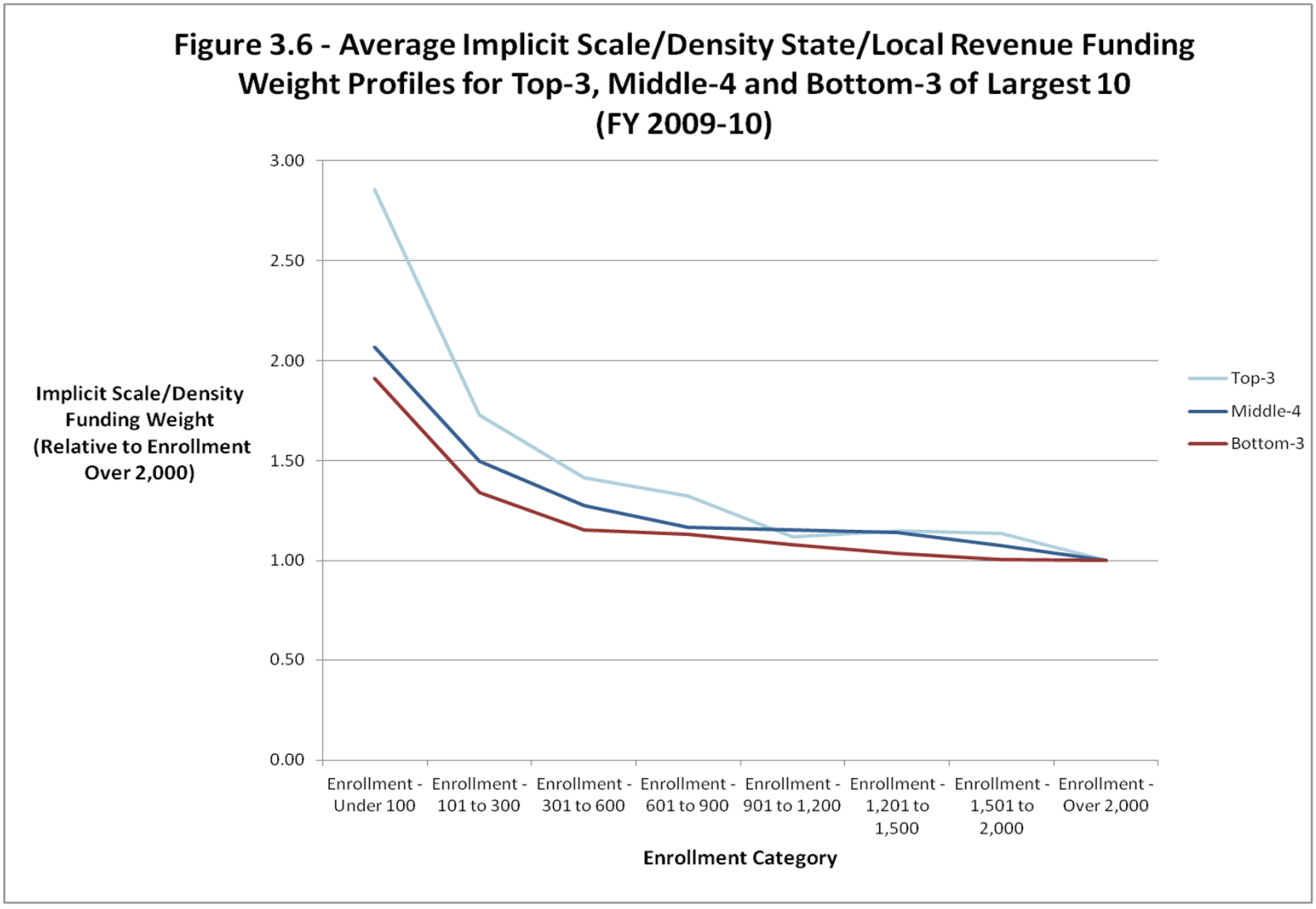
Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for Low Income/At-Risk (continued)



Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for Scale of Operations



Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for Scale of Operations (continued)

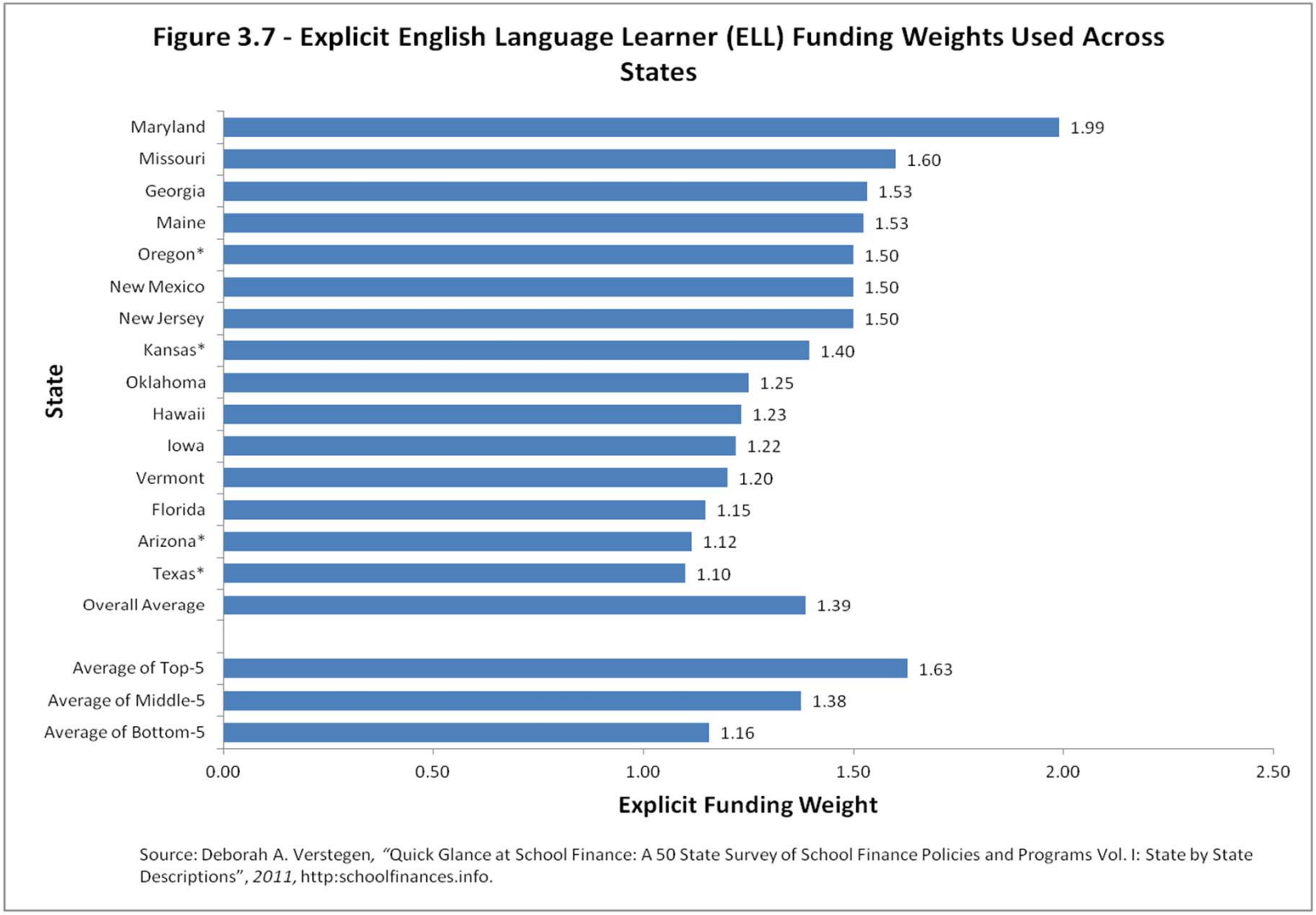


Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for Special Education

Student Category	Special Education Weight Using General Education Student as Comparison Group	Special Education Weight Using Student With Specific Learning Disability as Comparison Group
General Education Student	*Comparison group* 1.0	n/a
Specific Learning Disability (SLD)	1.6	*Comparison group* 1.0
Speech/Language Impairment (SLI)	1.7	1.1
Emotional Disturbance (ED)	2.2	1.4
Mental Retardation (MR)	2.3	1.4
Orthopedic Impairment (OI)	2.3	1.4
Other Health Impairment (OHI)	2.0	1.3
Autism (AUT)	2.9	1.8
Hearing Impairment/Deafness (HI/D)	2.4	1.5
Multiple Disabilities (MD)	3.1	1.9
Traumatic Brain Injury (TBI)	2.5	1.6
Visual Impairment/Blindness (VI/B)	2.9	1.8
Preschool (PRE) 2	2.0	1.3
Average Special Education Student	1.9	1.2

Source: Appendix B-1 of Special Education Expenditure Project (SEEP) Report 5, *Total Expenditures for Students with Disabilities, 1999-2000: Spending Variation by Disability* (2003).

Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for English Learners



Source: Deborah A. Verstegen, "Quick Glance at School Finance: A 50 State Survey of School Finance Policies and Programs Vol. I: State by State Descriptions", *2011,* http:schoolfinances.info.

Objective 3 – Analysis of Alternatives for Improving Equity: Alternative Funding Practices for Geographic Variations in Staffing Prices

District	A - DSA Scale-Only BSR Adjustment	B - Scale-Only/CWI BSR	C - CWI Wage Differential BSR Adjustment (B / A)
Clark	0.97	0.98	1.01
Washoe	1.01	1.02	1.01
Elko	1.13	1.02	0.90
Lyon	1.14	1.07	0.94
Carson City	1.10	1.04	0.94
Douglas	1.12	1.05	0.94
Nye	1.16	1.05	0.90
Churchill	1.12	1.05	0.94
Humboldt	1.13	1.02	0.90
White Pine	1.22	1.10	0.90
Lander	1.24	1.12	0.90
Lincoln	1.68	1.54	0.92
Pershing	1.55	1.42	0.92
Mineral	1.60	1.47	0.92
Storey	1.64	1.50	0.92
Eureka	2.04	1.81	0.89
Esmeralda	2.68	2.38	0.89

Objective 4 – Develop Recommendations to Improve Current System

- Developed the Nevada Funding Adjustment Simulator (FAS)
  - FAS allows users to simulate adoption of alternative funding adjustments identified in Component 3:
    - **Geographic Staffing Price Differential** adjustments from existing Distributive School Account (DSA) and Comparable Wage Index (CWI).
    - Strongest 10 **Low Income/At-Risk** adjustments across states and averages of the Top-3, Middle-4, and Bottom-3.
    - 15 **English Learner** adjustments across states, overall average, and averages of Top-5, Middle-5, and Bottom-5.
    - **Scale of Operation** adjustments from existing Distributive School Account (DSA) and from strongest 10 states.
- Developed Simulation of Alternative Special Education Funding Adjustments
- All simulations have been designed to be **fiscally neutral**.

Objective 4 – Nevada Funding Adjustment Simulator (FAS)

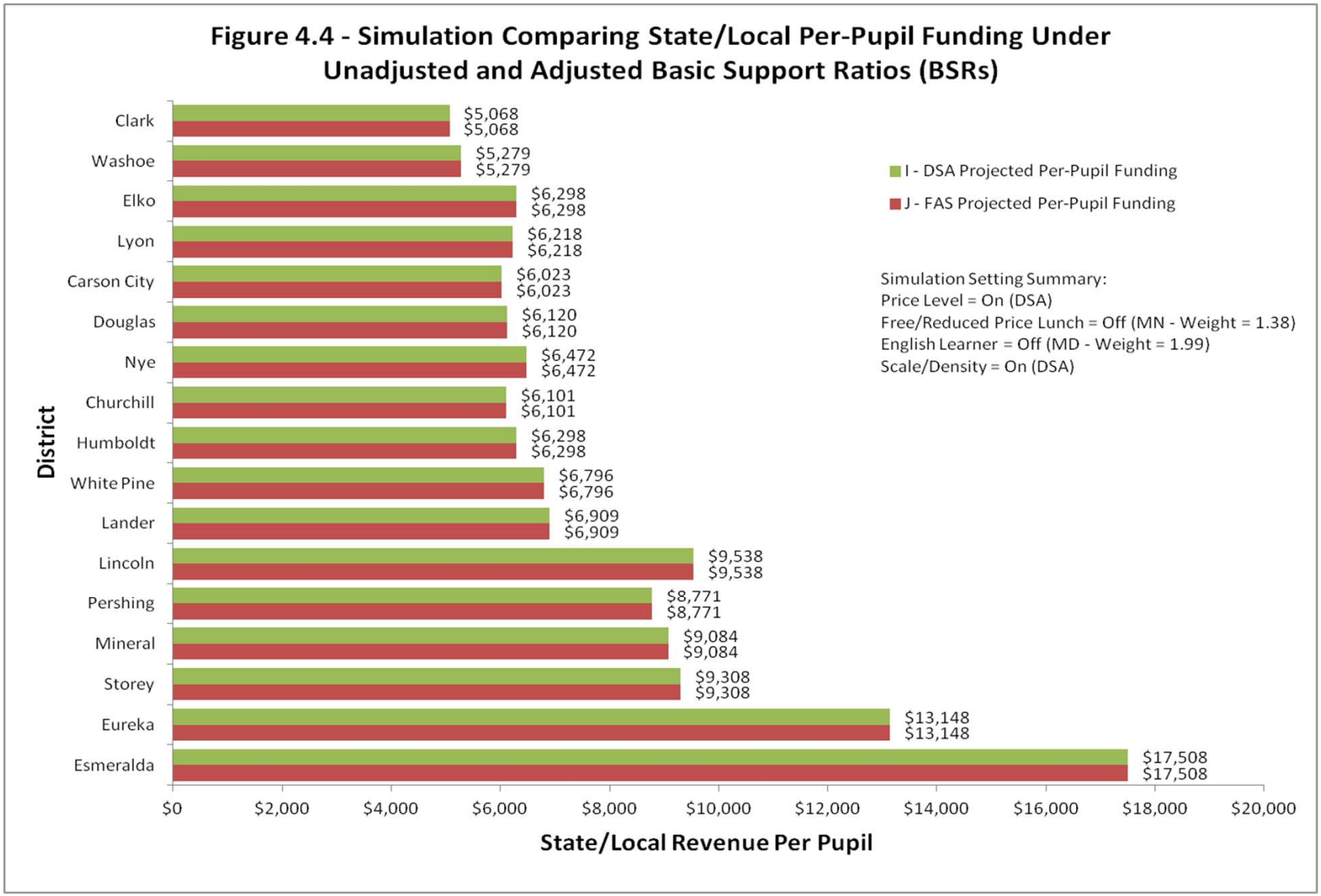
Simulation Setting Summary: Price Level = On (DSA) Free/Reduced Price Lunch = Off (MN - Weight = 1.38) English Learner = Off (MD - Weight = 1.99) Scale/Density = On (DSA)	Price Level	Free/Reduced Price Lunch	English Learner	Scale/ Density
Toggle (On/Off)	On	Off	Off	On
Select Adjustment Type from Pull-Down Menu	DSA	MN	MD	DSA

Toggle pull-down menus used to apply adjustments.

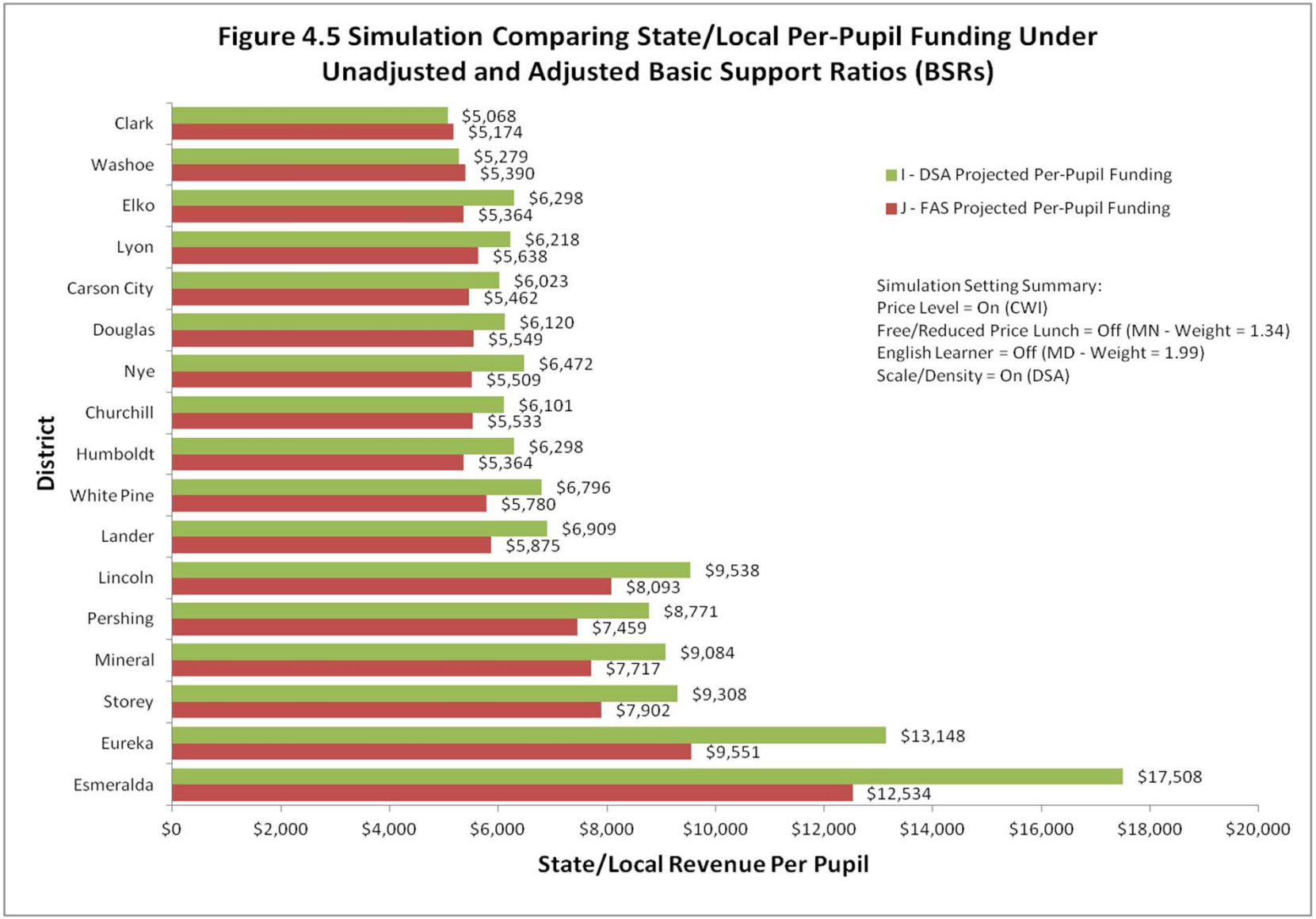
Adjustment type pull-down menus used to select different adjustments.

		Basic Support Ratio (BSR) Adjustments								
District	A - Original BSR	B - Price Level	C - Free/ Reduced Price Lunch	D - English Learner	E - Scale/ Density	F - Raw Adjusted BSR (B x C x D x E)	G - Pupil-Weighted Adjusted BSR	H - Current Foundation Basic Support Per-Pupil	I - DSA Projected Per-Pupil Funding (A x H)	J - FAS Projected Per-Pupil Funding (G x H)
Esmeralda	3.327	1.241	1.000	1.000	2.681	3.327	3.327	$ 5,263	$ 17,508	$ 17,508
Eureka	2.498	1.228	1.000	1.000	2.035	2.498	2.498	$ 5,263	$ 13,148	$ 13,148
Storey	1.768	1.079	1.000	1.000	1.638	1.769	1.768	$ 5,263	$ 9,308	$ 9,308
Mineral	1.726	1.079	1.000	1.000	1.599	1.726	1.726	$ 5,263	$ 9,084	$ 9,084
Pershing	1.667	1.078	1.000	1.000	1.545	1.667	1.667	$ 5,263	$ 8,771	$ 8,771
Lincoln	1.812	1.080	1.000	1.000	1.678	1.812	1.812	$ 5,263	$ 9,538	$ 9,538
Lander	1.313	1.061	1.000	1.000	1.237	1.313	1.313	$ 5,263	$ 6,909	$ 6,909
White Pine	1.291	1.061	1.000	1.000	1.217	1.291	1.291	$ 5,263	$ 6,796	$ 6,796
Humboldt	1.197	1.061	1.000	1.000	1.128	1.197	1.197	$ 5,263	$ 6,298	$ 6,298
Churchill	1.159	1.038	1.000	1.000	1.117	1.159	1.159	$ 5,263	$ 6,101	$ 6,101
Nye	1.230	1.061	1.000	1.000	1.159	1.230	1.230	$ 5,263	$ 6,472	$ 6,472
Douglas	1.163	1.038	1.000	1.000	1.120	1.163	1.163	$ 5,263	$ 6,120	$ 6,120
Carson City	1.144	1.038	1.000	1.000	1.102	1.144	1.144	$ 5,263	$ 6,023	$ 6,023
Lyon	1.181	1.038	1.000	1.000	1.138	1.182	1.181	$ 5,263	$ 6,218	$ 6,218
Elko	1.197	1.060	1.000	1.000	1.128	1.197	1.197	$ 5,263	$ 6,298	$ 6,298
Washoe	1.003	0.992	1.000	1.000	1.012	1.003	1.003	$ 5,263	$ 5,279	$ 5,279
Clark	0.963	0.992	1.000	1.000	0.971	0.963	0.963	$ 5,263	$ 5,068	$ 5,068

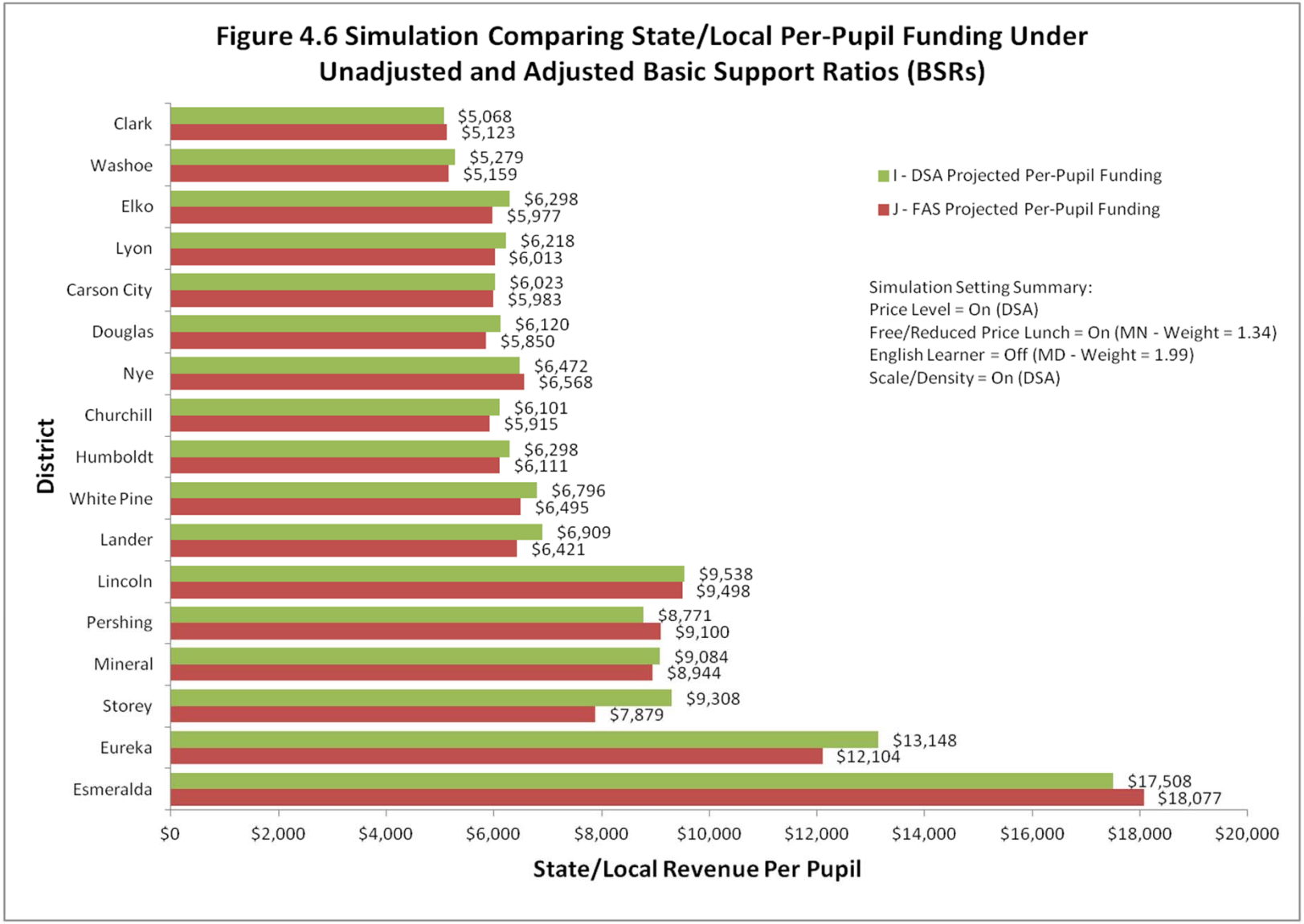
Objective 4 – Nevada Funding Adjustment Simulator (FAS)



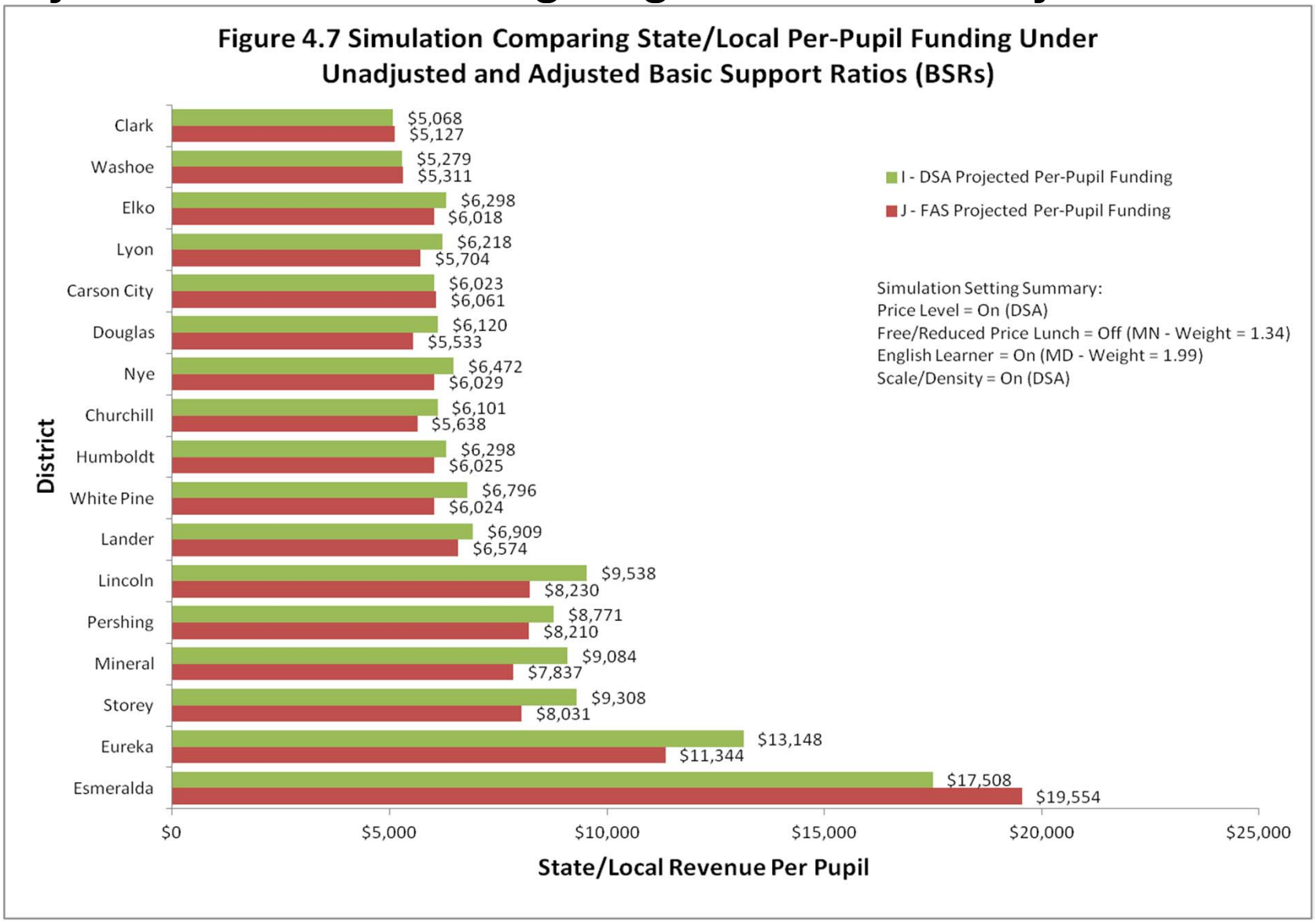
Objective 4 – Simulating CWI Staffing Price Adjustment



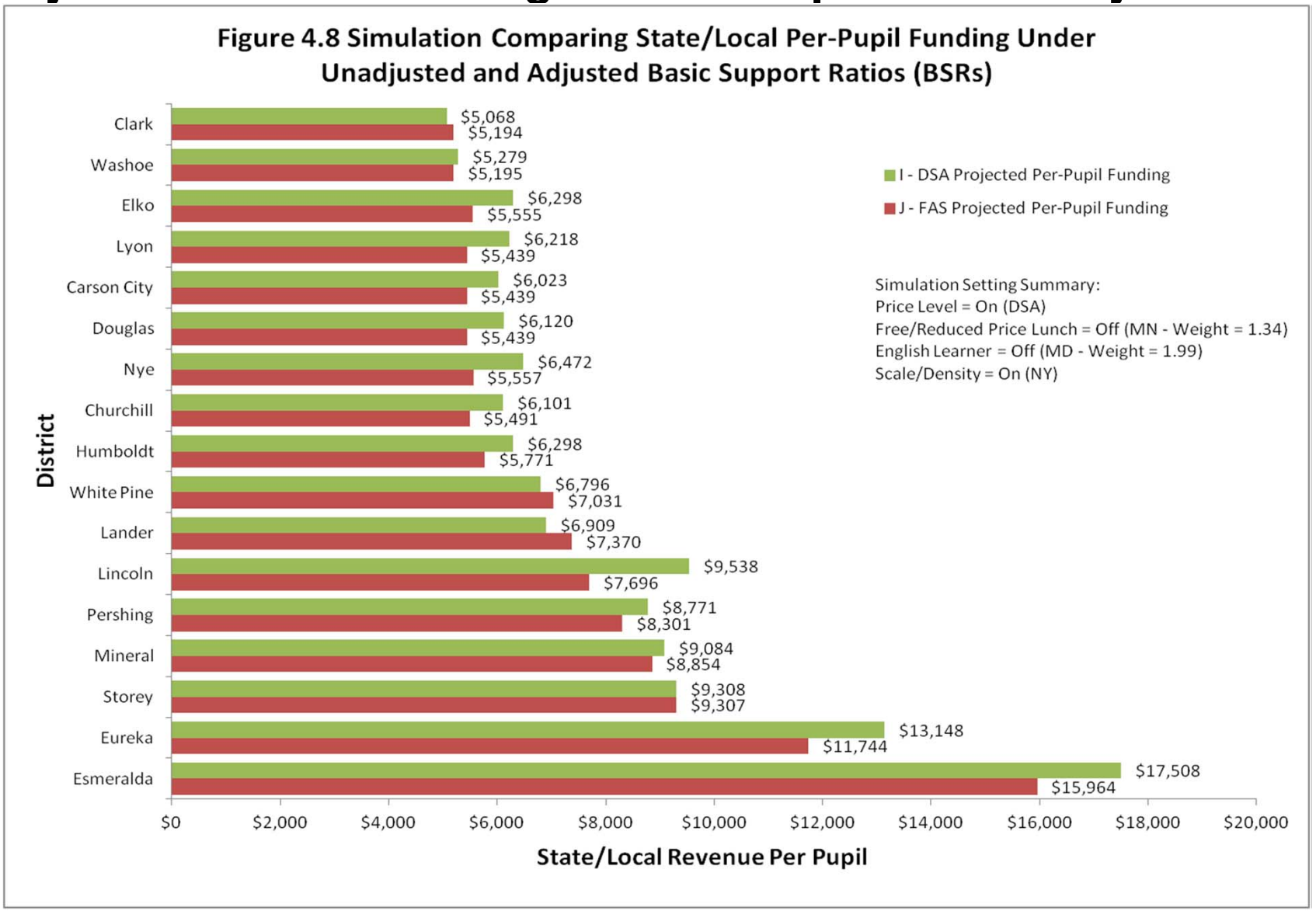
Objective 4 – Simulating Low-Income/At-Risk Adjustment



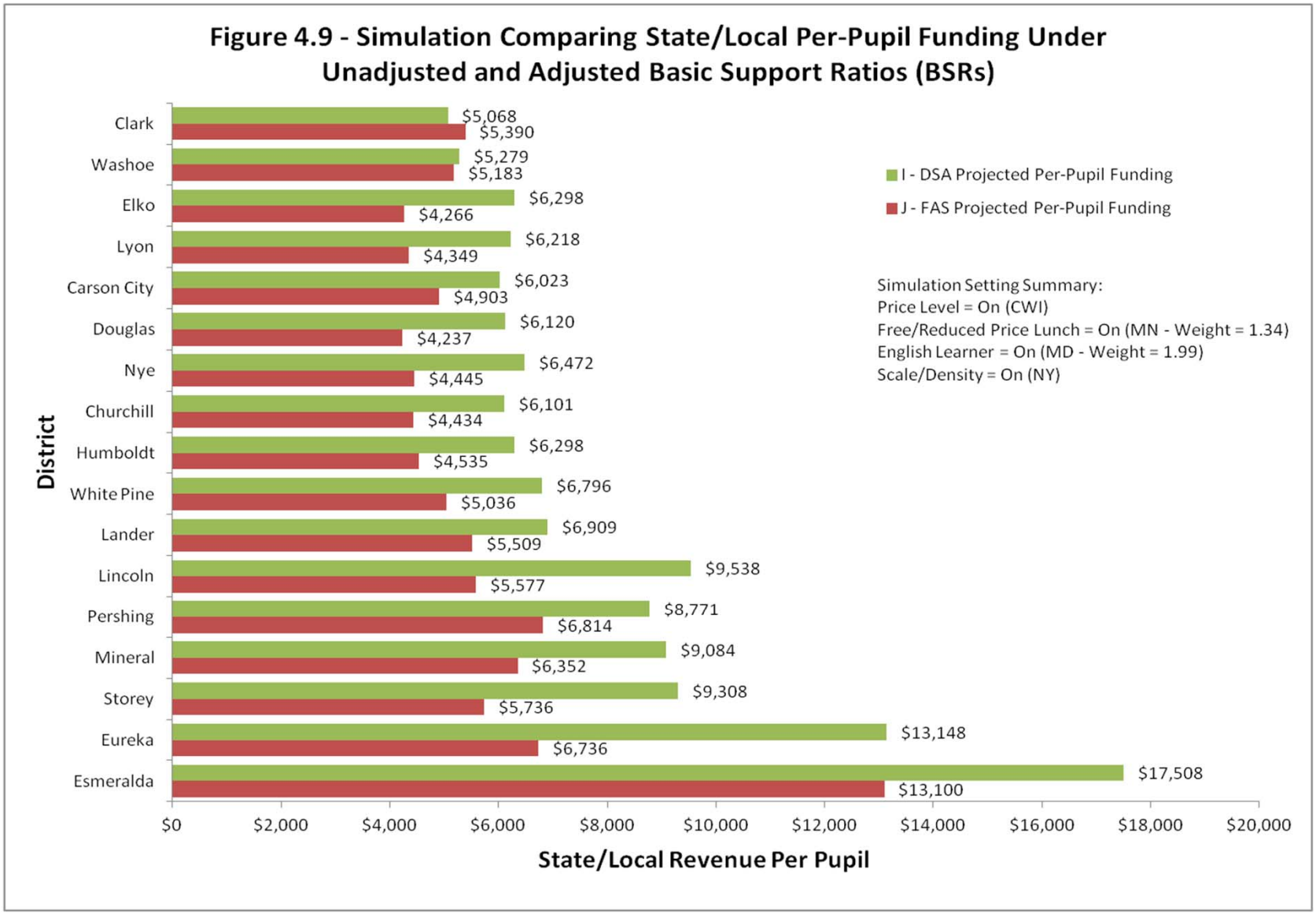
Objective 4 – Simulating English Learner Adjustment



Objective 4 – Simulating Scale of Operations Adjustment



Objective 4 – Simulating Multiple Adjustments



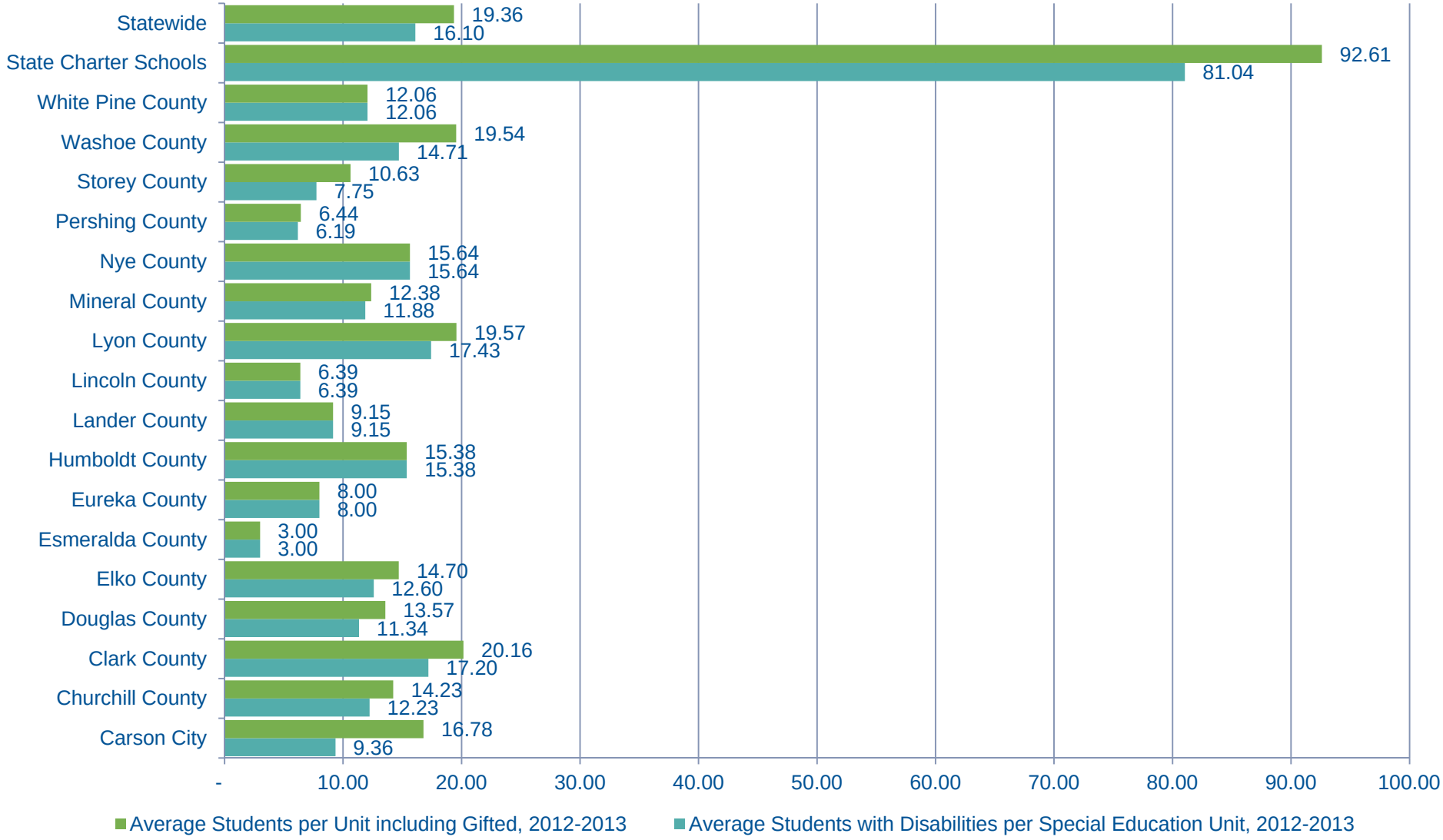
Component 4 – Special Education: An Overview

- Brief review of the current system
- Outline alternative approaches
  - A flat grant
  - Two alternative pupil-weighted options
    - Based on district counts of students
    - Based on grouped ID and classification rates
  - Census-based model with catastrophic aid
- Assessment of sufficiency

Component 4 – Current Special Education Funding

- How it works
  - Each district is assigned a number of units –
    - ❑ Historically determined plus growth units to satisfy Maintenance of Effort
    - ❑ Unit value based on a salary/compensation figure ($39,768)
- System is not well documented and inequitable
  - Unit allocation procedures are illusive
  - Not clear what the unit value is based on
  - Appears to be an out-dated compensation or salary figure.
  - The number of students per unit varied widely across districts

Component 4 – Pupils Per Unit Vary Widely Across Districts



Component 4 – A Flat Grant Per Pupil Is A Simple Approach To Improving Equity

- A flat grant = total dollars/total statewide enrollment
- District allocations = flat grant x district special education enrollment
  - Flat grant for FY2013 = $2,470 per pupil
- Features of the model:
  - It improves ***horizontal equity*** – each student generates the same resources
  - It has implications for ***vertical equity***
    - It does not differentiate allocations according to the costs of services for various types of special education students.
  - It creates incentives to identify more children

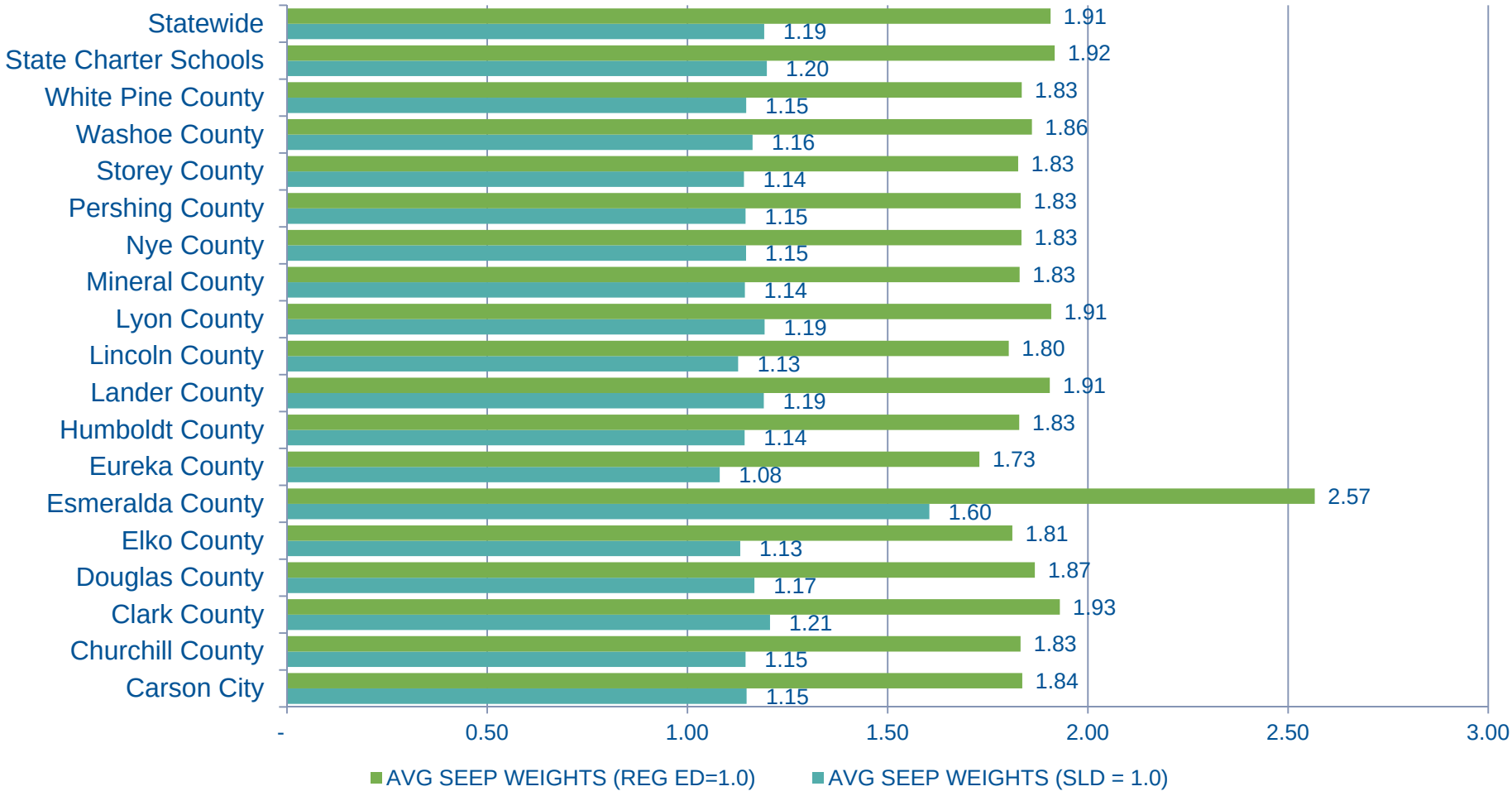
Component 4 – Using Pupil Weights by Disability Category Improves Vertical Equity

- **Each disability is assigned a weight**
  - Weights derived from a National Study (SEEP)
  - Weights reflect estimated differential costs
  - Average district weights are based on district by district counts of students served.
- **Features of the model**
  - Disability weights recognize differential service costs
  - Creates incentives…
    - To identify more children overall and
    - To classify them in high cost categories
  - There are no readily accessible sources for gifted costs

Component 4 – SEEP Weights by Disability

Comparison of Regular Education=1 vs. Specific Learning Disabled=1 (excluding gifted)

Average weights are similar across districts except Esmeralda.



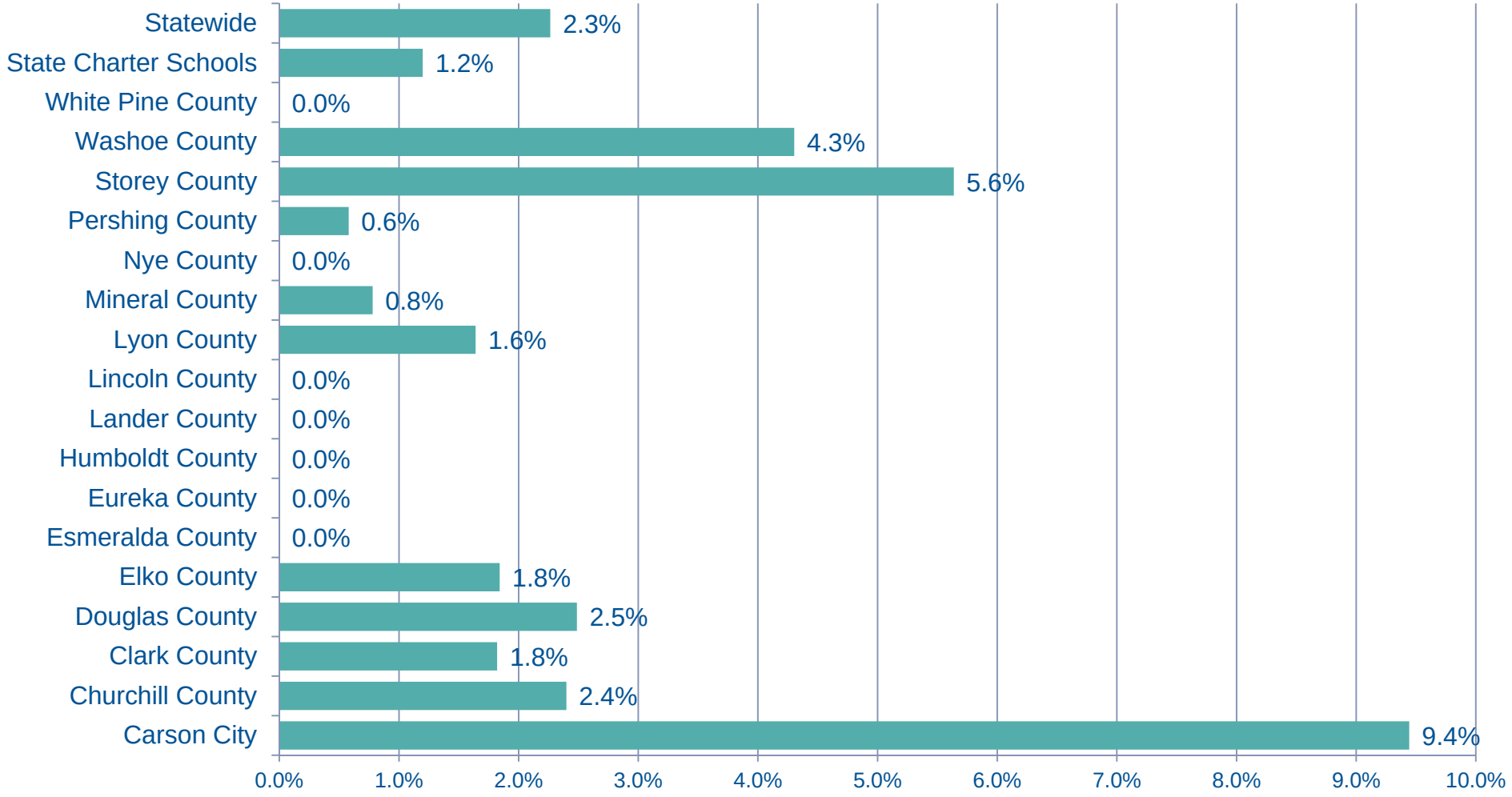
Component 4 – Pupil-Weighted Group Average

Grouping improves equity, but reduces district incentives for over identification or classification of students.

- **Each disability is assigned a weight**
  - Weights derived from a National Study (SEEP)
  - Weights reflect estimated differential costs
  - Average district weights are based on group average identification and classification rates of students served.
- **Features of the model**
  - Disability weights recognize differential service costs
  - Incentives for ID and classification still exist but are reduced by grouping.

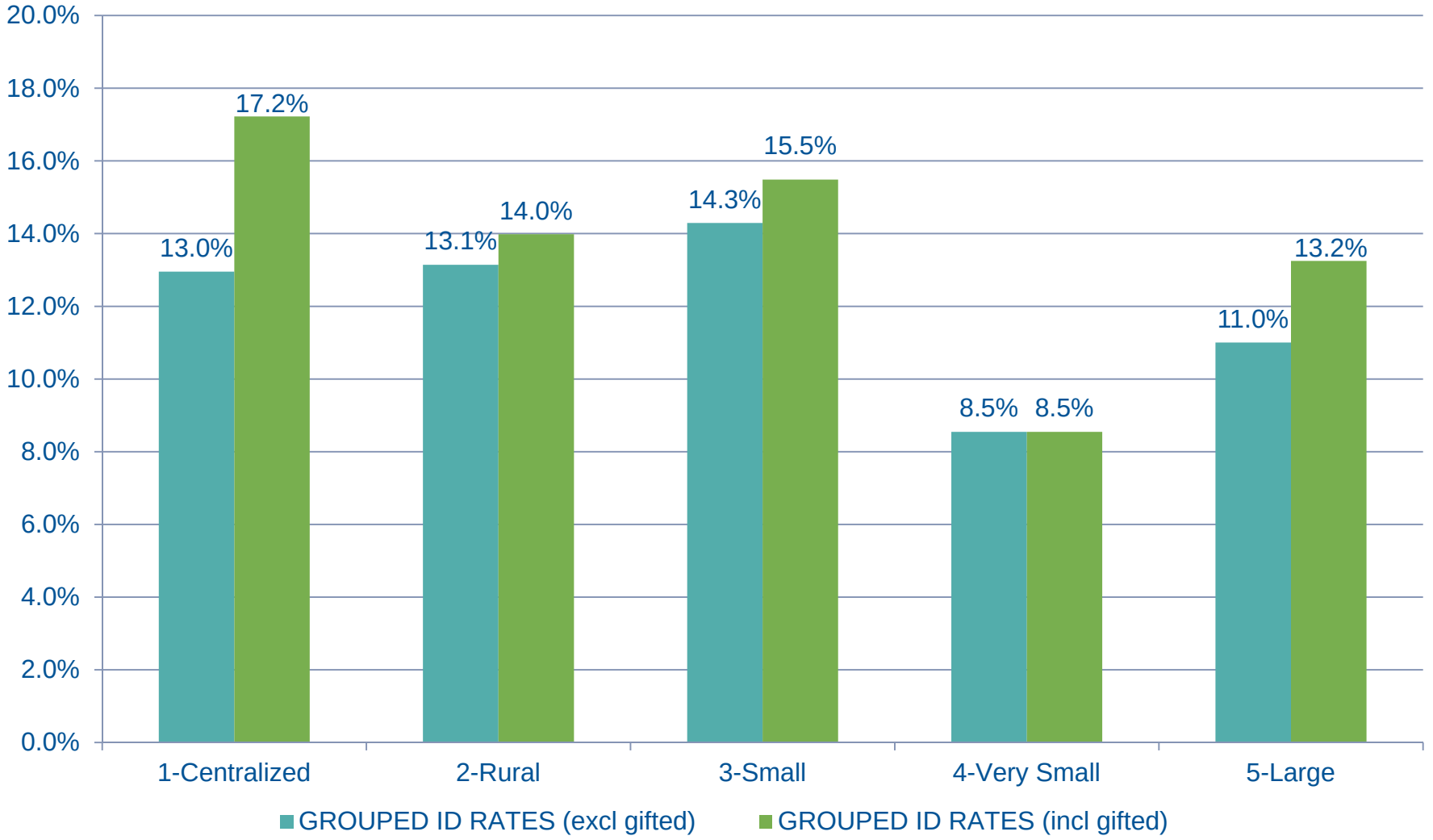
Component 4 – Accounting for Gifted Pupils

Gifted Identification varies widely. Carson highest at 9.4%, followed by Storey at 5.6%. Seven of 17 counties identify no students as gifted.



Component 4 – Grouped ID Rates

Comparison of Grouped Weights (with and without gifted students)

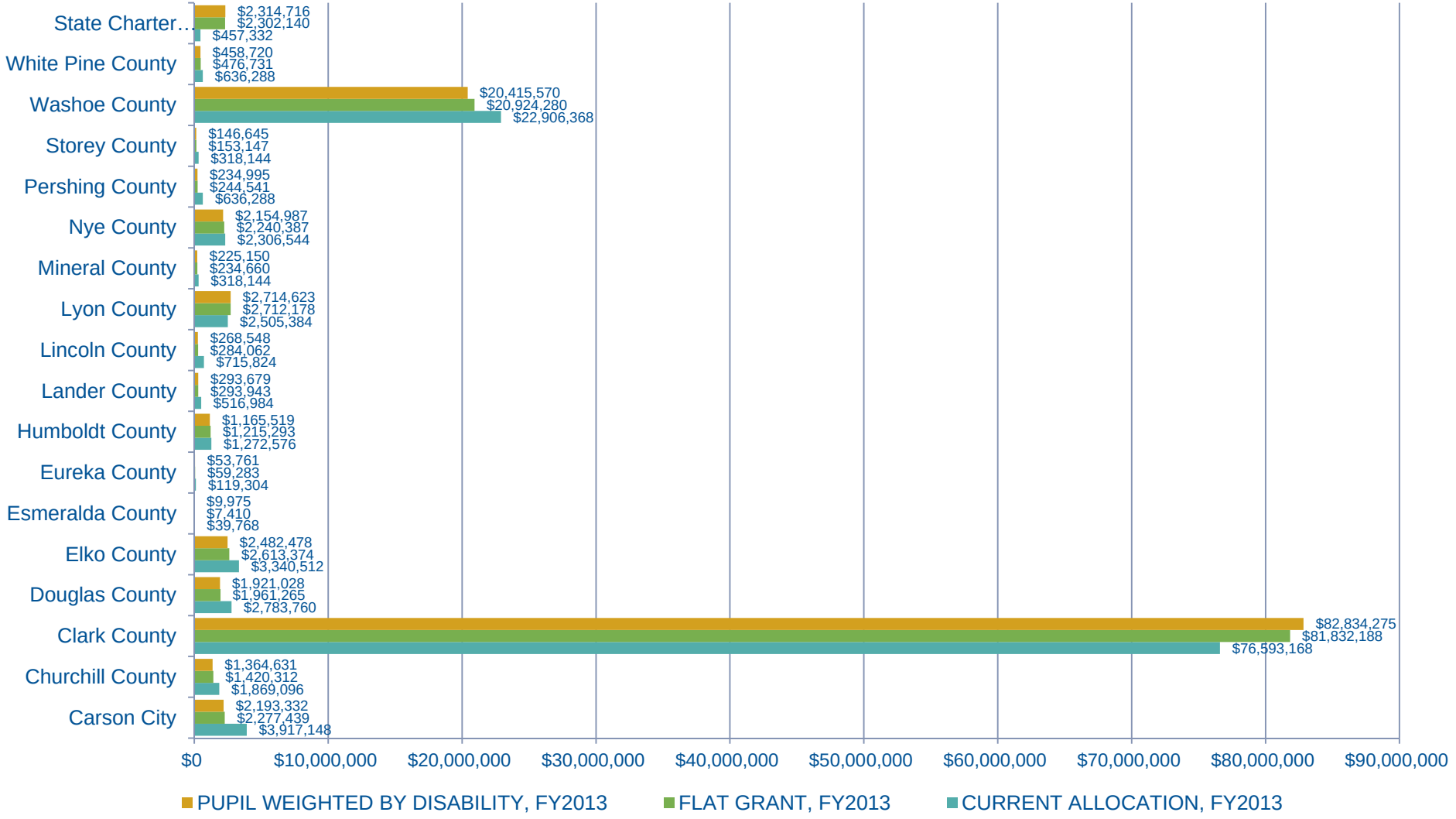


Component 4 – Census-Based Funding

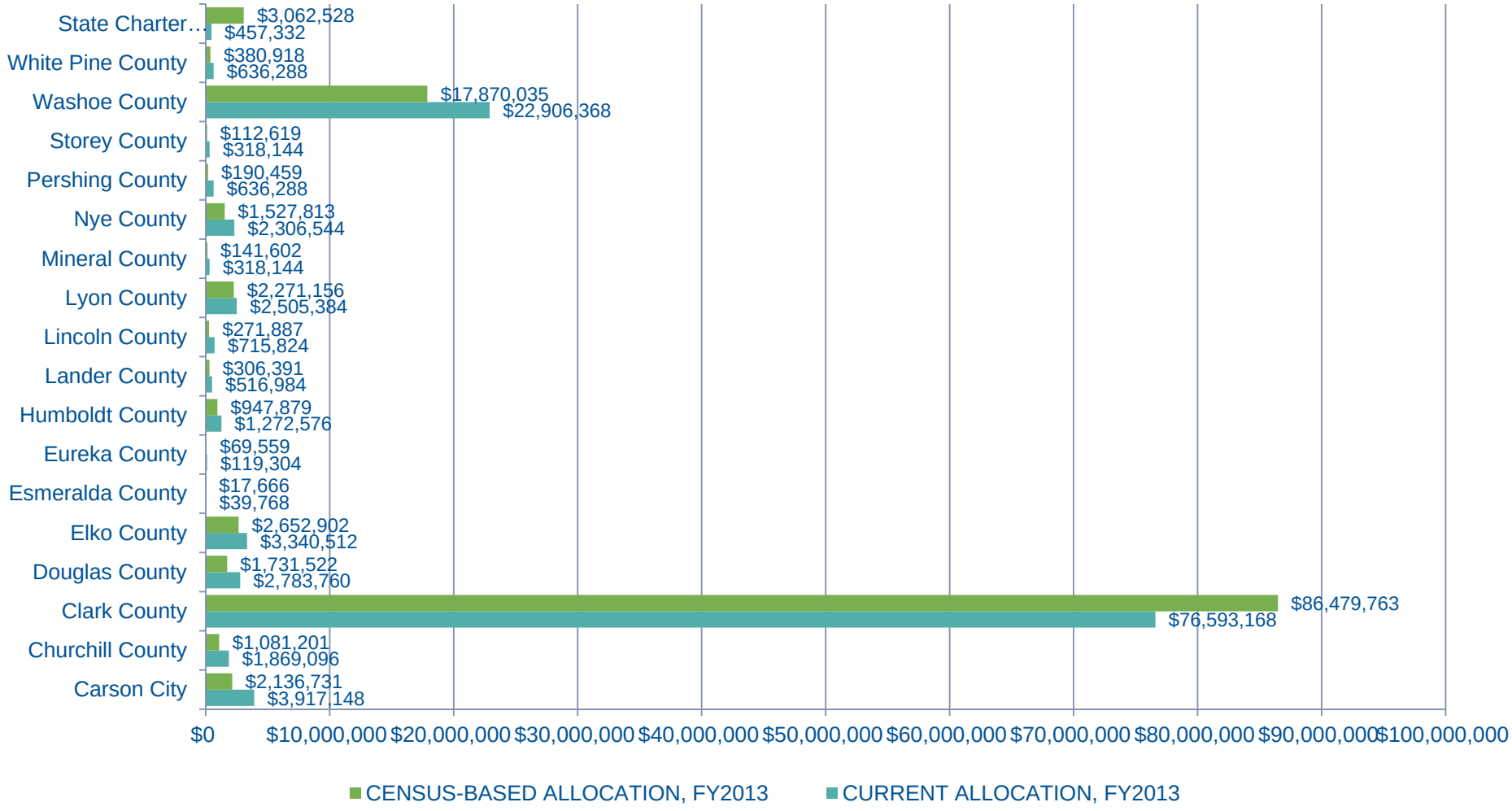
A Census-Based approach reduces incentives for identification and encourages more flexible use of funds.

- Census based model distributes funds based on total enrollment
  - Federal funds are partially distributed using a census based approach
  - It is also adjusted for poverty differences
- Often accompanied with catastrophic aid fund for high-cost students
- Features of the approach
  - Eliminates incentives for increased identification or classification
  - Provides flexibility in the use of funds
  - Creates incentives for use of RTI and pre-referral strategies
  - Contingency funds distributed on a case by case basis and reviewed by a state panel.

Component 4 – Only Clark, Lyon and State Charters gain revenues from the flat grant and pupil-weighted models.

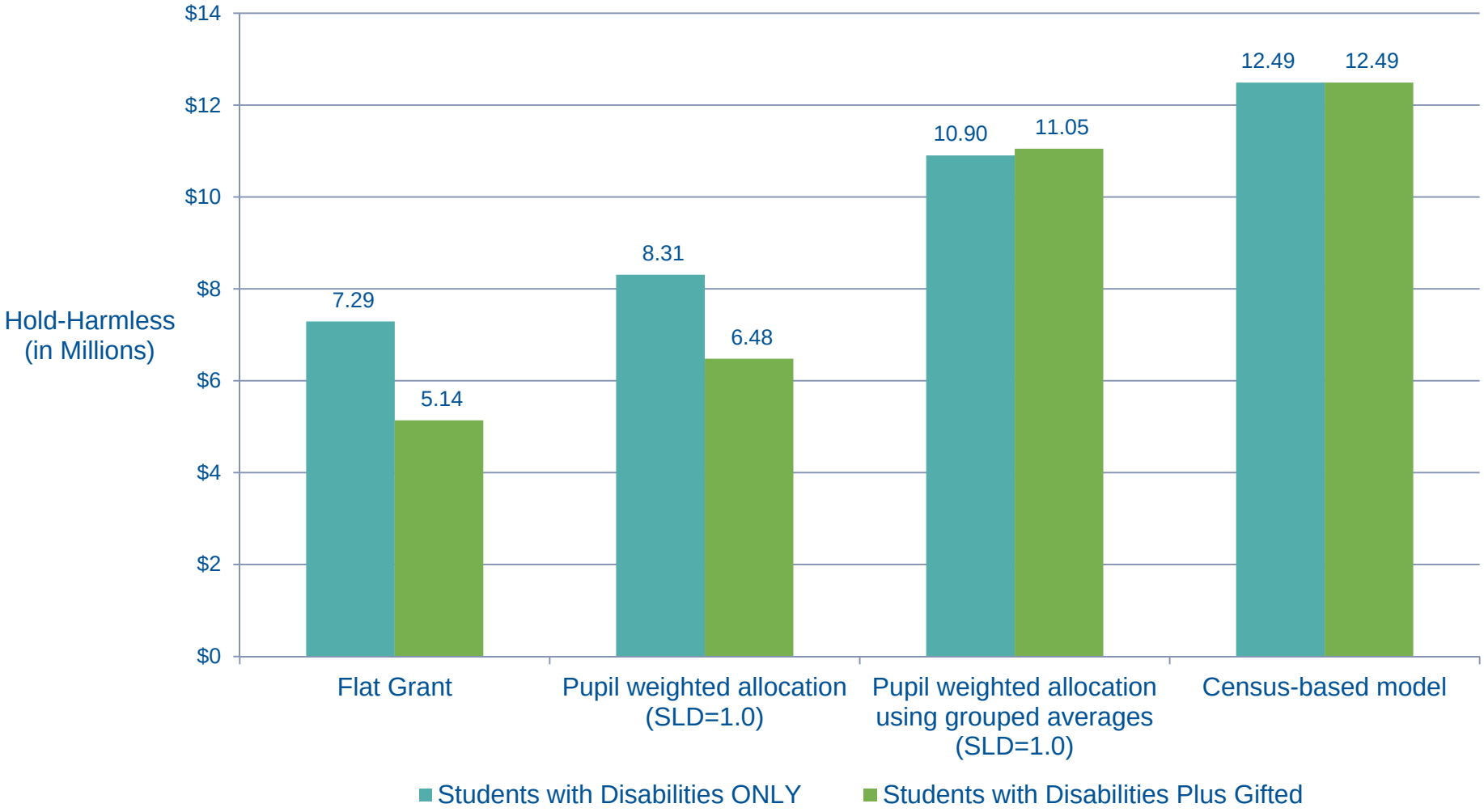


Component 4 – Only Clark and State Charters gain revenues from the Census-based over the current allocation.



Component 4 – Hold Harmless Comparison

Hold harmless investment is largest for Census and smallest for Flat Grant. Census model unaffected by including gifted students.

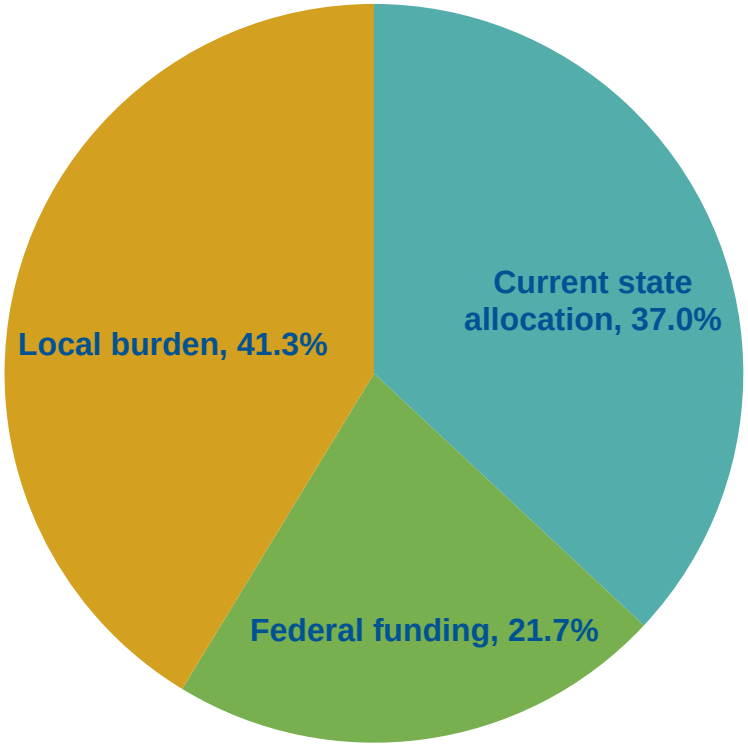


Component 4 – Estimated Local Burden of Special Education

	As a percent of total education budgets	As a percent of incremental costs of special education (total = 9.2%)	Estimated Amounts
Current state allocation	3.4%	37.0%	$121.3
Federal funding	2.0%	21.7%	$ 71.3
Local burden	3.8%	41.3%	$135.5
Incremental cost of special education	9.2%	100.0%	$328.1

Component 4 – Estimated Local Burden of Special Education

As a percent of incremental costs of special education (total = 9.2%)



Recommendations to Improve Funding Equity in DSA

- Modify DSA Adjustments for Scale/Density and Geographic Differences in Staffing Prices to Ensure Equity across Districts.
  - Recommendation 1 – Review and Revise the Teacher Allotment Tables and Attendance Areas
  - Recommendation 2 – Update the FTE Staffing and Expenditure Data Used in DSA Calculations
  - Recommendation 3 – Replace the Implicit Wage Differential Adjustment in the DSA with a More Objective Measure of Geographic Labor Cost Variation Such As the Comparable Wage Index (CWI)
  - Recommendation 4 – Reconsider the Way the DSA Groups Districts for Calculations
  - Recommendation 5 – Embed the Pupil-Weighted Adjustments for Low Income and EL Students As Well As Scale/Density into the DSA through the BSR
- Recommendation 6 – Review How Categorical Funding Might Be Used More Flexibly.

Recommendations to Improve Special Education Funding

- Recommendation 7 – Document the Current Approach to Funding Special Education
- Recommendation 8 – Consider One of the Four Special Education Funding Options
- Recommendation 9 – Separate Funding for Gifted Students
- Recommendation 10 –Study Census-Based Funding
- Recommendation 11 – Integration of Special Education into the DSA
- Recommendation 12 – Funding Sufficiency

Study Team Contacts

- Dr. Jay Chambers – jchambers@air.org
- Prof. Deborah Verstegen – dav3e@sbcglobal.net
- Dr. Jesse Levin – jlevin@air.org
- Prof. Teresa Jordan – teresa.jordan@unlv.edu
- Prof. Bruce Baker – bruce.baker@gse.rutgers.edu