




## **MEMORANDUM**

**TO:** The Honorable JB Pritzker, Governor  
The Honorable Jim Durkin, House Minority Leader  
The Honorable Don Harmon, Senate President  
The Honorable Dan McConchie, Senate Minority Leader  
The Honorable Emanuel "Chris" Welch, Speaker of the House

**FROM:** Dr. Carmen I. Ayala   
State Superintendent of Education

**DATE:** November 29, 2021

**SUBJECT:** Public Act 102-0150 High-Cost Special Education Funding Commission

The Illinois State Board of Education respectfully submits this report on behalf of the High-Cost Special Education Funding Commission to the Governor and General Assembly to fulfill the requirements of 105 ILCS 5/14-17.

For additional information, please contact Executive Director of Legislative Affairs Amanda Elliott at (217) 782-6510 or [aelliott@isbe.net](mailto:aelliott@isbe.net).

**cc:** Secretary of the Senate  
Clerk of the House  
Legislative Research Unit  
State Government Report Center

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## EXECUTIVE SUMMARY

Public Act 102-0150 called for the creation of a High-Cost Special Education Funding Commission. The charge of the commission was to develop and present a recommendation to the Governor and the General Assembly for an alternative funding structure in Illinois for high-cost special education students that is aligned to the principles of Evidence-Based Funding (EBF). EBF provides a means through which school districts furthest away from adequate funding receive the greatest amount of funding. To meet the charge, the commission considered the following in multiple ways:

1. The current system of funding of high-cost special education students in this state,
2. The needs of high-cost special education students in this state and the associated costs to ensure high-quality services are provided to these students,
3. How other states fund special education, and
4. If available, other proposals and best practices for funding high-cost special education students.

The High-Cost Special Education Funding Commission met nine times during the summer and fall of 2021. The first meetings provided an overview of special education funding in Illinois and nationally as well as specific information on public and private facilities in Illinois. During these meetings, commission members identified core values upon which a recommendation would be developed.

Differences in reimbursement received by districts were evident when multipliers of two times per capita and three times per capita were applied to tier designation, local capacity percentage, and percentage of adequacy. In particular, modeling displayed the impact of shifting available funding from Tier III and Tier IV districts to Tier I and Tier II districts. Based upon available data, the recommendation of the High-Cost Special Education Funding Commission is:

$$[Ed\ Cost - (2x\ Per\ Cap)] \times (\% \text{ for Tier Designation}) = Reimbursement$$

*Tier I and Tier II districts should receive a greater share of the available dollars than Tier III and Tier IV districts.*

Other values that emerged as the recommendation was developed include ensuring placements based upon student need -- regardless of placement type -- and that districts with fewer local resources receive a larger portion of available dollars. The identification of a recommendation also resulted in additional observations (e.g., the utilization of the two times per capita tuition rate threshold does not result in equalized payments, unequal reimbursement rates based upon placement, unequal access to placements, and a need for the same cost accounting rules for public and private facilities, among others) and a request for additional data, such as public placement cost data, in order to move toward the identification of an "exhaustive actual cost" for high-cost special education students.

The concurrent recommendation of a funding formula of  $[(2x \text{ Per Cap}) \times (\% \text{ for Tier Designation})]$  to calculate the amount of reimbursement coupled with an explicit recognition of the necessity that a greater share of funding go to Tier I and Tier II districts meets the statutory charge for this commission.

## High-Cost Special Education Funding Commission<sup>1</sup>

The question of funding high-cost special education placements in Illinois was first considered in the late current special education funding needs and to make recommendations as to how the state can force, like its predecessor study group, identified priorities and considered various approaches to funding and different allocation models.<sup>2</sup>

The charge of the 2021 High-Cost Special Education Funding Commission<sup>3</sup> was to develop an alternative approach to funding high-cost special education students in Illinois<sup>4</sup> that is aligned to the principles of EBF. Generally, EBF is a “mechanism” through which a school district’s local resources are calculated and considered in relationship to an amount necessary to meet the actual cost of educating children attending schools within the district.<sup>5</sup> A foundational tenet of EBF -- that those districts furthest away from adequacy receive the greatest amount of available dollars -- was an important value shared by this commission and those who have worked on this issue previously. The enactment of EBF, particularly the “percentage of adequacy” variable, provided the commission with an easily understood way to measure what this meant in practice. However, key data on the cost of serving students who remain in a district<sup>6</sup> was neither available nor considered by this commission.

In order to meet the charge, the commission considered the following in multiple ways:

1. The current system of funding of high-cost special education students in this state,
2. The needs of high-cost special education students in this state and the associated costs to ensure high-quality services are provided to these students,
3. How other states fund special education, and
4. If available, other proposals and best practices for funding high-cost special education students.

The work of this commission represents a “third generation look” at the complex question of how to fund high-cost special education placements, using the same general approach as was taken by previous iterations. The group identified values and modeled data that could assist in providing different possibilities as it moved toward a recommendation. The questions identified by commission members and the responses that resulted in further consideration were essential to this approach. The path to the development of the current recommendation is shared next.

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<sup>1</sup> All meeting materials are available at <https://www.isbe.net/highcostspedfunding>.

<sup>2</sup> Please see Appendix A for the report developed from the 2008 group and, in particular, Appendix D of that document for the report from the 1998 workgroup.

<sup>3</sup> For the full language of the enacting legislation, please see Appendix B.

<sup>4</sup> For a membership list, meeting dates, and meeting minutes for the High-Cost Special Education Funding Commission, see Appendix C.

<sup>5</sup> Additional information and resources on EBF may be accessed [here](#).

<sup>6</sup> As opposed to being placed in a separate special education facility, be it public or private.

## Current State of Affairs in Illinois (State and Federal)

The High-Cost Special Education Funding Commission met nine times, beginning on August 10, 2021. The centerpiece of the first meeting was a presentation that provided an overview of special education in Illinois and federally.<sup>7</sup> The commission, like its predecessors, sought to ensure common understanding of the requirements and means through which state supports for special education costs move from the Illinois State Board of Education to school districts to “set a stage” upon which suggestions and concerns could be placed. Four broad distinctions, in particular, were relevant:

1. The *process* through which school district receives state support – In addition to the EBF for special education, there are three programs mandated by statute for identified special education reimbursements -- Special Education Private Tuition, Special Education Transportation,<sup>8</sup> and Special Education Orphanage (Impact Aid). Please note that since the enactment of EBF in fiscal year 2018, an additional \$215.8 million was added for use in special education.
2. The *location* in which services are delivered – Students receiving high-cost services do so in both/either public or private settings.
3. The *formula* through which reimbursement is calculated for school districts – Public school district placements are reimbursed at four times over the per capita tuition rate when federal funds are available. Private placements school districts receive two times over the per capita tuition rate.
4. The *difference* in how costs are determined – There is a difference in how costs are determined for private facility tuition rates and how costs are determined in school district programs.<sup>9</sup>

A second meeting occurred on August 24, 2021, wherein the landscapes of the public facilities<sup>10</sup> and private facilities<sup>11</sup> as well as a national perspective<sup>12</sup> were shared. These presentations afforded commission members representing both public<sup>13</sup> and private facilities<sup>14</sup> the opportunity to share nuance of their work as well as -- and possibly more importantly -- the values that ground them. The presentation on the national landscape also provided a model that identified the factors all states must consider when funding special education, generally, and high-cost placements, in particular.<sup>15</sup> These

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<sup>7</sup> To see the entire presentation, please see Appendix D.

<sup>8</sup> Potentially of interest, a recommendation from the 1998 commission identified that transportation and personnel costs would not be impacted by changes should the recommendation be implemented.

<sup>9</sup> In particular, see slides 16-42 in Appendix D and, in particular, slide 42.

<sup>10</sup> For the presentation on public facilities, please see Appendix E.

<sup>11</sup> For the presentation on private facilities, please see Appendix F.

<sup>12</sup> For the presentation on national perspective, please see Appendix G.

<sup>13</sup> For instance, commission members representing public facilities identified that special education students should be educated in the least restrictive environment, that funds should be focused on specific populations, and that the current reimbursement model is not equitable, among other ideas.

<sup>14</sup> For instance, commission members representing private facilities emphasized the “typical” student population they serve, differences in oversight, and that private placements are more restrictive, among other ideas.

<sup>15</sup> The model considers the intersections of allocation amount, distribution method, expected/allowable expenditures coupled with accountability and requirements for and values beneath approached to federal and state governance.

different approaches to allocation, distribution, and weighting were examined through state-specific examples. This information later was presented in a comparative frame. From this, commission members identified questions to add detail to the emergent landscape.

## Data Requests

Conversations at the September 7, 2021, meeting pertained to the data requests shared at previous meetings. These included placement data disaggregated by race, longitudinal data on placements in public and private facilities (e.g., numbers of students, geographic distribution of students, by county, length of stay), and movement from a more to a less restrictive environment. Data was also shared on public and private placement considering EBF tier.<sup>16</sup> As a first way of identifying common values, members were asked their opinions on:<sup>17</sup>

1. Priorities for a district funding system for high-cost students.
2. Other considerations when developing a district funding recommendation for high-cost students.

In regard to the first topic, commission members rank-ordered the following:

- Student needs are funded (not placement type),
- Districts with fewer available resources receive more of the available dollars,
- Finding a way for all districts to access the full range of options based upon student need,
- All pots of money are capped/prorated the same,
- Service type by minutes received are funded, and
- Other funding proposals.

In regard to the second topic, members identified considerations, such as the difficulty of accessing services for students in private facilities who reside in rural areas,<sup>18</sup> prioritizing moving students from more to less restrictive environments, studying a “hold harmless” provision, considering the realities of running a program in terms of impact of any change to the current formulas, and the like. Other themes generated from the data and discussion included impact of proration, unequal access to the limited number of available placements, and the impact of a differentiated funding structure wherein more of the available funding would go to those districts further away from adequacy.

Additional data requests to be considered at subsequent commission meetings were also identified. These included information on all public special education cooperatives and the day schools they operate disaggregated by enrollment from member and non-member districts. Commission members were also asked to collect the priorities for a funding recommendation for their respective organizations

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<sup>16</sup> To see the data requests and results, please see Appendix H.

<sup>17</sup> Feedback was collected via Menti. Menti is an online platform that allows for the anonymous collection of information via surveys, word walls, concept maps, rank ordering, etc. For the results of this Menti, please see Appendix I.

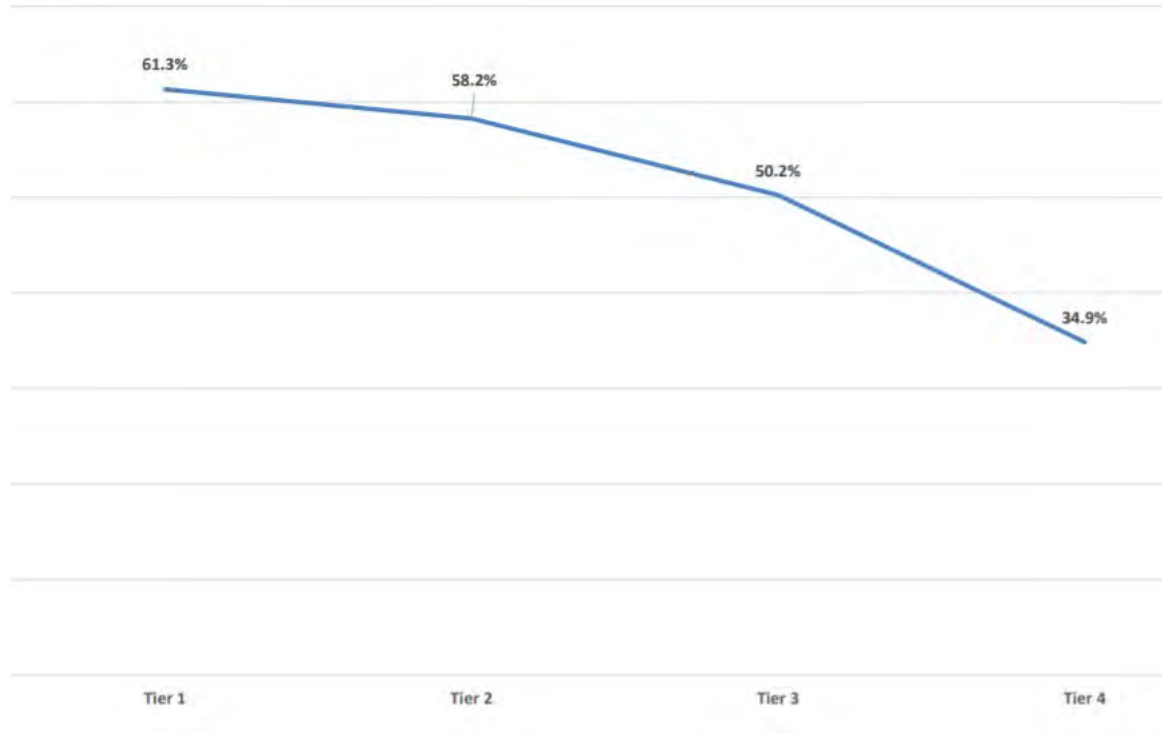
<sup>18</sup> This is an especially acute challenge for districts in southeast Illinois.

for consideration during the subsequent meeting. There was also a request for modeling of a two times per capita tuition charge and the percentage of reimbursement received by EBF tier.

This information served as the centerpiece of the September 21, 2021, commission meeting. The percentage of reimbursement was displayed in three ways to show the grounding principle of EBF<sup>19</sup> as operationalized using data from high-cost special education claims from school districts:<sup>20</sup> The following figures are a complete set of cost data from 2019 that was used to answer a commission member’s question of whether a two times or three times per capita reimbursement provided sufficient differentiation.

1. Tier Designation: 2x Per Capita Tuition Rate (Figure 1)
2. Local Capacity Percentage: 2x Per Capita Tuition Rate (Figure 2)
3. Percentage of Adequacy: 2x Per Capita Tuition Rate (Figure 3)

Figure 1: Tier Designation: 2x Per Capita Tuition Rate



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<sup>19</sup> This principle is most simply stated as: Those districts that possess the fewest local resources to provide an education to its students receive the greatest amount of available of state resources.

<sup>20</sup> To view this PowerPoint presentation in its entirety, please see Appendix J.



Figure 2: Local Capacity Percentage: 2x Per Capita Tuition Rate

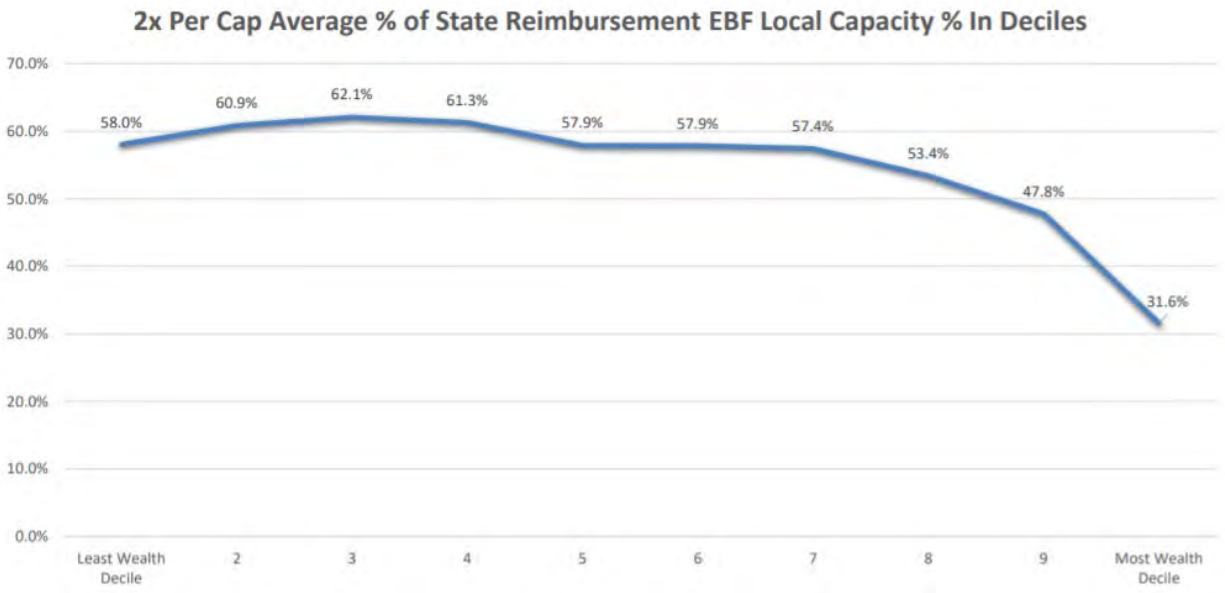
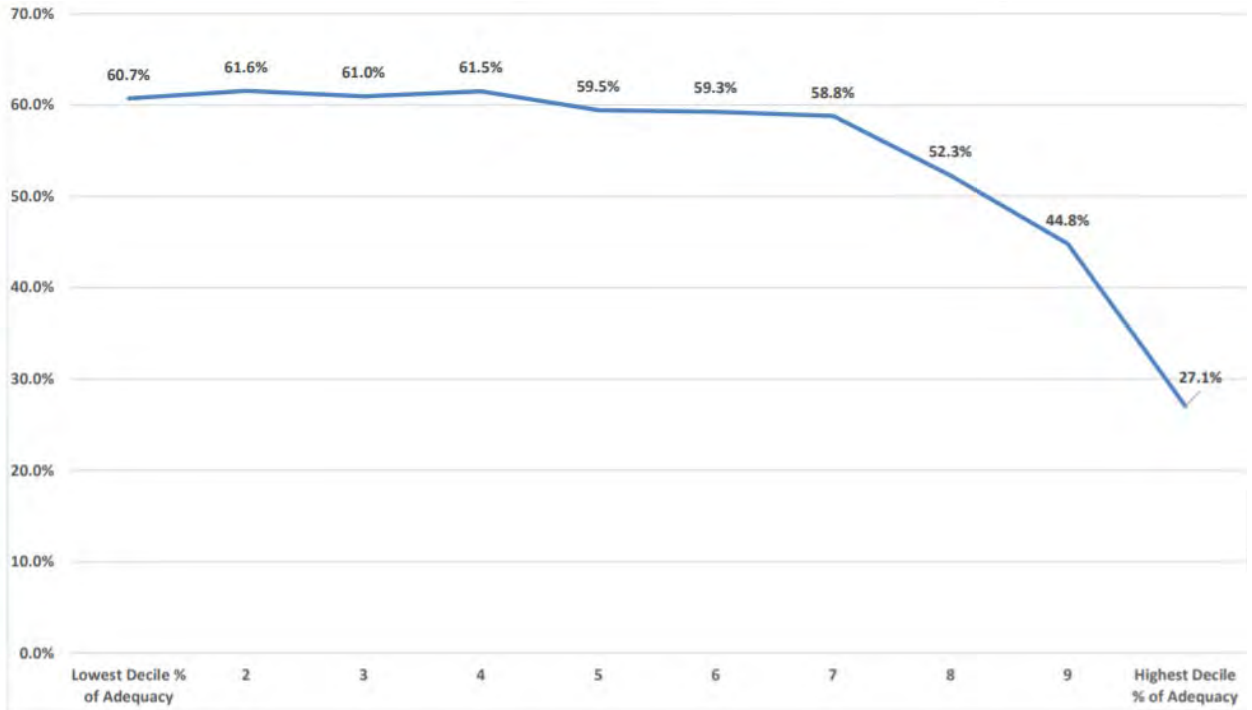


Figure 3: Percentage of Adequacy: 2x Per Capita Tuition Rate



The data used to demonstrate percentage of reimbursement in Figures 1, 2, and 3 was calculated from a full set of known data, based upon an average private facility tuition rate<sup>21</sup> and the FY 2019 per capita tuition rate for all Illinois school districts. This information was used to calculate a reimbursement percentage viewed through the individual EBF data points previously shared. The data show that at a straight two times per capita reimbursement rate, Tier I and Tier II districts are reimbursed at a higher percentage than those districts in Tiers III and IV. So, too, when local capacity percentage for a district is considered, the rate of reimbursement is flat until and within the seventh decile, at which point reimbursement percentage sharply declines. A similar trend line was demonstrated when percentage of district adequacy was used, save the decline in reimbursement percentage begins in the sixth decile. The display dispelled the inaccurate idea that utilization of a two times per capita tuition rate threshold provides equalized payments. Regardless of modeling approach, however, total costs are greater than the available appropriation. This results in proration, the impacts of which are experienced differently based on available local resources.

The display and resultant discussion led to further clarification of the priorities for a funding formula,<sup>22</sup> limitations of the current modeling and requests for modeling that included the same EBF data points (tier, local capacity, adequacy percentage), the addition of public placements, and different multipliers (e.g., two times per capita or three times per capita).<sup>23</sup>

At the October 5, 2021, meeting, six models were presented based upon data from just over 16,000 students in public and private placements. 24 This data, unlike the data presented in Figures 1, 2, and 3, used student average daily enrollment data (Code EE04) for a full-time special education class in a separate public day school that does not house programs for students without disabilities. 25 Note that students identified as code EE04 may not encompass the entirety of the special education students in high-cost placements.<sup>26</sup>

1. Scenario 1 (2x Per Capita Tuition Cost) and Scenario 2 (3x Per Capita Tuition Cost) (Table 1)
2. Local Capacity Percentage – Scenario 3 (2x Per Cap) and Scenario 4 (3 x Per Cap) (Table 2)
3. Tier Designation - Scenario 5 (2x Per Cap) and Scenario 6 (3x Per Cap) (Table 3)

**Table 1: Scenario 1 (2x Per Capita Tuition Cost) and Scenario 2 (3x Per Capita Tuition Cost)**

<b>Claim Cost</b>	<b>Ed Cost - 2x Per Cap</b>	<b>Ed Cost - 3x Per Cap</b>
Students in Private Placement	\$195,247,166	\$110,122,639
Students in Public Placement	\$187,811,876	\$96,220,260
<b>Total Claim Cost</b>	<b>\$383,059,042</b>	<b>\$206,342,899</b>

<sup>21</sup> The average cost is the 65th percentile of the 1.0 education costs of the 2019-20 school year private facility data.

<sup>22</sup> To see the different funding priorities identified, see Appendix K.

<sup>23</sup> To see the results of the Menti where this information was collected, please see Appendix K.

<sup>24</sup> In school year 2019-20, there were 8,236 students in private placements and 7,768 in public placements.

<sup>25</sup> To view the entire presentation, please see Appendix M.

<sup>26</sup> Put differently, it is unknown whether or not Code EE04 includes the entire population of students who incur costs at or above the two times per capita tuition level.

Appropriation Level	\$152,320,000	\$152,320,000
Proration	39.7%	73.8%

Table 2: Local Capacity Percentage – Scenario 3 (2x Per Cap) and Scenario 4 (3 x Per Cap)

Claim Cost	Ed Cost - 2x Per Cap x (1- LCP)	Ed Cost - 3x Per Cap x (1-LCP)
Students in Private Placement	\$106,989,685	\$61,046,135
Students in Public Placement	\$114,907,854	\$61,422,568
Total Claim Cost	\$221,897,539	\$122,468,703
Appropriation Level	\$152,320,000	\$152,320,000
Proration	68.6%	100.0%

Table 3: Tier Designation - Scenario 5 (2x Per Cap)<sup>27</sup> and Scenario 6 (3x Per Cap)<sup>28</sup>

Claim Cost	[Ed Cost - 2x Per Cap] x % Based on Tier Designation	[Ed Cost - 3x Per Cap] x % Based on Tier Designation
Students in Private Placement	\$130,269,660	\$79,061,879
Students in Public Placement	\$130,146,923	\$73,258,709
Total Claim Cost	\$260,416,584	\$152,320,588
Appropriation Level	\$152,320,000	\$152,320,000
Proration	58.4%	99.9%

A request was made for further modeling of Scenarios 5 and 6 and, in particular, an analysis of the percentage of state reimbursement at two times per capita (Figure 4) and three times per capita (Figure 5).

<sup>27</sup> For Scenario 5, the Education Cost minus two times per capita tuition is multiplied by .75 for Tier I and Tier II districts, .5 for Tier III districts, and .25 for Tier IV districts where the product will be multiplied by 58.4%. Put differently, this approach provides a greater percentage of reimbursement to districts that are beneath 90% adequacy.

<sup>28</sup> For Scenario 6, the Education Cost minus two times per capita tuition is multiplied by .79 for Tier I and Tier II districts, .5 for Tier III districts, and .25 for Tier IV districts where the product will be multiplied by 99.9%.

Figure 4: Scenario 5 2x Per Cap Average % of State Reimbursement

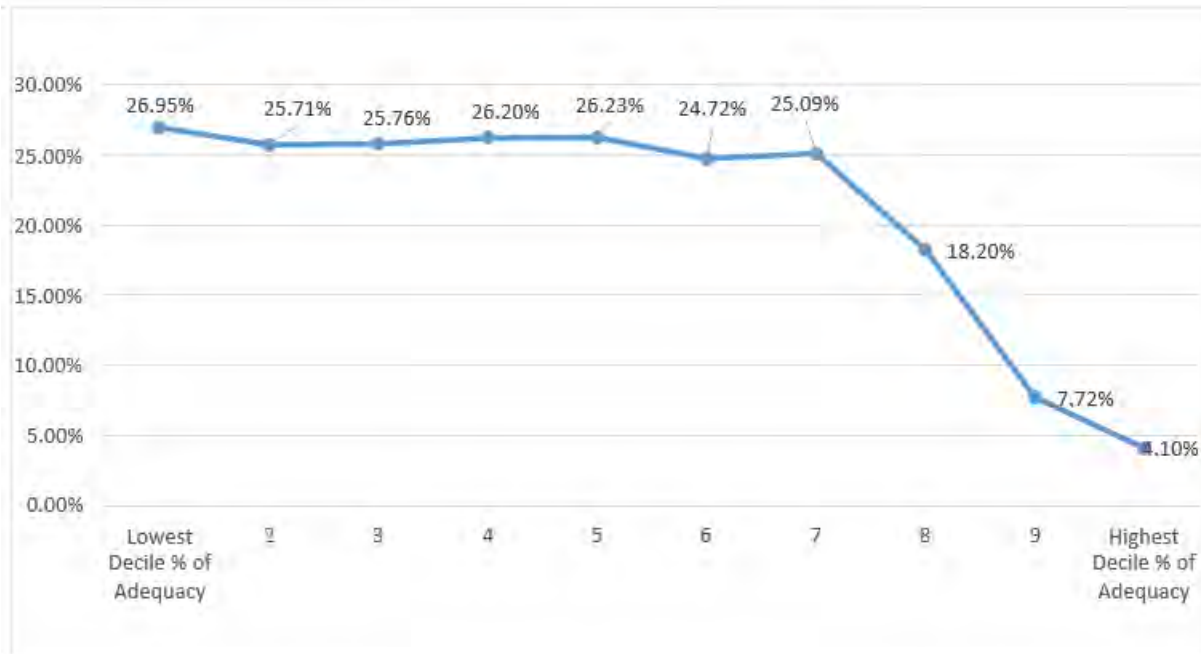


Figure 5: Scenario 6 3x Per Cap Average % of State Reimbursement



It is important to note that all modeling results are based upon assumptions. A challenge of any attempt at modeling data is to show the character of how identified variables intersect without suggesting unwarranted conclusions. For example, a full cost analysis of special education costs in the public sector was not available to the commission. In this case, similar to the previous modeling at the two times per capita tuition rate, the grounding principle of EBF was made manifest through the manipulation of different per capita multipliers and EBF variables. In the discussion of the modeling, some commission

members wondered about the likelihood of folding this funding into EBF, the possibility of creating a new appropriation line for high-cost special education students, whether the amount of the requested appropriation could be increased, and other related considerations. However, as was also emphasized, the charge of the commission was to make a recommendation grounded upon the central principle of EBF that assumes the current appropriation amount, since an increase in appropriation is outside the scope of the commission's charge. The modeling demonstrated multiple views of how to shift the current appropriation from Tier III and Tier IV districts, with Tier I and Tier II districts receiving the greatest portion of the available dollars. Doing so, however, does result in "winners and losers" insofar as shifting dollars with no additional influx of funds to Tier I and Tier II districts means that Tier III and Tier IV districts will receive fewer of the available dollars.

## Recommendation

Based upon available data for modeling and resultant considerations the High-Cost Special Education Funding Commission came to consensus to recommend:

$$[\text{Ed Cost} - (2x \text{ Per Cap})] \times (\% \text{ Proration Rate by Tier Designation}) = \text{Reimbursement}$$

Where reimbursement is scaled so the highest amount goes to Tier I districts.

The recommendation was evaluated to be best aligned to the following values:

- Tier I and Tier II districts should receive a greater share of the available dollars than Tier III and Tier IV districts. Given the current appropriation, proration will occur. Therefore, differentiating the rate of proration is the most effective way to ensure districts with the least resources receive back the largest percentage of their costs.
- Funding should be placement neutral. This value has a twofold meaning. First, the district's rate of reimbursement should be the same regardless of whether the student is placed in a public or private facility. Second, costs for services should be accounted for in similar ways, regardless of whether the placement is public or private.
- Take student need into account to ensure equity. In other words, provide a reimbursement regardless of placement while recognizing that private placements are not easily available statewide.
- Funding should follow the student. Under this recommendation, a district would be reimbursed for the cost of the services provided to a student, regardless of placement.

## Topics for Future Consideration

Some commission members shared ideas, approaches, and suggestions regarding next steps for this work. Final issues that emerged as the commission worked toward a recommendation that warrant further consideration include:

- There is unequal access to public and private placements. There are portions of the state without readily accessible private facilities for placing students (e.g., southeastern Illinois).<sup>29</sup> The data for public high-cost special education student placement is, at this time,

- unavailable. The only reliable data for high-cost placements is from private facilities. Hence, comparative data between the actual cost of supporting high-cost special education students in public and private facilities is unavailable. As public data is unavailable, if a placement neutral reimbursement system is implemented, then cost accounting rules for both public and private placements should be the same.
- There was a lack of consensus on the question of a single funding or two separate funding lines (e.g., one funding line for public placement reimbursements and another for private placement reimbursements).
  - Assuming that there are no new dollars, the modeling shared with commission members suggests that reimbursement based upon tiers would redistribute funds from Tiers III and IV districts to Tiers I and II districts, but would require an increased administrative load and audit costs for all districts with an ultimately unknown payoff. Thus, while there was complete agreement that cost accounting rules for public and private special education programs should be aligned, it is also worth considering ways in which any and all administrative efforts can be reduced while bringing the two sets of rules into alignment.
  - EBF is currently underfunded by \$4.6 billion. Due to the current financial status of Illinois, adding additional dollars for the purpose of funding high-cost special education students is, at this time, unlikely. Nonetheless, the commission members were in complete agreement that if this recommendation is brought forward, it should be done in conjunction with advocacy for additional funding to support this specific group of students.
  - There is a tension between the shared commission member values of placement neutral funding and a desire not to cause harm when introducing the new model, given that the new model is intended to redistribute an existing limited pool of funds. The commission recommends opportunities to refine final language prior to implementation to prevent system disruption (e.g., possibly include a phased-in approach to the funding model).

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<sup>29</sup> Please see page 5 of Appendix H for a statewide views of public and private placement percentages by Illinois county.

## Concluding Remarks

Members of the High-Cost Special Education Funding Commission recognize any recommendation is advisory, based upon the experiences of particular individuals, and the interpretation of available data. The careful approach of commission members and the commitment of each to student need prompted robust discussions. It is within these conversations where the complexity of the landscape and the possible consequences of a change to the formula were identified.

As was the case in previous commissions, when considering the matter of funding special education services generally or limited to high-cost special education in particular, matters of how to fund students most equitably are in tension with financial realities. Throughout the work of this commission, it was clear that all members are first and foremost committed to students in addition to their other values of ensuring placements based upon student need, independent of placement type. They also feel that districts with fewer local resources receive a larger portion of available dollars and that the same accounting rules should be required of public and private placements. When these values are placed within a frame including the best available data, additional questions are the result. This commission is no different from its predecessors in respects to this.

The request for additional data on public special education costs in order to move toward the identification of an “exhaustive actual cost” for high-cost special education students led to additional questions about how this could occur and the timeframe for receiving this information. The concurrent work of recommending a funding formula of  $[(2x \text{ Per Cap}) \times (\% \text{ Proration rate by Tier Designation})]$  to calculate the amount of reimbursement, coupled with an explicit recognition of the necessity that a greater share of funding go to Tier I and Tier II districts, meets the statutory charge for this commission.

## Appendices

The following Appendices are included for additional detail:

Appendix A – 2010 and 1998 Reports

Appendix B – Enacting Legislation

Appendix C – Membership/Meeting Agendas/Minutes

Appendix D – Special Education Funding Overview (8.10.21)

Appendix E – Illinois Landscape: Public Facilities Commission Presentation

Appendix F – Illinois Landscape: Private Facilities Commission Presentation

Appendix G – National Landscape: State Models for Funding Special Education

Appendix H – Data Request (9.7.21)

Appendix I – Menti Survey Results I

Appendix J – 2x Per Capita Presentation

Appendix K – Funding Priorities Presentation

Appendix L – Menti Survey Results II

Appendix M – Modeling Results (10.5.21)

Appendix N – Menti Survey Results III

Appendix O – Funding Polls



## Appendix A – 2010 and 1998 Reports



AMERICAN INSTITUTES FOR RESEARCH®

## **Policy Alternatives for Special Education Funding in Illinois**

*Submitted to:*

Illinois State Board of Education  
Attention: Beth Hanselman  
Assistant Superintendent  
Special Education Services  
100 N. First Street  
Springfield, IL 62777

*and*

Sangamon County Regional Office of  
Education  
Attention: Hon. Helen Tolan  
Sangamon County Complex  
200 S. Ninth Street, Rm. 303  
Springfield, IL 62701

*Submitted by:*

Tom Parrish  
American Institutes for Research  
2800 Campus Drive  
San Mateo, CA 94403

*June 11, 2010*

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## INTRODUCTION

This work has been conducted for the Illinois State Board of Education (ISBE) in response to House Joint Resolution (HJR) 24 passed during the 95<sup>th</sup> General Assembly. This Resolution specified “that a task force be created to study current special education funding needs and to make recommendations.” (A full copy of HJR 24 is included as Appendix A to this report.)

The author was contracted by ISBE to serve as a consultant to the HJR 24 Task Force and accordingly met with the task force throughout the course of this study. This period of interaction extended from February of 2009 through June of 2010. (The membership of the HJR 24 task force is included as Appendix B to this report.) During these meetings, the author presented a national overview of special education provisions and fiscal policies; collected, analyzed and presented data on special education funding and provision in Illinois; and discussed program objectives, funding goals, and formula criteria. We also jointly considered whether change to the current funding system was needed; and if yes, in what form and to what degree; as well as areas of possible agreement regarding recommendations.

This report combines an independent assessment of the state’s special education finance system and recommendations for change with those expressed by the Task Force as a whole, or in some cases varying opinions from Task Force contingents where broad-based agreement was not forthcoming. Throughout the report, attempts will be made to clarify these sometimes varying points of view.

This report was solely written by the author. Where important independent analyses were conducted and/or specific policy recommendations presented to the Task Force by individual or collections of Task Force members, they are included as appendices to this report.

An important point of discussion for one of our earliest meetings together was clarifying the purpose of this study. HJR specifies that “a task force shall be created to study current special education funding needs and to make recommendations as to how the State can increase special education funding and ease the financial burden on school districts.” After discussing this statement of purpose at the March, 2009 meeting, there seemed to be agreement that a full examination of current funding and related provisions were integral to addressing the latter component of the question in regard to possible increased funding for special education and a reduction of the related financial burden on districts.

These analyses show substantial variation in the degree to which the “financial burden” of special education is realized by school districts across the State. It also suggests changes to state policy that would provide added assistance to districts that appear to be currently facing the greatest burden in regard to financing special education. In this sense, the study does produce “recommendations as to how the State can increase special education funding and ease the financial burden on school districts.” That is, the study addresses how the State can increase funding to districts currently facing disproportionate burden under the current system. These recommendations are made without the assumption of new funds, which may be the most reasonable assumption given the current fiscal climate. However, additional state funds for special education support would provide additional relief beyond what can be accomplished from

moving to a more equitable distribution of funds, thereby providing relief to those districts needing it the most.

It is important to note a prior study on this topic in the State. In 1997, an ISBE study was conducted “through a collaborative process with the education, business, and community sectors.” This study resulted from a recommendation that a task force be formed to “recommend specific changes to Illinois special education funding mechanisms, its rules and reports. The goals ... would be to produce a simpler, fairer, and more flexible system of reporting and disbursement...” Such a task force met through 1998 to determine if the formula is in compliance with new federal requirements in regard to serving students in the least restrictive environment (LRE) and to recommend financing through a “simpler, fairer, and more equitable system.” (Riffel, 1998)

In regard to the critical point of whether the formula at that time was in compliance with new federal requirements regarding LRE, a “White Paper” describing this study states:

The question discussed collectively was whether or not the current State funding formula is at least in part based on type of setting. The consensus was the State per pupil based funding formula for private tuition does fund by type of setting. As such, and upon discussion with staff of the Office of Special Education Programs, US Department of Education, it appears that the current State law is out of compliance with the new federal law as cited above. (Riffel, 1998) (A copy of this White Paper is attached as Appendix C.)

Recommendations from this study (released September 15, 1998), included with this report as Appendix D, were:

- The formula is required to be in compliance with IDEA 97 and to be placement neutral
- The funding formula will be understandable, easy to apply and implement
- The formula will be equitable and produce no significant funding loss to any district or cooperative

This earlier task force recommended a very simple formula comprised of two components:

- Tier 1 whereby all special education students would generate identical funding
- Tier 2 would set aside a pool of funds to help offset districts’ expenses for “high cost students.” (Riffel, 1998)

Perhaps as a result of this study, some significant changes were made in the State’s special education funding provisions in 2004 through PA 93-1022, which produced some of the key components of the formula reviewed in this current report. However, these changes did not address one of the main concerns expressed through the study above, i.e. that the “funding formula for private tuition does fund by type of setting.” Thus, it is not clear that the three initial recommendations from the 1998 study were specifically addressed through these legislative changes, i.e. that the system comply with the LRE provisions of the IDEA, that the system be made simpler and easy to understand and administer, and that the system produce equitable allocations across districts.

The analysis in this paper raises similar concerns to those of the prior study indicating consistency in findings and recommendations over time. Regarding the current project, this paper presents descriptive and analytical information regarding the current special education funding policies in the State, and then presents two, primary, differing points of view in regard to possible future action. These differing points of view are represented by the two sub-committees that evolved from the Task force formed this project, one of which advocated wholesale change and the other only partial change to current policies. Last, the author of this report presents independent conclusions in regard to the current system and future policy alternatives. These conclusions and recommendations were accepted by some, but not all, Task Force members, as will be described in more detail later in this report.

The report begins with a national perspective on special education funding, including a description of the four most common approaches to state and federal special education funding. The next section describes and provides data in regard to special education provision in Illinois and shows how these relate to what is reported for other states and the nation. Section three provides a description of Illinois's special education funding formula based on data provided by the State and provides analyses of the special education resource allocations resulting from the current system. The fourth section summarizes the findings from this analysis and the deliberations to date of the task force. The report concludes with some possible policy options for the State to consider.

## **A NATIONAL OVERVIEW**

### **Special education finance across the nation**

Special education is financed through a complex combination of federal, state, and local monies using a variety of formulas. Although the federal government does not systematically collect data on special education spending due to the wide range of accounting and reporting procedures used by individual states, there have been several federal-funded attempts to collect such data. Based on the most recent national information available, in the 1999-2000 school year, per pupil special education spending averaged \$12,474, as compared to \$6,556 for non-special education students.<sup>1</sup> This is more than double (in constant dollars) the average special education expenditure from the late 1960s, when it was first calculated.

This national study also showed that while spending on educating special education students has increased substantially over time, the expenditures per general education student increased at a comparable rate so that the ratio of total spending per special education as compared to a general education student remained fairly constant over time, at about two to one. Thus, increases in total special education spending nationally appear to be due more to the increase in special education enrollment than increased spending per student in special education. (Chambers, J., Parrish, T., and Harr, J., 2002).

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<sup>1</sup> Chambers, J., Parrish, T., Harr, J. (2002). *What Are We Spending on Special Education Services in the United States, 1999-2000*. Special Education Expenditures Project (SEEP). Palo Alto, CA: American Institutes for Research. Center for Special Education Finance.

## National issues in relation to special education funding

When responding to a national survey about the most crucial issues regarding funding for special education in 2002, the majority of states identified four major themes: inadequate funding overall, inadequate funding specifically for students with high-cost needs, the failure of the federal government to reach the 40 percent funding target, specified in the Individuals with Disabilities Education Act (IDEA), and the difficulties local school districts face in providing services to the increasing number of students in special education. (Parrish, et al., 2003)<sup>2</sup>

## State funding formula types

Four primary formula types are most predominantly used as the basis for allocating special education within and across states: pupil-weighted, census-based, resource-based, and percentage reimbursement. In addition to the descriptions below, these are delineated in Ahearn (2010) listing the states using each of these formula types, as well as language from all states regarding their current special education funding provisions.

*Pupil-weighted* funding allocates dollars per student based on specified criteria, such as category of disability and location of primary placement. The benefit of this type of formula is that it is intended to account for differences in the cost of services across districts. Costs vary depending on factors such as the disability of the child or the setting where most of the child's education services are provided. Possible disadvantages are that higher funding weights for some disabilities or placements may create incentives for over-identification in some categories of disability or for placement of students in higher cost (and possibly more restrictive) settings.

*Census-based* funding assumes a fixed cost differential for the average special education student and fixed proportions of students with disabilities across all districts. It allocates a specific amount per student (counting all students both in special education and non-special education) in a district. The primary advantage cited for this approach is that because it is detached from any count of special education students, needs, or services, the census-based approach eliminates or reduces fiscal incentives for identifying more students and/or serving them in more restrictive or more costly placements. One possible disadvantage is that census-based funding does not account for the differential special education costs districts of comparable size may experience, and could conceivably create a fiscal incentive for reduced identification and scaled-back services. The "funding for children requiring special education services" component of the Illinois formula provides an example of census-based funding.

*Resource* funding distributes funds based on the amount of specified resources in a district, such as the number of special education teachers used to serve students with disabilities. An advantage of this type of funding system is its direct link to key special education resources. In theory, allocations would expand with the number of special education teachers needed and employed by a district, thereby adjusting with changes in special education needs and costs. One possible disadvantage is that this type of system may be seen as inflexible in that funding may be received for some types of resources and not others. For example, in some states, a district may receive funding only for special education teachers and not for the instructional aides working

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<sup>2</sup> Parrish, T., Harr, J., Anthony, J., Merickel, A., & Esra, P. (2003). *State Special Education Finance Systems, 1999-2000, Part I*. Palo Alto, CA: American Institutes for Research, Center for Special Education Finance.

with students with disabilities. The personnel component of the Illinois formula provides an example of resource-based funding.

*Percentage reimbursement* funding is based on the state reimbursing districts for a percentage of their actual spending on special education. There may be caps on the total amount eligible for reimbursement to districts or the number of students who can be claimed. One advantage of a percentage reimbursement system is that it directly relates to local variations in actual special education spending across districts. A possible disadvantage is that the cost accounting required to support such a system may be considered overly burdensome, especially if a system for tracking spending uniquely for special education services is not already in place. The Nonpublic School component of the Illinois formula provides an example of a percentage reimbursement system.

### **Federal funding**

Federal special education funding is based on a census formula. Prior to 1997, federal funding was based on the average special education child count. In 1997, new funding under this system was allocated based on the total population of school-age children in a state and the state's relative poverty. Under the federal formula, 85 percent of Individuals with Disabilities Education Act (IDEA) funds are distributed to states according to their total school-aged population. The remaining 15 percent of funds are allocated according to the state's relative degree of poverty.

Other components of the 1997 Amendments to the IDEA are provisions pertaining to state funding formula based on special education placements. In its last two reauthorizations (1997 and 2004), IDEA added specific requirements that apply to a state's distribution of state special education funds. The 1997 amendments had as one of its purposes "*to establish placement neutral funding formulas*" and the 2004 reauthorization further emphasized this requirement. A placement neutral funding formula is one that does not reward districts for segregating children who have disabilities, i.e., the distribution of funding does not provide fiscal incentives for placing students with disabilities in separate settings in violation of the least restrictive requirements (LRE) of the law.<sup>3</sup>

Changes in federal funding provisions for special education also came during the 2004 reauthorization of IDEA. Prior to the reauthorization, districts could not use federal funds to take the place of state and local funds. Now states are permitted to use half of the annual *increase* in federal funding to offset local special education spending. As an alternative, states may use up to 15 percent of their total federal special education funds on such early intervening services (IES) as response to intervention (RtI) programs.

"Full funding" of special education is a recurrent policy theme at the federal level. IDEA authorized the federal government to appropriate funding for each special education student "up

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<sup>3</sup> From Ahearn (2010) "The LRE provision requires that children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled to the maximum extent appropriate, and that special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily [34CFR 300.114(a)(2)]."

to 40 percent of the average per pupil expenditure (APPE).”<sup>4</sup> Note that this is not 40 percent of the average cost for special education students, but rather 40 percent of the average cost of all students, including special education students. Federal funding has never reached this 40 percent level. While it has increased somewhat over the past decade, federal funding for special education is still estimated to be well less than 20 percent of the APPE.

## **SPECIAL EDUCATION IN ILLINOIS**

This section provides detailed analyses of special education funding in Illinois. First, we compare the State’s special education enrollment, placement, and funding data to national trends. Then we describe the State’s current special education funding formula and how funds are currently distributed to districts across the State. Last, we present information on academic outcomes for special education students throughout the State to explore possible relationships between special education funding and student results.

### **Enrollment, placement, and funding data in Illinois and the nation**

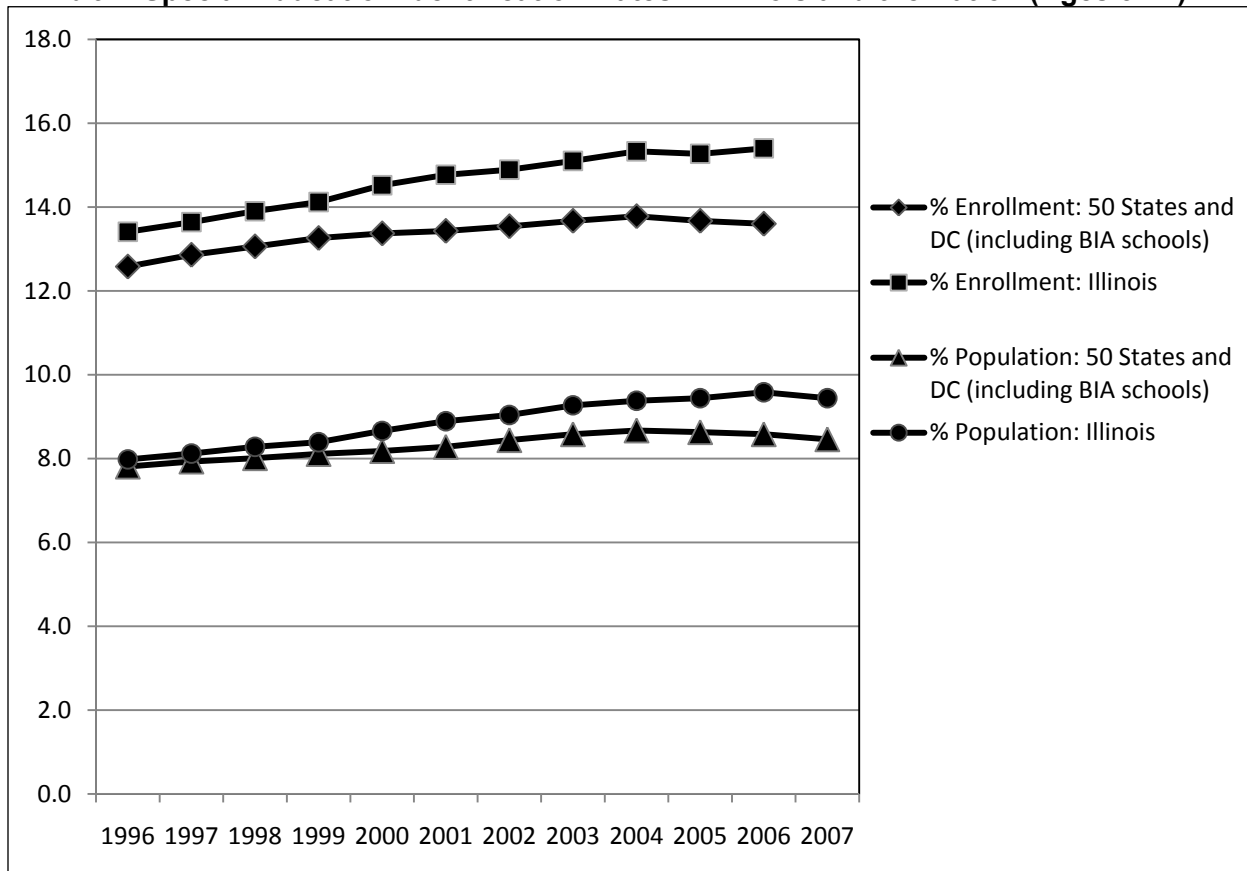
One important statistic in regard to special education is the overall percentage of students receiving these services. As shown in Exhibit 1 below, the percentage of students in special education has generally grown in Illinois over the past decade, as is true for the nation as a whole. As a percentage of school age enrolment, this figure rose in Illinois from over 13 percent in 1996 to over 15 percent by 2006. In the last several years of this span, however, the percentage of students in special education seems to have leveled off. Also shown is the percentage of children in special education in relation to the full age 3-to-21 population, where more current data are available. As shown, Illinois’s trajectory in regard to these generally growing percentages is somewhat larger and somewhat steeper than for the nation as a whole.

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<sup>4</sup> Please see §300.717 in the Federal Register (June 21, 2005) for the official regulations.



**Exhibit 1. Special Education Identification Rates in Illinois and the Nation (Ages 3-21)**



Source: Data Accountability Center. (n.d.). Part B Trend Data. <https://www.ideadata.org/PartBTrendDataFiles.asp>.

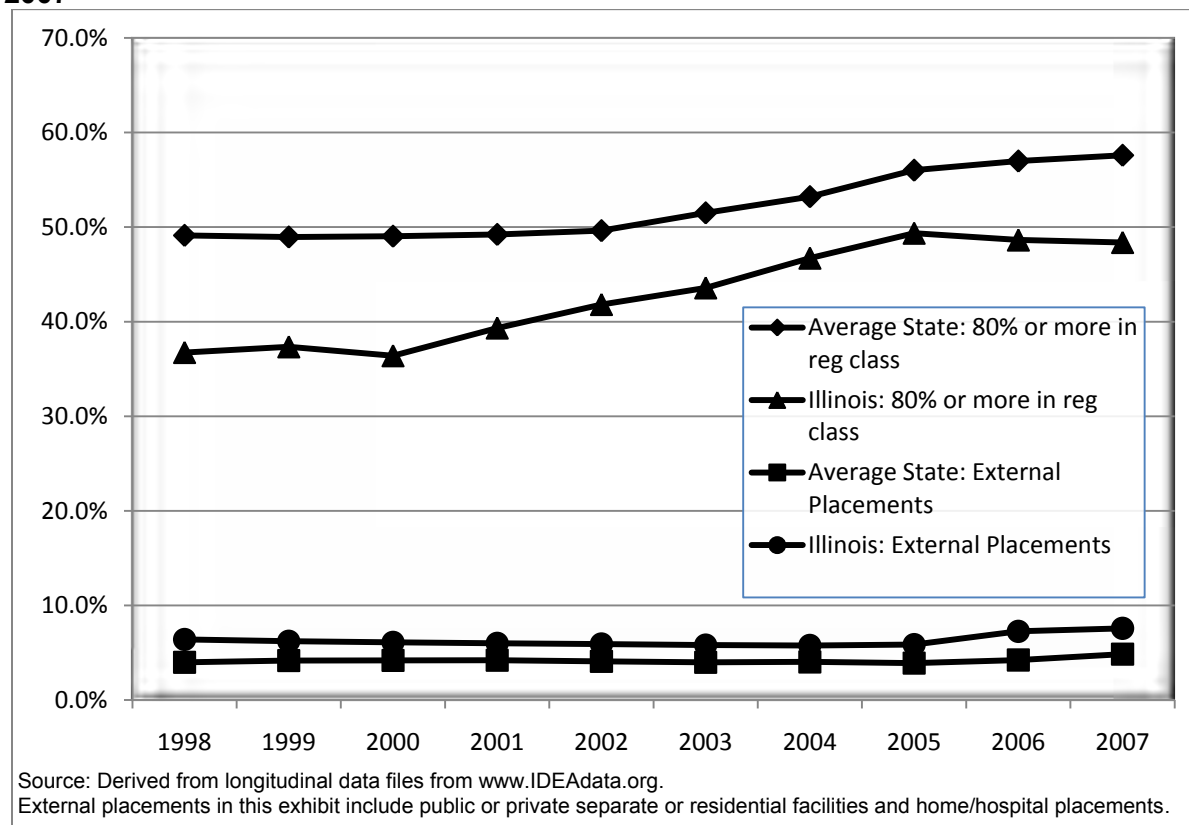
Another important set of statistics that all states must report in compliance with IDEA is where special education students receive their primary services. These data assist the federal government, as well as individual states, to monitor the degree to which students are served in the least restrictive environment (LRE) appropriate to their needs, as required by IDEA.

Exhibit 2 shows placement data over time for Illinois in relation to the nation as a whole. This exhibit focuses on the percentage of students in the least and most restrictive placement categories as defined by federal law. As shown, the percentage of students in special education served in the least restrictive setting (80 percent time or more in a regular education classroom) has risen over the past decade in Illinois and across the nation. While less than 50 percent of all special education students in the US were served in this type of placement in 1998, ten years later this has reached nearly 60 percent.

In Illinois, while this percentage has consistently been lower than the nation, increases are shown over this period from below 40% to nearly 50% of special education students. These data also show Illinois closing the gap in comparison with national practice through 2006. However, over the last two years of data shown, the percentage of least restrictive placements in the state have held steady, or declined slightly, while growth on this measure continues for the nation.

In terms of the most restrictive placements (placement in external entities), Illinois's percentage (at about 7 %) has consistently been above the national average of around 5 percent over the past decade. The difference between Illinois and the nation on this measure also appears to have grown slightly over the last two years, as shown below.

**Exhibit 2. Percentage of Special Education Students (Ages 6-21) Spending 80 Percent or More Time in Regular Education Classrooms and Those in External Placements, 1998-2007**



While analysis of spending patterns comparing Illinois to the nation would be useful, especially given the common concern about adequate funding, unfortunately, national data do not exist to allow comparisons of the degree of spending for special education services in one state as opposed to another. Some states have much more detailed special education expenditure tracking systems than others, and even in the states with fairly detailed accounting of special education expenditures, there are no federal accounting guidelines to ensure comparable expenditure estimates. Lacking these data, one way to estimate relative special education resource allocations across states is to use allocations of special education staff relative to special education enrollments.<sup>5</sup>

Multiplying standardized salary estimates by the number of special education staff reported by each state provides a standardized cost estimate for total special education personnel. Dividing this amount by the number of special education students in the state provides a standardized

<sup>5</sup> Every state must report numbers of full-time special education teachers, therapists and aides serving special education students as well as the numbers of special education students being served.

special education personnel cost estimate per special education student by state. Comparing these state-level cost estimates to the national average produces the personnel-based special education expenditure index shown in Exhibit 3. As staff salaries account for approximately 85 percent of special education costs, this may provide the best available proxy measure of relative special education expenditures by state.

**Exhibit 3. Personnel-Based Special Education Expenditure Index, 2006-07**

Rank			Rank		
1	Hawaii	1.98	26	Alabama	1.00
2	Vermont	1.67	27	New Mexico	0.99
3	New York	1.64	28	Massachusetts	0.99
4	New Hampshire	1.62	29	Nevada	0.98
5	Connecticut	1.50	30	Kentucky	0.92
6	New Jersey	1.34	31	Wyoming	0.91
7	Maryland	1.30	32	North Carolina	0.87
8	Minnesota	1.29	33	Missouri	0.87
9	Maine	1.29	34	West Virginia	0.87
10	Kansas	1.28	35	California	0.87
11	Iowa	1.26	36	Arkansas	0.83
12	Rhode Island	1.21	37	Montana	0.83
13	Virginia	1.20	38	Washington	0.83
14	Louisiana	1.20	39	Ohio	0.82
<b>15</b>	<b>Illinois</b>	<b>1.17</b>	40	South Carolina	0.81
16	North Dakota	1.15	41	Oregon	0.81
17	Nebraska	1.12	42	Idaho	0.80
18	Pennsylvania	1.11	43	Tennessee	0.80
19	Georgia	1.09	44	Michigan	0.75
20	South Dakota	1.06	45	Utah	0.72
21	Colorado	1.05	46	Alaska	0.72
22	Oklahoma	1.03	47	Florida	0.70
23	Delaware	1.03	48	Texas	0.69
24	Wisconsin	1.02	49	Indiana	0.64
25	Arizona	1.01	50	Mississippi	0.47

Source: Number of special education staff data derived from [www.ideadata.org](http://www.ideadata.org). Salary data derived from [http://nces.ed.gov/programs/digest/d08/tables/dt08\\_079.asp](http://nces.ed.gov/programs/digest/d08/tables/dt08_079.asp)

Because the base is the national average, each of the index amounts shown by state can be compared to a national average index value of 1.00. At 1.10, Illinois is above the national average in this estimate of relative special education personnel spending, with a ranking of 11<sup>th</sup>, which is shared with two other states (Louisiana and Iowa). In terms of the mid-western states, Illinois's index is equal to or higher than all other states except Minnesota.

## THE ILLINOIS SPECIAL EDUCATION FUNDING FORMULA

In FY 2008, the State special education formula generated approximately \$1.34 billion in State special education categorical support to the State's school districts<sup>6</sup>. These total funds are allocated in six categories of special education support. These categories of special education funding and their percentage shares of total State special education support are shown in Exhibit 4.

### Exhibit 4. Categories and Percentage Shares of State Special Education Funding FY 08

State reimbursements for personnel	31.5%
Funding for children requiring special education services	25.0%
Students placed by the district in nonpublic schools	10.4%
Children in orphanages, foster family homes, children's homes, or State housing	5.9%
Reimbursement for 4/5 of special education transportation costs	26.5%
Extended school year	0.7%

As shown, over thirty percent of State special education aid is allocated to districts based on a personnel-based formula (31.5%) and another quarter based on a census-based type formula referred to as "funding for children requiring special education services" (25.0%). In addition, over one-tenth of all State special education aid is allocated in support of students placed by districts in nonpublic schools (10.4%). Special education transportation accounts for over one-quarter of State aid (26.5%) and children in orphanages and related housing options as well as extended school year funds comprise the rest (5.9% and 0.7%, respectively).

### The personnel component of the formula

The State reimbursement component of the formula contains the following provisions:

- Full-time certified qualified workers employed 180 days (\$9,000 per special education certified teacher, State approved special education director, related services provider, registered therapist, professional consultant, and special education administrator or supervisor (and others who qualify))
- Hospital/homebound instruction (one-half of the teacher's salary, but not more than \$1,000 annually per child or \$9,000 per teacher, whichever is less)
- Readers for the blind or partially sighted – (one-half of salary - not more than \$400 annually per child)
- Noncertified employees employed 180 days (the lesser of one-half of the salary or \$3,500 annually per employee)

### The children requiring special education services component of the formula

This component represents a fairly recent change (FY 2004) from the prior "extraordinary" cost component of the formula. Some of its main points are:

<sup>6</sup> Illinois State Board of Education (2009). *Illinois State Board of Education Special Education Historical*. Retrieved January 13, 2010 from [http://www.isbe.net/funding/pdf/sped\\_appro\\_pro.pdf](http://www.isbe.net/funding/pdf/sped_appro_pro.pdf)

- These funding provisions started with a “hold harmless” base, which was the amount each district received under the last year of the old “extraordinary” formula (FY 04). This base was to remain in effect for three years, i.e. beginning with FY 08 these funds were specified to be distributed to all districts based on the “remaining funds” provisions below.
- The “remaining funds” under these provisions are distributed 85% based on district average daily attendance and 15% based on district poverty (as derived from data provided by the Department of Human Services and calculated on a three year running average of individuals who are recipients of Food Stamps, Temporary Assistance for Needy Families (TANF), Kid Care and Medicaid.)
- It was further specified (January 5, 2008) that districts will not receive payments under these provisions less than that received for fiscal year 2007. (Because this funding is to be “computed last and shall be separate from other calculations,” a supplemental appropriation was needed each year for this purpose. In FY 08 a \$21 million was appropriated, which dropped to \$17.5 million in FY 09. For FY 10, the estimated cost is approximately \$17.1 million, although currently there is no appropriation for this purpose.)
- As an additional feature under this component of the formula, districts are provided reimbursement for students who are identified as having excess costs. This occurs when a student’s education program costs exceed four times their resident district’s per capita tuition rate (which is derived from each district’s annual financial report and in general represents the amount a district would charge to educate an out of resident student). However, due to fluctuations in the funds available for this purpose and due to an increasing number of claims, the percentage reimbursement from the State for these claims has ranged from a low of 2.7% in FY 06 to a high of 21.1% in FY 08.

### **The nonpublic schools component of the formula**

Illinois provides a two tier funding mechanism to school districts for special education students placed in either an in-state or out-of-state special education private facility as approved by the Illinois Purchased Care Review Board (IPCRB). The IPCRB is comprised of representatives from various State agencies such as Education, Children and Family Services, Public Health, Public Aid and the Governor’s Office of Management and Budget. The IPCRB establishes uniform rules and regulations for its determination of allowable costs and payments made by school districts to special education facilities for tuition and/or room and board. The two tier funding provisions are as follows:

- Tier 1 reimbursement: The formula reimburses the difference between the district’s first per capita charge and \$4,500 assuming the tuition that the district paid is above \$4,500. (Less than 5 districts in the State are eligible because most district per capita amounts are above \$4,500.)
- Tier 2 reimbursement: The total tuition paid is compared to the two per capita offset and any difference is eligible to be reimbursed by the State. (Most districts fall into this category.)

### **The extended school year (ESY) component of the formula**

This is funding is for school districts that operate or are billed by a special education cooperative that operate special education programs in excess of the adopted school calendar. ESY must be provided when an IEP team determines it to be necessary for the student to receive a free appropriate public education (FAPE). Eligibility requirements for students claimed under this provision are:

- (1) The student must be enrolled in one or more courses offered for at least 60 clock hours in the summer session;
- (2) The student must be eligible pursuant to the requirements for continued summer school services per his or her Individual Education Plan (IEP);
- (3) There shall not be a tuition charge to families to insure a "free appropriate public education.

### **Other Formula Provisions**

These include the following:

- Reimbursement for the actual costs of educating eligible children with disabilities who reside in orphanages, foster family homes, children's homes, or State housing units. Funding is guaranteed at 100% of eligible costs, with any shortage borrowed from the following year's appropriation to ensure full funding.
- Reimbursement for 4/5 of the cost of transportation for each child who requires it and is approved for special transportation as a related service.

### **Funding and percentages by region (sub-region) by formula component**

Exhibit 5 shows how these categories of special education funding break out by the State's system of support regions (see map in Appendix E of this report). It is important to note that special education funding in the State is not allocated by region, but by district. However, with over 850 districts in the State, regional analyses are primarily used in this report to allow examination of funding patterns across the State that might be difficult to track across so many districts. The regional averages shown are the amount received by the average special education student.

**Exhibit 5. State Special Education Funding per Special Education Student and Percentage Funding Shares by Category of Funding by Region and Sub-Region**

<b>BY REGION:</b>	<b>Per- sonnel</b>	<b>SE Services</b>	<b>Non- public</b>	<b>Orphan- age</b>	<b>Transport</b>	<b>Summer School</b>	<b>Total SE Funding</b>
Region I (All)	\$1,436	\$1,167	\$646	\$353	\$1,529	\$47	\$5,178
Region II, Northwest	\$1,298	\$904	\$261	\$187	\$736	\$19	\$3,405
Region III, West Central	\$1,096	\$760	\$138	\$201	\$605	\$11	\$2,810
Region IV, East Central	\$1,129	\$810	\$207	\$342	\$610	\$7	\$3,105
Region V, Southwest	\$1,033	\$792	\$277	\$269	\$786	\$23	\$3,179
Region VI, Southeast	\$1,097	\$751	\$34	\$142	\$554	\$3	\$2,582
Region I-A, Chicago	\$1,560	\$1,853	\$1,406	\$698	\$2,255	\$115	\$7,887
Region, I-BB, West Cook	\$1,300	\$968	\$410	\$219	\$1,429	\$51	\$4,378
Region I-BC, South Cook	\$1,383	\$995	\$283	\$305	\$1,185	\$38	\$4,189
Region I-BD, North Cook	\$1,600	\$874	\$165	\$352	\$1,050	\$9	\$4,049
Region IC, Northeast	\$1,353	\$896	\$434	\$173	\$1,309	\$16	\$4,182
<b>BY REGION</b>							
Region I (All)	28%	23%	12%	7%	30%	1%	100%
Region II, Northwest	38%	27%	8%	5%	22%	1%	100%
Region III, West Central	39%	27%	5%	7%	22%	0%	100%
Region IV, East Central	36%	26%	7%	11%	20%	0%	100%
Region V, Southwest	32%	25%	9%	8%	25%	1%	100%
Region VI, Southeast	42%	29%	1%	5%	21%	0%	100%
Region I-A, Chicago	20%	23%	18%	9%	29%	1%	100%
Region, I-BB, West Cook	30%	22%	9%	5%	33%	1%	100%
Region I-BC, South Cook	33%	24%	7%	7%	28%	1%	100%
Region I-BD, North Cook	40%	22%	4%	9%	26%	0%	100%
Region IC, Northeast	32%	21%	10%	4%	31%	0%	100%

In addition to these regional analyses, breakouts by sub-region within Region I are also shown to illustrate the predominant influence of Chicago as distinguished from the rest of this region and the State as a whole. This is important as Chicago represents over 19% of the full State public K-12 enrollment, with the second largest district being less than 1/10<sup>th</sup> of its size.

Differentiating Chicago from the rest of the districts in the State is also important because special education funding is allocated to Chicago on a basis that is quite different from all other districts in the State. Over time, this arrangement, as discussed later in this report, has expanded Chicago's State special education funding allocations in ways that make them stand out in relation to special education funding allocation per student.

The first six columns of funding shown in Exhibit 5 indicate the amount generated per special education student in the region by category of funding. For example, the December 1 count of special education students for Region I for FY08 is 194,004 and the total revenue amount received region-wide under the personnel component of the State special education funding formula is \$278,645,679.

Dividing this total funding amount by the December 1 count of students derives an average funding allocation per special education student in Region I of \$1,436, as shown in the first funding cell of Exhibit 5.

Across all six categories of the State special education funding formula, the amount generated per special education student is the highest in Region I. These higher averages are uniformly affected by the funding received by Sub-Region I-A, Chicago. However, it is also true that all of the sub-regions of Region I show higher state special education funding per special education student than any other Region. For example, average state aid per special education student in Chicago (\$7,887) is nearly twice that received by the next highest sub-region in the area (West Cook at \$4,378); and Region I overall (at \$5,178) receives over 50% more than the next highest region (Northwest at \$4,305). On average, Region I receives twice the amount of state special education aid per eligible student than the lowest funded region in the state (Southeast at \$2,582).

The second half of Exhibit 5 presents percentage shares associated the various funding formula components. Thus, the first row of this table shows total State special education funding per special education student in Region I to be \$5,178. The first row in the bottom half of this exhibit shows the percentage shares that each of the six funding components contributes to this total. For Region I, for example, the personnel and special education services components of the formula each provide about one-quarter of the total State special education funding generated by districts in Region I. These percentage shares for these two components of the formula are the smallest of any of the six regions in the State. The nonpublic and transportation percentage shares for Region I, however, are the largest among the regions at 12 and 30 percent, respectively.



### Other relevant special education data by region (sub-region)

Additional relevant statistics to a discussion of State special education funding across the regions and sub-regions of the State are shown in Exhibit 6. They include the percentage of total State enrollment that each of the regions and sub-regions comprises, as well as the percentage of State special education enrollment, the percentage of students in special education, and the percentage in poverty.<sup>7</sup>

As shown, Region I is by far the largest in the State. In fact, all of its sub-regions are larger than the smallest region, Region VI. As expected, Region I also has the largest share of the State's special education enrollment. However, while it comprises 65% of the full State enrollment, its share of the State's special education students is only 60%. This is because Region I has the lowest percentage of special education students in the State. At 14% this percentage is not particularly low and in fact is quite close to the national average, which was slightly below this amount for FY 08. However, this is the smallest identification rate among the regions of the State, driven by Chicago, with 13% special education enrollment. After Chicago, no other sub-region in Region I, or none of the other regions of the State, show less than 15% special education enrollment, with four of the State's six regions at 18% or higher.

**Exhibit 6. State Special Education Funding per Special Education Student and Percentage Funding Shares by Category of Funding by Region and Sub-Region**

BY REGION:	Percentage:			
	State Enr	State SE Enr	SE Enr	Poverty
Region I (All)	65%	60%	14%	35%
Region II, Northwest	11%	11%	15%	26%
Region III, West Central	7%	8%	19%	36%
Region IV, East Central	7%	8%	18%	34%
Region V, Southwest	7%	8%	18%	35%
Region VI, Southeast	3%	4%	20%	42%
<b>BY REGION I SUB-REGIONS</b>				
Region I-A, Chicago	19%	16%	13%	65%
Region, I-BB, West Cook	4%	4%	15%	38%
Region I-BC, South Cook	7%	7%	15%	38%
Region I-BD, North Cook	7%	7%	15%	17%
Region IC, Northeast	27%	26%	15%	18%

The percentage of students in poverty ranges from 26% to 42% across the regions of the State. Poverty disparities within Region I are more substantial, however, with Chicago at a rate of 65% as compared to Sub-Region I-BD, North Cook, at 17%.

<sup>7</sup>The percentage of students in poverty was calculated by dividing the 2007-2008 public enrolment by the three year poverty average (FY 05, 06 and 07). The three year poverty average was produced by the Illinois Department of Human Services

### **Task force discussion of the formula**

These analyses show substantial differences in funding by sub-region and region and point to potential equity concerns within the current formula. Given this, as well as other concerns, a first question the task force considered was whether change was needed in the State's current special education funding system. One point of consensus was in regard to the federal special education funds flowing through the State to districts. The sentiment appeared unanimous that the time for "full federal funding" of special education, as described above, was overdue, i.e. that the federal special education appropriation should be raised to its authorized limit of 40% of the nation's Annual Per Pupil Expenditure (APPE).

However, while the task force clearly supported such a change as one important step in "easing the financial burden" of special education on school districts, federal funding provisions are beyond the power of the task force. Turning to the State special education funding system, as initial question was whether change is needed.

As the consensus on this point clearly seemed to be yes, the next point was whether wholesale change in the formula is needed as opposed to adjustments within the confines of the existing formula. The task force members were divided on this point and as a result, at the April, 2009 meeting of this Task Force, two sub-committees were formed. The first, headed by Roxanne Kovacevich, agreed to consider alternatives to the current formula, i.e. what might be proposed if we were to start over. Bridget Helmholz agreed to lead a second sub-committee considering recommendations for change within the current formula.

### **Criteria for considering change to the formula**

As the consensus for some form of change seemed clearly in the majority among the group, we began by attempting to set criteria for considering change. An important finding from the special education finance literature (e.g. Harr, Parrish and Chambers, 2008) is that all fiscal policies have the potential to affect special education practice.<sup>8</sup> With that in mind, prior to setting fiscal policy it was determined as important to discuss program goals for the State so that any incentives created through revised fiscal policy will reinforce, to the extent possible, desired program goals. At the May 2009 meeting, the task force specified the following desired special education program goals for the State:

- Promoting comparable services for students with comparable needs across the State
- Fostering high-level, measurable outcomes for students in special education
- Serving students in the Least Restrictive Environment
- Promoting pre-referral services to serve students outside special education when appropriate
- Provide maximum flexibility at the local level coupled with accountability

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<sup>8</sup> Harr, J. J., Parrish, T. & Chambers, J. (2008). Special Education. In H. F. Ladd & E. B. Fiske (Eds.), *Handbook of Research in Education Finance and Policy*. New York: Routledge.

In addition to these program goals, funding objectives were discussed. Also at the May, 2009 meeting, the group had specified the following:

- Sufficient funding within each district to reach the education goals set for the State's special education students
- State funds distributed in accord with student needs
- Funds distributed in a way that produces a reasonable reporting burden
- A formula designed to foster best practice
- Professional discretion in spending including Response to Intervention (RTI)
- A clear basis for the amount of funds being distributed
- Special education funding tied to the general education formula
- Funding provisions that respond to differences in student performance
- Consolidation of the components of the current formula
- Creation of separate provisions for high cost students

Last, funding formula criteria were prioritized across a range of factors delineated in the literature as positive objectives for special education funding formulas. The full set of criteria and the definitions for each appear as Appendix F to this report. Among these criteria, task force sentiment in regard to the top three criteria (also set at the May, 2009 meeting) was as follows:

- Placement neutral: This means that no fiscal premiums are placed on one type of primary placement for the student over another, e.g. regular versus special classroom or private versus public placement.
- Equity: This simply means that districts with like circumstances are treated similarly in the funding they receive.
- Outcome accountability: This means that outcomes are incorporated in some manner into the State's fiscal provisions.

These criteria were also re-visited at the May 12, 2010 meeting of the Task Force with all of the members present at this meeting indicating that the lack of equity in the current formula to be a problem and the majority of those present (six out of seven) indicating the lack of placement neutrality to be a problem.<sup>9</sup>

### **Revenues, expenditures, and percent support by district**

In considering these criteria, the following exhibits present data in regard to the full amount of State special education revenue (i.e. across all six of the funding components shown above) for all of the districts in the State. These are presented as aggregate numbers to emphasize the bottom line received by districts in the State through the formula in its entirety (i.e. the sum of its individual components) and are compared with data on reported special education spending.

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<sup>9</sup> However, one other member, not present but contacted during the meeting, was said to have joined the minority perspective that placement neutrality is not a serious problem under that State's current funding provisions.

Each of the following exhibits shows a collection of vertical bars, each representing a school district in the State, ordered left to right from the smallest in enrollment to the largest.<sup>10</sup>

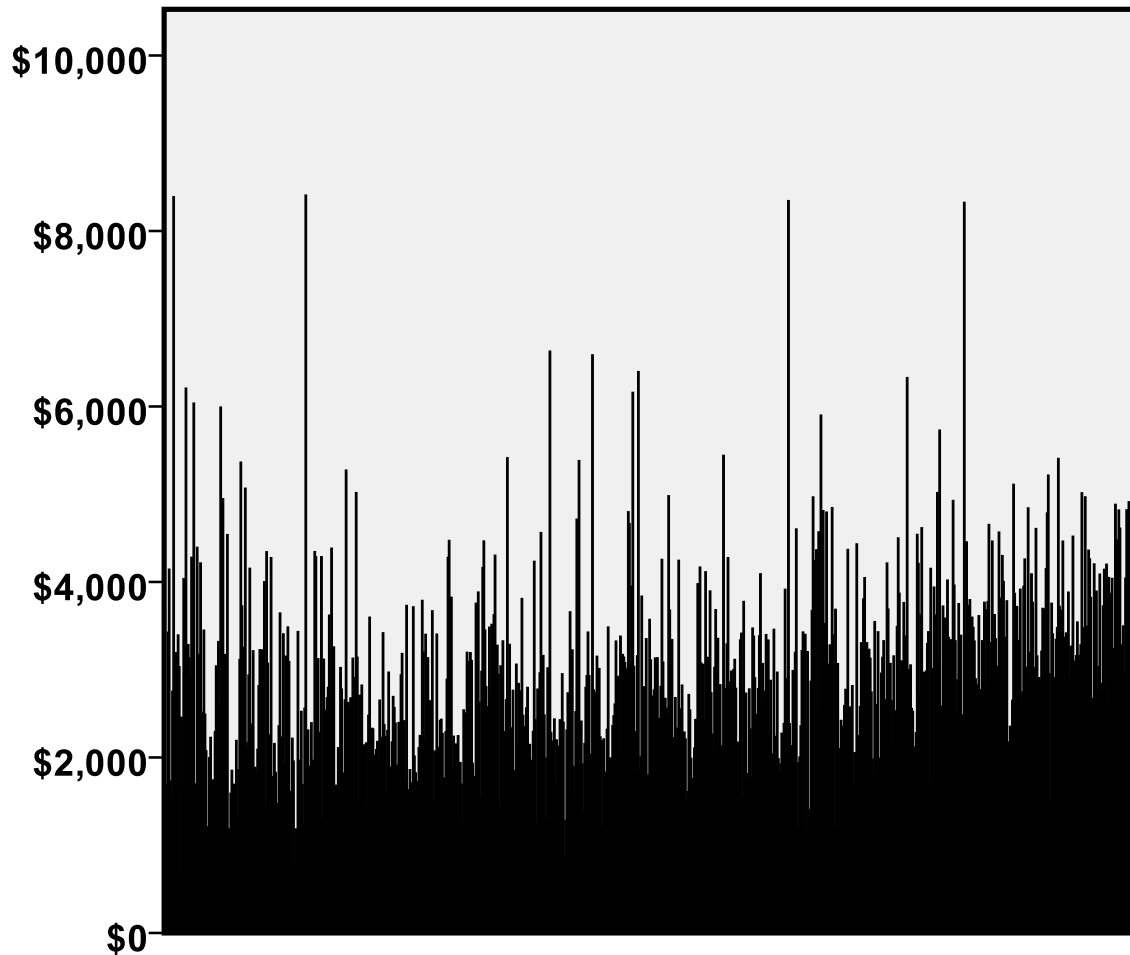
### **State special education revenues by special education student by district**

The first, Exhibit 7, shows the State special education revenue amount per student received across all districts. As shown, the mean special education aid allocation per special education student across all districts in the State is \$2,832 and the standard deviation is \$1,075. This latter amount represents the degree of variance around the mean and indicates that approximately one-third of the districts in the State receive an amount that is \$1,075 higher than the mean (i.e.,  $\$3,907 = \$2,832 + \$1,075$ ) and about 1/3 receive an amount that is \$1,075 lower (i.e.,  $\$1,757 = \$2,832 - \$1,075$ ). It also shows that variations in allocation per special education student across Illinois districts are not closely related to district size. Last, it shows a substantial number of districts receiving more than \$5,000 in State special education support per special education student and a few districts receiving special education revenues in excess of \$8,000 per student, and that these more extreme cases of high revenue generation can be found in districts across a range of district size. These data clearly suggest equity concerns with the current system.

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<sup>10</sup> Note that unlike the data shown in Exhibit 5 representing aggregate state revenues received by region, the data in the exhibits that follow only show state special education revenues directly received by districts. That is, they do not include revenues received by cooperatives from which they may derive special education services and support.

**Exhibit 7. Total Special Education State Revenues Per Special Education Student  
All Districts, Ordered Smallest to Largest Enrollment, 2007 – 08**



Number of Districts=868, Mean = \$2,832, Std. Dev = \$1,075

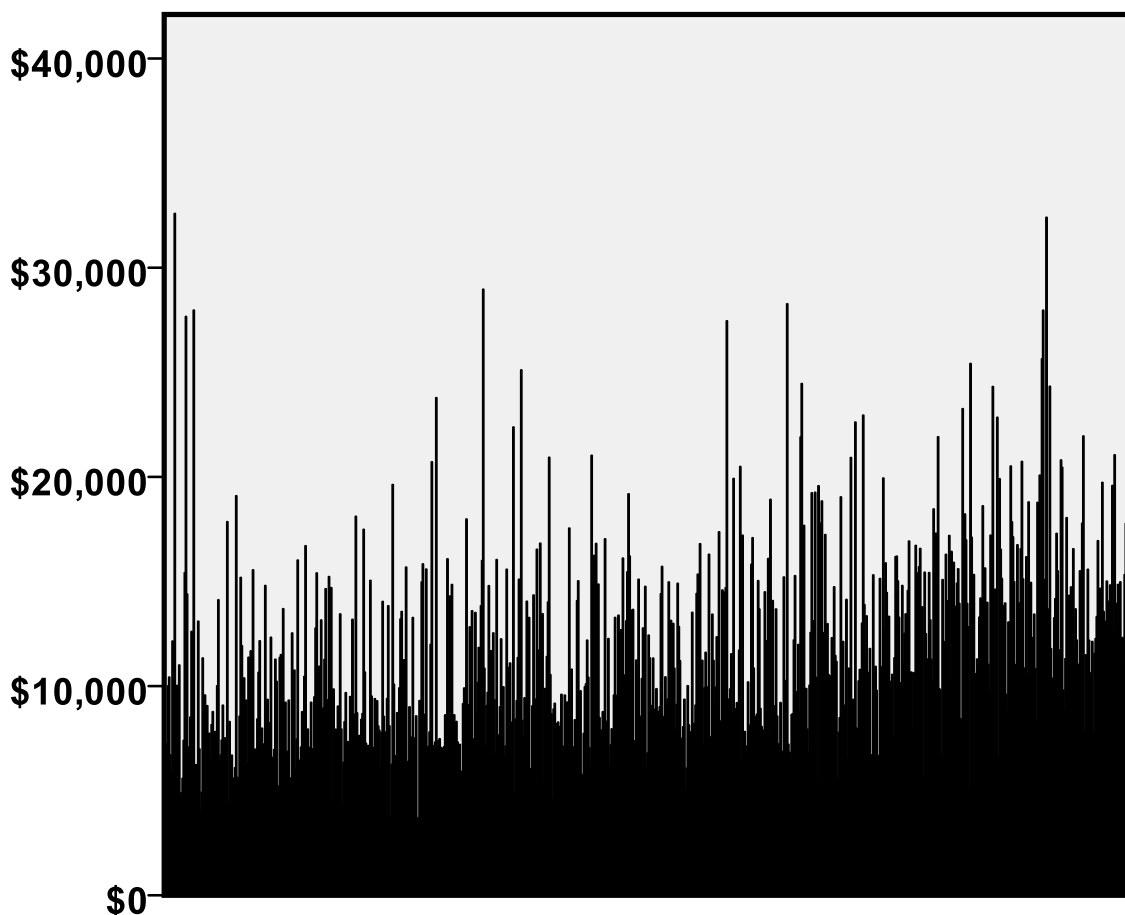
Data Sources: Revenue data: "FY 08 Sp Ed LEA Summary;" Special education enrollment data: "Dec 2007 Sp Ed Count by Disability;" both files from Tim Imler, ISBE. Defined as "Revenues due to the district for the 2008 fiscal year regardless of the time the district actually received them."

### **State special education expenditures by special education student by district**

The analyses shown in Exhibit 8 are comparable to that shown above except the data element represented is the average reported special education expenditure per pupil by district, as opposed to how much they are receiving, which is shown in Exhibit 7. In this exhibit, the mean special education expenditure per special education student across all districts in the State is reported as \$10,840, with a standard deviation of \$4,543. Thus, on average, districts spend considerably more on special education services than they receive from the State in regard to special education aid. While some of this difference will be offset by federal funding (which provides approximately \$1,300 per special education student state-wide), this still leaves a substantial portion to be offset through local funds. This disparity is the basis for the question included in HJR 24, that the Task Force "make recommendations as to how the State can increase special education funding and ease the financial burden on school districts."

As shown, however, the average reported special education expenditure per special education student varies dramatically across the districts of the State across all categories of district size. These data suggest that the special education “financial burden” varies considerably across districts. However, neither revenue nor expenditure data alone really inform the issue of relative burden. If the high spending districts also receive higher revenues, the relative burden across districts may be the same.

**Exhibit 8. Special Education Expenditure Per Special Education Student - All Districts, Ordered by Smallest to Largest Enrollment, 2007 – 08**



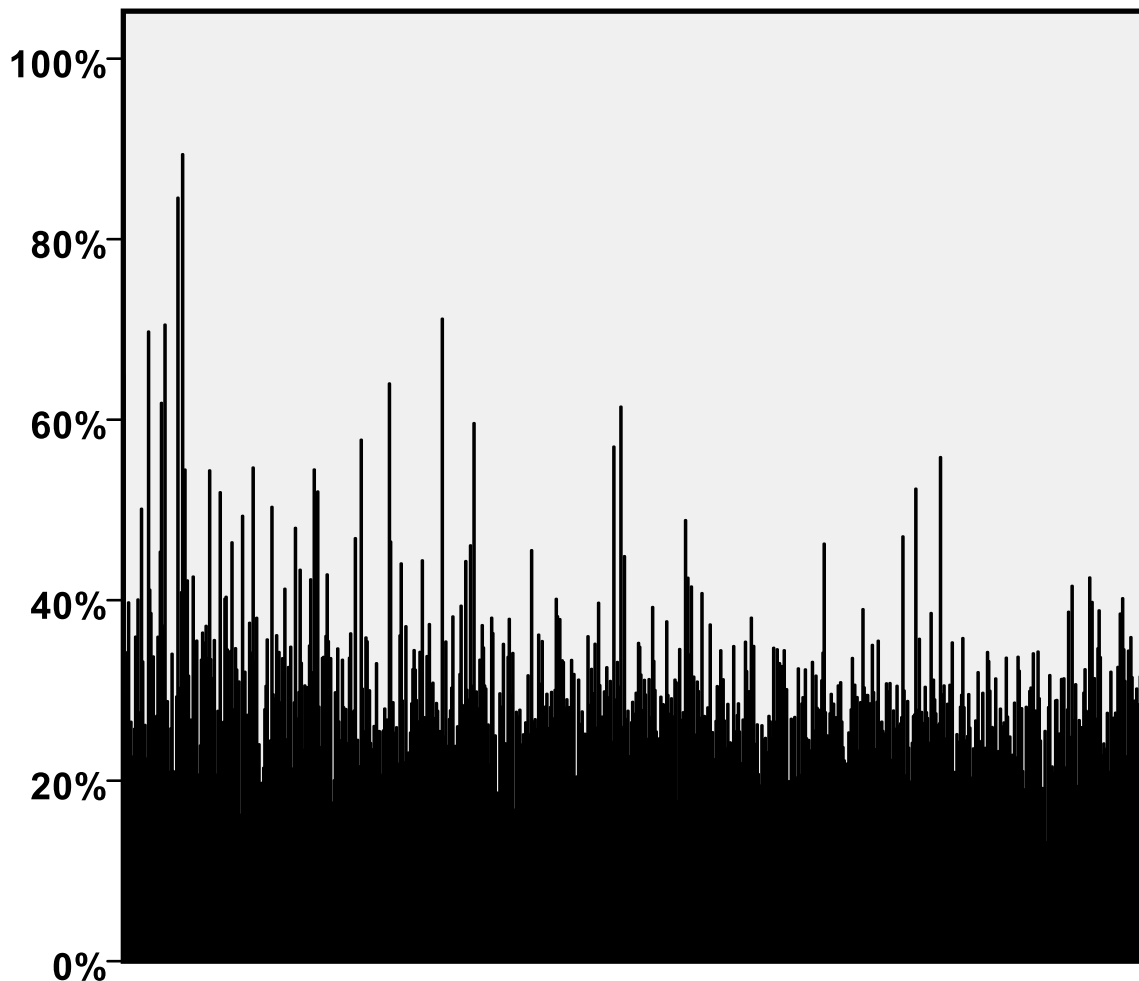
Data Sources: Expenditure data: “2008 Enrollment FTE Head count expenditures receipts data report -- SpecEd2008” from Debbie Vespa of ISBE; Special education enrollment data: “Dec 2007 Sp Ed Count by Disability” from Tim Imler of ISBE. Note with data: “Includes revenue received as of June 30<sup>th</sup>.”

**State special revenues as a percentage of expenditures by district**

Exhibit 9, which shows the percentage of reported expenditures covered by district State special education revenues, provides a more complete view of the differential special education “burden” experienced by districts. On average, State revenues cover 28% of the reported expenditure. However, based on the standard deviation of 9%, about 1/6<sup>th</sup> of the districts of the

State have only about 19% of their special education spending covered by State revenues. Conversely, as can be observed from the exhibit, a number of districts across all size ranges show 50% or more of special education spending covered by State revenues. Thus, the degree of “special education burden” is quite different across the State.

**Exhibit 9. State Special Education Revenues\* as a Percentage of Reported Total Special Education Expenditures† - All Districts‡, Ordered by Smallest to Largest Enrollment, 2007 - 08**



Number of Districts=867, Mean =28%, Std. Dev = 9%

Data Sources: State revenue data: “FY 08 Sp Ed LEA Summary” from Tim Imler of ISBE; Total expenditure data: “2008 Enrollment FTE Head count expenditures receipts data report -- SpecEd2008” from Debbie Vespa of ISBE.

\* Revenue due to the district for the 2008 fiscal year regardless of the time the district actually received the revenue

† Includes revenue received as of June 30th

‡Proviso Twp HSD 209 was excluded because the percentage of State special education categorical programs revenue of total special education expenditures for the district equaled 286%.

## CONCERNS WITH THE STATE SPECIAL EDUCATION FORMULA

Three areas that constitute potential concerns with the current formula are that it contains fiscal incentives favoring private special education placements, appears quite inequitable, and seems needlessly complex and disjointed. Each of these areas is described in more detail below.

### **The nonpublic component contains substantial fiscal incentives for private placements and contributes to overall funding inequities**

There are several key concerns with the nonpublic component of the formula. It provides a substantial fiscal incentive for private placements, it contributes to inequities in the overall system, and it does not appear to conform to its stated purpose.

#### *The nonpublic component of the formula provides substantial fiscal incentives for private placement*

As described at the onset of this paper, a study similar to the current one completed in 1998 (Riffel) found that the State's special education funding system was not "placement neutral," i.e. that funding was based on type of placement and that the system at that time was, in the opinion of this earlier task group, in violation of federal provisions from the IDEA '97 Amendments, enacted in June 1, 1997. These provisions require that each state's special education funding be consistent with federal least restrictive environment [LRE] provisions. The relevant part of the federal law from Section 612 (5) of IDEA '97 that was cited in this earlier report is:

(5) Least Restrictive Environment. –

(A) IN GENERAL. – To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactory.

(B) ADDITIONAL REQUIREMENT. – (I) IN GENERAL. -- If the State uses a funding mechanism by which the State distributes State funds on the basis of the type of setting in which a child is served, the funding mechanism does not result in placements that violate the requirements of subparagraph (A). (ii) ASSURANCE. – If the State does not have policies and procedures to ensure compliance with clause (I), the State shall provide the Secretary an assurance that it will revise the funding mechanism as soon as feasible to ensure that such mechanism does not result in such placements.

This report also compared funding available under the nonpublic provisions of the law at that time to what could have been claimed under what was at that time the "Extraordinary Services" component of the formula. Riffel (1998) describes this second component as supporting the claims of students "served within the public school district." Riffel goes on to point out, however, that this component of the formula allowing support for "extraordinary services" provided within the public school district had its problems. He states, it enabled some LEAs to become "very creative in accessing this funding stream" and that districts able to accomplish this have been the



“primary benefactors” from this source of funds. It was also said to have placed “a heavy paperwork burden” on districts.

Perhaps in response to these concerns, this component of the law was changed in 2004. What had been the “extraordinary services” pot of funds is now designated as “funding for children requiring special education services.” Rather than simply rewarding districts that had been “creative in accessing” the prior funding stream, under the new provisions these funds were allocated to all districts on a census basis (i.e. 85% based on total enrollment and 15% based on poverty).

While in some ways this change to the funding formula seems to have some obvious advantages, it has also greatly exacerbated the funding difference when students in special education requiring “extraordinary services” are served in public versus private schools. The Illinois Alliance of Administrators of Special Education (IAASE) describes this well in a position paper released in October of 2008 (included as Appendix G).

Although the law that converted “extraordinary services” funding also contained provisions for reimbursing students with “excess costs,” the IAASE states that “the amount of reimbursement in recent years has been prorated significantly...” For example, they cite a proration percentage of only 4.88% in FY 05. As this is the only method of claiming the excess cost of serving students requiring “extraordinary services” within a public setting, there is a very substantial fiscal incentive to serve such students in private special education (nonpublic) schools. For example, the IAASE paper provides an example where a school district would receive “\$18,000 from the ISBE by placing the student in a private facility (as opposed to) \$1,266 from the ISBE by placing the student in a public school program.”

This is a clear fiscal incentive for private (nonpublic) school placements for children in need of “extraordinary services.” The fact that over one-tenth of the State’s special education funding is allocated for this purpose suggests that the use of these funds has extended beyond extraordinary circumstances. This 10% figure is made even more striking by the fact that nonpublic school options are virtually unavailable in some regions of the State. In Region I, where many of these schools are found, 13% of State special education revenues are allocated in support of nonpublic school services.

It also seems likely that this strong fiscal incentive affects the relatively high rate of special education placements in separate facilities in Illinois. Based on 2006 data in the IDEA Report to Congress, Illinois places 7% of all special education students in separate facilities, a rate that is exceeded by only four other states.<sup>11</sup>

***The nonpublic component of the formula contributes substantially to inequities in the system***

The nonpublic school component contains the greatest disparities in funding of all six formula components with the exception of summer school, which represents less than 1% of the State special education funds allocated. Through the nonpublic funding component of the formula, over one-tenth of all State funds for special education are directed to provide services because “the public school system does not have the necessary resources to fill the students’ educational

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<sup>11</sup> The other states are Connecticut at 8%, Maryland and New York at 9%, and New Jersey at 16%.

needs.” However, these resources are disproportionately allocated to the best funded regions of the State. In addition, as shown by Exhibit 3, given that Illinois is 13<sup>th</sup> among the fifty states in average special education provision per student, 10% of all funding to make up for inadequate public service seems inordinately high.

As shown in Exhibit 5, above, the nonpublic component of the formula is distributed in a manner that produces nearly 19 times more funding per special education student in Region I than Region VI (\$646 vs. \$34). It should be noted, however, that one reason Region I is unusually high on this measure due to the special funding arrangement for Chicago Public Schools, which substantially influences the data shown for the region as a whole (at \$1,406). However, even with Region I removed from this calculation, the next highest funded region under this category, Region V generates eight times the amount per special education student in Region VI (\$277 vs. \$34). Even removing both the outlying regions on this measure, I and VI, the disparity among the next highest and lowest funded regions (V and III) is slightly over two to one (\$277 vs. \$138).

***The nonpublic school component does not appear to conform to its stated purpose.***

The stated purpose of the nonpublic school component of the formula is to “provide special education services to students with disabilities when the public school system does not have the necessary resources to fill the students’ educational needs.” Given this purpose, some relationship would be expected between independent measures of student need (e.g. poverty) the relative ability of local districts to fill these needs, and the amount of funding generated to support this alternative funding source.

However, the exact opposite is observed in the actual allocation of the nonpublic funds. For example, Region VI (the Southeast), which has the most children in poverty (after Chicago), receives the least overall State support per special education student, and has the highest rate of students in special education (20 %) receives by far the least funding per student under this funding initiative, as described above and shown in Exhibit 5 of this report.

In fact, nonpublic special education aid per student is highest in those regions receiving the most special education aid from the State’s other special education funding programs. It seems counter-intuitive that the regions with the greatest levels of special education support also would be those where “the public school system does not have the necessary resources to fill students’ education needs.”

**The overall formula is inequitable**

The Task Force engaged in a fair amount of discussion to reach some common understanding as to how “equity” might best be defined with the context of special education funding. Fortunately, there is a broad literature on this concept (Berne, R. & Stiefel L., 1984).

Disparities in funding across districts within a state – known as horizontal inequity – have long been a pre-dominant issue for education policy (see court cases *Serrano v. Priest*<sup>12</sup> and

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<sup>12</sup> *Serrano v. Priest* refers to three cases decided by the California Supreme Court: *Serrano v. Priest*, 5 Cal.3d 584 (1971) (*Serrano I*); *Serrano v. Priest*, 18 Cal.3d 728 (1976) (*Serrano II*); and *Serrano v. Priest*, 20 Cal.3d 25 (1977) (*Serrano III*).

*Rodriguez v. San Antonio Independent School District*<sup>13</sup>). However, in special education, the primary equity focus seems to be on how much funding special education students as a group receive in relation to all other students, or how much funding students with one category of disability receive in relation to students with differing categories. Unlike the goal of horizontal equity, i.e. equal funding for all, it is recognized that equal funding for students with substantially different educational needs is not equitable. As the educational needs of certain groups of students are clearly different from others, equity can only come from systematically different funding amounts (Berne & Stiefel, 1984).

Thus, the primary equity standard used for considering the state special education funding in Illinois is vertical equity, i.e. like funding for students with like needs. Thus, “equitable” funding for special education would generally call for more funding for students with special education needs than for other students and may also suggest different amounts for individual district to serve the special education students they enroll to the extent that the characteristics of these students are systematically different.

However, the concept of vertical equity does not justify vast differences in funding per special education student across districts (or regions) that appear unrelated in some systematic way to the measurable characteristics of their students. That is, vertical equity considerations do not justify arbitrary differences in funding, for example ones that are not systematically linked to measurable varying student characteristics. When such systematic need variations, e.g. poverty, are applied as an adjusting factor to the amount of funds allocated, equitable implementation of such adjustments are uniformly applied in relation to the degree that this condition exists throughout the state.

This does not mean that measurable cost variations cannot be included in an equitable formula, e.g. recognition that a dollar in one part of the state may have less “purchasing power” than in another. To the extent that such cost adjustments are applied to other components of state funding, it would seem reasonable to apply them to the allocation of special education funds as well.

Also, variations in ability to add locally raised funds to complement state received may also be an important component of an equitable allocation system. That is, allocations may be “wealth equalized” to provide systematically more in state funds where the ability to raise local funds in support of services such as special education is less. Again, to the degree that some form of wealth equalization is incorporated into the larger state education formula, it seems reasonable to apply such adjustments to special education funding as well.

In the case of special education funding in Illinois, two major factors contributing to the funding inequities illustrated in Exhibits 5, 6, 7 and 8 are the non-public component of the formula (as described above) and the special funding provisions that apply to Chicago Public Schools. Due to PA 89-15, enacted in 1995, Chicago receives a majority of its State funding via two block grants: the General Education and Educational Services Block Grants. Chicago’s special education categorical funding is distributed within the Educational Services Block Grant. While all other districts receive their State special education funding via the respective governing statutes and reimbursement formulas, under this agreement Chicago receives a fixed percentage

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<sup>13</sup> *San Antonio Independent School District v. Rodriguez*, 411 U.S. 1 (1973)

of each year's State special education categorical appropriations. These fixed percentages were calculated based on the amount of funds Chicago Public Schools received in 1995 in relation to the total funds distributed under each program state-wide.

Thus, while Chicago may have received an equitable proportionate share of State special education funding in 1995, over time the funding received by this district in support of special education has increasingly grown disproportionate in relation to other districts and regions throughout the State. While special education funding for other districts has changed to reflect altered local conditions, e.g. the number of special education staff employed, the overall number of students enrolled, and the number of students placed in nonpublic schools, the allocations to Chicago have remained a fixed percentage of the State total.

This has occurred while the underlying bases for this funding, e.g. the number of special education students and staff employed, have declined for Chicago. As a result, the total special education funding per special education student in Chicago (\$7,887) is more than twice that received by any other region of the State, and nearly twice that received by any other sub-region, as shown in Exhibit 5. It is also more than twice the amount received by the average special education student in the State (\$3,884). Also as shown in Exhibit 5, Chicago receives substantially more funding in every special education sub-category than any other region or sub-region. Although Chicago is a single district, it may be best compared with other sub-regions and regions of the State given that it has over 19% of the total State public school enrollment.

At the other extreme is Region VI in the southeastern portion of the State. With the highest average poverty of all six regions and the highest percentage of students in special education, this region receives the lowest level of funding per special education student on five out of the six State special education funding components. Only for the "funding for children requiring special education services" component of the formula, which has an adjustment for poverty, are funds for this region somewhat near the State average. In regard to total State special education funds generated per special education student, Region VI clearly falls last (at \$2,582), with less than one-half of that generated by Region I on average (\$5,178), and one-third less than the state average (\$3,884).

The maintenance of this unique special education funding agreement for Chicago is specified as a component of the *Corey H., et al. v. Chicago Board of Education and Illinois State Board of Education (1992)*. In this case, attorneys from Designs for Change (DFC) and Northwestern University Legal Clinic filed a federal class action lawsuit on behalf of the students with disabilities enrolled in Chicago Public Schools. The lawsuit alleged violations of the least restrictive environment provisions ("the LRE mandate") of the Individuals with Disabilities Education Act. Among the reasons cited for this segregation included problematic state policies, such as financial reimbursement policies that rewarded placement of students in private segregated settings outside of the public schools.

In a February 19, 1998 decision, the Court found ISBE in violation of the IDEA for its continuing failure to ensure (among other factors) that State funding formulas that reimburse local agencies for educating students with disabilities support the LRE mandate. As a result of this finding, the court ruled that the ISBE must modify specific state policies that have an impact

on educating children with disabilities in the LRE. Among these, policies relating to state funding were specifically mentioned. (Soltman and Moore, 2000)

It should be noted, however, that even though special circumstances pertain to the special education funding received by Chicago under the current formula, several other districts receive even more per special education student under the current formula although presumably no special circumstances pertain. Data provided by the state show Pembroke CCSD 259, Cherry SC 92, and Lemont Twp HSD 210 all receiving more state per special education student than Chicago Public Schools. This clearly indicates that larger funding formula reforms are needed to create equity in the state's special education funding system than just addressing the Chicago block grant.

In fact, in a statement prepared for the Task Force by Sue Gamm, a former employee of Chicago Public Schools, she refers to the "...very strong case that the Illinois' special education funding scheme is broken. We have known this fact for many years and have been trying to fix it for many years."

### **The current formula seems overly complex and disjointed**

With six separate funding components and numerous related provisions, the State's special education formula seems needlessly complex and difficult to summarize under a single coherent rationale. Rather, it seems the sum of disparate parts. In some instances this separation may make sense, e.g. in the cases of transportation, summer school, and perhaps orphanage. However, the three funding components supporting core instructional services for students in special education have an unclear relationship to one another and in some cases may conflict, e.g. in the case of the substantial separate funding allocated for serving special education students in nonpublic schools. It also may work to obscure overall funding disparities. As a given district may receive more funding under one component and less on another than its neighbors it may be more difficult to discern an overall picture of the relative treatment of districts and regions across the State given the formula's many separate components.

However, the State may consider it important to maintain its three special purpose grants (i.e. transportation, summer school, and orphanage). In addition, the personnel and "children requiring special education services" components also may be seen as having offsetting advantages. That is, as one is based on the specific numbers of staff employed by districts and the other allocated on a much more generic basis (census-based type approach), combined they may be seen as a balance between prescriptive and highly flexible funding.

However, to work as a complementary combination, it seems that their relative relationship to one another within individual districts needs to be carefully considered. In the aggregate, the amount of State special funding per pupil received by districts seems unjustifiably disparate. If these two components were to be retained as the core of the formula, it would seem important to fully consider how they relate to one another and their combined impact in regard to equitable funding.

## TASK FORCE RECOMMENDATIONS

As mentioned above, there seems a consensus among the group that changes to the State's special education funding provisions are needed. However, while some members felt the system should be redesigned in its entirety, others considered adjustments to the current system to be the best way to proceed. Thus, at the April meeting, it was determined that two sub-committees would be formed to further consider and make recommendations regarding these two alternative points of view. The membership of these two committees is included as Appendix H to this report.

A subsequent discussion of this point during the May of 2010 meeting indicated continuing disagreement on this point. Of the members present, five indicated the need for major change to the formula, while three opted for more minor modifications.<sup>14</sup>

These sub-committees interacted through the fall of 2009 and both submitted reports in October of that year. These two reports are submitted as Appendices I and J. Although neither of these reports is very definitive in its recommendations, both provide a useful sense of direction in regard to what they consider important and possible changes to State policy.

### **The sub-committee on modifying the current funding system**

The report from this committee describes itself as “comprised of members who believed the existing special education finance system has merit, but may benefit from some adjustments in order to address problems that have been identified on the task force.” They list what they consider to be the three primary criteria that should guide change as equity, flexibility, and outcome accountability (i.e. tied in some way to student outcomes). In addition, some of their specific recommendations are:

- Do no harm
- Enhance reimbursement to Illinois school districts in salaries for professional and non-professional staff
- There should be an annual adjustment tied to an index such as exists for Social Security
- Review the Chicago Block Grant funding
- Do not add to unfunded mandates
- Reimburse the school districts for services provided to high needs students while developing efficiencies that exist in the private sector
- A financial system should have a single-minded focus on student learning
- Fund the escalating costs of transportation
- Consider more local control for high-performing districts, perhaps on a pilot basis,
- Include technical assistance from these districts to lower-performing districts, e.g., a mentoring system.

### **The sub-committee on creating a new funding system**

This sub-committee considered the same criteria, but appeared to draw very different conclusions in regard to the current formula. For example, this committee's report includes a grid

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<sup>14</sup> A fourth member of the Task Force, not physically present at this meeting, was said to also call for more minor change.

listing all of the criteria presented to the task force as possible considerations in regard to special education fiscal policy. Of the three criteria considered most important by the committee favoring retention of the current formula, i.e. equity, flexibility, and outcome accountability, this second sub-committee found the current system totally lacking on all three of these measures. According to their ratings, none of the six components of the current system supported any of these objectives, except the personnel component, which they mark as “equitable” in the grid they provide. However, they say in their list of more specific points added below the grid that the personnel reimbursement “may not promote equity because the districts that can afford to hire staff get the money and the ones that cannot afford to hire staff, don’t receive funds.” Thus, they clearly seem to question the equity associated with this component as well.

In this group report, the grid is followed by a listing of the six most common alternative types of formula found federally and across the states. While they note features of each, they appear to endorse none.

This second sub-committee report concludes with some specific recommendations for further consideration:

- Examine the position paper from IAASE which advocates funding to follow high cost students thereby encouraging placement neutral decisions
- Re-examine the Chicago Block Grant
- Consider merging all special education funds and allocate them evenly across the State
- Examine possible interagency agreements to not duplicate, but to expand, services
- Student outcomes should be a long term goal, and
- Solicit feedback from all Illinois Stakeholder groups.

In addition, a subsequent memo was submitted to the Task Force by two members, both of whom were members of the sub-committee describing desired, major change to the current formula. Their statement is attached to this report as Appendix K.

### **Comparing the reports of these two sub-committees**

Several points of agreement emerge from these two reports, i.e. the importance of equity, the need to reconsider the Chicago block grant, and an ultimate focus on enhanced student outcomes. Major points of disagreement seem to be on the private (nonpublic) funding component of the system as well as the desirability of altering the present system in its entirety as opposed to just making adjustments.

In regard to the former point, however, there may be room for some agreement. For example, the committee for retention recommends, “Reimburse the school districts for services provided to high needs students...” while the committee for a new formula advocates “funding to follow high cost students thereby encouraging placement neutral decisions.” It could be that both groups could find common ground around formula provisions that would allow retention of nonpublic school funding but that also would extend comparable allowances to similar students served within the public sector. This could lead to the type of system called for in the IAASE paper, which advocates that funding follow high cost students (wherever they are best served) thereby encouraging placement neutral decisions.

## POLICY ALTERNATIVES

This section provides analyses from the point of view of the author of this report. They are based on analyses of Illinois data, the language underlying the State's special education funding provisions, state and federal law, and other special education funding practices and policies observed the U.S. and Canada.

The State may wish to consider three possible levels of change:

- Retain components of the current formula while addressing the areas of greatest concern,
- Discard the current formula and consider a simpler alternative as currently found in other states, or
- Contemplate broader-based, systemic reform where the funding formula is a component of a larger conceptual framework of special education with a primary emphasis on efficiency, maximizing positive academic and social results for students, and continuous improvement.

Each of these three alternatives is discussed below for possible consideration. Although discussed separately, they are not mutually exclusive and could be combined or considered together. For example, the State may start by attempting to address the areas of greatest concern, i.e. fiscal incentive to place students in private (nonpublic) schools, the general inequities contained in the State's special education funding system, and specific concerns resulting from the Chicago block grant.

At the same time, these reforms could be designed to simultaneously increase the simplicity and transparency of the system overall. This would combine the first two sets of suggestions listed above. In regard to the third, the use of funding as a basis for reconsidering special education provision and oversight from the perspective of continuous improvement is something that could be further defined and implemented over time.

### **Maintain the current system while addressing areas of greatest concern**

Given the current fiscal climate, incremental change may be the most that can reasonably be expected. Thus, if many of the basic components of the current system were to be maintained while addressing the areas of greatest concern, I would suggest focusing on the following three areas: the fiscal incentive to place students in private (nonpublic) schools, general inequities in the system, and simplifying the system overall.

While maintaining the current formula with incremental change may be the most doable of the three alternatives outlined above, there are undoubtedly substantial political hurdles to realizing even this level of change. However, it seems important to seize this opportunity to begin to address these areas that seem likely to become greater concerns over time.

The first area listed above, removing the fiscal incentive for private (nonpublic) placements, seems most important to address because of LRE concerns and because this contribute substantially to system fiscal inequities. If the current fiscal premium associated with private (nonpublic) placements is retained without comparable options for students served in the public



sector, it seems likely that this more financially lucrative path will be followed by an increasing number of students. This will further exacerbate the State's record in regard to providing special education in the LRE, may result in increasing numbers of special education students being served in isolation from non-special education peers, and will likely exacerbate current inequities associated with private (nonpublic) school funding that impact the fairness of the State special education allocation system overall.

The recommendations of both sub-committees for this study suggest that it may be possible to address this concern by allowing the funding associated with students with "extraordinary needs" to follow them to whatever type of education setting is best suited to their individual needs. Thus, it is recommended that the current system be altered to become "placement neutral," i.e. that funding be based on student need and not on student placement.

While this may suggest a return to something like the "extraordinary services" component of the formula that the State rejected in the past, it seems that the prior conversion of these funds to more generically fund "children in need of special education services," has exacerbated the problem of substantially differential funding for private and public school services. In short, as stated in the IAASE policy brief, "the students with the greatest needs and generating the highest costs, regardless of placement (private or public), should be reimbursed at the same level of funding to the resident district."

How might a "placement neutral" system be implemented? Three possible approaches come to mind. One is to allow districts to make claims for such students when they believe they are serving "high cost" students within a public setting that would afford them the same support they receive when sending this student to a private setting. A second approach is to allow data already submitted to the ISBE to be analyzed and serve as the basis for funding that would automatically be allocated to districts in the case of "high cost" students served in public settings. A third approach is to produce a more generically determined, "high cost student" funding allocation to be allocated to all districts that could be used by districts to serve the students they enroll in the setting most appropriate to their needs, including public and private options. Each of these options is described in more detail below.

**A claim-based "high cost" student system.** This type of system is similar to the prior "Extraordinary Services" component of the state formula. As described by Riffel (1998), this component of the formula supported claims for "extraordinary services" provided "within the public school district." Riffel goes on to point out, however, that this component of the formula had its problems. He states, it enabled some LEAs to become "very creative in accessing this funding stream" and that districts able to accomplish this have been the "primary benefactors" from this source of funds. It was also said to have placed "a heavy paperwork burden" on districts. Thus, it seems clear that the state should not go back to the exact system from before. However, perhaps some variant of this approach could be developed that would be difficult to manipulate, would have limited added paperwork requirements, and could be designed to provide the same fiscal support to like students regardless of setting (i.e. public or private).

**An extant data based "high cost" student system.** A system of this type might be designed to meet some of the goals specified above, i.e. difficult to manipulate, little added paperwork, and equal public/private treatment. An important question relating to the implementation of such a

system is the degree to which data are already submitted to the ISBE that could be used to attribute costs to students served in public settings (comparable to what is available for student served in private special education schools) that could allow the same types of reimbursement provisions to be applied in both public and private settings. Debbie Vespa, of the ISBE, states, “I believe the cost could be identified if everyone agreed to a formula that could be used in allocating expenditures submitted in districts' Annual Financial Report.” However, a definition of the type of student, i.e. what student characteristics, would be used to identify eligible students or some basis of identifying current spending on an individual student served in a public setting would be needed.

**A generic “high cost” student allocation.** This type of system would most easily meet the goals specified above of difficult to manipulate, little added paperwork, and equal public/private treatment. A “high cost” student allocation would be provided to all districts in the state based on certain criteria that would be applied to all, e.g. the count of all students, all students in special education, or perhaps one of these two counts adjusted by poverty (with higher poverty districts receiving somewhat higher funding). These more generically determined funds could be allocated to districts in the form of a “block grant” that could be used to support services for “high cost” students whether served publicly or privately.

The second major concern relates to overall inequities in total current State special education allocations per special education student. First, it is important to acknowledge that there are a number of ways to consider relative equity as described above. In addition, in special education, common approaches found across the states include equal support per all students in enrollment (a census type approach), equal support per special education student, and/or cost adjusted support to allow for cost differentials beyond local control (e.g. cost of living and student characteristics).

The third major concern is the Chicago block grant. As shown in Exhibit 5, State special education revenues per special education student are over 3 ½ times that generated on average by districts in the lowest funded region of the State (Region VI) and over twice the amount generated by any other sub-region. If the numbers of students served in special education in Chicago continue to decline, these disparities will grow. With 19% of the overall State enrollment, 16% of the State’s special education enrollment, and nearly 31% of the total State special education allocation, the Chicago block grant, in essence, dominates all special education fiscal policy for the State. It seems that no meaningful reform can occur for the State without addressing the Chicago special education block grant.

All of these proposed changes to the current system will likely result in substantial resource shifts over time. Without action, these disparities seem likely to grow. Even if started now, any change likely will be phased in. The sooner change is initiated the sooner the special education funding in Illinois can begin movement to a more equitable and efficient track.

### **Move to an entirely different system**

Approximately one-half of the task force members have indicated that they would prefer dispensing with the current system entirely. Given this, what funding alternatives might the State consider? Below, we outline three alternatives to the current formula (fixed-weight, differential-

weight, and census-based formulas) for potential consideration, as well as some of their advantages and disadvantages.

The first approach, *fixed weight*, is based on simply dividing total state special education revenues (approximately \$1.25 billion in FY08) by the total number of special education students in the State (approximately 322,167 in December 2007). This generates a flat State aid amount per special education student of \$3,884. This approach allocates special education resources based on how many special education students there are in the district in relation to the State's total special education enrollment.

The second approach, *differential weights*, takes the concept of applying higher funding weights to more severe students. One simplified example provided here is a variation of the fixed weight approach except that students in the categories of SI and LD disability are allocated one-half the funding weight of non-SI/LD students in special education. While this is not necessarily the recommended approach for such a system, it is provided as illustrative of the concept.

As an example, imagine a base allocation for special education students of \$1,500.<sup>15</sup> If a district had 100 special education students and 10 of them were classified as "severe" (i.e., non-SI/LD), the district would receive State special education funds totaling \$135,000 (or \$1,500 x 90 students) for its non-severe students and \$30,000 (or double the base amount of \$1,500 x 10 students) for its severe students, for an overall total of \$165,000. This approach allocates special education resources based on the total number of special education students in the district while also providing additional funding to districts identifying more severe populations. However, it could also provide a fiscal incentive for identifying more students overall, as well as a greater percentage of students as "severe."

The third approach, *census funding*, is similar to the approach using the fixed weight formula, except that the State's existing special education revenue total is allocated to districts based on their total enrollment of all students (not just special education enrollment) in relation to the total enrollment of the students in districts across the State. For example, imagine that the overall amount of money the State has to spend on special education is \$100 million. If the total school-age enrollment of the State is 1,000,000 and a given school district has 10,000 students (i.e., total enrollment, special and non-special education combined), the district would receive 1% of State special education funds, or \$1,000,000. Note adjustments can be applied to such an approach as well, e.g. for factors such as district poverty.

Exhibit 10 simulates possible fiscal effects on Illinois's regions and sub-regions from these three different funding options. These approaches include some basic assumptions and thus these revenue results do not necessarily reflect the funding levels that would result if the State were to move to the types of systems listed. The simulated revenue distributions show current total special education State revenue amounts per special education student in the first column of numbers. The next three columns show estimates of these amounts under the three alternative formula approaches briefly described above, and the final three columns shows the difference

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<sup>15</sup> This base weight is theoretically created by taking the total amount of funding available at the state level for special education resources and dividing it by the total amount of non-severe students plus twice the number of severe students.

between what the region (sub-region) is receiving under the current system and what they would receive under each of these three simulations.

These simulated estimates show alternative special education revenue distributions by region (sub-region) assuming no additional State special education revenues. Thus, under this constraint, every dollar redistributed to one district must come from another. If the State were to change its special education formula, the process could be phased in to avoid an abrupt redistribution of resources. The formulas also do not include any types of “high cost” or other “safety net” provisions.

**Exhibit 10. Simulated Special Education State Revenues per Region (Sub-Region) Per SE Student Based on Alternative Funding Models, No Change in Current State S E Revenues**

BY REGION:	Current		Revised Funding:			Funding Difference:		
	Poverty	SE Funding	Flat Grant	Diff Wgt	Census	Flat Grant	Diff Wgt	Census
Region I (All)	35%	\$4,636	\$3,884	\$4,076	\$4,187	(\$1,295)	(\$1,102)	(\$991)
Region II, Northwest	26%	\$3,110	\$3,884	\$3,843	\$3,913	\$478	\$438	\$508
Region III, West Central	36%	\$2,584	\$3,884	\$3,190	\$3,145	\$1,074	\$380	\$335
Region IV, East Central	34%	\$2,587	\$3,884	\$3,388	\$3,378	\$779	\$283	\$273
Region V, Southwest	35%	\$2,846	\$3,884	\$3,313	\$3,290	\$704	\$134	\$111
Region VI, Southeast	42%	\$2,189	\$3,884	\$3,088	\$3,025	\$1,302	\$506	\$443
<b>BY REGION I SUB-REGIONS:</b>								
Region I-A, Chicago	65%	\$7,342	\$3,884	\$4,460	\$4,640	(\$4,003)	(\$3,427)	(\$3,247)
Region, I-BB, West Cook	38%	\$3,548	\$3,884	\$3,873	\$3,948	(\$494)	(\$505)	(\$429)
Region I-BC, South Cook	38%	\$3,606	\$3,884	\$3,932	\$4,018	(\$306)	(\$257)	(\$171)
Region I-BD, North Cook	17%	\$3,650	\$3,884	\$3,857	\$3,930	(\$166)	(\$192)	(\$119)
Region IC, Northeast	18%	\$3,663	\$3,884	\$3,965	\$4,057	(\$298)	(\$217)	(\$125)

Whatever changes the State may wish to make, these analyses suggest some serious equity concerns associated with the current State special education funding system and the need for some form of redistribution. Any of the three alternatives shown in Exhibit 10 provides this to varying degrees.

There are possible advantages and disadvantages to the three alternative formulas. The first, a flat grant per student, has the advantage of being straightforward, but may be overly simplistic if some increased funding recognition for higher-cost students is desired. If this is the case, something like the differential weighting system (which could be more finely delineated in its weighting structure) may be preferable. Both of these systems require the specification of clear funding amounts (or weights expressed as a multiple of general education funding) and are directly correlated with the number of students in special education being served by each district. If a high priority is for special education funding to be based on what is actually being done within the confines of special education, some form of per pupil parity would seem imperative for the system to be considered fair.

To foster the greatest flexibility in the use of funds the State may wish to consider a census funding system. However, a census approach seems just the opposite of tying special education funding to special education needs, which some task force members indicated they clearly consider important. Thus, if the State were to pursue an alternative system, exactly what that alternative should be would need to be based on a series of judgments, values, and goals that the State sets for its special education system.

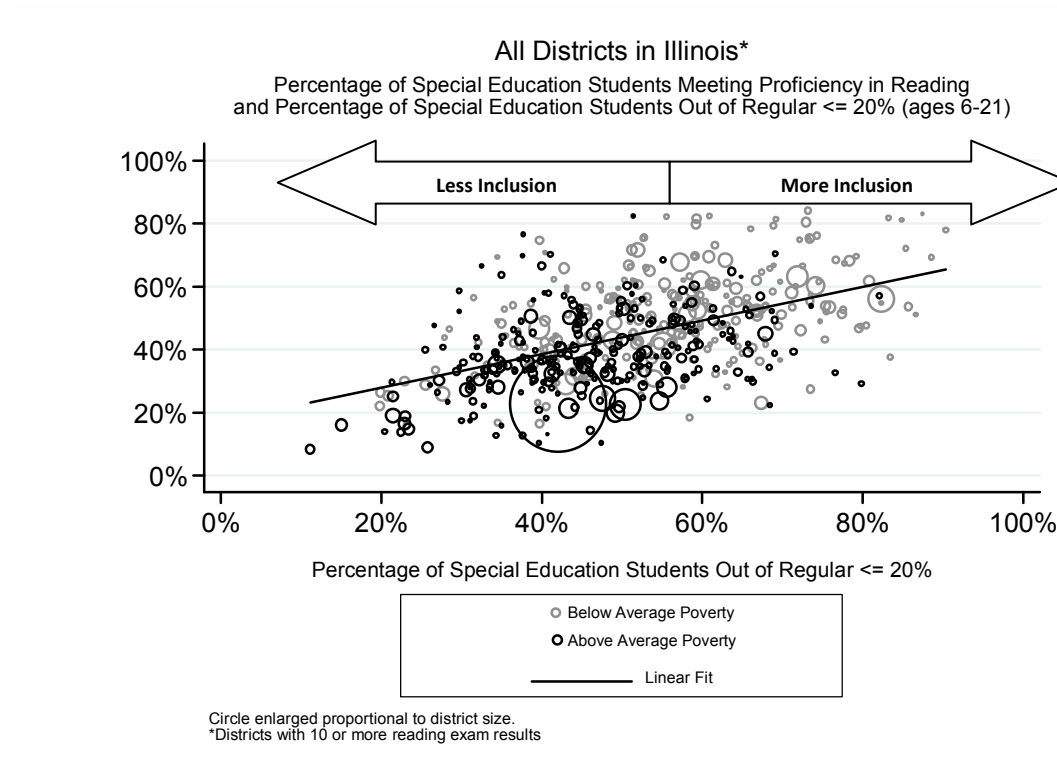
## **Consider an entirely new framework for special education finance and accountability**

This discussion, and much of the special education finance literature, focuses on alternative formulas for allocating special education funds. However, more important than the general orientation of one set of formula provisions as opposed to another is the overall context in which these provisions are set. Any formula that is developed in isolation from other key components of education policy and is mathematically or economically derived apart from a larger conceptual framework may be problematic in the short term and almost certainly will become out of sync with larger policy considerations and changes over time. Thus, at least for discussion purposes, we propose a broader conceptual framework for considering special education fiscal and accountability provisions.

This approach provides a method for tying fiscal policy to a primary criterion set by both of the task force sub-committees, i.e. an emphasis on outcome-based accountability. The proposal is for broader based, systemic reform with a primary emphasis on efficiency, maximizing positive academic and social results for students, and continuous improvement.

As an example of the information available to analyze and learn from student performance data across the State system of special education funding and provision, consider Exhibit 11, below. This combines quite a bit of information into a single exhibit, and is just one example of the kinds of data that could be reviewed toward the goal of continuously improving special education services statewide. This exhibit plots the percentage of special education students reported as “proficient” in reading for each district in the State as well as the percentage of students in special education that each district places in the most inclusive special education setting, i.e. 80% or more time in the general education classroom.

### Exhibit 11. Example of State Data Use for Continuous Program Improvement – the Relationship between Reading Proficiency and Educational Placement of Special Education Students



Each district is represented by a dot, or circle, with its size based on district enrollment. Thus, the largest circle in this graph represents Chicago Public Schools. The shading of the circles represents the percentage of students in poverty in each district with the darker shading indicating high poverty districts and the lighter shaded being those with smaller percentages of students in poverty. Thus, it can be observed that as poverty rises the percentage of special education students reported as proficient drops, on average.

What is of greater interest, however, is the disparity in academic performance observed across the system, with some districts reporting 80% or more of their special education students testing proficient in reading and a number of districts reporting less than 20% of their special education students achieving at this level. It can also be observed that these highs and lows are occurring in districts of comparable size, so that size per se is not a factor. While an inverse relationship between poverty and performance is generally observed, it can also be seen that some high poverty districts show very high levels of achievement for their special education students (e.g. greater than 80%) and some quite low (e.g. less than 20%). Thus, while poverty seems related to achievement, it is not an absolute determinant.

The horizontal axis shows the percentage of special education students served 80% or more in the general education class. Here again, the degree of variation in regard to what is deemed the most appropriate placement option for children in special education is shown to vary broadly. While a number of districts place less than 30% of their students in this most inclusive setting

many others serve 80% or more of their special education students predominantly in general education classes. These placement variations seem unrelated to district size.

They do, however, seem related to district poverty. It is interesting to note that low poverty districts seem much more likely to place relatively high percentages of their special education students in this most inclusive setting, as opposed to higher poverty districts.

It is also interesting to note the positive relationship observed between the percentage of special education students served predominantly in general education classrooms and the percentage proficient in reading. However, it is not clear as to what extent this is simply an artifact of lower poverty districts “including” more students in general education or whether there appears a relationship between placement and performance beyond the influence of poverty.

Exhibit 12 shows the results of regression analyses that statistically control for poverty in further exploring the relationship between special education reading proficiency and other variables. These other variables are to varying degrees within local control, and include per pupil special education expenditures, educational placement, and the percentage of special education students with specific learning disabilities or speech/language impairments (a proxy for the “severity” of special education enrollment in a district).

**Exhibit 12. Relationship between Reading Proficiency of Special Education Students and Poverty, Spending, Identification, and Educational Placement in Illinois**

	<b>Coefficient</b>	<b>p-Value</b>
Percentage of Students in Poverty <sup>16</sup>	-0.33	LT 0.01
Per-Student Special Education Expenditure (in increments of \$100)	0.02	0.15
Percentage of Special Education Students with Specific Learning Disability or Speech/Language Impairment	0.06	0.39
Percentage of Special Education Students in General Education Class 80% or More	0.29	LT 0.01
Percentage of Special Education Students in General Education Class Less than 40%	-0.01	0.89
Percentage of Special Education Students in a Separate Facility	-0.54	LT 0.01
Constant	35.15	0.00

These analyses show a statistically significant<sup>17</sup> negative relationship between district poverty and achievement, which is also apparent from the prior exhibit. Particular points of interest from these results, however, relate to special education spending and educational placement. While the coefficients associated with spending and placement are fairly small, the possible policy

<sup>16</sup> Derived by dividing the 2007-2008 public enrollment by the three-year poverty average (FY 05, 06 and 07)).

<sup>17</sup> Less than 1 percent probability due to chance.

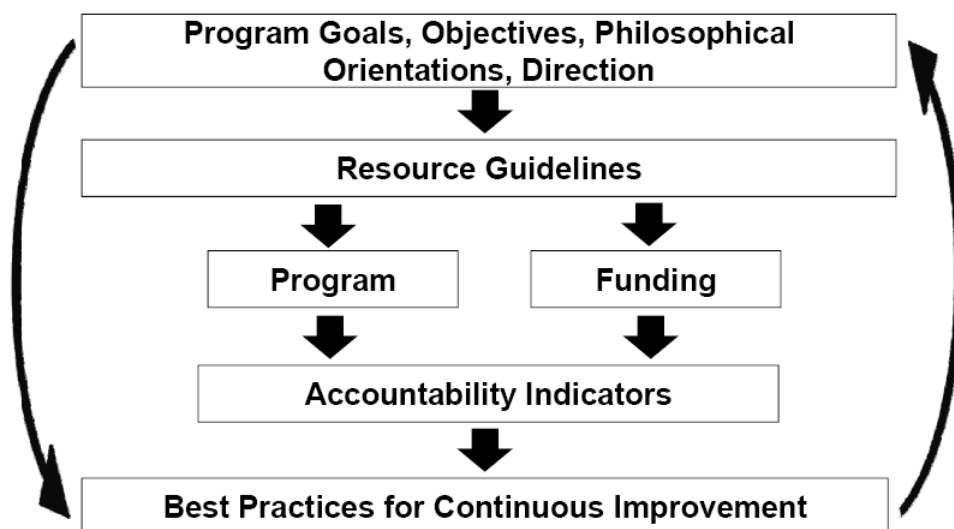


implications of these findings seem of interest and worthy of further exploration. For example, these analyses suggest no statistically significant<sup>18</sup> performance gain from added spending.

However, among the variables listed in this equation, those over which districts may have the most control are the percentages of special education students in various educational placements. The percentage of students spending 80% or more in the general education class does show a positive statistically significant relationship with reading proficiency.

These are the kinds of system-wide data the State may wish to review in relation to the conceptual framework depicted in Exhibit 13. Driven by continuous improvement, it identifies best practices based on outcome data, which inform approaches to assisting and remediating problematic areas of provision in struggling districts and schools.

### **Exhibit 13. Conceptual Framework for Considering Special Education Funding and Accountability**



The framework begins with clearly specified educational goals. As examples, these might include obtaining the highest academic outcomes for all special education students in accord with their abilities, and achieving the greatest educational and social inclusion of students in special education to the maximum extent compatible with their special education needs. In short, to assess how productive a given program is and the extent to which it is succeeding, it is vital that measurable objectives be stated as well as clear means of monitoring progress toward them.

These program goals are followed by guidelines delineating adequate resources determined to be necessary to achieve these program goals. Funding derived from these resource guidelines support the implementation of specific program strategies, as shown in the framework above. Program strategies might include model inclusionary practices, new approaches to inter-agency

<sup>18</sup> P-value is greater than 10% probability that the observed relationship is due to chance and there form is not considered a statistically significant finding.

and cross-program collaboration, or Response to Intervention (RTI). Accountability provisions flow from and are directly related to the program strategies and resources available and are based on specific indicators of success. The last component of the overall framework identifies best practices from schools and districts that appear highly successful, according to the indicators of success, and focuses on supporting struggling schools and districts.

### ***Resource guidelines used to determine adequate resources***

Resource guidelines describe the resources needed to accomplish specified program goals. As an example, no transportation agency would attempt to build a bridge or road without clear construction specifications and the resources needed to complete it. One way of expressing guidelines for the provision of special education services is through the use of staffing ratios (such as the number of special education teachers needed per 100 students). While these guidelines are not designed to be resource mandates, they should reflect some sense of best practice as determined by professional judgment and other evidence that may be available. Once developed, these guidelines can serve as a basis for current funding as well as a benchmark for determining future funding for the program. For example, if desired program outcomes do not result from these specifications, it may be necessary to reconsider them (or whether the specified outcomes are realistic) over time. Primarily, however, they provide a transparent and rational basis for special education funding.

### ***Funding provisions***

The most important feature of the finance component is that it be consistent with, and support, the specified program goals. These funding provisions should not be developed in a vacuum or separate from the overall objectives that they are intended to support as the design of the funding mechanism can ultimately affect educational practice. The actual formula may be census-based, pupil weighted, percentage reimbursement, or some other type of allocation mechanism, as long as it is selected and designed to support and be consistent with the overarching program objectives.

To protect districts against unusually high costs that may arise through the provision of specialized special education services, the funding mechanism should include a statewide fund that individual districts could apply to in cases of extraordinary need. That is, school districts able to document costs in a given year that are exceptionally high due to unusual circumstances could apply for financial assistance against funds set aside by the State to provide relief.

### ***Accountability indicators***

Accountability is “taking responsibility for the performance of students on achievement measures or other types of educational outcomes.”<sup>19</sup> This definition departs from the fiscal and procedural compliance models of accountability that have been traditionally applied to special education (Wolf & Hassel, 2001). Although fiscal and procedural compliance will continue to be important, the primary focus of the proposed framework is on program and student outcomes.

Each desired student outcome is tied to a specific accountability indicator with associated data, which should be analyzed, reported, and made easily accessible and readily available for evaluative purposes at the school, district, and state levels. In addition to academic achievement,

<sup>19</sup> <http://www.cehd.umn.edu/NCEO/TopicAreas/Accountability/AccountTopic.htm>

proposed indicators of success could include data on program outcomes such as school readiness, educational placement, transition, as well as student and parent perceptions of self, learning climate, and school as a community.

In addition, the focus of these accountability indicators would not be punitive. Rather, they would be based on learning from success as well as identifying areas where additional assistance such as technical or additional fiscal support are needed across the State. Data for these indicators would be reported by school, by district, and statewide.

### ***Best practices***

The last component of the framework is to identify best practices from highly successful schools and districts (based on the measures above), to inform additional support that may be needed for struggling schools. Learning from successful sites and applying that knowledge to struggling schools and districts is a key element of the continuous improvement cycle. For sites demonstrating much lower than expected results, the question will not be what sanctions should be employed but what additional support or assistance may be needed to produce improved outcomes in the future.

## **CONCLUSION**

Altering the basis for special education funding in Illinois will be a formidable undertaking. Many more states discuss change than are able to enact it. At the same time, sweeping change has been enacted in California and New Jersey over the past several decades and many other states have substantially changed how they allocate special education funds.

However, the challenges facing Illinois may be especially great. After considerable deliberation, a task force assembled to consider special education funding in the State over a decade ago came to conclusions about the system at that time that sound fairly representative of current problems. The first three recommendations were that the system needed to become placement neutral (no incentives for private placements), more understandable, and equitable. They recommended a two-tiered funding system that, had it been implemented at the time, would likely have substantially ameliorated some of the major concerns associated with the current system.

As the State considers these issues again, there is another opportunity for change. A clear consensus of the current task force is that some form of change is needed. Although there is some disagreement as to the degree, both sub-committees formed to consider varying perspectives as to whether an entirely new system is needed agree on the following points:

- Equity is important,
- The Chicago block grant is a problem, and
- The system needs to be directed somehow on enhanced student outcomes.

Even if many of the basic components of the current system were to be maintained, the three areas of greatest concern mentioned above, i.e. the fiscal incentive to place students in private (nonpublic) schools, general inequities in the system, and simplifying the system overall, should be addressed.

The first of these, i.e. removing the fiscal incentive for private (nonpublic) placements, seems most important to address because of LRE concerns and because this component of the formula contributes substantially to the system's overall fiscal inequities. If the current fiscal premium associated with private (nonpublic) placements is retained without comparable options for students served in the public sector, it seems likely that this more financially lucrative path will be followed for an increasing number of students. This will further exacerbate the State's record in regard to providing special education in the LRE, may result in increasing numbers of special education students being served in isolation from non-special education peers, and will likely exacerbate current inequities associated with private (nonpublic) school funding that impact the fairness of the State special education allocation system overall. At the same time, the importance of keeping strong private options available for students who require them is recognized.

Addressing overall inequities in the current system will require the redistribution of funds over time. However, it may be inappropriate for this to occur in a single year and may be better phased in over multiple years to minimize disruption to existing services. Also, to the degree that it is a policy goal to direct more special education funding to districts with higher percentages of students in poverty, it will be important that this be implemented in a fashion that ensures comparable funding to all districts statewide in accord with the percent poverty of the students they enroll. That is, poverty should not be used as a basis for justifying existing inequities that often ill-serve many districts with high poverty enrollments.

The biggest point of disagreement among the members of the task force may be in regard to the nonpublic school component. However, there may be room to build consensus around this topic as well. Both sub-committees indicated that they see merit in a funding system that provides comparable levels of support to students in special education with extraordinary needs in whatever setting (public or private) is determined by the IEP team as most appropriate to the needs of the child.

Although the fiscal climate is far from ideal to support sweeping reform, it also provides opportunities for change. In time like these, it is especially apparent that every dollar available to support the educational, social, and emotional needs of children in special education is critical and the importance of using available funds to their maximum possible advantage. While substantial changes in resource policies are always difficult, it seems unlikely that anything less will be sufficient to seriously address concerns with the current funding system. Because fiscal policy changes are difficult and often disruptive, it is also likely that they will be phased in and implemented over time. This may, in fact, be an excellent time to start.

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### **List of Appendices**

- A: House Joint Resolution (HJR) 24, passed during the 95<sup>th</sup> General Assembly
- B: Members of the HJR 24 task force
- C: “White Paper” released November 1998
- D: “White Paper” Special Education Funding Formula Recommendations (released September 15, 1998)
- E: Illinois System of Support Regions map
- F: Criteria for Evaluating State Special Education Funding Formulas
- G: The Illinois Alliance of Administrators of Special Education (IAASE) position paper (released in October of 2008)
- H: Revising the Existing Formula Sub-Committee members and Creating New Formula Sub-committee members
- I: Revising the Existing Formula Sub-Committee report
- J: Creating New Formula Sub-committee report
- K: Response from Task Force members, Roxanne Kovacevich and Sally Masear (With input and support from members of the IAASE Finance Committee)

## Appendix A

HJ0001

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## HOUSE JOINT RESOLUTION

1

2 WHEREAS, During the 95th General Assembly, House Joint  
3 Resolution 24 created a task force to study current special  
4 education funding needs and to make recommendations as to how  
5 the State can increase special education funding and ease the  
6 financial burden on school districts; and

7 WHEREAS, The task force was to report its findings and  
8 recommendations to the Governor and the General Assembly by  
9 August 1, 2008; and

10 WHEREAS, The task force needs additional time to complete  
11 its work; therefore, be it

12 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE  
13 NINETY-SIXTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE  
14 SENATE CONCURRING HEREIN, that the task force created by House  
15 Joint Resolution 24 of the 95th General Assembly shall submit  
16 its report by August 1, 2009; and be it further

17 RESOLVED, That with this reporting extension, the task  
18 force shall continue to operate pursuant to House Joint  
19 Resolution 24 of the 95th General Assembly, including  
20 appointments; and be it further

HJ0001

- 2 -

LRB096 02848 NHT 14389 r

1       RESOLVED, That a suitable copy of this resolution be  
2 delivered to the State Superintendent of Education.



## Appendix B

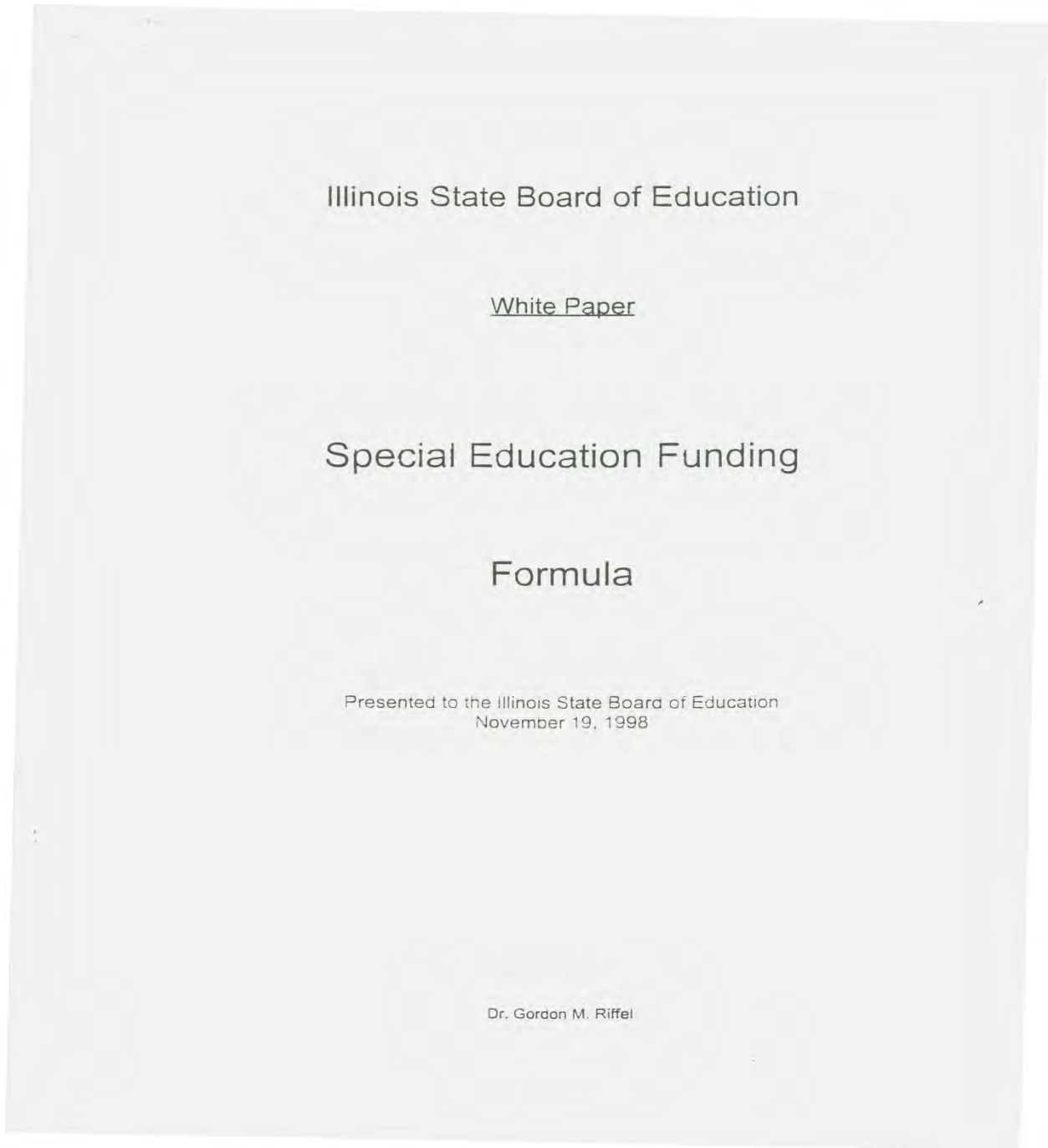
### **HJR 24 Task Force Appointed Members**

The Special Education Funding Task Force as required by HJR 24 consists of the State Superintendent of Education (or Designee) plus 16 appointed members as listed below.

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- **Elizabeth Hanselman (Designee)**, Assistant Superintendent, Illinois State Board of Education
- **The Honorable Kathleen A. Ryg**, State Representative, District 59
- **Charlotte DesJardins**, Director, Family Resource Center on Disabilities
- **Elizabeth Conran**, The Menta Group
- **Sally Masear**, Director of Special Education, Tazewell Mason County Special Education Cooperative
- **The Honorable Sandra M. Pihos**, State Representative, District 42
- **Peg Agnos**, Executive Director, Legislative Education Network of DuPage County
- **Bridget Helmholtz**, Governmental Affairs Consultant, Illinois Association of Special Education Centers
- **Roxanne Kovacevich**, Executive Director, Lockport Area Special Education Cooperative
- **The Honorable Kimberly Lightford**, State Senator, District 4
- **Dr. Christopher A. Koch, Ed.D.**, State Superintendent of Education, Illinois State Board of Education
- **Dr. Sonya Whitaker**, Director for Academic Improvement, Schaumburg School District 54
- **Dr. Frances Carroll**
- **The Honorable Dan Cronin**, State Senator, District 21
- **Scott Pasley**, Principal, Greenville Elementary School
- **Cathy Ficker Terrill**, President and CEO, Ray Graham Association
- **Michael Schack**, Executive Director, Joseph Academy

Appendix C



## Introduction and Action Plan State Funding Task Force

The Illinois State Board of Education (ISBE), through a collaborative process with the education, business and community sectors, examined all of the state funding formulas and made a series of recommendations to the General Assembly in **February 1997**. The Recommendations for Block Grant Funding: A Report Submitted to the Illinois General Assembly recommended:

*...that a Task Force on Special Education Funding be formed to recommend specific changes to Illinois' special education funding mechanisms, its rules and reports. The goals of such reform would be to produce a simpler, fairer, and more flexible system of reporting and disbursement which would more efficiently meet the needs of students with disabilities...*

It also recommended a task force on orphanage funding and transportation funding. Task force reports were to be submitted to the State Superintendent in order to develop legislation. Last year a report was issued to the Superintendent who requested that an additional study be completed before addressing this issue with the State Board of Education.

The ISBE established a task force in 1997-98 and continued through the summer of 1998 (see membership list in Attachment #1) to examine and make recommendations regarding special education finance issues (exclusive of orphanage and transportation issues). There are two charges to this group:

1. to discuss and make recommendations for improving state use of federal IDEA discretionary funds; and
2. to review the special education funding formula to determine, in accordance with the new least restrictive environment (LRE) provisions in the Individuals with Disabilities Education Act (IDEA) Amendments of 1997, if such formulas are in compliance with the new federal requirements and make recommendations to produce a simpler, equitable and more flexible system of reporting and disbursement. The task force was charged with the task to address the funding issues in the *Corey H. vs. Illinois State Board of Education*. The task force was convened on June 2, 1998, and has worked on these various issues through October 1998.

### IDEA Discretionary Funds

#### ***Uses of Funds***

The uses of IDEA state discretionary funds will be reviewed first. A review of the history of these funds reveal, prior to June 1997, **78.5%** of the funds flowed through the state directly to districts; one-half of the remaining funds, **10.75%**, were allocated for room and board payments or community-based wrap-around services in the state; **5%** of the remaining funds were used for administration; and **5.75%** of the funds remaining were used for state leadership activities/systemic change. It is pointed out that **State** law further guides the agency's use of these federal dollars.

### ***New Illinois State Law Addressing IDEA Discretionary Funds***

Public Act 90-547 [Senate Bill 1072 of 1997] restricts the use of these funds within Illinois beyond what is specified at the federal level. This new law limits the federal funds retained at the state level for use by the ISBE for statewide/leadership purposes.

Illinois flows nearly 90% of the funds to local districts between flow-through funds coupled with room and board/wrap-around services (75% for flow-through, 3.75% for low incidence services, and about 10% for room and board/wrap-around services).

The ISBE Needs Assessment (Spring 1997) on special education training and technical assistance needs will also be discussed. The ISBE will need to provide additional training opportunities and technical assistance, particularly with the reauthorization of IDEA 97. Districts should also be able to deliver much of the training and technical assistance services locally, as needs indicate.

### **State Funding Formula Requirements**

#### ***Federal Law***

The IDEA '97 Amendments were enacted in June 1, 1997, and became effective immediately. The new provisions require that each state's special education funding be consistent with the new least restrictive environment [LRE] provisions. The relevant part of the federal law is found in Section 612 (5) of IDEA '97 and captioned below:

(5) *Least Restrictive Environment.*—

(A) *IN GENERAL.*—*To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.*

(B) *ADDITIONAL REQUIREMENT.*—(i) *IN GENERAL.*—*If the State uses a funding mechanism by which the State distributes State funds on the basis of the type of setting in which a child is served, the funding mechanism does not result in placements that violate the requirements of subparagraph (A).* (ii) *ASSURANCE.*—*If the State does not have policies and procedures to ensure compliance with clause (i), the State shall provide the Secretary an assurance that it will revise the funding mechanism as soon as feasible to ensure that such mechanism does not result in such placements.*

### **Illinois State Law and Funding Mechanism**

The current state funding mechanism will be discussed in detail. The history of state special education funding formulas are noted, explaining how formulas have been expanded and changed over the years in Illinois.

The current state funding mechanism for special education consists of **multiple formulas**, with **two pupil-based formulas** cited in Illinois law relating to individuals with disabilities whose cost is beyond a district's per capita cost.

- One formula, known as **private tuition**, supports tuition claims on behalf of children and youth placed by their public school districts into approved private schools (Illinois citation is 105 ILCS 5/14-7.02). The school districts pay for the student's education during the year of service pursuant to an individual contract. The state reimburses the district essentially for costs over **twice** its per capita tuition during the following school year. This reimbursement is paid in full or in part, depending on annual appropriations which have been continually prorated over the years causing Illinois school districts to pick up the balance of funding.
- The other formula, known as **extraordinary services**, supports claims on behalf of children and youth served **within** the public school district service continuum, in any setting for service (Illinois citation is 105 ILCS 5/14-7.02a). The school districts pay for the student's education during the year of service. The state reimburses the district, during the following year, a portion of costs for students with disabilities who require an intensive amount of services such that the costs are extraordinary in nature. Eligibility occurs when student service net costs are beyond **1.5** times the **district's per capita tuition charge** (per cap) per student. The district is reimbursed for all net costs greater than 1.0 per cap, with a maximum payment of \$2,000/student. The reimbursement is paid in full or in part, depending on annual appropriations subject to proration. This section of the funding formula has required the LEAs and Joint Agreements to become very **creative** in accessing this funding stream. Those entities in the state that are efficient in maximizing their funding schemes have been the primary benefactor of this funding stream over the past years. This current practice has also placed a very heavy paperwork burden on districts and joint agreements to document student expenditures.

The question discussed collectively was whether or not the current state funding formula is at least in part based on a **type of setting**. The consensus was the state pupil-based funding formula for **private tuition does** fund a type of setting. As such, and upon discussion with staff of the *Office of Special Education Programs, U.S. Department of Education*, it appears that the current state law is out of compliance with the new federal law as cited above.

Staff of the Office of Special Education Programs discussed this issue with the task force members during the October 1997 meeting. They reviewed the language in Section 612 (5) of the IDEA Amendments of 1997. The federal staff were very clear that while the basic language of LRE has not changed, the additional requirement as cited represents what was considered to be an analytical shift. **The axis of the issue**, they said, is whether the state provides a different amount of money for students in one setting versus another setting. If the answer is **yes**, then Section 612(5)(B)(i) of the IDEA Amendments of 1997 is triggered. The state could differentiate in allocations based on intensity of services, or personnel, or services, but not on **type of setting**. If it is differentiated because of setting, then LRE provisions are triggered. In Illinois it was the impression that this triggering mechanism has been validated.

### Review of the Data

The task force members reviewed how Illinois compares with other states in terms of **private placement** and how other states fund high-cost services (see Attachment #3). Options used in other states range from a catastrophic cost fund to a cost-reimbursement formula to reimbursing a percentage of costs for residential services to a weighted pupil formula based on intensity of services.

In **1995-96**, the data reveals that of the 904 school districts in Illinois, 510 districts made private placements of students with disabilities (outside of Chicago #299, Chicago #299 has a block grant addressing special education pupil reimbursement and other state categorical funds). That resulted in 2,863 placements, or about **1%** of the individuals with disabilities on the December 1<sup>st</sup> child count. In terms of districts with a per cap under \$4,500 making these referenced placements [the first tier of the current private placement tuition formula], 296 districts placed 1,378 students; for those with a per cap over \$4,500, there were 214 districts placing 1,485 pupils. Suburban Cook has **23%** of the state's student population and **24.8%** of the private placements, the **collar counties** have **29.1%** and **39.7%** respectively, and **downstate** has **47.9%** and **35.6%** respectively.

In **1995-96**, 789 school districts claimed extraordinary services costs for students with disabilities (again outside of Chicago #299). That resulted in 48,811 disabled students claimed, with a total December 1<sup>st</sup> child count of 262,632 for students with disabilities, or **18.5%** of all students with disabilities.

**Table 1. 1995-96 Pupil-Based Formula Data**

<i>LEAs* making private placements**</i>	<i>Number and percentage of private placements by LEAs*</i>	<i>Number of LEAs* with private placements and district per capitas under \$4.500</i>	<i>Number of LEAs* with private placements and district per capitas over \$4.500</i>	<i>Number of LEAs* making extraordinary service claims</i>	<i>Number and percentage of students with extraordinary service claims</i>
510 LEAs* out of 904	2,863 placements or less than 1%	296 LEAs placed 1,378 pupils	214 LEAs* placed 1,485 pupils	789 LEAs* out of 904	48,811, or 18.5% of students with disabilities

\* Note: Excludes Chicago #299 due to block-grant status. In 1993-94, Chicago #299 had 16,486 extraordinary services FTE claims and 3,521 private-tuition FTE claims.

The task force, in addition to reviewing student services and placement options, reviewed the claim data available to the State Board of Education at this time. While school districts have submitted full claim data on students in private school tuition settings, the claim data for extraordinary services need not be beyond that which is required to support a claim of \$2,000. In some instances, LEAs chose to submit full claim information for extraordinary services claims; however, this was not consistent. **Staff noted the limitations on the data available, and cautioned that any specific formula being recommended by the task force should view financial forecasts based on limited data as a directional indicator only. It was concluded that data collection and reporting needed to be improved for Illinois. It was interesting to note that we know how much we spend on special education, but we do not know how much special education costs.**

Acknowledging this caution and recognizing that data collection concerns are beyond the scope of this document, the claims were reviewed in relation to district per capita tuition charges. From the claims available, **45.6%** of the claims from extraordinary and private tuition for 1996-97 were at **2.0** per cap or less. **Sixty-seven (67%)** percent of the claims cumulatively were at **2.5** per cap or less. **Eighty percent (80%)** of the claims cumulatively were at **3.0** per cap or less. Almost **93 per cent** of the claims cumulatively were at **4.0** per cap or less. \*

**Table 2. Frequency Distribution of 1996-97 LEA\* Pupil Claims\*\***

<i>Relative to District Per Capita</i>	<i>Frequency and Cumulative Percentage of Extraordinary Claims</i>		<i>Frequency and Cumulative Percentage of Private Tuition Claims</i>		<i>Cumulative Percent of All Pupil Claims</i>
under 1.5	2	0.0%	233	5.7%	0.3%
1.5 – 2.0	31,793	47.4%	456	17.0%	45.6%
2.0 – 2.5	15,233	70.1%	458	28.3%	67.7%
2.5 – 3.0	8,259	82.4%	594	42.9%	80.1%
3.0 – 3.5	5,074	90.0%	601	57.7%	88.1%
3.5 – 4.0	2,850	94.2%	578	71.9%	92.9%
4.0 – 4.5	1,549	96.5%	423	82.4%	95.7%
4.5 – 5.0	1,032	98.0%	294	89.6%	97.6%
5.0 – 5.5	507	98.8%	209	94.8%	98.6%
5.5 – 6.0	294	99.2%	118	97.7%	99.1%
6.0 – 6.5	142	99.4%	39	98.6%	99.4%
6.5 -- 7.0	113	99.6%	27	99.3%	99.6%
7.0 – 7.5	77	99.7%	8	99.5%	99.7%
7.5 – 8.0	43	99.8%	12	99.8%	99.8%
8.0 – 8.5	46	99.9%	4	99.9%	99.9%
8.5 – 9.0	20	99.9%	4	100.0%	99.9%
9.0 – 9.5	13	99.9%	1	100.0%	99.9%
9.5 – 10.0	12	99.9%	0	100.0%	99.9%
over 10.0	46	100.0%	0	100.0%	100.0%

\*Excludes Chicago #299 due to block grant status

\*\*Extraordinary claims: 67,103, or 94.3% of the claims; private tuition claims: 4,061, or 5.7% of the claims

The task force also acknowledged that the implications of Public Act 90-548 (the revision of the General State Aid formula as enacted in December 1997) will have an impact on financial support available to many school districts. When all school districts have a base dollar amount per pupil at \$4,225 or greater, as stated in the law, the picture of funding availability for all students, including students with disabilities, will look different than has been the case.

As a result of the June—October 1998, meetings, which had broad representation, the task force reached the following consensus points:

- Any new formula will address cost-containment provisions.
- The formula will deal with overall program accountability.

- The formula will eliminate any financial incentives for placement.
- The new formula will be flexible and equitable.
- The formula should be understandable and avoid unnecessary complexity.
- Any new formula should be designed with a poverty factor.
- The use of a personnel reimbursement formula should continue.
- The new formula would set aside 85% to fund special education general program improvement, and 15% of new money would be allocated on a district's poverty weighting.
- A pool of funds at the joint agreement or LEA level to pay the cost of special education students who are above three per capita should be developed.
- A continuum of educational services for individuals with disabilities as required by IDEA should be supported, and funded appropriately.
- Community-based services (such as wrap-around services) should be supported.
- Greater accountability for the achievement of students with disabilities should be built in.
- Chicago #299 special education services should continue to be funded through a block grant and receive their share of any new funding.
- The paperwork process in reporting and claiming pupil reimbursement should be simplified.
- The statewide cost accounting system should allow for the simple aggregation of special education programs and pupil costs.
- Provisions should be made to provide for cost containment and more efficient/effective use of resources.
- A basic foundation amount for each joint agreement, cooperative or LEA based on the 1998-99 reimbursement level should be funded.
- The new funding formulas total cost of \$246,505,777, would be phased in over a four-year period of time which would amount to \$61,626,444 annually.

#### ***Final Recommendations on State Special Education Formulas***

A new special education funding formula is being recommended to replace the extraordinary services (14-7.02a) and private tuition (14-702) reimbursement formulas for special education students. The recommended new formula is tied to the foundation level in the General State Aid formula. It reimburses special education student costs at a rate that is 35% of the foundation level. The recommended funding formula provides more funds to school districts for dealing with all special education students, primarily those identified as being high-cost. The reimbursement for personnel and transportation will not be effected by this formula.

The new special education funding formula will have a four-year phase-in period; this will be designed to allow a graduated amount of new funds to be appropriated each year.



### Provisions of the New Formula

1. The formula is in compliance with IDEA '97 being placement-neutral.
2. The formula is easy to understand and implement.
3. The formula provides for cost containment.
4. The formula eliminates burdensome paperwork and makes joint agreements and school districts accountable.
5. The formula provides for equity.
6. The formula is progress because when the General State Aid formula increases, the special education pupil formula increases in a proportional fashion.

### Components of the Funding Formula

- Beginning date - In 1999-2000 school year (FY 2000).
- Students with disabilities - The state appropriation will be based on the number of students in Illinois identified with a disability on December 1<sup>st</sup> one year prior to the funding year.
- States' Foundation Level - It is validated that the cost of educating a special education student can be identified as being high-cost; the state will supplement districts at a rate of 35% of the state's foundation level to offset a portion of these costs.
- Average Daily Attendance - The ADA used for the formula will be the ADA which occurred one year prior to the school year in which the funds would be received. The reason that ADA is utilized is due to the fact it is an audited figure by the ISBE.
- Low Income - The literature reveals a strong relationship between low income and students with disabilities. Therefore, 15% of all new funds generated under the new formula will be distributed on this basis.

### How the Formula Will Work

#### Example

FY 2000 state foundation level		<b>\$4,325 St. Foundation</b>
Percent allotted for special education 35%		<b>X 35% Percent of ADA</b>
Funding level per special ed student 1 <sup>st</sup> Yr.	<b>=</b>	<b>\$1,513.75 Base amount</b>
December 1 <sup>st</sup> '97 child count		<b>272,777 students</b>
<b>Funding level per SE student X Dec. 1<sup>st</sup> Count =</b>		<b>\$412,916,183</b>

### Allocation of State Appropriation

Three separate components are involved in determining how the state appropriation will be allocated.

#### Base Funding Level:

A joint agreement or LEA base funding level has been established to ensure that they will not receive less funds than they received during FY 1999. The base funding level has the following components:

1. Each joint agreement or LEA base funding level will be the total amount of 14-7.02 (private placement) and 14-02a (extraordinary) funds received during the FY 1999 year.
2. The funds will flow directly to the entity which receives these funds at the current time.
3. The projected state disbursement for FY 1999 (\$166,410,406).
4. The base funding level will remain in place in the future.
5. Personnel and transportation funding remain the same as currently dispersed.

Average Daily Attendance:

85% of all new funds (the funds which are above the base funding level) will be distributed based on the district's ADA.

**Example:** (State appropriation level minus base funding level) x 85% = dollars to be distributed.

$$\text{FY 2000 } (\$412,916,183 - \$166,410,406) \times 85\% = \$209,529,910$$

Low Income or Poverty Weighting:

15% of all new funds (funds above the base funding level), will be distributed based on the district's poverty or low-income child count.

**Example:** (State appropriations - base funding level) x 15% = dollars to be distributed.

$$\text{FY 2000 } (\$412,916,183 - \$166,410,406) \times 15\% = \$36,975,866$$

Reduction in Paperwork:

It is anticipated that ISBE will have all the necessary information needed from the federal or state claims to calculate the amount of funds to be distributed to each district, thus reducing the need for additional claim forms.

### How the Funds Will Be Distributed

**80% of the New Funds:**

80% of the funds generated under this new funding formula will flow directly to the entity which is currently receiving 14-7.02 (private) or 14.702a (extraordinary) in FY 1999.

**20% of the New Funds:**

20% of the funds generated under this formula will flow directly to the state-approved joint agreement to be held in escrow to defray the cost for high-cost students (those students 3 per cap and above). The purpose of the 20% set-aside funds is to provide a safety net for districts to help supplement their costs for extremely high-cost students. These funds will flow directly to the joint agreement or LEA to establish the high-cost pool. It will be their responsibility to manage and distribute these funds appropriately. Specific accounting requirements will be required by the ISBE to account for

expenditures of the high-cost pool of funds. These funds can only be accessed to reimburse districts for students whose costs are above three (3) district per capitas. The district will pay the cost for up to three (3) per cap for an individual student before accessing the high-cost pool. At the beginning of each new year, 20% of all new funds will go into an escrow account to be used for high-cost students.

### **Accountability of Funds**

The State Board of Education will develop rules on the use of and accounting for the funds which are set aside for high-cost students (3 per cap and above). The following areas will be considered as the rules designed by ISBE.

It will be the districts' and joint agreements' responsibility to maintain precise and detailed records on the manner in which funds are expended. All funds received under this formula must be used to directly support the educational programs of students with identified disabilities, and for no other purpose.

ISBE will develop a baseline identifying the number of students by joint agreement or LEA who are currently receiving special education services through a private provider. Beginning with FY 2000, the joint agreement or LEA will provide an annual report to ISBE identifying the number of students who qualified for the high-cost pool of funds. They must indicate where the services were provided, either in private or public settings. This information will be used to determine if the funding formula has significantly changed the delivery of special education services in the state.

Consideration will be given to requiring the unobligated high-cost pool of dollars to remain in the pool for at least a three-year period of time. This would ensure that there are sufficient funds in reserve to meet the needs of any unexpected expenses needed for a extremely high-cost student. A joint agreement or LEA may request a waiver from ISBE to reduce the funds balance sooner if the fund balance is exceedingly high. The waiver would be completed on an annual basis.

In rules, ISBE will require a LEA or joint agreement to establish an oversight committee for the high-cost pool. The committee would consist of a director of special education, a superintendent, and a private provider. In those areas where private providers are not currently available, the joint agreement or LEA could identify an individual to serve in that capacity if approved by ISBE. The role of the committee would be to ensure that funds are being used as intended under the new legislation. The committee would also be required to approve any request for waivers.

ISBE will develop an accounting system for the high-cost pool of funds. The accounting will require a minimal amount of information, but will allow the state to know how these funds have been expended.

### **National and State Comparison**

Illinois spends on an average \$1.4 billion as the total expenditure for special education and related services (7.5% federal, 42.1% state, and 50.4% local resources), compared with \$19.2 billion expended nationally (7.8% federal, 55.9% state, and 36.3% local

resources). According to these estimates, Illinois local school districts must fund in excess of **\$100 million** for special education costs. State expenditures throughout the nation, like federal aid, varied from about 90% to 17% or less of total education expenditures. The perspective of fund sources is important to remember as any proposal will change the mix of federal/state/local resources to pay for special education and related services. The bottom line is that districts expend the funds for their resident students with disabilities regardless of payment sources. The additional fact is that Illinois as a state spends 13.8% less for special education than the national average. Chicago District 299 will remain in the block grant and would receive 33.45% of any new dollars, projected to be \$82,456,182.

### **Conclusion of the Task Force**

A single pupil-based formula would allow Illinois to be in compliance with IDEA as reauthorized in June 1997. It also provides more funding on a reimbursement basis for local district expenditures for public school settings. It allows more flexibility for local claiming processes in that there is no artificial ceiling of \$2,000.

The task force reiterates that for both the current pupil-based formulas and in the proposal above, the district pays for the services and is reimbursed the year after for services rendered. The LEA or joint agreement pays the private provider, pursuant to a contract, for private school tuition, or the LEA pays public school personnel for the services provided.

Task force members acknowledge that as the process of recommendations and actions move forward, there will be modifications to the specific provisions. The recommendations and proposed formula are meant as a starting point to address the issue of Illinois being out of compliance with the new IDEA. This formula also encompasses the consensus points developed by the task force as noted earlier. The members of the task force also expressed a strong willingness to continue to work with the State Board of Education in order to ensure compliance with IDEA and to continue to improve services for individuals with disabilities.

**Special Education Finance  
Task Force  
Attachment 1**

Dr. Sharon Boyd-Armstrong  
Director of Special Education  
Williamson County Special  
Education District  
113 South Russell Street  
Marion, IL 62959

Mr. Michael Blacharczyk  
Director of Special Education  
Belleville Area Special  
Services Cooperative  
1405 East Main Street  
Belleville, IL 62220

Ms. Veronica Cabrera  
National Center for Latinos  
with Disabilities  
2938 East 1499<sup>th</sup> Road  
Ottawa, IL 61350

Mr. Thomas Dempsey  
Executive Director  
Illinois Association of Private  
Schools for Exceptional  
Children  
132 Maple Court  
Palatine, IL 60067

Ms. Bridget Helmholz  
Associate Director  
Child Care Association  
300 East Monroe Street  
Springfield, IL 62701

Ms. Ann Herrick  
Administrator, Support of Special  
Education  
Chicago School District #299  
1819 West Pershing Road  
6<sup>th</sup> Floor Center - Center  
Chicago, IL 60609

Mr. Milton Klail  
Business Manager  
North Suburban Special  
Education District  
Stratford Center  
760 Red Oak Lane  
Highland Park, IL 60035

Ms. Rhonda Best  
3104 Sunnyside Drive  
Rockford, IL 61114

Dr. James Carstens  
Director of Special Education  
Tri-County Special Education  
Association  
1015 A. Laesch Avenue  
Bloomington, IL 61704

Dr. Mary Jayne Broncato  
Associate Superintendent  
Illinois State Board of Education  
100 North First Street  
Springfield, IL 62777

Mr. Rex Eddy  
State Advisory Council on  
the Education of Children  
with Disabilities  
Camp Point School District #3  
Rural Route 2, Box 468  
Camp Point, IL 62320-0468

Mr. Neil Henderson  
Director of Special Education  
Black Hawk Area Special  
Education District  
4670 11<sup>th</sup> Street  
East Moline, IL 61244

Mr. William Kienzle  
 Family T.I.E.S.  
 830 South Spring Street  
 Springfield, IL 62702

Mr. Richard Kraft  
 Business Manager  
 Black Hawk Area Special  
 Education District  
 4670 11<sup>th</sup> Street  
 East Moline, IL 61244

Mr. Richard D. Laine  
 Associate Superintendent  
 Illinois State Board of Education  
 100 North First Street  
 Springfield, IL 62777

Mr. Gary Lieder  
 Director of Special Education  
 Maine Township Special  
 Education Association  
 1131 South Dee Road  
 Park Ridge, IL 60068

Dr. Thomas Oates  
 Superintendent  
 Marion School District #2  
 1410 West Hendrickson  
 Marion, IL 62959

Dr. Kenneth Randle  
 Director of Special Education  
 Niles Township Department of  
 Special Education  
 8701 North Menard Avenue  
 Morton Grove, IL 60053

Dr. Susan Shea  
 Illinois Education Association  
 100 East Edwards  
 Springfield, IL 62704

Ms. Naomi Law  
 Director of Special Education  
 Oak Park School District #97  
 970 Madison Street  
 Oak Park, IL 60303

Dr. Max McGee  
 Superintendent  
 Deerfield School District #109  
 517 Deerfield Road  
 Deerfield, IL 60015

Dr. Sue Ouellette  
 State Advisory Council on  
 The Education of Children  
 with Disabilities  
 c/o Department of Communicative  
 Disorders  
 Northern Illinois Univeristy  
 DeKalb, IL 60115

Mr. Martin Ricconi  
 Director of Special Education  
 LEASE  
 1009 Boyce Memorial Drive  
 Ottawa, IL 61350

Ms. Maria Elena Rodriguez-Sullivan  
 National Center for Latinos  
 with Disabilities  
 1921 South Blue Island Avenue  
 Chicago, IL 60608

Dr. Maribeth Montgomery Kasik,  
 Ph.D.  
 Chairperson  
 Division of Special Education  
 Governors State University  
 University Park, IL 60466-0975

Ms. Rene Christensen Leininger  
 Director  
 Illinois Planning Council on  
 Developmental Disabilities  
 830 South Spring Street  
 Springfield, IL 62704

Ms. Marcia Salisbury  
Illinois State Board of Education  
Funding and Disbursement Service  
100 North First Street  
Springfield, IL 62777

Ms. Gail Lieberman  
Illinois State Board of Education  
Accountability and Quality  
Assurance  
100 North First Street  
Springfield, IL 62777

Ms. Carol Madison  
Executive Director  
Illinois Center for Autism  
548 S. Ruby Lane  
Fairview Heights, IL 62208

Ms. Sue Gamm  
Chief Specialized Services Officer  
Chicago Public Schools  
1819 W. Pershing Road  
Chicago, IL 60609

Dr. Donald R. Frailey Sr.  
Superintendent  
Roseville Community Unit  
School District #200  
265 West Penn Avenue  
Roseville, IL 61473

Mr. Robert Delmotte  
Administrator  
Vermillion Association  
for Special Education  
12190 U.S. 150  
Oakwood, IL 61858

Mr. Bill Hinrichs  
Illinois State Board  
of Education  
100 North First Street  
Springfield, IL 62777

Dr. Joseph Holt  
Director of Special Education  
409 East Park Street  
Post Office Box 1027  
Benton, IL 62812

## Attachment #2 Basics of Special Education Finance

### **What is special education? What is required?**

Special education is the provision of specialized instruction, and related services if required, to eligible children and youth with disabilities who require said services. While special education services have been provided for more than 100 years by the state or school districts, it was in 1965, (although it didn't become effective until 1969), that the state mandated school districts, individually or collectively, provide services for individuals ages 3-21, and do "child find" activities ages birth-21. The federal requirements of 1975 modified state law slightly. In 1991 the Early Intervention Services Systems Act added the requirement of school districts serving children birth through age 2 in conjunction with community-based organizations. The 1997 amendments to IDEA reiterate the basic provisions.

Disabilities served are of a high incidence (e.g., learning disabilities or speech/language impairments), a moderate incidence (e.g., mental retardation or emotional/behavior impairments), or a low incidence nature (e.g., deaf or hard of hearing, visually impaired, physically impaired, multiply impaired, autism or traumatic brain injury).

Federal and state laws and rules establish a set evaluation and reevaluation process, requiring that personnel serving these youngsters meet the highest state standards, demand an Individual Education Plan per child which specifies extent and duration and intensity of services, requires parent notice, consent and participation at many steps along the way, and provide for procedural safeguards for families and youngsters.

### **How are special education services financed?**

The main mechanism of the Illinois finance system for special education is a personnel-based flat grant formula. The mechanism was instituted prior to the mandate for special education services, with the original intent of paying districts 1/2 of the salaries for the additional personnel required to serve students requiring special services. Applying the formula provides \$8000 per professional worker (e.g., special education teacher, school social worker), \$2800 per non certified employee (e.g., special education teacher aide), up to \$400 annually for readers for students who are blind, and up to \$1000/per child [to a maximum of \$8000 per teacher] for those working with students served in home or hospital placements. The FY 98 appropriation for personnel reimbursement was \$220,031,300 (estimated proration is 86.9%).

In addition to personnel reimbursement, there are other formula components:

- \* Assist LEAs to pay tuition, on a reimbursement basis, for students placed by their districts into approved private day or residential schools. Essentially districts pay up to twice their per capita tuition rate; the remainder of the costs up to the tuition rate established by the Illinois Purchased Care Review Board are reimbursed by the state, depending on proration levels. The FY 98 appropriation for "private tuition" is \$32,336,900 (estimated proration is 76%).



- \* Assist LEAs to pay a portion of costs, on a reimbursement basis, for students with disabilities who require an intensive amount of services such that the costs are extraordinary in nature. Eligibility is when student service net costs are beyond 1.5 per capita per student; payment is beyond 1.0 per capita up to \$2000/student. The FY 98 appropriation for "extraordinary services" is \$113,616,100 (estimated proration is 76%).
- \* Assist LEAs, on a current funding basis, to pay the actual costs of educating children with disabilities who are wards of the state or who reside in state institutions or jail/detention centers. The FY 98 appropriation for "orphanage" for students with disabilities is \$124,000,000. There is no proration since this mechanism has a funding caveat that if there is insufficient funding in a given year, the next year's appropriation pays first for any prior year proration and then for the current year expenses. In FY 98 the prior year's liability was estimated at \$10,511,866 (included in the overall figure cited above). Individuals with disabilities claimed under this fund source do not generate General State Aid for the serving districts.
- \* Assist LEAs by paying, on a reimbursement basis, 80% of the costs to transport an individual with disabilities to meet the unique needs of the child. The FY 98 appropriation for "special transportation" was \$132,866,700 (estimated proration at 85%).
- \* Specialized assistance for select children and youth--contracts for the Phil Rock School and Service Center and the Materials Center for Students with Visual Impairments; summer school services; low incidence services funding, Regular Education Initiative--which are funded in FY 98 at a combined level of \$9,157,500.
- \* An appropriation of \$20,000,000 in FY 98 state funds for serving eligible infants and toddlers and their families.
- \* Assist LEAs making private residential placements in the payment of the related room and board costs, on a current funding basis, using up to 1/2 of the federal IDEA Part B discretionary funds available at the state level. If there are funds remaining in this pool after the end of the year, they can be used the following year for community based wrap-around services for the same populations served in residential settings.

Beyond the \$650 million in FY 98 state appropriations for special education services, there are federal funds available to all local districts for providing special education services. These funds are distributed on the basis of their annual December 1<sup>st</sup> child count. The Illinois State Board of Education receives funds from the Individuals with Disabilities Education Act. The grant awards are for IDEA Part B (the overall program and requirements ages 3-21), for IDEA Preschool (ages 3-5), and IDEA Part H (Part C as of 7/98) (infants and toddlers), for about \$155 million. There are additional small federal grant programs of a competitive basis, e.g., personnel preparation, which the Illinois State Board of Education receives on an annual basis.

### Context of Dollars

In terms of **state** funds, about \$650 million was appropriated in FY 98 for special education purposes. State special education appropriations have increased dramatically over time, from \$117.7 million in FY 76, to \$309.6 million in FY 86, to \$650 million in FY 98.

On the **federal** side, federal special education funds received directly by the Illinois State Board of Education were approximately \$155 million in FY 98. Federal special education funds in Illinois have also increased over time, from about \$18 million in FY 77 to \$155 million in FY 98.

In terms of **local** funds, The Future of Children, "*Financing Special Education*," shared the following:

- On average, expenditures for students receiving special education services were **2.3** times as great as for general education students.
- Illinois is shown in that report as spending **\$1.4 billion** as the total expenditure for special education and related services (7.5% federal; 42.1% state; and 50.4% local resources), compared with \$19.2 billion expended nationally (7.8% federal; 55.9% state; and 36.3% local resources). According to these estimates, local districts must fund in excess of \$100 million for special education costs.

### Ratio of Funds for General and Special Education

Again citing from "*Financing Special Education*," the following information is useful:

- Data suggest that the average special education expenditure per student with disabilities, adjusted for inflation, grew at an overall average rate of **4% - 5%** per year. In contrast with general education, special education expenditures per student are growing at a rate that is approximately 20% faster than the overall education expenditure per student, exclusive of preschool and early intervention populations (ages birth to five services).
- Over 10% of all K-12 public school students are identified as special education-served.
- While the generally accepted cost multiple is 2.3, it is sometimes argued that about 25% of total education expenditures (2.3 x 10+%) are used for students with disabilities. While it can be argued that this estimate may be as good as any available, it overstates the cost of serving students with disabilities.
- **Based** on the assumption that all students with disabilities are entitled to the same basic set of general education services received by all students, the marginal costs of special education are estimated to be closer to 14% of the public education expenditure.

"*The Current Federal Role In Special Education Funding*," cites that the states in aggregate spent a total of \$19.2 billion for special education and related services from federal, state and local resources in 1987-88. No later date is available from this source.

- Federal aid ranged from 65% of total special education expenditures in Kentucky to 3% of costs in Minnesota and New York; eleven states received over 12% of funding from federal sources, while six states received less than 5%.
- State expenditures, like federal aid, varied from about 90% (Hawaii, Washington, DC, Idaho, Missouri, New Mexico and Rhode Island) to 17% or less of total education expenditures (Kentucky, New Hampshire, Oregon and Virginia).
- Local expenditures ranged from 3% or less in total (New Mexico, Oklahoma and Alabama) to over 70% (Michigan, New Hampshire, Oregon and Virginia).

*"Where's the Money Gone?"* by the Economic Policy Institute, cites a detailed examination of expenditures in nine typical US school districts that showed the share of expenditures going to regular education dropped from 80% to 59% between 1967 and 1991, while the share going to special education climbed. In detail:

- Real school spending (appropriately adjusted for inflation) increased by 61% from 1967 to 1991, 40% less than the real growth conventionally assumed.
- Only 1/4 of this increase was directed at "regular education," the traditional school activities whose outcomes can be measured in test scores, graduation rates, etc.
- Special education's share of all expenditures rose from 4% in 1967 to 17% in 1991; special education received 38% of the net new money spent in 1991.
- About 8% of net new money went to expansion of the school lunch and breakfast programs.
- About 7% of the net new money went to attendance, dropout prevention, alternative instruction, and counseling.

In summary, the answers to the question of the cost differential between general and special education services vary. EPI states that special education costs were 17 percent of the total budget (1991, Economic Policy Institute) to 2.3 times as great for special education than general education (1996, Center for Special Education Finance).

## Appendix D

### Special Education Funding Formula Recommendation

September 15, 1998

- **Funding Formula Objectives:**

1. The formula is required to be in compliance with IDEA 97 and to be placement neutral.
2. The funding formula will be understandable easy to apply and implement.
3. The formula will be equitable and produce no significant funding loss to any district or cooperative.
4. The funding formula will have cost containment attached to it.
5. The funding formula will satisfy the requirement of the Corey H. Case.
6. The funding formula will eliminate burdensome paperwork and make Cooperatives and Joint Agreements accountable.
7. The formula will have a three year phase in period.

#### **Proposed Two-Tiered Funding System**

##### **Tier No. 1**

The object of Tier I is to place the same amount of funds behind each eligible IEP student regardless of placement within the continuum of service.

##### **Tier No. 2**

Tier No. 2 will set aside a pool of funds to help offset the districts' expenses for "high cost students." The funds would flow to the Joint Agreement or Cooperative Level for disbursement and would be replenished annually. This will help to reduce the paper work that is now required by the Joint Agreement and ensure a pool of funds to be applied to severe needs' students.

#### **Meeting The Formula Objectives**

- Cost Containment -- the formula will reimburse the district based on the average number of students with disabilities in the state, not on the local average that is felt will address the concern for over identification at a local level.
- District Accountability -- the formula will be based on the district's average daily attendance.

- Equity -- it reimburses all school districts at the same level per student.
- Progressive formula - the formula is based on the state's foundation level as a percentage and will increase as the foundation level increases.
- Helps eliminate the need for proration -- the formula should allow ISBE to accurately project funds needed to implement the program annually, which will help eliminate unforeseen prorations.
- Effective and efficient use of resources -- the formula is not based on how the services are delivered.
- Provide level funding during phase in period - the formula would provide a base level that would be calculated on FY 1999 allocation and would ensure that no program would receive fewer funds they secured in FY 1999.
- The formula benefits all school districts - the formula would provide a significant infusion of dollars to help supplement local district's costs for special education. The formula takes into account the lack of increases in special education funding and prorations that have taken place over the past 15 years. The formula would be phased-in over a three year period of time.

### **Funding Formula Essential Elements**

- Beginning Date -- 1999-2000 school year (FY 2000).
- District base Level- each school district's foundation level will be the total amount of 14-7.02 (private placement) and 14-7.02a (extraordinary) funds received during FY 1999. The base level will be in place during the phase-in (3 years) period. Once the phase-in period has transpired the foundation level will be eliminated and the future amount of the funds any district will receive will be based on the funding formula.
- Average Daily Attendance (ADA) -- The ADA that will be used for this formula is the district ADA that occurred two (1) year prior to the school year in which the funds would be received. Example: The funds the district would receive in the 1999-2000 school year would be based on the district's 1998-99 ADA.
- State's Average Percentage of the Special Education December 1<sup>st</sup>. Child Count -- the amount of funds a district would receive will be based on the percentage of the special education students in the State that occurred on December 1<sup>st</sup>. One year prior to the year the district would receive funding. Example: The funds the local school district would receive for the 1999-2000 (FY 2000) school year will be based on the percentage of the special education students identified on December 1<sup>st</sup>. 1998 IDEA child count.

## Funding Formula Characteristics

### Funding Levels:

#### Tier No. 1

The amount of dollars allocated to Tier No. 1 of the funding formula will be based on 29% of the state's projected foundation level.

<u>Example:</u>	FY 2000 projected State foundation level = \$4,325	
	29% of the state's foundation level	X 29%
	Special Education per student	\$1,250

#### Tier No. 2

The amount of dollars allocated to Tier II of the funding formula will be based on 115% of the state's foundation level.

#### Example:

FY 2000 State's foundation level =	\$4,325
	X 115%
	\$5,000

## Functional Formula Aspects

### Tier I.

Percentage of special education students in the state (14.95%) minus 1% (13.95%) X the districts ADA X. Tier I funding level (\$ 1,250)= districts projected revenue.

Note: ISBE has all the necessary information from reporting sources to calculate the amount of funds to be distributed to each district. (Paperwork Savings)

## **Tier II**

1% set aside for high cost students X the district's ADA X. Tier II funding level (\$5,000)= revenue to flow to the Joint Agreement or Cooperative.

Note: These funds will flow to the Joint Agreement and will be pooled for each district to help defray the cost of high cost students (those above 3 per capita). It will become the responsibility of the Joint Agreement to manage and distribute these funds. This process will also reduce paper work on the part of the Joint Agreement since ISBE has this information and will not require current Cost Sheets. At the beginning of each year, the Joint Agreement will place all new Tier II funds into the pool. How any remaining funds in the pool at the conclusion of any given financial year will be maintained will be determined by the districts in the Joint Agreement.

## **Accountability Of Funds**

The local district in conjunction with the Joint Agreement will have responsibility to maintain records on how the funds are expended. All funds allotted under these formulas must be used to support the educational programs for children with disabilities.

## **Concluding Remarks**

The new formula described above is a culmination of many months of study, deliberations, funding options and formulas, and compromise. It is safe to say that the majority of the task force supports the new formula. There are however several members (5) that did not support the formula for a variety of reasons. It is felt by the majority of the Task Force that the formula is responsive to the financial difficulties' districts face when meeting the needs of disabled students. The Task Force feels that the new formula will address the compliance issues with IDEA 97 as well as Corey H. The Task Force requests the State Superintendent approval of the new funding formula and submit the formula to the State Board for consideration and inclusion in the ISBE legislation package.

## Formula Cost

### Encapsulated Costs:

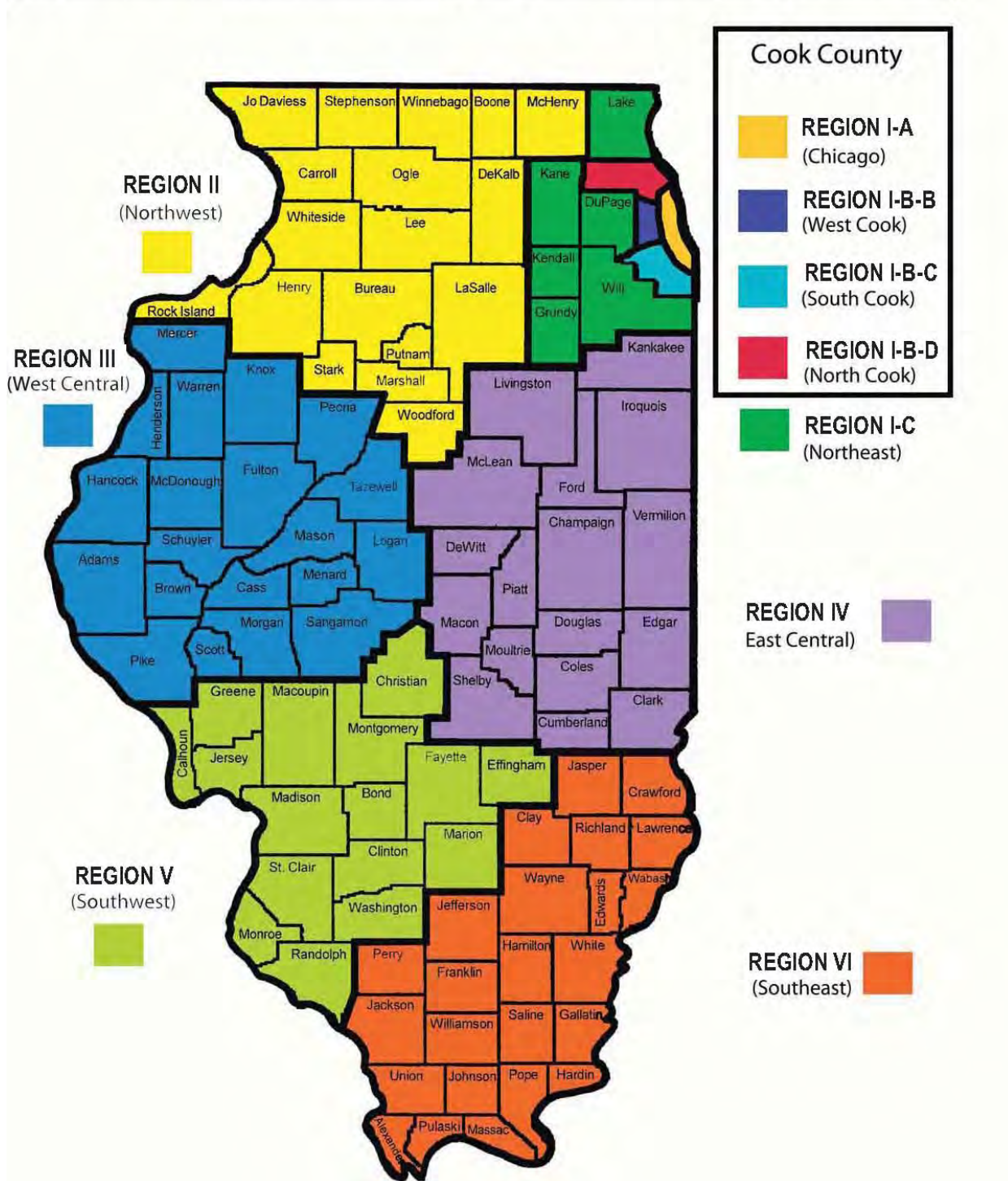
Total Projected New funding over three years = **\$249,930,486** / 3 years =  
\$83,310,162 (please see printout for full details)

Note: State Personnel reimbursement would remain the same and transportation will remain the same.



Appendix E

# System of Support Regions



Appendix F

**Criteria for Evaluating State Special Education Funding Formulas**

<p><b>Understandable</b></p> <ul style="list-style-type: none"> <li>▪ The funding system and its underlying policy objectives are understandable by all concerned parties (legislators, legislative staff, state department personnel, local administrators, and advocates).</li> <li>▪ The concepts underlying the formula and the procedures to implement it are straightforward and “avoid unnecessary complexity.”</li> </ul> <p><b>Adequate</b></p> <ul style="list-style-type: none"> <li>▪ Funding is sufficient for all districts to provide appropriate programs for special education students.</li> </ul> <p><b>Flexible</b></p> <ul style="list-style-type: none"> <li>▪ LEAs are given latitude to deal with unique local conditions in an appropriate and cost-effective manner.</li> <li>▪ Changes that affect programs and costs can be incorporated into the funding system with minimum disruption.</li> <li>▪ LEAs are given maximum latitude in use of resources in exchange for outcome accountability.</li> </ul> <p><b>Reasonable Reporting Burden</b></p> <ul style="list-style-type: none"> <li>▪ Costs to maintain the funding system are minimized at both local and state levels.</li> <li>▪ Data requirements, recordkeeping, and reporting are kept at a reasonable level.</li> </ul> <p><b>Cost-Based</b></p> <ul style="list-style-type: none"> <li>▪ Funding received by districts for the provision of special education programs is linked to the costs they face in providing these programs.</li> </ul> <p><b>Cost Control</b></p> <ul style="list-style-type: none"> <li>▪ Patterns of growth in special education costs statewide are stabilized over time.</li> <li>▪ Patterns of growth in special education identification rates statewide are stabilized over time.</li> </ul> <p><b>Outcome Accountability</b></p> <ul style="list-style-type: none"> <li>▪ State monitoring of local agencies is based on various measures of student outcomes.</li> <li>▪ A statewide system for demonstrating satisfactory progress for all students in all schools is developed.</li> <li>▪ Schools showing positive results for students are given maximum program and fiscal latitude to</li> </ul>	<p><b>Equitable</b></p> <ul style="list-style-type: none"> <li>▪ Student equity: Dollars are distributed to ensure comparable program quality regardless of district assignment.</li> <li>▪ Wealth equity: Availability of overall funding is not correlated with local wealth.</li> <li>▪ District-to-district fairness: All districts receive comparable resources for comparable students.</li> </ul> <p><b>Predictable</b></p> <ul style="list-style-type: none"> <li>▪ Local education agencies (LEAs) know allocations in time to plan for local services.</li> <li>▪ The system produces predictable demands for state funding.</li> <li>▪ State and local education agencies can count on stable funding across years.</li> </ul> <p><b>Identification Neutral</b></p> <ul style="list-style-type: none"> <li>▪ The number of students identified as eligible for special education is not the only, or primary, basis for determining the amount of special education funding to be received.</li> <li>▪ Students do not have to be labeled “disabled” (or any other label) in order to receive services.</li> </ul> <p><b>Fiscal Accountability</b></p> <ul style="list-style-type: none"> <li>▪ Conventional accounting procedures are followed to assure that special education funds are spent in an authorized manner.</li> <li>▪ Procedures are included to contain excessive or inappropriate special education costs.</li> </ul> <p><b>Placement Neutral</b></p> <ul style="list-style-type: none"> <li>▪ District funding for special education is not linked to where services are received.</li> <li>▪ District funding for special education is not based on type of educational placement.</li> <li>▪ District funding for special education is not based on disability label.</li> </ul> <p><b>Connection to Regular Education Funding</b></p> <ul style="list-style-type: none"> <li>▪ The special education funding formula should have a clear conceptual link to the regular education finance system.</li> <li>▪ Integration of funding will be likely to lead to integration of services.</li> </ul>
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continue producing favorable results.	<b>Political Acceptability</b> <ul style="list-style-type: none"><li>▪ Implementation avoids any major short-term loss of funds.</li><li>▪ Implementation involves no major disruption of existing services.</li></ul>
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Adapted from *State Funding Models for Special Education* (Hartman, 1992) and *Removing Incentives for Restrictive Placements* (Parrish, 1994).

## Appendix G

**IAASE Position Paper**Reimbursing School Districts for  
Students with the Greatest Needs and Generating the Highest Costs

October 28, 2008

The Illinois Alliance of Administrators of Special Education (IAASE) is promoting a merger of the three funding structures related to reimbursing school districts for students with the greatest needs and generating the highest costs, thereby equalizing state reimbursement.

The following information is intended to more fully explain this direction.

In Illinois, special education reimbursement is divided into categories (sometimes referred to as “categoricals”), including personnel, transportation, summer school, orphanage, private facility, funding for children requiring special education services (historically referred to as “extraordinary”), and students with excess costs. Other special education line items include The Phillip Rock Center and Materials for the Visual Impaired. The following focuses on the private facility, funding for children requiring special education services and students with excess costs reimbursements.

Private Facility (“Private”)

The private tuition reimbursement formula authorized under Section 14-7.02 states that a school district is obligated to pay the first per capita tuition charge with local funds. The State reimburses the difference between \$4,500 and the district's first per capita tuition charge, if any. The school district is then required to expend a second per capita tuition charge with local funds, with the State reimbursing any excess over this amount. In practice, given that very few districts (four as of the 2007-08 school year) have a per capita tuition rate less than \$4,500, most school districts pay *two times their per capita* tuition charge with the State reimbursing the district for the remainder of the approved tuition for the school year, including summer school when approved. If a student is enrolled less than a full year, all variables are prorated accordingly. In addition, if the state appropriation is insufficient to reimburse eligible district claims, they are prorated as well.

Example 1:	School District A per capita	\$6,000
	Private Facility tuition rate	\$30,000 <i>Tuition Rate</i>
		( <del>\$12,000</del> ) <i>2x per Capita</i>
	ISBE reimbursement to School District	\$18,000 <i>Reimbursement</i>

Funding for Children Requiring Special Education Services (“Extraordinary”)

The extraordinary funding formula (14-7.02a) was established in the early 1970's to assist with the costs of students with very significant needs. These students had costs that were greater than one district per capita charge. In 1993, the statute was amended and changed the qualifying threshold for costs in excess of 1½ times the resident district per capita charge. Regardless of total cost, qualifying students generated a maximum reimbursement of \$2,000 per student. The formula was changed in August 2004 per PA 93-1022 by repealing Section 14-7.02a and creating a new Section 14-7.02b under the name “Funding for Children Requiring Special Education Services”. The statute utilized a hold harmless base year to ease the transition to the new formula. The amount of hold harmless was defined as the amount each district received under the last year of the old Extraordinary formula (FY 04) with the remainder of the funds

distributed 85% on district average daily attendance and 15% on poverty after Chicago District 299 was accounted for in their block grant. Per the new statute, the hold harmless base year was to remain in effect for three years (FY 05-FY 07) after which it would sunset. Beginning with FY 08, all funds were distributed 85% on ADA and 15% on poverty. During the initial year after the removal of FY 04 hold harmless from the formula, the redistribution resulted in a loss of \$21 million dollars for 255 districts. P.A. 95-0705 was signed into law on January 8, 2008 and reinstated a new hold harmless base year. Districts were eligible for hold harmless if the amount received in FY 08 and thereafter was less than the amount received in FY 07. However, calculations for eligibility were determined only after all funds had been distributed under the current formula which would require a subsequent supplemental appropriation. PA 95-0729 was signed into law on June 30, 2008 and approved a supplemental appropriation for \$21 million to relieve the loss of funding to the 255 districts impacted by the redistribution in FY 2008. In FY 2009 hold harmless has been calculated for 233 districts in the amount of \$17.6 million.

#### Students with Excess Costs Programs (“Excess”)

Another major component of PA 93-1022 was reimbursement for students with “excess costs” which was defined as all documented educational costs for students with disabilities, excluding summer that ***exceeded four resident district per capita*** tuition charges. Excess costs were reimbursed from unused federal Room and Board grant funds. The amount of reimbursement in recent years has been prorated significantly as eligible costs far exceed the amount of unused funds. Proration percentages have been 21.1% (FY 08), 20.1% (FY 07), 2.67% (FY 06) and 4.88% (FY 05).

Example 2:	School District A per capita	\$6,000
	Public School tuition rate	\$ 30,000 <i>Tuition Rate</i>
		<del>(\$24,000) <i>4x Per Capita</i></del>
		<u>\$6,000</u>
	ISBE reimbursement to School	
	District (including proration of 21.1%)	\$1,266 <i>Reimbursement</i>

Under the current methods of reimbursement, school districts are given more reimbursement dollars for sending a student to a private facility than keeping the student in a public school setting. In the two examples above the school district receives \$18,000 from the ISBE by placing the student in a private facility or \$1,266 from the ISBE by placing the student in a public school program.

The Illinois Alliance of Administrators of Special Education believes this creates a disincentive to place students closer to home in a public school setting. Further, the IAASE believes that the students with the greatest needs and generating the highest costs, regardless of placement (private or public), should be reimbursed at the same level of funding to the resident district.

Therefore the IAASE recommends:

1. Merge the three funding structures/categories: Private Facility, Funding for Children Requiring Special Education Services (Extraordinary) and Students with Excess Costs.
2. Reimburse school districts for students with the greatest needs and generating the highest costs equally after expending 2 times per capita.

## Appendix H

- Sub-committee Members - Revising the Existing Formula
  - Bridget Helmholz, Chair
  - Cathy Ficker Terrill
  - Scott Pasley
  - Frances Carroll
  - Mike Schack
  - Charlotte Des Jardins
  - Tim Imler
  
- Sub-Committee Members – Creating New Formula
  - Roxanne Kovacevich, Chair
  - Peg Agnos
  - Beth Conran
  - Sally Masear
  - Representative Sandra Pihos
  - Deb Vespa

## Appendix I

### SUBCOMMITTEE ON REVISING THE EXISTING FORMULA ILLINOIS SPECIAL EDUCATION FINANCE TASK FORCE OCTOBER 1, 2009

**BACKGROUND:** The Special Education Finance Task Force, which convened as a result of HJR 24, developed two workgroups to continue deliberations between meetings. The Task Force meetings were scheduled monthly until the summer of 2009, during which time there were no meetings.

This Subcommittee is comprised of members who believed the existing special education finance system has merit, but it may benefit from some adjustments in order to address problems that have been identified on the task force.

**SUBCOMMITTEE MEMBERS:** Members of this subcommittee are Cathy Ficker Terrill, Tim Imler, Scott Pasley, Charlotte Des Jardins, Frances Carroll, Mike Schack, and Bridget Helmholz.

**TOP THREE PRIORITIES IDENTIFIED BY SUBCOMMITTEE:** In his report entitled “Considering Special Education Funding in Illinois: State and National Trends,” Dr. Tom Parrish identified 14 traditional criteria for evaluating special education funding formulas. The Subcommittee understood one of its charges was to select the top three priorities we believed were essential to the Illinois finance system. These are:

- Equitable
- Flexible
- Outcome accountability

Within each of these values, the subcommittee identified specific statements that provide additional direction to the Committee.

Equitable:

In addition, some of their specific recommendations are:

- Do no harm.

- Enhance reimbursement to Illinois school districts in salaries for professional and non-professional staff.
- There should be an annual adjustment tied to an index such as exists for Social Security.
- Review the Chicago Block Grant funding.
- Do not add to unfunded mandates
- Reimburse the school districts for services provided to high needs students while developing efficiencies that exist in the private sector.
- A financial system should have a single-minded focus on student learning
- Fund the escalating costs of transportation
- Consider more local control for high-performing districts, perhaps on a pilot basis. Include technical assistance from these districts to lower-performing districts, e.g., a mentoring system.



## Appendix J

Overview  
Special Education Task Force  
Sub-Committee – Create New Formula  
10-15-09

The charge of this subcommittee was to examine special education funding in other states especially in the “pack 7” in order to create a new formula for Illinois and compare them to criteria as established by the committee.

I. During the first meeting, the committee examined criteria and determined the top three of importance.

(Noted with \*):

- Understandable/Transparent
- Reasonable
- \* Equitable – viewpoint of district
- Adequate
- Predictable
- Flexibility – can be spent – user based
- Reporting burden
- Identification Neutral
- Fiscal Accountability
- Cost Based
- Cost Control
- \* Placement Neutral
- \* Outcome Accountability
- Connection to Regular Ed funding
- Political Acceptability

II. Criteria Comparison of Current Illinois Formula - The definitions that were used to develop this matrix were those obtained from the publication, *“State Special Education Finance Systems, Part 1, 1999-2000”*.

Criteria	Chicago Block Grant(D299)	Personnel Reimbursement	Private	85/15 Split Extraordinary	Excess
<i>Understandable/transparent</i>	Y	Y	Y	Y	Y
<i>Equitable</i>	N	Y	N	N	N
<i>Adequate</i>	Excessive	N	Y	N	N
<i>Predictable</i>	Y	Y	Y	Y	N
<i>Flexible</i>	N	N	N	N	N
<i>Identification Neutral</i>	Y	Y	N	Y	N
<i>Reasonable Reporting Burden</i>	Y	Y	N	Y	N
<i>Fiscal Accountability</i>	N	Y	Y	N	Y
<i>Cost Based</i>	N	Y	Y	N	Y
<i>Cost Control</i>	N	Y	Y	N	N
<i>Placement Neutral</i>	Y	Y	N	Y	N
<i>Outcome Accountability</i>	N	N	N	N	N

<i>Connection to Regular Education Funding</i>	N	N	N	N	N
<i>Political Acceptability</i>	Y (Chicago)	Y	Y	Y	N
<i>Student Outcomes</i>	N	N	N	N	N
<i>Assures LRE While Maintaining Continuum of Services</i>	N	N	N	N	N

III. Various Models were reviewed with some pros/cons addressed – not all areas were addressed:

1. Weighted Funding System – depending on the weighting system used, incentives can be created to misclassify students into specific types of placements or into categories of disability that receive higher allocations.
2. Flat Grant – Fixed amount per student ( Illinois Personnel Reimbursement )
3. Census Based – Based on enrollment of all students in district (Illinois 14-7.02b which replaced the old extraordinary reimbursement)
4. Resource Based – Staff/student ratio by disability or type of placement including staff, equipment, etc.
5. Percentage Reimbursement – Based on expenditures for individual programs.
6. Variable Block Grant – Base year allocation, expenditures and/or enrollment

IV. Allocation Models

- ✓ Special Ed Enrollment
- ✓ Total Enrollment (ADA, ADE)
- ✓ Type of Placement
- ✓ Disability Category
- ✓ By Classroom
- ✓ Staff
- ✓ Intensity of services
- ✓ Maintenance of Effort
- ✓ Base year expenditure
- ✓ Actual expenditure
- ✓ Allowable Costs

V. Areas of Consideration Include:

- Examining the current position paper from IAASE which advocates for funding to follow high cost students equally thereby encouraging districts to make placement neutral decisions.
- Re-examine the Chicago Block Grant which continues to increase while enrollment decreases. Perform an analysis of student enrollment vs. block grant allocation. Determine % of students enrolled in 1996 to current enrollment and that to the remainder of the state. Are the dollars following the students?
- Consider merging **all** special education funds and allocate them evenly across the state – i.e. student count, personnel, transportation, etc.
- Examine possible interagency agreements so as not to duplicate services, but rather to expand upon them.
- Student outcomes should be a long term goal. Is there a correlation between outcomes and formulas? If so, that formula should be pursued.
- Personnel reimbursement. This revenue stream follows a flat grant method. However, this may not promote equity because the districts that can afford to hire staff get the money and the ones that cannot afford to hire staff, don't receive funds. Does provide for ease of reporting and fiscal accountability.

- Solicit feedback from all Illinois Stakeholder groups.

#### VI. Additional Concern

The initial meetings of the whole provided a detailed background of Illinois funding in order to ensure a common understanding. We had just begun to analyze in two meetings the publication referenced earlier. Consequently, this sub-committee has not had sufficient time to gather adequate data or engage in appropriate and lengthy dialogue on how other states provide funding for special education services. In addition, there were challenges in getting committee members (as a whole and in sub-committee) together.

#### Sub-committee members:

Peg Agnos, Beth Conran, Roxanne Kovacevich, Sally Masear, Representative Sandra Pihos, Debbie Vespa

## **Appendix K: Response from Task Force members, Roxanne Kovacevich and Sally Masear (With input and support from members of the IAASE Finance Committee)**

June 10, 2010

To Members of the HJR 24 Task Force:

Over the past two years, the IAASE Finance committee and IAASE Board have had several meetings and discussions regarding special education funding in Illinois. On June 4, 2010, the IAASE Finance Committee convened to review the recommendations outlined within the *"Draft Analysis of and Policy Alternatives for Special Education Funding in Illinois"* and review the information within *"Financing Special Education: State Funding Formulas"*. We have drafted letter in response to the recommendations presented by Tom Parrish at the last task force meeting on May 12, 2010. We respectfully request that the task force consider this response while formulating their conclusions and final written report.

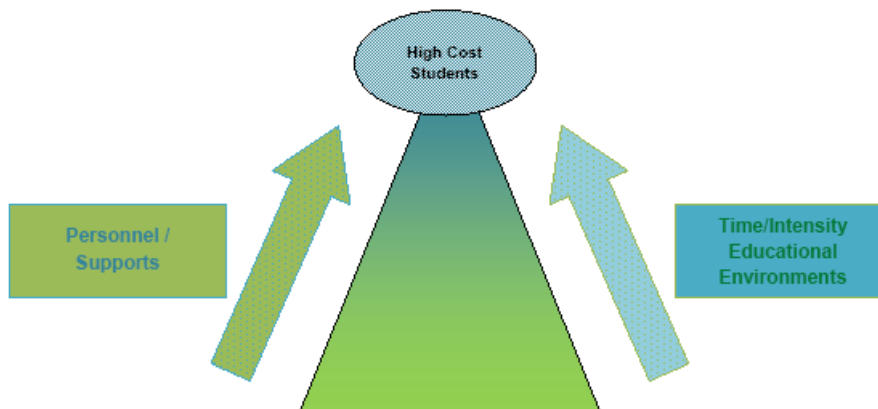
The IAASE Finance Committee members agree conceptually with the proposed weighted funding formula based on disability severity, poverty, and enrollment. However, we would like the task force to consider the following comments regarding the weighted elements within the proposed formula.

### **Disability/Educational Environment**

The committee believes that the disability category is not as important as the intensity of the services needed to address the severity of the disability. The challenge of developing a weighted funding formula is the designing a fair system that does not rely solely on disability category, but rather on the intensity/time of the special education services. Therefore, the intensity of the services (time and resources) needs to be weighted more significantly. Lastly, the committee emphasizes that any weighted formula must address the high cost student needs and other exceptional individual cases that require greater levels of support. We would support a weighted formula provided that it captures the districts' costs for high cost students.

A weighted formula based on intensity/time of special education services addresses the variety of educational settings, educational environments, and service delivery models. A weighted funding formula also maintains the concept of "placement neutral funding" – greater intensity of time/supports can be provided regardless of the educational environment. This balances the concerns with student over identification. The "time/intensity" formula illustrated below is reflective of Colorado, Georgia, and Iowa models that center on weighted funding codes, tiered supports, intensity of needs, and educational environments.

#### A DUAL FUNDING STREAM THAT SUPPORTS HIGH COST STUDENTS.



We support a “time/intensity” factor that would be incorporated into a weighted formula which also includes enrollment, disability and poverty. This formula would also maintain the concept of placement neutral funding.

Personnel reimbursement is proportionate to the number of staff that a district employs based on the needs of the students they serve.

### Poverty

We acknowledge that the federal funding formula is a census-based formula where Illinois distributes these funds based on a district’s 85% average daily attendance and the remaining 15% of funds are allocated on the district’s relative poverty level. While many factors influence academic performance, ISBE’s *“Special Education Student and School Data Study Final Report, 2003”* identified several factors that contribute to certain results. However, specific factors such as district wealth and student poverty apply to all students in a school or district, not just those with disabilities.

### Enrollment

The current formula for distribution of federal funds contains elements of state-wide consistency by factoring in district enrollment and district poverty. This consistency across the state attempts to reduce regional disparities and supports all students. Provided that any new funding formula proposed by the HJR 24 task must include a census-based approach, we suggest that the task force consider a combination of percentages for General Education Enrollment and Special Education Enrollments. A combination of these two enrollment percentages would capture the needs of large enrollment districts by supporting current initiatives such as RtI. Secondly, a combination of enrollment percentages would account for students with disabilities in a non-disability categorical approach in smaller and/or rural districts.

We respectfully request that the task force provide a rationale for utilizing enrollment (general education/special education or a combination of thereof) for any census- based formula proposal.

### Reducing the Number of Funding Streams

We endorse the concept of merging the categorical funding structures in order to reimburse school districts for students with the greatest needs and generating the highest costs equally. We support the merging of the Chicago Block Grant, Private Facility Tuition costs, Funding for Children Requiring Special Education Services, and Summer School (Extended School Year services) into one special education funding formula. While we support reducing the number of special education funding mechanisms, it is crucial to keep Personnel Reimbursement, Transportation, and Orphanage as

separate state reimbursement formulas. The following rationale is provided to maintain the separate formulas for Personnel Reimbursement, Transportation, and Orphanage:

### **Personnel Reimbursement**

Personnel Reimbursement should remain a separate formula because a district's decision to hire staff is a local decision based on the needs of their students and the employment of staff is the single largest expense in providing special education services. The reimbursement is based on actual costs associated with providing special education services and the revenue for such expenses is an immediate relief for costs incurred by districts. The amount of reimbursement is proportionate to the number of staff that a district employs, again, based on the needs of their students. Personnel Reimbursement should not be considered a sole source of state revenue. We believe that Personnel Reimbursement does not capture nor address the level of local funding, tax levy, or fiscal disparities across the state. We are concerned about regulatory procedures that are currently in place that mandate lower special education class size requirements in the event that personnel reimbursement exceeds the amount in effect on January 1, 2007, by at least 100%.

### **Transportation**

Transportation should remain as a separate funding stream because the revenues must match the expenditures in Fund 40. Transportation reimbursement is tied directly to each district's specific costs for special education as identified as a related service on a child's individual education program. The current transportation formula only reimburses those districts who have incurred costs in transportation, as opposed to the disbursement funds across all districts, regardless if the district had actually incurred transportation costs as a related service for students with disabilities.

### **Orphanage**

The state reimbursement for orphanage claims is absolutely necessary to protect those districts responsible for providing special education services to students who are under the guardianship of a public agency or who reside in a state residential facility. The orphanage formula is a critical source of revenue that is tied directly to costs incurred by local districts who deliver the special education services for wards of the state.

### **Closing Comments/Final Considerations/Final Recommendations/Summary**

We support the census-based weighted special education funding formula provided the aforementioned comments and recommendations are addressed and given serious consideration by task force members as they prepare their final written report in response to House Joint Resolution (HJR) 24 passed by the 95<sup>th</sup> General Assembly.

Respectfully submitted by,

Roxanne Kovacevich

Sally Masear

With input and support from members of the IAASE Finance Committee

## Appendix B – Enacting Legislation

AN ACT concerning education.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The School Code is amended by adding Section 14-17 as follows:

(105 ILCS 5/14-17 new)

Sec. 14-17. High-Cost Special Education Funding Commission.

(a) The High-Cost Special Education Funding Commission is created for the purpose of making recommendations to the Governor and the General Assembly for an alternative funding structure in this State for high-cost special education students that is aligned to the principles of the evidence-based funding formula in Section 18-8.15 in which school districts furthest away from adequacy receive the greatest amount of funding.

(b) The Commission shall consist of all of the following members:

- (1) One representative appointed by the Speaker of the House of Representatives, who shall serve as co-chairperson.
- (2) One representative appointed by the Minority Leader of the House of Representatives.
- (3) One senator appointed by the President of the Senate, who shall serve as co-chairperson.
- (4) One senator appointed by the Minority Leader of the Senate.
- (5) The State Superintendent of Education or a designee.
- (6) The Director of the Governor's Office of Management and Budget or a designee.
- (7) The Chairperson of the Advisory Council on the Education of Children with Disabilities or a designee.

Additionally, within 60 days after the effective date of this amendatory Act of the 102nd General Assembly, the State Superintendent of Education shall appoint all of the following individuals to the Commission:

- (A) One representative of a statewide association that represents private special education schools.
- (B) One representative of a statewide association that represents special education cooperatives.
- (C) One educator from a special education cooperative, recommended by a statewide association that represents teachers.
- (D) One educator from a special education cooperative that is not a member district of a special education cooperative, recommended by a different statewide association that represents teachers.
- (E) One educator or administrator from a nonpublic special education school.

- (F) One representative of a statewide association that represents school administrators.
- (G) One representative of a statewide association that represents school business officials.
- (H) One representative of a statewide association that represents private special education schools in rural school districts.
- (I) One representative from a residential program.

Members appointed to the Commission must reflect the racial, ethnic, and geographic diversity of this State.

- (c) Members of the Commission shall serve without compensation, but may be reimbursed for their reasonable and necessary expenses from funds appropriated to the State Board of Education for that purpose.
- (d) The State Board of Education shall provide administrative support to the Commission.
- (e) To ensure that high-quality services are provided to ensure equitable outcomes for high-cost special education students, the Commission shall do all the following:
  - (1) Review the current system of funding high-cost special education students in this State.
  - (2) Review the needs of high-cost special education students in this State and the associated costs to ensure high-quality services are provided to these students.
  - (3) Review how other states fund high-cost special education students.
  - (4) If available, review other proposals and best practices for funding high-cost special education students.
- (f) On or before November 30, 2021, the Commission shall report its recommendations to the Governor and the General Assembly.
- (g) This Section is repealed on December 31, 2022.

Section 99. Effective date. This Act takes effect upon becoming law.



## Appendix C – Membership/Meeting Agendas/Minutes



# Illinois State Board of Education

100 North First Street • Springfield, Illinois 62777-0001  
www.isbe.net

**Darren Reisberg**  
*Chair of the Board*

**Dr. Carmen I. Ayala**  
*State Superintendent of Education*

## High-Cost Special Education Funding Commission

September 2021

Lindsay Amerson  
*Deputy Director, Governor's Office of Management and Budget*

Michelle Mussman  
*Representative, 56<sup>th</sup> District*

Paula Barajas  
*Learning Behavior Specialist I, Chicago Public Schools 299, Illinois Federation of Teachers*

Dave Severin  
*Representative, 117<sup>th</sup> District*

Bambi Bethel-Leitschuh  
*Chair, Advisory Council on the Education of Children with Disabilities*

Melissa Taylor  
*Assistant Superintendent, Belleville Township High School District 201*

Shawn Brodie  
*School Psychologist, Northwest Suburban Special Education Organization*

Terri Bryant  
*Senator, 58<sup>th</sup> District*

Dr. Sylvia Cadena Smith  
*Executive Director, Giant Steps*

Dr. Scott Doerr  
*Superintendent, Nokomis CUSD 22*

Susan Harkin  
*Superintendent, CUSD 300*

Dr. Jason Helfer  
*Deputy Instructional Education Officer, Illinois State Board of Education*

Betty Lindquist  
*Founder, Counseling Connections*

Marlin Livingston  
*President/CEO, Cunningham Children's Home*

Meg Loughran Cappel  
*Senator, 49<sup>th</sup> District*

Troy Metheney  
*Executive Director, Illinois Center for Autism*

## High-Cost Special Education Funding Committee

3 – 5 p.m. on August 10, 2021

### Committee members

Please join the webinar from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/739179693>

You can also dial in using your phone.

United States: +1 (872) 240-3212 Access Code: 739-179-693

### Non-committee members from the public may also have the opportunity to participate.

A conference room has been reserved at the Illinois State Board of Education offices in Chicago and Springfield.

#### Chicago

Floor 14, V-Tel Room. On-site contact: Carmelo Reyes. Participants enter on the ground level of the James R. Thompson Center (100 W. Randolph, Chicago, IL 60601), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting.

Participants should know title of meeting and the ISBE on-site contact.

#### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title

of meeting and the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Adoption of Rules of Procedure (roll call vote)
- III. Review of Trainings Requirements
- IV. Review of Goals and Schedule
- V. Presentation on Illinois State Funding and Data for High-Cost Special Education
- VI. New Business
- VII. Public Comment
- VIII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons.

Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

**High-Cost Special Education Funding Commission**

3 – 5 p.m.

August 10, 2021

V-Tel Chicago/Springfield Offices

Via GoToMeeting

Join meeting online: <https://global.gotomeeting.com/join/739179693>

Dial in: +1 (872) 240-3212    Access Code: 739-179-693

**WELCOME**

Senator Meg Cappel brought the meeting to order at 3:04 p.m. Roll call was taken, and a quorum was present.

**ROLL CALL**

**Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Terri Bryant, State Senator, 58<sup>th</sup> District

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education

Lindsay Amerson, Deputy Director for the Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair for Advisory Council on Education of Children with Disabilities

Betty Lindquist, Founder of Counseling Connections

Melissa Taylor, Assistant Superintendent, Bellville Township District 201

Paula Barajas, Learning Behavior Specialist I, CPS 299, Illinois Federation of Teachers

Dr. Sylvia Smith, Executive Director of Giant Steps

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Susan Harkin, Superintendent, CUSD 300

Troy Metheney, Executive Director for Illinois Center for Autism

Marlin Livingston, President/CEO of Cunningham Children's Home

**Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

## **ADOPTION OF RULES OF PROCEDURE**

Commission was provided with a copy of Adoption of Rules and Procedures. Ms. Taylor made the motion to proceed with rules of procedures. Susan Harkin seconded the motion. The motion was passed by unanimous roll call vote.

## **TRAINING REQUIREMENTS**

Barbara Hobrock of ISBE Legislative Affairs gave an overview of Ethics, Harassment, and Open Meetings Act trainings. Special note that Open Meetings Act training portal is not functional currently.

## **GOALS AND SCHEDULE**

Purpose Statement: To make recommendations for an alternative funding structure for High-Cost Special Education that is aligned to Principles of Evidence-Based Funding. To ensure that high-quality services are provided to have equitable outcomes for High-Cost Special Education Students.

Goals: To review the current system of funding. Review the needs of High-Cost Special Education students in the State of Illinois and the associated costs. View how other states fund High-Cost Special Education students. Recommendation on or before November 30, 2021

Meeting Roadmap: <https://www.isbe.net/Documents/HCSEFC/SB-0517-HCSE-Commission-Meeting-Roadmap-Nov30.pdf>

## **PRESENTATION**

ISBE Financial Officer Robert Wolfe presented *2021 Special Education Funding Overview*.

### Current State Funding for Special Education Comments

Ms. Lindquist stated that her understanding was that the purpose for the way the formula was set up was to be an equalizer for higher socio-economic districts and lower socio-economic districts, referencing slide 9.

Mr. Wolfe responded, I think it is important to talk about this formula in the intent that this formula has been in place for decades. I think it's important for the committee members to take into account the fact that it's tied to our old funding formula structure and we as a state know so much more after the school funding debate that resulted in the enactment of Evidence-Based Funding (EBF). We know more about funding today and what equitable funding is going forward. I am not aware of any example where a district is receiving zero reimbursement because its per capita tuition is that great that the sum is a negative number when you deduct two times the per capita from tuition.

Ms. Taylor questioned Mr. Wolfe about the \$749 per student. Is that per special education student, referencing slide 15?

Mr. Wolfe responded with, for every student that is enrolled in a district, \$749 dollars per each student goes toward special education. It is based upon total enrollment. It has nothing to do with special education enrollment in a district.

Mr. Livingston stated that it would be interesting for the senators or elected representatives, as well as other committee members, if we could put the numbers in terms of dollars in enrollment in terms of statewide expenditures to see what the total Illinois State Board of Education budget is.

Mr. Wolfe responded with, for clarification, you want us to provide these percentages in relation to the Illinois State Board of Education budget compared to these expenditures in relation to the overall state budget?

Mr. Livingston stated that is correct.

#### Cost Calculation for Nonpublic Facilities Comments

Mr. Wolfe stated, to reiterate the calculations -- and I will cover this more in the side-by-side points of difference -- but private facilities have rates that are computed based on audited costs and there are limitations and cost caps in certain areas.

#### Cost Calculation for Public School Districts Comments

Ms. Lindquist asked, is this what districts submit to you for program reimbursements? They also get the EBF Tier 1 and Tier 2 dollars? Do we know what the average reimbursement is in Tier 2 and Tier 1 for EBF? Or do we even have EBF data for Tier 1 and Tier 2 in dollar amounts?

Mr. Wolfe responded with, it varies based upon the Percentage of Adequacy. We can provide you with tier funding. I am going to tell you that 99 percent of tier funding is distributed to Tier 1 and Tier 2 districts. It's also important to note that Tier 1 districts receive Tier 1 and Tier 2 reimbursements. The majority of all EBF goes to Tier 1 districts. Tier 2 districts receive varied amounts that are contingent upon what that district has locally and how close it is to the Tier 1 target ratio and how close it is to 90 percent threshold. Tier 2 districts are any district below 90 percent adequacy but are above the Tier 1 target ratio, which is on or around 67 to 68 percent.

Ms. Lindquist stated, to follow up to Mr. Wolfe's comment, part of that was just the sunset provision. The law was passed and then some of those are going to change over time and then that money is distributed to districts for EBF and they get to use that for any special education student regardless of their intensity or what kind of programming they are in? There are no rules or regulations pertaining to that?

Mr. Wolfe responded that it is to be utilized for special education. The level of service or the intensity of the program, that is not a required factor.

Ms. Lindquist stated, Mr. Wolfe said that you have lots of kids who have maybe speech and language. which is a very minimal service versus very intense kids who would require much more support. So, it is up to the district on how to manage those EBF dollars among their special education students.

Mr. Wolfe responded with yes, but we produce a report on an annual basis and special education expenditures far exceed state and federal reimbursements.

Ms. Lindquist commented, yes, I think the bulk of education funding in the State of Illinois comes from local communities.

Mr. Wolfe commented, that would depend on that local community. There are some districts that are heavily reliant on state and federal funding.

Ms. Lindquist commented, which was the purpose of EBF, to try to equalize that out.

Mr. Wolfe responded, that is correct.

Mr. Livingston commented, Mr. Wolfe spoke about the rigor of private education programs having audits and caps on a number of expenditure lines. You talked about the fact that our programs must be endorsed or certified and monitored by the state. You have also talked about allowed and unallowed costs regarding public funding. I have spent my entire career in the private sector. Are the districts allowing capital costs? Is this because public schools have taxing authority, bonding authority, and tools that private programs do not have?

Mr. Wolfe stated that the cost sheet rule allows that there is an allowance for depreciation -- a dollar amount per pupil. I do not remember exactly what it is. There is a depreciation allowance calculation in the total cost of a public school district.

Ms. Taylor commented that the cost sheets for schools only come into play for the excess cost claims. The only way of reimbursement is through the excess cost claim now that we have EBF. The other thing I wanted to make sure everyone realizes is that public entities have rigorous audits as well.

Mr. Wolfe stated that the cost sheets are utilized for the calculation of costs in Special Education or Orphanage. It is not just limited to the excess costs. You are correct, the school districts have an annual audit of their financial statements. The cost sheets are not subject to any audits.

Ms. Barajas asked for clarification that Mr. Wolfe indicated that for the public schools, the one-on-one need for schools isn't considered for part of the cost calculation?

Mr. Wolfe commented that it is not considered in a program cost, but it is an individual cost to that student.

Ms. Barajas asked if it is that the same for private.

Mr. Wolfe responded that in the private calculations, some of those individual costs are reported in the total program costs. So that is a point of difference between the two cost calculations.

#### Comparison of the Cost Calculations

No comment.

#### Student Data

Commission requested data on other sheet regarding slides 44 and 46.



Ms. Lindquist asked, if we have data to show Geographic distribution of students with disabilities placed in a public facility, similar to slide 46?

Mr. Wolfe responded that he does not have it in the presentation. Data requests will be taken by Special Education Department. Data requests need to be specific in what those data requests are. Commission members can be provided with that data.

Senator Cappel clarified that information requested, which can be provided at the next meeting, does need to go to everyone on the commission.

## **NEW BUSINESS**

### Objective

Senator Cappel stated the commission needs to decide what data is objective specific to the purpose of the commission.

Ms. Lindquist asked, what we are thinking on data requests since there were a number of requests? She said she knows it takes time to put together and to respect that. How would co-chair like to manage those?

Senator Cappel responded that it is up to ISBE on how to distribute information. Since staff is taking notes, those can be sent to the commission. She asked Mr. Wolfe for clarification.

Mr. Wolfe responded that, for clarity, will need to be very specific in data so we can provide the most accurate data for this commission. He will defer to the data experts to ask those questions of the members to make sure we are delivering what is requested. Once we have established total understanding of what is being requested, we will compile those distributions and notify commission.

Ms. Lindquist asked if there enough clarification in what the requests are and is ISBE able to move forward?

Mr. Wolfe reiterated one of the requests was the amount of funding in the ISBE budget on annual basis and what that is in relation to the entirety to the ISBE budget.

Ms. Moore noted she wrote down a request for the separation from the data on the first slide of *2021 Special Education Funding Overview* looking at separation of public versus private numbers to include those in separate public special education schools and separate private special education facilities.

Another requested list is looking for breakdown for data of public school versus geographic.

Ms. Taylor stated that this is an issue that has been studied before in Illinois. Will previous reports be shared? She referenced the Parish Report from a decade ago. Lots of time had gone into it and recommendations were made. Are we reinventing some of that work or will we draw from some of it to move forward? Also, how Illinois does compare federally in its Least Restrictive Environment (LRE) data to other states when it comes to placements in private facilities?

Senator Cappel responded that future meetings can be scheduled to talk about different types of funding models in the state and proposals that will cover most of that. The Parish Report is part of the old funding model. She suggested starting with where we are at right now.

Mr. Wolfe responded that we can go through that. As for these other data points, a little clarity is needed.

Ms. Taylor stated that her reason for asking is more to do with the impact on LRE.

Mr. Livingston stated that the goal of nonpublic programs is to supplement not supplant public school efforts. How can we link the state data as we have a number of children in our therapeutic program called Circle Academy? Do they return to the public school? If we are going to consider any changes to funding formulas, we must consider what the potential impact might be and have a baseline for how long students are in these nonpublic programs

Senator Cappel responded that we can note that to get more information.

**PUBLIC COMMENT**

None.

**ADJOURN**

Senator Cappel asked for a motion to adjourn. Ms. Barajas made the motion to adjourn. Ms. Taylor seconded the motion. Senator Cappel adjourned the meeting at 4:44 p.m.

## High-Cost Special Education Funding Commission

1 – 3 p.m. on August 24, 2021

### Commission Members

Please join the webinar from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/739179693>

You can also dial in using your phone.

United States: +1 (872) 240-3212 Access Code: 739-179-693

**Members of the public may also have the opportunity to participate via the webinar link above or on-site. Conference rooms have been reserved at the Illinois State Board of Education (ISBE) offices in Chicago and Springfield for those that wish to participate on-site.**

#### Chicago

Floor 14, V-Tel Room. On-site contact: Carmelo Reyes. Participants enter on the ground level of the James R. Thompson Center (100 W. Randolph, Chicago, IL 60601), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting. Participants should know title of meeting and name of the ISBE on-site contact.

#### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title of meeting and name the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Approval of August 10, 2021 Minutes (roll call vote)
- III. Presentation on the Illinois Landscape from Public and Nonpublic Schools
  - a. Illinois Alliance of Administrators of Special Education (IAASE)
    - i. Melissa Taylor, Assistant Superintendent, Commission Member
    - ii. Judy Hackett, EdD – Superintendent
  - b. Illinois Administrators of Private Special Education Centers (IAPSEC)
    - i. Dr. Sally Sover, Exec Director, Cove School
    - ii. Rory Conran, Chief Operating Officer, The Menta Group
- IV. Presentation on Other State Models for Funding for Special Education
- V. Discussion of Essential Components for a New Funding Model
- VI. New Business
- VII. Public Comment
- VIII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

## High-Cost Special Education Funding Commission

1– 3 p.m.

August 24, 2021

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### WELCOME

Senator Meg Cappel brought the meeting to order at 1:01 p.m. Roll call was taken, and a quorum was present.

### ROLL CALL

#### **Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education

Lindsay Amerson, Deputy Director for the Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair for Advisory Council on Education of Children with Disabilities

Betty Lindquist, Founder of Counseling Connections

Melissa Taylor, Assistant Superintendent, Bellville Township District 201

Dr. Sylvia Smith, Executive Director of Giant Steps

Susan Harkin, Superintendent, CUSD 300

Troy Metheney, Executive Director for Illinois Center for Autism

Marlin Livingston, President/CEO of Cunningham Children's Home

#### **Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

Terri Bryant, State Senator, 58<sup>th</sup> District (arrived late)

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22 (arrived late)

**APPROVAL OF  
AUGUST 10, 2021  
MINUTES**

Senator Meg Cappel asked to approve minutes. Roll call vote was taken, and minutes were approved.

**PRESENTATION**

Illinois Alliance of Administrators of Special Education members Ms. Taylor and Judy Hackett presented *Illinois Landscape: Public Funding Commission Presentation*.

**PRESENTATION**

Illinois Administrators of Private Special Education Centers presented *Illinois Landscape: Private Funding Commission Presentation*.

**PRESENTATION**

Center for IDEA Fiscal Reporting Project Director Sara Doutré presented *State Models for Funding Special Education*

**DISCUSSION**

Comments/Questions

Mr. Livingston stated he understands the focus of the commission and thinks Ms. Doutré did get a great job of really showing a national landscape of different funding formulas. Mr. Livingston questions if there is a clear winner in terms of what's best for kids of the different models with regard to either federal or state audits, consent decrees, all the metrics, parent satisfaction, student satisfaction, certainly a lot of different models? It appears that all the models at least have an effort where the highest or the most funding goes toward the highest need. Have you done enough research yet to say this is kind of clear winner in terms of what's best for kids and families?

Ms. Doutré stated the answer is not quite yet. The only answer we have so far, is that differentiation matters, exactly what you just described. The funding formula communicates that there are students who have higher needs and, thus, higher costs. Whether it's differentiated by disability category or with something as simple as minutes of service, then all the way to like the Florida model, in which you have a very complex matrix that you fill out at every year's Individualized Education Program (IEP) meeting. It makes a difference in, again, that kind of those intermediary outcomes of satisfaction, but it actually translates to better outcomes for students in the end, and it's hard to control for all the other factors that we're continuing to work on. But I think that's where we see the biggest difference. I think the other piece that we can't ever move too far from, as we know that the very best thing for students with IEPs from all disability categories is more time in general education and access to that high-quality, general education.

Ms. Lindquist states the presentation was great. She came away with two profound things. One, this is incredibly, incredibly complicated and deserves a lot of time and attention into it. Some of those recommendations are also incredibly expensive, right? Yes, which high

costs are. One of the things I was wondering, clearly not an expert on special education funding across the country, but she would assume that the way states fund education, which across the country is very different, must affect the formulas that they've come up with at the end.

Some states, she thinks, rely like Illinois, a lot on property taxes and local dollars. In terms of money, education in Illinois is much more limited than other states.

She believes, any time one looks at a funding formula, one must look at how all education is funded in that state. She wonders if that has factored, too, all the various formulas that these states have come up with. Ms. Lindquist questions if Ms. Doutre has analyzed that at all?

Ms. Doutre responds that she really likes that perspective. She thinks the closest the research has gotten to that is one thing that came up in California, and our work most recently is the disalignment of the broader funding system to special education funding -- that special education funding is something completely separate. If we're not practicing inclusive practices at that top level, if it's not connected to how we fund education in general, how are we communicating that need for inclusive planning and coordination all the way down to that local level, where we're making decisions about students' programs? We've tried to create some indicators of like, degrees of separation between the broader funding formula and special education, and whether they're the same and whether they differentiate. Because, again, they're interactive -- not something I have any evidence on yet, but something to consider. Are we separating it from general education more at the top level by doing something different?

Ms. Lindquist asks if just the amount of dollars, percentage, that local versus state impact funding formula. Just because of the difference in local versus state.

Ms. Harkin responds regarding Evidence-Based Funding (EBF) since she is the vice president of that committee. She thinks what's really critical as we approach any of these models is understanding how the current formula works. Ultimately, the way the formula works, it isn't dependent upon whether it's local revenue or not, that's all accounted for within the formula. Part of the issue, though, is because you're not fully funded, that creates the barrier. That's much of the work that the EBF Professional Review Panel is talking about and continues to preach, that says much of what we need to resolve in order to make sure that that isn't an issue in Illinois, where many districts are heavily reliant upon property taxes. By focusing on funding, the formula, many of those things would take care of themselves. She knows what the Commission is doing on that side. It would be interesting to dissect one of these states that actually has a formula that kind of aligns with how we establish our elements within our EBF. She expresses that her previous superintendent at her school district was from Florida. So, when the conversations were taking place, they

compared how we created our EBF formula to some of the others that have the very complex metrics based upon the very complex students that are served in special education. So, I'm hopeful our State Board of Education, whose members are probably the people who worked very closely with the formula, can speak to you about where we ended up in the first place. This was on the original list that the legislators passed off to the Professional Review Panel that didn't really get addressed as part of the finalization of the formula. She really appreciates what Ms. Doutré presented today but would really like to have a crosswalk with maybe Illinois State Board of Education. Are there some state models that could come in line to currently how we've structured how we account for students' needs in our funding formula? She doesn't know if that helps Ms. Doutré, but she understands where Ms. Doutré is coming from. She thinks when one understands how the formula works from the funding side, along from the designation of cost side, those pieces are accounted for in the formula. Maybe then there would be a conversation about maybe reviewing our current elements. Because of these student needs, there shouldn't be a class size ratio of five to one. I don't believe we went that detailed in the formula. She thinks that's important for the Commission to understand, as a next step.

Senator Cappel states she is hearing Ms. Harkin say that she feels like the Commission needs a deeper dive into EBF from the last presentation. She doesn't know if that is something the Commission would feel is necessary, but maybe they can have the Illinois State Board of Education speak to that. She knows that the goal today is to just try to figure out a core set of items that we can kind of work toward. It sounds to her that the differentiation is the one. Then a correlation of outcomes, like how do we prove outcomes or what we're spending money on. Also, increase access to general education. She doesn't know if there's anything else that the Commission wants to at least try to walk away with as well on how we can kind of move forward with how we look at the funding.

Ms. Taylor states one of the things that she would really like the Commission to come to some sort of resolution on is, continuing to have this debate about the most severe and profound students in the state are all in private placements. She is just going to be honest. That is frankly not true, depending on where you live in the state. As we know from Robert Wolfe's presentation last time, if you live in the collar counties, students are placed in private facilities 38% more than in Cook County or downstate. That doesn't have anything to do with the nature of students who live in the collar counties.

She would really like us as a Commission to kind of move past that and to admit that we have students with high needs in various placements within this state, and we must look at them more broadly. She is hoping to get some support on that and recognize that we have high-need students in a variety of placements, depending on where you live in this state.

Senator Cappel agrees with Ms. Taylor. From her own personal experience of being a special education teacher and being on a school board, you're 100% correct. There are some districts that choose to find the services to keep them in-house and in-district.

Dr. Doerr responds to Ms. Taylor's point by saying that is somewhat true. She states in her district, they do both private and public situations in our co-op in the region. That's some of our choices that we have. She does have a question for Ms. Doutre on the presentation. The EBF formula is very difficult. It takes a lot of study to understand what the funding formula looks like and how it's implemented and works. She states the Commission needs to be educated on how that funding formula works for everyone, including our special education students. She would like to know Ms. Doutre's thoughts on how she would consider poverty for special education students, the funding formula, and the local resources.

Ms. Doutre responds with that's a great question. She thinks it's one they're trying to figure out still because if the funding formula already takes that into account, how do we make sure we're not duplicating it? Like she stated, considering that it might not just be summative. Back to Ms. Harkin's point, it sounds like Ms. Harkin understands it well. She thinks those pieces are really important to understand when you start thinking about high cost because if the funding formula is done really well, maybe high cost is only needed for very small districts with a budget. The amount they get is below what it would cost for a high-needs student. She thinks there are other pieces to bring in. Scott, maybe those are pieces where that does come in. Also, if the broader, EBF formula is already taking into account poverty, it's important to look at that interaction.

Ms. Doutre would also say she believes a lot of states that have moved toward an evidence-based formula have kind of blended that into their formula. Many states that have gone through the process as you've been through with EBF.

They feel confident about special education being there and being differentiated, except for maybe really small Local Education Agencies (LEAs) or LEAs that simply cannot take on the cost of a student who moves into their area.

Dr. Doerr thanks Ms. Doutre and comments to her point, that one must keep poverty in the back of our heads at all times as we move forward. She can only speak for her district for this, but most of our students that are special education are from poverty. Districts like her, that are fairly split between local resources and state funds, it's better you see EBF.

She states one district, for example, that she spoke to has a hard time placing one student. That student must go to Chicago, which is a three-



hour drive from the home district. The tuition cost is not only very high, but transportation costs are high for that district as well and it's not a poor district. It's a medium- to larger-size district that has the capability of doing that, but it's not in its best interest to do that. So, the Commission must look at all available options for special education kids, whether it be public or private, to make sure that they're getting the education they need.

Ms. Doutré responds with absolutely, that the other factor that came out was race. White students were more likely to be placed in private placements and Hispanic and Black students were more likely to be in a restrictive setting within the district. That might be another thing to run the data by. When we dug into that anecdotally, the reason what you brought this up for me is that we heard that a lot of that does have to do with a wealth of parents and the resources they have in advocating for private placement as well. That's a different group of kids who aren't placed in a private placement because of the severity of their disability, but because of the advocacy skills of their families. Looking at that, is important. The wealth of the family really plays into that advocacy level of it. She knows she can advocate for you to pay for my kid to be transported back and forth or, in some cases, flown back and forth and flown home for the weekend. Other families may not even know they could advocate for that. She believes those are both things to keep in mind as you investigate this further.

Senator Cappel asks what do you do then for families that have a high incidence, or a high-cost special needs student and they don't want them to go? That's the other thing that districts are kind of forced to have to figure it out without that extra funding. That's what she has found in her district, which was a lower income district, is that many times the parents didn't want them to go to on a bus ride or however long it was away. They just wanted them in their home school. So those are also issues that we need to take into consideration versus districts that must provide those services, without sending them to an outside placement without the kind of funding maybe that they need to support that child. These are just things for my own personal experience. I'm not a financial expert on special ed, but she just has that personal experience to know that there seem to be many factors that influence what would be considered between a public and a private placement.

Ms. Bethel-Leitschuh states there are a lot of questions, but in talking outcomes, does your research look at the domino effect? Such as State Performance Plan and how that is impacted. We know that the funding doesn't match the State Performance Plan. Have you investigated that?

And then, secondly, because we have you available: What are some things for us, as a Commission, to be aware of as we transition from one type of funding formula to another? Obviously, with the number of states that had to go through this, maybe you've got some background.

Ms. Doure questions Ms. Bethel-Leitschuh about which indicators would be affected if the formula changes.

Ms. Bethel-Leitschuh responds with the least restrictive, that should be our highest priority. The performance plan may though, even though that's a priority. Some other things that happen in the funding could alter some of the performance points.

Ms. Doure states that maybe the best thing for kids would be for Indicator 5B to go up instead of down for a couple of years to get those skills they need to really get good outcomes and move back into general ed. I think the biggest place that comes in and maybe this is off from what you're asking is, every time we bring up differentiating, especially by disability category, there's a worry that people are going to game the system. The same thing happens by setting, which is why we don't want a funding formula that is by setting. Especially the broad formula. If she is in a general ed class 80% of the day and if she is only in at 79% of the day, her weight goes up and you can move quickly. There's a lot of concern always about disability category, but I will say that we have reviewed intensively. The states that have funding by disability category to see if they have larger proportion of students in disability categories that have higher weights and just simply there's no pattern with that. So, there's no evidence that if autism is funded higher than every other disability category, that this year I had a bunch of students with other health impairment, and next year suddenly their disability category has changed to autism. She states the Commission is lucky to have a senator who's been a special education teacher, what a great combination. If any have been in an eligibility determination meeting and thinking about who's making the decision about the disability category, they don't know that the funding formula weight is different. Those decisions are made by different people. If her principal or my district supervisor had said to me, let's move Sara from other health-impaired to autism so we can get \$2000 more this year, I think there would have been red flags there. For her, it doesn't feel very ethical and she doesn't think that happens. The other one is, and this problem relates to Indicator 11, there's some fear. In Illinois we have a census where we're funding based on the American Disabilities Act or average membership to funding based on the count of students with disabilities and differentiating. Suddenly, districts are going to find way more kids eligible for special ed. Last year, we were at 11%, next year we're going to be at 15%. There's also no evidence that happens, and if anyone wants to study this with her, she wanted to put together the cost of making a kid eligible for special ed. Even if you gave a district \$8,000 per student with a disability, my hypothesis, it would take five to six years to pay off what it costs you to go through the multi-disciplinary evaluation to hold that initial IEP meeting.

That the cost of making a child eligible for special ed is a disincentive more than getting a few thousand extra dollars by making another child eligible.

State funds are never going to be enough to pay for everything. There's always going to be a local contribution, unless we fully fund the Individuals with Disabilities Act (IDA), which maybe we'll get there and then it will incentivize that.

Senator Cappel states she thinks the Commission needs to figure out, as a group, some things that they can agree on. She heard how they correlate placements with outcomes and that the Commission needs to continue to increase access to general education and differentiation. She would be interested in knowing the race in private versus public placement as well. She doesn't know if that has any bearing on the funding That was an interesting perspective that you brought up.

Ms. Taylor asks Ms. Doutre if her research is showing that funding by disability category is somehow gamed and leads to more students being found eligible in one category or another? The idea of funding being related to placement, do you see some of that evidence, but not related to disability category?

Ms. Doutre responds with that's correct. It is related to other factors with placement. She will say, one of the takeaways, and this is in our report on the California Funding System, is that there are a larger number than we felt should be of White students in the speech language impairment who are placed in private settings. That suggests that they are not placed because of their need or their need isn't accurately represented on their IEP, but it goes to that parent. She believes the underlying theory right now is parent advocacy, but they didn't have data on that. They couldn't correlate that to that setting until they had a settlement. That data is private mostly.

Ms. Barbara Moore speaks to a couple of requests she heard regarding the demographic breakdown. ISBE does have some demographic breakdown in terms of race, and so she will work to get that information to the commission. She also heard a little bit about the correlation with some of the placement and outcomes.

ISBE does have some data that she can share with commission in terms of looking at students who have been in the private versus the public in terms of their return to a less restrictive environment. What does that frequency change? She believes that ISBE will be able to also look at the tiers to the access. She may have to refer to Mr. Wolfe but does believe they'll be able to look at which districts are doing the more restrictive placements and what tier those districts are. It might just take a little bit in terms of pulling that data together. It's just a matter right now of putting that information into an understandable format for the team.

Senator Cappel questions Ms. Doutre, do you have any other suggestions that can help us come to some sort of agreement?

Senator Cappel does like the idea of the disability category because she was concerned that they might be over-identifying. But it sounds to her, from Ms. Doutre's research, her studies, and her data, that that's not something to even look into as well, in terms of the funding formula.

Ms. Doutre responds with if we're talking about a high cost for an individual student, probably even more so, in the aggregate proportions, she thinks it's fine in a funding formula because that really is just the proportion, not individual students. It might be interesting if Ms. Moore can look at placement in private placements by disability category, if she could run that data. The child count data by disability category by placement might be interesting to see also. If we're thinking about not only everything around that priority of incentivizing more inclusion when it's appropriate, or the appropriate services to get the support to be able to participate more. It might be interesting to see are there groups of students even by disability category that's likely to be included right now or more likely to be in a private placement.

Ms. Lindquist states that it would also need to include public school separately, too, not just private.

Ms. Doutre responds with yes, she would include all those settings and separating out the school by public and private, which we don't do for federal reporting. But I'm sure Illinois State Board of Education has it. Betty, that's exactly what we want to see because there are certain types of students that are getting private placement if it is better. In some cases, we can look at those outcomes and if it is better and there are students not getting it, how do we make sure they get it? If it's not better, how do we make sure that we don't put kids there who don't need it?

Ms. Taylor states that she feels this is great conversation but does sort of feel like it's moving us away from the basic premise that funding needs to be placement neutral. She just wants to make sure that the Commission is not moving too far away from the fact that nobody is saying that private placements are bad and we're also not saying that they are necessarily better than public placements. It depends on the needs of the kids and the way we fund these high costs; kids need to be placement neutral.

Ms. Doutre states she would see these data as an exploration of whether the funding formula is placement neutral. When looking at currently placed students, what patterns do we see and is it placement neutral? She thinks the lens she has is examining where it's not neutral right now and hopefully the data will help us identify those points.

Senator Cappel questions Ms. Doutre on what you do with those students you are really helping, like your high-need students in the public school system. They probably could be in a private placement, but due to other factors. It seems if they're high cost and we're keeping them, how does

that work? We also have students that could or should. Or we're still working on figuring out how to find a placement within the public school system. How does this all work? That's my biggest question out of the whole thing. She doesn't know how to come to the answers to that, and she doesn't know what the Commission needs to kind of get them there.

Ms. Doutre states going back to Ms. Bethel-Leitchuh's question, we must look at the dominant effectiveness.

And so, senator, as you were speaking, about looking at one of those places might be post-school outcomes. Are there students who, especially in secondary school, can we look at in private versus public placements and look to see if they were likely to be employed a year after high school or to participate. That's another Annual Performance Report data indicator we have for kids that we could look at. Even if we aggregate it to the district level, did we have better outcomes for those kids with the disability that we expect to see appropriately served in a private placement? She wonders if that's another data point to bring in. Look at those post-school outcome data, especially for those kids who are participating in the alternate assessment.

Ms. Taylor states she just wants to reiterate that our districts don't have equal access to private placements. She doesn't disagree with any of it. just doesn't know that that's the scope of this commission.

Ms. Lindquist states she thinks all that information that Ms. Doutre described, and the data collection is critical to making a change in any funding program. The Commission wants to make sure they get it right because the last thing they want is to come up with a formula that doesn't do what it's supposed to do. And they need to keep funding for high-cost kids. However, they do that or however this committee starts to change, it must be based on data and facts, not just assumptions. It also needs to have a cost study attached to it. She doesn't how one can come up with any formula without addressing how much it's going to cost the State of Illinois.

Senator Cappel states they did do that. She doesn't think they will have perfect data because there's a lot that they don't know that they need to find out, but her understanding was that it was given to them in Robert Wolfe's presentation, wasn't it?

Ms. Lindquist states the Commission asked ISBE to give an assessed cost for them, on what some of the costs would be for the changes that the current legislation is proposing, and they came up with an estimate that was around \$100 million. She went back and asked them several questions about how they got that data, what did it include, etc. Honestly, the response that she got back was they're not so sure they did it right, they think it's a lot more, and so it's never really been done to her understanding.

Mr. Wolfe states ISBE did provide an initial estimate on Senate Bill 517, Senate Amendment 2. This estimate was based upon the language that was in that bill with that amendment at the time. ISBE did provide an estimate. They had to further revise it because they did not utilize the correct data point on an education costs per pupil. But he can tell Ms. Lindquist that, based upon those parameters, the information that they have from excess cost data is not complete. We talked about that earlier. On 300 school districts -- and Chicago Public Schools is one of those districts -- they have no data. The estimate that they provide is the revised and accurate estimate is approximately \$175 million. That \$175 million is based on averages and based upon data that they have, which is not complete. There's not going to be any further data that they have at the Illinois State Board of Education to come up with a better approach.

Senator Cappel states we have some data that we have requested, but she thinks, again, the Commission does need to go back to the point that they're here to try to find a system that aligns with EBF for high-cost, high-need special ed students.

## **NEW BUSINESS**

Senator Cappel asks for suggestions on moving forward and finding a different model. She adds the suggestion of choosing a particular state and looking at its funding model.

Ms. Lindquist suggests that while one state may be favored, our state may not fund education the way another state does.

Mr. Livingston suggests building a platform based upon the principles that appear to be working, or the most popular, and move forward with EBF and tweak that further. More guaranteed funding like that or water down the private tuition lines. Or if the goal is to move forward and with some level of urgency in the next year or two. Maybe come into consensus on which platform might best achieve the goals of the commission and the general tenants of the different groups that are advancing differing beliefs and propose tweaking of the models. The possibility of bridging the public funding model to meet the needs of the public school special education providers. We are not able to throw out our current system and adopt California or Washington, D.C. models, but what can be borrowed from those models, as far as principles that would allow us to make a recommendation based upon the platforms that currently exist in Illinois.

Representative Mussman states she is interested in the Florida model with the matrix. That kind of breaks out people with more moderate needs, as opposed to people with higher needs. The Commission could possibly use that model to help assist and incentivize schools to be able to prioritize keeping more kids in some level of general education classes. Maybe there's some way that they could model it off the provisions that they already have in EBF special considerations that they have for kids that are

English as a second language (ESL) students or that are in poverty again. They would get an enhanced rate based on kids who were there and then you get an enhanced rate on kids that are in greater levels. That if one has greater levels of ESL students or greater levels of kids in poverty, to model from that. As in, you have kids that are special ed in some form and then kids that are a higher level of special ed in some form.

Senator Cappel suggests talking about those data points that are requested and talk about the Florida system with guaranteed funding with EBF and look at all of that.

**PUBLIC COMMENT**

None.

**ADJOURN**

Senator Cappel asked for a motion to adjourn. Ms. Harkin made the motion to adjourn. Ms. Taylor seconded the motion. Senator Cappel adjourned the meeting at 3:15 p.m.

## High-Cost Special Education Funding Commission

1 – 4 p.m. on September 7, 2021

### Commission Members

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### Chicago

Floor 14, V-Tel Room. On-site contact: Carmelo Reyes. Participants enter on the ground level of the James R. Thompson Center (100 W. Randolph, Chicago, IL 60601), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting.

Participants should know title of meeting and name of the ISBE on-site contact.

### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title

of meeting and name the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Approval of August 24, 2021 Minutes (roll call vote)
- III. Discussion of Data Requests
- IV. Consideration of Criteria in the Development of a New Funding Model
- V. New Business
- VI. Public Comment
- VII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.



## High-Cost Special Education Funding Commission

1– 4 p.m.

September 7, 2021

V-Tel Chicago/Springfield Offices

Via GoToMeeting

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### WELCOME

Senator Meg Cappel brought the meeting to order at 1:02 p.m.

### ROLL CALL

#### Members Present by Phone:

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

Dr. Sylvia Smith, Executive Director, Giant Steps

Susan Harkin, Superintendent, CUSD 300 (arrived at 1:33 p.m.)

Troy Metheney, Executive Director, Illinois Center for Autism

Marlin Livingston, President/CEO, Cunningham Children's Home (arrived at 1:10 p.m.)

Terri Bryant, State Senator, 58<sup>th</sup> District

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Shawn Brodie, School Psychologist, Northwest Suburban Special Education Organization

**Members absent:**

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers

Dave Severin, State Representative, 117<sup>th</sup> District

Troy Metheny, Executive Director, Illinois Center for Autism

**APPROVAL OF  
AUGUST 24, 2021  
MINUTES**

Senator Meg Cappel asked to approve minutes. Ms. Lindquist motioned to approve. Ms. Taylor seconded that motion. An official roll call was not taken at beginning of the meeting, but it should be noted for the record that 10 members were present as evidenced by the members who participated in the first roll call vote.

**INTRODUCTION**

Shawn Brodie, who is a school psychologist with the Northwest Suburban Special Education Organization, is a newly appointed member of the committee.

**PRESENTATION**

Rae Clementz, director of Accountability at ISBE, presented *Data Request Response for the High-Cost Special Education Funding Commission*.

- I. Data requested on students with disabilities placed in a separate school or private facility, as presented in the “2021 Special Education Funding Overview,” disaggregated by race.

Comments/Questions

None.

- II. Data requested on students with disabilities placed in a Separate Special Education Services (SSES), facility as presented in the “2021 Special Education Funding Overview,” disaggregated by facility type (public or private).

Comments/Questions

None.

- III. Data requested showing the geographic distribution of students with disabilities placed in a public SSES facility, as in Slide 46 of the “2021 Special Education Funding Overview.”

Comments/Questions

Ms. Lindquist asked if ISBE can get the number of students per county, since some of those southern counties are 100% public or private. That could mean two students in one place and a hundred students in another place.

Ms. Clementz commented that, starting from Cook County, that is where most students are. Cook County serves approximately 7,000 students.

The five collar counties around Cook County serve about 5,900 students. The entire rest of the state serves about 200 students fewer than are served in those five counties.

Dr. Helfer asked Ms. Lindquist if she is wanting this map to have the number of children who are served by public facilities or private facilities, or just the number per county total.

Ms. Lindquist stated the map is already divided by public and private, just having the numbers attached to those would be helpful. If based on population density, there is going to be higher areas versus lower areas.

Dr. Helfer responded that ISBE will check to see if that data is available.

Ms. Lindquist also requested to separate out what Chicago Public Schools (CPS) does.

Dr. Helfer responds that ISBE will check on that.

Ms. Taylor commented that the numbers in southern Illinois will be smaller. In terms of what the commission is talking about, the impact on a school district's budget for high-cost students is the same.

Dr. Doerr questioned Ms. Clementz on the two counties he has students in, which are Christian and Montgomery counties. Christian County shows 100% and Montgomery County at 98%. He has one of the biggest public-school programs in the area. How does that represent the public, as his area also has a private school?

Ms. Clementz commented that this information was given to her by the Special Education Department; it did place students by home school, not necessarily where they are being served, but from their home district. For funding purposes, this is the more relevant detail.

Senator Cappel asks if these are total special education students or just the high-cost students.

Ms. Clementz commented that these are students who are placed in one of those high-cost facilities.

Ms. Taylor commented that if someone is serving someone in their own district, that is also a high-cost student. They would not be captured because this is a special education facility.

Ms. Clementz commented that these are separate special education placements.

Senator Cappel commented that a public co-op could be a part of that, but not talking about schools that are in the public school in of itself.

Ms. Clementz commented that her understanding that this data is those students placed in a separate special education facility.

Ms. Taylor commented that some private facilities lease space from a public-school building. The serving school is still a private school. She

questions if those would be captured within this since the serving school is still a private facility.

Ms. Clementz commented that her understanding is that it is differentiated by the funding code type. That would differentiate specifically what kind of placement they would go into.

Mr. Livingston had questions about residential facilities (for instance, those in Champaign County). Does the model adjust or does the graphic representation adjust for the fact that there could be a residential facility within that county serving a high concentration of children funded through the Orphanage ACT? An example would be 56 children in Champaign County who are in residential facilities. He questioned if the data is sorted that way.

Ms. Clementz reiterated that the data is sorted by home district, where the student came from, not where they are being served.

Representative Mussman commented that these numbers do not break out \ how many of these students will be paid for via the orphanage line directly versus students that are high needs and not paid for via the orphanage line.

Ms. Clementz commented that she will look back at the fund codes that went into each and follow up.

Ms. Taylor commented that, if excluded, the Orphanage Act students would align with Mr. Livingston's comment.

Ms. Clementz commented that others who are more experienced with the fund codes will have to help and will provide that info and follow up.

Mr. Wolfe comments that the codes and fund codes specifically exclude students and youth in care students who are reimbursed under the Special Education Orphanage Act. Fund codes E and D were excluded in the data.

- IV. Data was requested comparing Illinois' rate of placing students with disabilities in private education facilities to that of other states.

#### Comments/Questions

Dr. Bethel-Leitschuh asked if there is a determination in the national/state average of a period that the youth are in private care. An example is, she sends youth to various facilities for more of a social-emotional learning reason or emotional reason for short stays, then they reintegrate back. Will the funding provide a full year, full school year, or short term for a certain period?

Ms. Clementz commented that the Special Education Department will follow up.

Ms. Moore commented that the data would have been pulled based on the December 1 child count. It is based on a point in time data for students who are in that placement. When data is reported on students

in separate placements, the federal level does not separate that out in private versus public. It is a combined rate looking at either public or private separate special education settings, residential facilities, or home hospital. It is considered several different data elements; it is based on one point in time. It does not take into consideration the length of stay in a particular placement.

- V. Data requested on the average length of stay for a student in a private facility.

Comments/Questions

Representative Mussman questioned if these students are in high school. She stated that two or three quarters of a year as a high school student is pretty much the whole time. Does the student go in as an identified freshman and spend the rest of his/her high school career in this alternative setting rather than being mainstreamed more rapidly?

Ms. Clementz commented that there is a data request to break this out by grade span. She will see if this data is available.

- VI. Data requested on the outcomes of special education students placed into less restrictive environments, disaggregated by facility type.

Comments/Questions

Ms. Lindquist stated that many times in private facilities, when children are ready to move back to a less restrictive environment, that is to a public school. Those students from private facilities who are going to a public school, how are they reflected in this data? On the continuum of services, public is less restrictive than private.

Ms. Clementz commented that she will get with the Special Education Department to verify how it pulled this data. She questioned Ms. Lindquist as to how she would like to see this data presented differently so that there is an actual request when going to the department.

Ms. Lindquist stated that the continuum of placement is a step down for the students to go from private to public. They can go at any level in that public facility, which is all considered a less restrictive environment. So, a separate public facility, for instance co-op school, would be considered less restrictive than a private facility.

Mr. Brodie commented that there are some public co-ops that are at the same level of intensity of needs for students as private ones. There are schools out there that applied just as much of intensive support.

Ms. Lindquist stated that her question is to aggregate those out because that student in the private is getting counted. Or is the student going to a lesser restrictive environment? How is that student being counted?

Ms. Clementz commented that she will work with the Special Education Department to understand how that data was pulled and defined.

Ms. Lindquist stated that the data about the grade levels, referencing what Representative Mussman talked about, would be interesting.

Ms. Clementz commented that the idea of moving to a less restrictive environment and what point that move occurs.

Dr. Bethel-Leitschuh commented that it would be helpful when looking at the weighted examples from the previous speaker and looking at expected expenditures.

Ms. Lindquist commented that there are a lot of unknowns in this data. When looking at restraint data, they are higher in nonpublic than they are in co-op or public. She doesn't know if that drives referrals or lengths of stay; there are just a lot of unknowns.

Senator Cappel commented that these are great, and that the commission continuously focuses on those high-cost students. The purpose is to look at overall data and come together to talk about Evidence-Based Funding (EBF) for high cost students and what that could look like.

VII. Data requested on rates of placement in public and private SSES facilities by EBF tier.

#### Comments/Questions

Ms. Moore commented the requests she noted were for the number of students attached to the map diagram. A request was made to separate CPS from the Cook County data. A request was made to look at breaking down by grade level and age span in terms of length of stay. There was a clarification on the private schools and the move to less restrictive environments if that included when moving to a public therapeutic separate school.

## **DISCUSSION**

Ms. Clementz led a collaborative discussion on the consideration and criteria of development for a new funding model, including key values for district funding system prioritization. Tasks completed by the commission were to share priorities on an approach to fund school districts for high-cost special education based on the principles of EBF and other considerations that the commission should think about when considering the new funding structure for school districts.

There must be priorities for a district funding system for high-cost students.

#### Comments/Questions

Ms. Taylor commented that equity is about the needs of the students. It is not dependent on where you live in the state in terms of access. It is

placement neutral, doesn't favor one setting over another. It is based on the needs of the students.

Ms. Clementz commented that she is hearing equity is needs based, placement neutral, and not based on geography.

Senator Cappel commented that it should be student focused. It needs to focus on what types of resources and things that child needs, where they are.

Ms. Clementz asked what it means for funding to follow the student.

Ms. Taylor commented that to her that means a whole program wouldn't be designated a high-cost program; it would be by student need. There may be high-cost students. We need to make sure, regardless of where they might live or what program they need, that resources would be available for them.

Mr. Livingston commented that there would be a process for accounting that the funds go to the need or the students' needs. There is an accountability that the intended funding source is committed for that need and show up for that student. That is does not get comingled or lost in the original intent provided for the funding source. An example would be funding providing for building cars, but the money was used for building houses, which is not what it was intended for. Funds designated to serve a certain universe of children with a certain universe of needs should go to them. The parents, students, state, and Board of Education should be able to identify that these funds were used for these purposes to serve students.

Ms. Clementz commented that we would want to be able to see a direct link between the student and their services, not necessarily the student and the program, as students' needs may change over time and not need a particular program.

Ms. Clementz asked what does acuity-based mean.

Mr. Livingston comments that acuity is more of a need-based factor. Not talking only about a diagnostic learning challenge a student might have but an emotional or mental health need of a child. Children require restrictive interventions at times. Acuity speaks to the challenges that may lie outside traditional learning or academic supports. Looking at the child with the emotional and/or mental health indicators to be successful in an academic setting. Different models throughout the country have different rubric offered, which substantiate or demonstrate a child's acuity level.

Ms. Clementz asked if there are any other contributions to student-centered, needs-oriented, acuity-based approach, since there seems to be a family of similar ideas.

Ms. Taylor commented that the money-follows-child principle goes along with this idea.

Ms. Clementz asked what it means for funding limitations and funding neutral.

Ms. Harkin commented that funding shouldn't be determined by where the student is placed. When looking at downstate school districts that don't have access to programs, how do we develop funding for those school districts to have the best support for their students? Developing funding to create an

equitable funding system for school districts that don't have placement available means getting a different funding model for those students.

Ms. Taylor commented that she said placement-neutral, meaning the same as Ms. Harkin, but going a step further that the funding formula shouldn't incentivize one placement after another. She wants it to be based on the needs of the students. The funding for high-cost students should be the funding for the high-cost students, regardless of placement.

Ms. Lindquist commented that she struggles with the funding-neutral placement incentive. She has never seen data to suggest that what is happening is that students are put in a higher level of care because of a funding formula. We see different resources available for public and private facilities in different parts of the state. As a state, that is what we need to look at -- resources for children. When talking about quality, it is a quality of services. Placements are based on students' needs.

Ms. Harkin commented that she meant that how she gets the funding for the students in downstate is different.

Senator Cappel commented that the commission is looking at funding formulas for high-cost special education students that allow the money resources to follow the student no matter where they are at. We need to always keep in mind those high-cost students and make sure they are supported with the appropriate equitable resources.

Ms. Clementz asked about least restrictive placement, Individualized Education Program minutes filed, and a return to mainstream. What do they mean for a funding formula?

Representative Mussman commented that Senator Bryant wanted to make a comment on the previous discussion.

Senator Bryant commented regarding funding fairness and funding following students -- that means students, whether in private or public facilities, are going to have the funding following them. The student doesn't have to go where the resources are; the funding can follow the student so they can find the resources in their area.

Ms. Clementz commented that she wants to drive them to the notion of what it means for a funding formula. It sounds like the commission wants this to follow the student. Do we need to describe a set of services or needs?

Representative Mussman commented there was a conversation on how you define a high-cost, high-needs student and how a dollar value is assigned to that. Maybe it is dependent upon the minutes served no matter what the need was, how many resources you are consuming, and how you put a dollar amount on that.

Ms. Clementz commented that we are wanting to fund the services, not particular disabilities. She questioned if the types of services cost the same amounts.



Ms. Taylor commented that it varies based on salary structure. It cost the same for the minutes of the disability, but the cost may be different in another district when comparing.

Ms. Clementz commented that those same exact services vary by geography because of salaries and salary schedules.

Ms. Taylor commented that this is why the current model has a per capita on it to account for that.

Ms. Clementz asked what sort of implications there are for a funding system. Potentially, there will just be one pot of money. Even if that money comes from different sources, it is going to the child, aka district.

Ms. Lindquist commented that there are probably multiple opinions. Private facilities have one income stream and public facilities have multiple funding streams. There are different opinions on whether combining those is good or not. If combining, the number of students who could be helped would be substantially increased. If there is not new money driven into that condensed funding stream, then we are looking at proration. That harms all students in high-cost placements. It is complicated. New money will need to be added and where does that come from since we have just started EBF? This would be looking at a lot more money.

Ms. Clementz asked why would combining the existing pots into one create more students needing the services.

Ms. Lindquist stated that it would be more students accessing those high-cost dollar amounts. Right now, there is a separate line item for private facilities. If we're going to take the money that public facilities have and add it to the private line item, then open it up. If it's only the same amount of money that is the private line item now that public facilities have access to, then if there is not new money injected in their proration comes into play.

Ms. Taylor commented that the public excess cost is prorated down to zero right now.

Ms. Lindquist commented that there is a broad program description that can be put into that money now. Oversight and accountability really must come into play. In the private model, facilities are subject to significant restraints on every penny that is spent on that child.

Senator Cappel comments that this commission is for aligning it to evidenced based funding. Looking at the tiers and look at it that way. We are looking at the students, no matter where they are at and how to align those principles of evidenced based funding. It is an extremely complicated issue.

Dr. Doerr commented to go back and look at the map. Illinois has a wide variety of services and is a diverse state. Going from north to south or east to west, there is a variety of private and public schools. One pool of funds, private and public, is going to be hard to do. If aligned to EBF, is there is any research that does it this way? EBF is based on research that is out there that says there are 26 or 27 components of what good education looks like. Is research out there that suggests we can use the same concept

of our EBF model that we can put into our high-cost students to make them fair and equitable? Realization is needed that there are public and private programs.

Ms. Clementz commented that she is not putting a specific proposal forward. She is trying to understand operationally what it would mean for something to be placement neutral. Two core principles of EBF are those that have the least get the most, but also focus on those things that have demonstrated advocacy. She asks what kind of a proposal could be put forward.

Representative Mussman commented that second language learners, youngsters in poverty, and high-cost special education students cost more to educate. We could theoretically aggregate the money into one pile and the money would follow the child. If going to prorate, which we don't want to do, wouldn't we want to prorate based on the policy of the principles of EBF so that those schools farthest from adequacy get a higher amount of the allocation than the schools that are closer to adequacy and have more resources? One of the problems we found with the EBF model is that when you prorate evenly across the board, the schools that have the least amount of resources lose the most. Can we distribute the money in a more equitable way, making sure that the schools that have the least amount of financial resources are the least harmed by the current kind of proration that is done?

Ms. Clementz commented that is a principle that could be applied to two or three different pots of money, each with their own set of rules. The idea that if you must prorate, you prorate in accordance with the principles of EBF.

Dr. Doerr questioned Representative Mussman if she is talking about private and public facilities or separating them.

Representative Mussman commented that the commission would have to figure that out. Some schools have the ability to choose the placement but are paid a different amount of money for all of those things. Some schools don't have that option.

Dr. Doerr commented that he doesn't think we all have a choice. Some schools don't have programs and can't afford to hire teachers who specialize in those programs. Not all schools have the same options.

Ms. Taylor commented that what she heard from Representative Mussman accounts for that.

Mr. Livingston commented that there is unequal access across the state. There is not the right type of capacity in certain parts of the state. Other states invest in capacity building efforts to build out capacity for children. The public and private sectors have been very complementary of each other that he has seen. If the state really wants to meet those needs, an investment in public and private capacity-building with access to those capital funds should be considered. It is how we move forward that is important. If we need to correct the equity or access, it should be done through a deliberate capacity-building exercise that allows the private and

public sectors to build out the capacity in those geographies that are at a disadvantage.

Ms. Taylor commented that if a county is bluer on the map, it doesn't mean they aren't adequately serving their students. It does mean they don't have access to the same resources and their only avenue for funding their high-cost students in the excess cost claim.

Mr. Livingston commented that there could be capacity deficits.

Dr. Lietschuh commented that that has been seen with EBF across the board. Monies were made more equitable. If we can provide the funding, monies are going to the students. The services would then come if the monies were made available in those areas of blue counties.

Senator Cappel commented that we could look at the current formula and tweak it a bit and maybe add EBF, so Tier I schools get a bit more. Is there a way to look at the formula differently and change the cap, but also align it to Tier I schools and align it more?

Representative Mussman asked that if a private facility has a very specific and isolated funding source, is that funding stream adequate to get the job done properly for students? Is the funding source adequate and equitable, and if not, we are here to fix it?

Ms. Taylor commented that any of these programs for high-cost students, the fact they have achieved that student not needing a more restrictive placement is a victory.

Ms. Clementz paused for a break in the discussion. The break is for 10 minutes.

Discussion resumed and roll call was taken, as it was missed at the beginning of the meeting. A quorum was present.

Ms. Clementz continued with her discussion. She condensed some of the values and core ideas that she heard for some funding principles. Ms Clementz asked the commission members to rank the following priorities from most important to least important:

1. Students needs are funded (not placement type).
2. Districts with fewer resources receive more of the available dollars.
3. Finding a way for all districts to access the full range options based on student need.
4. All pots of money prorated/capped the same.
5. Service type by minute received is funded.
6. Other funding proposals.

Ms. Clementz stated that there seems to be a consensus that districts with fewer resources should receive more of the available dollars regardless of what pot of money they are coming from. Is that a true statement? Is that a principle that we could potentially organize around?

Comments/Questions

Ms. Taylor stated that is not a true statement to her. She stated not without No. 1 and No. 2 being looked at the same time. For her, they both need to go hand in hand.

Ms. Clementz stated that idea is clearly one we will need to probe more in future meetings. That is a broad commitment we need to turn that into some sort of specific recommendation.

Senator Bryant said she would like to piggyback off that statement. There is such a small amount of difference between No. 1 and No. 2 that she believes they should be treated equally.

Ms. Clementz stated that she sees no reason not to and that she agrees with Senator Bryant's statement.

Ms. Clementz stated that the service type by minutes received also got ranked relatively low and asked if anyone wanted to give a reason for that.

Mr. Livingston stated that he believed there was a concern with the minutes received funding because it can be manipulated by people and because services will cost differently across the state in different areas.

Ms. Clementz asked if there was anything Dr. Smith would like to add.

Dr. Smith agreed that No. 1 and No. 2 are very strong. She also stated that if we are going to be student-centered, the students' needs should be seen the highest and then you can fund the district.

Ms. Clementz stated that at some point we are going to have to get to a way where we evaluate or define what our student needs are so that we can attach some sort of dollar figure to that and it can make its way into the schools.

Representative Mussman said at some she thinks they will need to determine what high need is and how to determine how much money is available to them in the full range of funding so that districts are able to get that student when he or she needs.

Dr. Smith stated that she agrees and thinks that they need to define high needs because it could just be based off perceptions unless we have a baseline of what those needs are.

Ms. Clementz read out loud what Melissa Ms. wrote in the chat, which was "High need or excess cost is defined in IDEA as three times per capita." Ms. Clementz also read what Ms. Betty Lindquist stated in the chat for a funding proposal, "You can also set up a separate line item for public and put new funds in there."

Ms. Clementz stated that she would like everyone to think about two key questions. What are the values and priorities for a funding structure for these high-cost students? What other considerations should we keep in mind to your constituents, to your colleagues, to your communities? Ms. Clementz would like the commission to bring back answers to these questions to the next commission meeting for discussion.

Senator Cappel thinks that is a good idea and they can write their answers down and come back to the next meeting for discussion.

**NEW BUSINESS**

Senator Cappel stated that the meeting for October 19 will need to be rescheduled. Senator Cappel stated that the Illinois State Board of Education proposed from 1-4 p.m. October 15. Senator Cappel asked if that worked for everyone.

Everyone agreed that October 15 will work.

**PUBLIC COMMENT**

Rory Conran asked if specific data requests could be requested from the public.

Senator Cappel read Mr. Reyes' comment from the chat that stated, "That typically data requests should come from commission members." Senator Cappel said to Mr. Conran, that if he has specific questions, he could contact her, and she may be able to help him.

**ADJOURN**

Senator Cappel asked for a motion to adjourn. Representative Mussman made the motion to adjourn. Dr. Smith seconded the motion. Roll call vote was taken, and the meeting was adjourned at 3:25 p.m.

## High-Cost Special Education Funding Commission

1 – 4 p.m. on September 21, 2021

### Commission Members

Please join the webinar from your computer, tablet or smartphone.

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### Chicago

Floor 9, V-TEL Room number 9-036. On-site contact: Carmelo Reyes. Participants enter on the ground level of the James R. Thompson Center (100 W. Randolph, Chicago, IL 60601), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting. Participants should know title of meeting and name of the ISBE on-site contact.

### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title of meeting and name the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Approval of September 7, 2021 Minutes (roll call vote)
- III. Discussion of Data Requests
- IV. Discussion and Development of Recommended System for Funding High-Cost Special Education
- V. New Business
- VI. Public Comment
- VII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

**High-Cost Special Education Funding Commission**

**1– 4 p.m.**

**September 21, 2021**

**V-Tel Chicago/Springfield Offices**

**Via GoToMeeting**

**Join meeting online: <https://global.gotomeeting.com/join/739179693>**

Dial in: +1 (872) 240-3212    Access Code: 739-179-693

**WELCOME**

Senator Meg Cappel brought the meeting to order at 1:02 p.m.

**ROLL CALL**

**Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education (arrived at 1:31 p.m.)

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

Dr. Sylvia Smith, Executive Director, Giant Steps

Susan Harkin, Superintendent, CUSD 300 (arrived at 2:03 p.m.)

Troy Metheney, Executive Director, Illinois Center for Autism

Marlin Livingston, President/CEO, Cunningham Children's Home

Terri Bryant, State Senator, 58<sup>th</sup> District

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Shawn Brodie, School Psychologist, Northwest Suburban Special Education Organization

**Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

The public can view the materials by accessing the webinars posted on the commission webpage.

<https://www.isbe.net/Pages/HighCostSPEDFunding.aspx>

**APPROVAL OF  
SEPTEMBER 7, 2021  
MINUTES**

[\(time marker 01:55\)](#) Senator Meg Cappel asked to approve minutes. Representative Michelle Mussman brought it to the attention of the commission that Paula Barajas was not present at the last commission meeting but was marked present on the attendance. This was corrected in the associated published meeting minutes. Dr. Smith motioned to approve. Ms. Taylor seconded that motion. Roll call vote was taken, and minutes were approved.

**DISCUSSION OF  
DATA REQUESTS**

[\(time marker 04:17\)](#) Rae Clementz, Director of Accountability at ISBE, presented *Data Request Response for the High-Cost Special Education Funding Commission* which addresses all data requests raised by the commission members prior to September 21, 2021.

Summary of data requests reviewed:

- I. [\(time marker 04:59\)](#) The commission requested a list of all the public special education cooperatives in this state and a list of the public day school programs they operate. The commission additionally requested enrollment data for the public day school programs that were identified, disaggregated by member school district and nonmember district.

It was also noted that data was neither readily available on the tuition rate and other costs related to placement for member and nonmember districts, nor on special education cooperative membership fees.

Comments/Questions

Ms. Taylor stated many co-ops run programs that are within a public school building of a member district. She wanted to clarify what Ms. Clementz was showing was separate school numbers. Ms. Moore confirmed this was correct.

- II. [\(time marker 08:01\)](#) The commission requested that the map provided for the September 7, 2021, meeting be updated to include the number of students included for public and private facilities.

Comments/Questions

None.



- III. [\(time marker 10:21\)](#) The commission requested that the data presented in "Table 6. Length of placement before moving from a private facility to a public facility" and "Table 7. Number and percentage of students moving from an SSES to a least restrictive environment (LRE) facility, disaggregated by facility type" at the September 7, 2021, meeting be shared by grade level or age span.

Comments/Questions

None.

No new data requests were requested.

**DISCUSSION AND  
DEVELOPMENT OF  
RECOMMENDED  
SYSTEM FOR  
FUNDING HIGH-  
COST SPECIAL  
EDUCATION**

[\(time marker 12:30\)](#) During the prior commission meeting, members were asked to provide their input on the priorities that should be considered in the development of a recommended system for high-cost special education funding while keeping the principles of EBF in mind.

[\(time marker 13:50\)](#) In the September 21, 2021 meeting, Ms. Clementz presented *Priorities for High-Cost Special Education Funding* were the results were summarized for a collaborative discussion to build an understanding of key concepts and better understand nuances while also moving toward group consensus for key items to factor into modeling exercises that will help drive decisions. After presenting Priorities and Considerations Statement A, Ms. Clementz opened the floor for comments and questions.

Comments/Questions [\(time marker 17:57\)](#)

Mr. Livingston highlighted the need for neutrality in the funding system. He indicated compliance, auditing and cap need to be parallel across the different funding opportunities and that rules that apply to private special education centers need to apply to the public ones too.

Ms. Lindquist commented on the need for funding to be neutral on both sides. She indicated public schools already have access to additional funds from different sources that they use to fund high-cost students and those funds would need to be factored in. Ms. Lindquist also asked about the gap public schools are trying to fill by having access to more funds.

Ms. Clementz stated perhaps the term "funding" is misleading and the system should be referred to as a placement neutral reimbursement system, as opposed to placement neutral funding system. Ms. Lindquist agreed, calling it a reimbursement system that, whether public or private, considers the existing funding streams.

Mr. Livingston indicated the private sector is required to account for offsetting revenues – revenues that fund the mission, fund the effort, fund the services from alternative funding sources, not from reimbursement. He highlighted they cannot, for example, include National School Lunch Program in their cost report, while at the same time benefiting from revenue from that funding stream. Mr. Livingston commented on the importance of public districts

accounting for offsetting revenues (funding available to district to offset various costs) when accounting for the cost of a child.

Ms. Taylor commented that the amount of money school districts spend in expenses over revenue in special education is well documented and information about how much districts are spending over local revenue on special education is publicly available.

Ms. Taylor welcomed additional guardrails on what a district can claim as excess costs in a new reimbursement system but indicated it is not true that public schools can claim anything they want.

Mr. Livingston spoke of the greater level of accountability in the private sector as there is a rigor of program plans and program models that must be adhered to so there is accountability.

Ms. Clementz asked if there was any disagreement about the use of a placement neutral reimbursement system as a term for group discussion. She also asked if they are all talking about a system in which costs are reimbursed at the same rate, regardless of placement type. Ms. Taylor responded in agreement with the definition of placement neutral reimbursement.

Ms. Clementz stated that what she is hearing from the private sectors is a desire for the system to not place them at a disadvantage. Ms. Lindquist commented that if it is a neutral reimbursement, it should mean exactly that – the same access to all revenue resources.

Ms. Clementz asked if this is all a collective pot of money and we are talking about reimbursing districts, why would a common rate of reimbursement not be fair to everyone?

Mr. Brodie commented that not all high-cost students require the same level of support, even if they are in high-cost placements. He highlighted the need to make sure the public co-op students get as much money and resources as needed in order to be successful. He also commented that the private sector, depending on the situation, can select the students for the programs where they will be most successful; an option public schools don't always get.

Representative Mussman asked if there was concern that a public school can have the same amount of money to serve a high-need student and then also be able to pull in more money from an alternative source that ultimately will be able to better meet the needs of those children? Is the concern that public schools will be made to appear to be more successful at serving students than the private facilities?

Ms. Lindquist commented that if the reimbursement for public and nonpublic school is two per cap and if they are combined, then you have much money to put toward a private placement. You pay out two per cap and then apply to the state. If you are in a public school you have a lot of funding streams that you can move around to pay for the high-cost students. She spoke of a conversation she had with a superintendent who was running a co-op with some programs more profitable than others. She commented that he would take the profit from one program and move it over to support programs not making a profit. Ms. Lindquist stated you cannot do that in the private facilities.

Ms. Taylor commented that this is not true. She indicated the co-ops she is a member of is based on the actual cost based on the guidelines made by ISBE and that none of the districts pay extra so the co-ops can make a profit. Ms. Taylor stated maybe Ms. Lindquist spoke to someone who does that, but that is not Ms. Taylor's experiences, as she does not believe that happens.

Dr. Doerr agreed with Ms. Taylor and commented that his co-op does not make a profit. Dr. Doerr asked for examples of the specific extra funds Ms. Lindquist was speaking of. Specific details were not available during the discussion.

Representative Mussman asked if a private facility owns more than one facility, is it not able to move funds between buildings to adjust for profitability? So, if one building is not profitable, it does not benefit from a sister building that might be profitable?

Ms. Lindquist commented that this was correct, they cannot move funds around. She indicated funds are designated to a specific school under codes approved by ISBE and that the same applies to offsets. She also noted certain categories are capped: administration, food for children, occupancy. She noted that programming for children is not capped

Mr. Brodie noted public schools report to their boards and also the member district's board to ensure that everything is accounted for and they are not turning a profit as a public co-op. Mr. Brodie highlighted the concern is how to get more money brought in for all students, whether the placement is public or private, and how to get the resources needed to be successful.

Ms. Clementz stated that it is helpful to remember that that is a rate-setting conversation and would need its own commission. This is very much about reimbursement to district.

Senator Cappel reminded the commission that this is always about the children and what is best for the students in each setting. She stated the commission doesn't want to move away from that and the focus needs to stay on what is best for our high-needs, high-cost children.

Ms. Lindquist concurred and indicated she is trying to make sure there are not any unintended consequences. The needs of the children are everyone's priority, whether public or private.

Representative Mussman asked if it would be beneficial to create a higher level of parity if both organizations had to run their tuition costs through the Illinois Purchased Care Review Board. Would the board then take other funding streams or other components into account when determining what was appropriate tuition rate for each individual co-op and school?

Mr. Wolfe commented that currently for the rate setting process for a public program, there is the recognition of offsetting revenues. He commented they go through a cost calculation process and offset a portion of the EBF and any other federal fund that is utilized in the cost of a particular program. He indicated that under the Part 130 Rules, there is a contemplation of offsetting revenues within. Mr. Wolfe indicated he thinks the question that was posed was, is it possible to have a rate-setting process that undergoes the same process for both private and public? He indicated this could be accomplished

and would be a possibility going forward but there would be a lot of hurdles to be cleared.

Ms. Taylor commented that the conversation is focusing on accounting for students in separate public day schools but there are high-cost, high-need students in public school buildings who are in co-operatives programs. Ms. Taylor highlighted the concern and need to focus on unintended consequences of a system that funds more for a private placement than a public placement. She indicated we do not want to perpetuate the idea that a co-op can have a separate building for their programs and get reimbursed a lot more than if they lease a classroom from the public school to run their programs in an environment that allows for the students to be integrated with some general education students.

Ms. Clementz asked about the potential unintended consequences if we moved to a reimbursement system where the student was reimbursed at the same rate regardless of placement type?

Ms. Taylor indicated, from the public perspective, having a placement neutral reimbursement system eliminates many of the unintended consequences of the current system.

Ms. Clementz asked, so it's an intended consequence that a system like this would reduce pressure for a co-op to maintain separate building?

Ms. Taylor indicated that it depends, as we haven't gotten very far into the details of what a new system could be. She commented that the idea that the reimbursement is only tied to separate programs or separate schools, whether they be public or private, does carry some consequences with it. She indicated that in terms of incentive, it creates an incentive to have students in separate buildings, whether they be public or private.

Mr. Livingston commented, arguably it is an unintended consequence if there is a defined pot of money that has been established in code for private tuition out of the private tuition line through proration there is no more money added and that same money has spread across other folks. It potentially could not become a viable alternative to supplement a broad continuum of care for a small subset of children with very special learning differences. He indicated this would be the broader concern and general fear or anxiety. Mr. Livingston commented that if we work with the money that is defined currently at the administrative code and rule statute, and if the source of funds remains the same, there is value for the private sector in the continuum. He indicated if, in fact, our ability to offer our services is impacted, that is probably an unintended consequence.

Representative Mussman asked Mr. Livingston if what he was saying was that if a pot of money doesn't get bigger, "the pie" does not get bigger. But more people are getting a share of the pie, your slice of the pie is going to be so small that you are going to have to close your facility, and you are not going to be able to operate for those communities. And, therefore, even though a private option might be a good option for students, when you close, your option is then off the table, which might be a disservice to students who could use it.

Mr. Livingston indicated this was correct. He further added that those children sometimes without an option to attend our schools are sent to residential facilities across the state, which is a burden to a system that is under tremendous strain already. He also indicated the reality is private special education centers do prevent residential placements. He indicated that because many of their services go beyond the classroom, private special education centers can mitigate the need for residential services, which takes students out of the community oftentimes and is arguably not the least restrictive environment for a student. Mr. Livingston commented that sometimes the only option is to pursue residential services though.

Ms. Clementz asked Representative Mussman if there was any additional clarification she would like to get.

Representative Mussman indicated there was not. She indicated though that she would be curious about how there are certain rural regions that just don't have the ability to access a co-op or a private school. How often then, are they stuck in a position where they are sending students out for residential treatment who alternatively would have been properly served by that other setting that they just don't have the ability to access?

Ms. Taylor highlighted the importance of realizing the when you look at a map of the counties you will see how blue it is in Southern Illinois. She indicated they have developed co-operative programs that are meeting those same needs. Ms. Taylor indicated that part of the reason we continue to talk about placement neutral reimbursement is that it is costing those districts a lot more and they are getting the same level of reimbursement. She indicated when a district invites us, a private special education school, to open – and our district has been involved in those conversations – a large part of why you're doing that is because it will cost you much less to serve these students privately than it would to establish your own new public program.

Ms. Lindquist agreed with Ms. Taylor. She indicated that by diluting the nonpublic line item, you might be losing your cheapest alternative to high-cost students. She commented that there is a way for public schools to get access to 14.702 dollars. She indicated that with your ROE, open a 14.702 and you can either run it as a public entity or hire a private entity to run it. She indicated there are schools out there like that now through the ROE.

Representative Mussman commented that this is the first she has heard of it and asked if anyone was able to elaborate on what that looks like or if any district is doing it?

Ms. Lindquist indicated she does not know a lot about it, as it is not in her area, but believes Madison County ROE is doing it.

Ms. Taylor asked Dr. Doerr if that is what they have done. Dr. Doerr indicated they have not.

Ms. Clementz indicated this is not about creating publics and privates; it is about reimbursing districts for costs. She indicated she wanted to keep pushing this forward to look at a few of the other priority statements that had been received and see if these same themes keep emerging.

([time marker 55:24](#)) Ms. Clementz then continued on with presenting Priorities and Considerations Statement B of the *Priorities for High-Cost Special Education Funding* presentation and was accompanied by Mr. Wolfe's review of an analysis prepared for the members of the commission, the *High-Cost Special Education Funding Commission* presentation.

([time marker 57:16](#)) Mr. Wolfe guided members of the commission through the analysis, pointing out what the analysis is based on and the data points that were utilized. Mr. Wolfe observed that this commission has a set of tools and data available to analyze and view the reimbursement formula that was not accessible in past discussions of this topic.

#### Comments/Questions

([time marker 1:01:03](#)) (via chat) Does the average include intensive rates or just regular rates? Should the median be used as opposed to using the average? Mr. Wolfe indicated that he looked at a couple of different examples and the rates of reimbursement did not change that much in the analysis.

([time marker 1:09:17](#)) (via chat) Does this trend look similar to EBF distributions? Mr. Wolfe indicated the answer was "no". The EBF formula is designed to drive the greatest amount of new money to Tier 1 districts.

Mr. Livingston asked about the self-correcting nature of EBF to afford the poorer districts more funding and if it was possible the Legislative motivation was premature to understanding what opportunities EBF would afford districts in regards to reimbursement. Mr. Wolfe indicated that EBF is designed to drive the greatest amount of new money to Tier 1 and that has occurred in 4 of the 5 past years. Mr. Wolfe also commented that the intent is to bring the lowest percentage of adequacy up first. Mr. Wolfe provided that in fiscal year 2018, there were 168 school districts at or below 60% of adequacy, as compared to fiscal year 2022, which had 16 school districts at or below 60% adequacy.

Dr. Beth-Leitschuh asked why we would not strive to have a similar trend line in special education, as what was just shown in the longitudinal data from FY18-22? She commented that right now, she sees a completely different trend line going in a different direction in special education.

Mr. Wolfe indicated he was framing up options available to commission members. He commented that it is worthy of discussion and probably worthy of application of some different calculations that would alter the trend lines. Mr. Wolfe reminded that Tier 2 districts are not at adequacy, Tier 1 districts are the furthest from adequacy, and that there are a lot of factors to consider.

Representative Mussman commented that Statement A broke certain things down through the EBF formula and asked, how does that compare to the conversation we are having now?

Mr. Wolfe stated he did not do any modeling based on what was suggested by one commission member that we saw on earlier slides. He did not provide that analysis. He indicated that what was provided today is, here is what the two times per cap gives. Any additional modeling that is completed will come at the direction of these commission members. We can provide technical

advice and some suggestions and examples. We wanted to show what is currently in statute through the lens of EBF data.

Representative Mussman asked, the next time Statement A is reflected on a graph, how do we would want an angle created that gives a scaled funding in favor of a Tier 1 district? Are we trying to calculate what that would look like if there were two times per cap for a private school, for a co-op, and for an individual student that might have to be kept in-house? Do we have the data that we need from our schools to be able to model that or could we get that? We know each school does have a calculation for four times per cap, as that's how they calculate an excess student. If you applying to an empty bucket, I guess I don't know how to model that. And that's the four times per cap, not two times like we are discussing.

Mr. Wolfe indicated we are currently getting data sets to build a model. He highlighted that it's important to remember that approximately one-third of school districts had submitted data for excess cost, so he has an incomplete data set. Mr. Wolfe indicated what we have is through our student's identification system, and data with placement into 100% special ed programs has been provided. We've provided you with counts. From the cost data we have we can pick an average cost, a cost at various different percentiles to assign a cost for all the public school students, run it through the calculation for formula utilizing every district's per cap and the actual average daily enrollment percentage to simulate what costs are based upon the data we have, and put that together with the private facility data. We would have a model based upon some assumptions that would provide the commission members with an estimated total cost. We could change the per cap threshold and provide some additional calculations. Whether we use the local capacity percentage, tier, what's proposed on the screen, we can do any number of things on those calculations. That is work in this compilation of a model that can be easily altered, and we can produce graphs and summaries at a summary level for the commission members to view.

Mr. Livingston asked about how far we can drill down regarding how the student is funded from a source of revenue perspective, whether it be local taxing or bonding authority? He indicated this could possibly illuminate the equity with regard to revenue sourcing.

Mr. Wolfe commented school districts are responsible for the education of the child and they have costs of associated with providing that education. All of the revenue streams available to the school district to provide special education services are available no matter what setting or what placement the child is at.

Representative Mussman asked Mr. Wolfe if he is saying that they are using those alternative funding streams to also pay for private placement.

Mr. Wolfe commented, absolutely. He commented the formula itself is two times per cap. The average per cap is around \$12,000, which times two is 24. He indicated that is being borne by the district. Additionally, Mr. Wolfe indicated private facility reimbursement goes to a school district and after it is given to a school district, there are no restrictions on the use of those funds because it is a reimbursement.

Representative Mussman commented that the mixed funding stream is being used to pay for a child in a private setting, just as a mixed funding stream might be used to pay for that child in a co-op or in-house.

Mr. Wolfe indicated that this was his belief. He highlighted it is a valid point that has been raised, that when we compile cost, we need to have same exact (or as close as we can get) set of cost computation rules.

[\(time marker 1:27:14\)](#) Ms. Clementz then continued on with presenting Priorities and Considerations Statement C of the *Priorities for High-Cost Special Education Funding* presentation.

Comments/Questions [\(time marker 1:27:58\)](#)

Senator Cappel asked if considerations for Statement C seemed to be more of a path forward?

Representative Mussman commented that if we can create neutral accounting formula by which model students at  $(2/3/4) \times$  per cap and run it through EBF using suggested proportions from Statement A, that would give us an idea of what kind of costs numbers we would be looking at.

Mr. Metheny commented he has been waiting for the data and likes the idea of being able to look at cost. He indicated that he doubts EBF would have had the impact it has without the new money each year. Mr. Metheny commented that If we start from an idea of no additional funding, the best we can do is create a series of new unintended consequences, whether that be less choice for parents or fewer programs to provide services.

[\(time marker 1:30:44\)](#) Ms. Clementz then continued on with presenting the remaining slides of the *Priorities for High-Cost Special Education Funding* presentation.

Comments/Questions [\(time marker 1:33:09\)](#)

Ms. Taylor commented that the development of the model is the initial step before identifying funding sources for the model.

Dr. Doerr agreed, indicating that thought it was more important at the time to get the EBF formula correct and then continue by adding money into the formula.

Ms. Amerson highlighted caution with the idea of building a formula that relies on increased funding each year, understanding all the pressures Illinois faces. She indicated it is a good idea to create a formula but asked, what are the chances of increased funding year-over-year and how sustainable that model is? She also indicated that if anything is drafted for statute, we need to show what it would look like to have level funding because again, it is based off of hold harmless each year to those school districts that get new money through the tier formula. She commented that if we create something like this and then the money is not there each year, she would like to have a backup plan.

Mr. Wolfe commented that this is a reimbursement based upon cost and students in a given year and he didn't think that anything in this would be about how we distribute funds. He indicated that he was talking about an



existing pot of money or a pot of money that would increase by “X” amount of dollars and it would be like the state transportation reimbursement. It is the change of the formula, so there would be good utilization of data points from EBF to determine how much reimbursement would be in place.

Mr. Wolfe also pointed out that the modeling will not account for similar or actual costs from public setting placement. He indicated he is probably going to be utilizing a figure that is at the 70<sup>th</sup> percentile of the cost data to identify cost for every student. He indicated he will provide data points between the private facilities being put together but there’s been a lot of discussion about common cost compilation practices that he will not be able to simulate in his modeling activity. The modeling will not assume an income of new money over the years.

Ms. Amerson commented that is helpful. She commented that with the increased funding year over year with the tier formula, it would just be something you need to look at in case that increased funding is not there.

Dr. Doerr asked Mr. Wolfe if it was possible to run numbers showing this is the amount of reimbursement per child we are getting for a private reimbursement this year and this would be the amount per child for public setting? If we use the same formula for private versus public, what’s our shortfall? What is our proration? What are we this year -- around 80% -- for private facility proration?

Mr. Wolfe responded that it is around 80%. He indicated he has a private facility file and a nonpublic file so he can provide data together, separately, or at different appropriation levels. He commented that we are getting to the point in the modeling design where he is wanting to be able to provide some deltas and “what ifs” if it is separated between public and private. Mr. Wolfe indicated he will make sure the model is constructed in a way that those results can be provided.

Dr. Doerr indicated this would be good information to have and he thinks it would be good information for members of the General Assembly to look at and say, “For a full reimbursement based on educating a child of high needs, this is how much money we need.”

Mr. Livingston asked if it is the endeavor of the state funding models for public schools to represent a shared responsibility in the education of the youth in their districts? He commented that he suspects there will always be a cost share component at the local level whether it is a regular education student or a special education student or a high-cost student. Mr. Livingston asked if this philosophy is off base?

Ms. Taylor stated she thinks that is true and that is where the per caps come in.

Representative Mussman commented that she would think the shared cost would be in EBF. She commented that it is an indication of what resources my community has to make a diligent commitment to education of students within my area but also the limitations in my ability to raise funds to meet that need. She indicated if we are going to prorate funding, the intention would be to make sure that the proration is done through EBF. She commented that we want to make sure we are not replicating that system when it comes to

the funding of our special needs students. Representative Mussman indicated that if prorating is occurring right now, not related to EBF, the concern is the schools that need the most help paying for the needs of their special needs students are the least equipped to do that and we want to correct that.

Dr. Doerr agreed the funding should be for the precise reason but thinks we must drill down a little bit and see those exact numbers, so we know what kind of money we are talking about.

Ms. Clementz proposed a break for 10 minutes, starting at 2:50 p.m.. Commission members agreed.

## **DISCUSSION OF REQUIREMENTS FOR MODELING ACTIVITY**

[\(time marker 1:54:27\)](#) The commission resumed from the break at 3:00 p.m. and participated in a collaborative exercise with the intent to acquire consensus on key factors of consideration in the commission's future objective of development and definition of a proposal regarding high-cost special education funding. The exercise allowed for all commission members to contribute their perspectives.

First, commission members were asked to weigh in regarding their views as a proponent or opponent to funding priorities discussed earlier in the commission meeting. Commission members rated their preferences regarding funding neutral reimbursement rates, maintaining separate funding sources, creating a combined funding sources, defining common accounting practices, and scaling reimbursement rates based on EBF tier or other type of scaling. Strong consensus was observed for scaling reimbursement rates based on EBF tier and defining common accounting practices. The commission members were in favor of defining a funding neutral reimbursement rate and generally more in favor of maintaining separate funding source as compared to creating a combined funding source.

Next, the commission focused on rate of reimbursement preferences for financial modeling purposes. The results indicate that modeling should leverage two times per capita, then three times per capita. Time permitting, four times per capita may be used.

Then, the commission voted on preferences for scaling approaches and when the scaling per capita should be applied. Most voted for scaling to occur "after" a  $(2/3/4)$  times per capita calculation. It was noted there was some interest in viewing this through the lens of proration.

Mr. Wolfe highlighted the importance of being iterative in the process so we can understand the impact of changes as we work through different calculations. He summarized that we would use a threshold of two and three times per cap modeling for when reimbursement would start and that threshold would define what high-cost is. He further summarized the request was for modeling results that were segregated between the public and private data sets. Mr. Wolfe added the request included scaling based on EBF data and proposed utilizing the local capacity percentage.

Consensus was provided by the commission for both segregated and combined views of the data sets, modeling by two times and three times per

capita, and preference on the use of local capacity percentage instead of EBF tiers.

No additional requests were raised for requested modeling.

**NEW BUSINESS**

[\(time marker 2:18:08\)](#) Senator Cappel stated that the meeting for November 2, 2021 will need to be rescheduled. Senator Cappel proposed the change be from 1-4 p.m. November 5. Sen. Cappel asked if that worked for everyone.

Everyone agreed to the change to November 5, 2021.

**PUBLIC COMMENT**

[\(time marker 2:19:07\)](#) Elizabeth Conran, president and CEO of the Mentor Group, thanked everyone on the commission for what they are doing. She stated that is amazing and the direction that the commission is going is the correct one. A special thank you to Mr. Wolfe for everything he has been doing and to all the senators. This is a long time coming. The EBF model is in a positive direction.

**ADJOURN**

[\(time marker 2:21:37\)](#) Senator Cappel asked for a motion to adjourn. Dr. Doerr made the motion to adjourn. Ms. Taylor seconded the motion. Roll call vote was taken, and the meeting was adjourned at 3:30 p.m.

## High-Cost Special Education Funding Commission

3 – 5 p.m. on October 5, 2021

### Commission Members

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### Chicago

Floor 6, Green Conference Room. On-site contact: Carmelo Reyes. Participants enter on the ground level of the 555 W. Monroe Street, Chicago, IL 60661), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting. Participants should know title of meeting and name of the ISBE on-site contact.

### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title of meeting and name the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Approval of September 21, 2021 Minutes (roll call vote)
- III. Presentation of Data Modeling
- IV. Development of Final Proposal
- V. New Business
- VI. Public Comment
- VII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

## High-Cost Special Education Funding Commission

3-5 p.m.

October 5, 2021

Conference Room Chicago Office and V-Tel Springfield Office

Via GoToMeeting

Join meeting online: <https://global.gotomeeting.com/join/739179693>

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### WELCOME

Senator Meg Cappel brought the meeting to order at 3:08 p.m.

### ROLL CALL

#### **Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities (arrived at 3:25 p.m.)

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

Dr. Sylvia Smith, Executive Director, Giant Steps

Susan Harkin, Superintendent, CUSD 300

Troy Metheney, Executive Director, Illinois Center for Autism

Marlin Livingston, President/CEO, Cunningham Children's Home

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Shawn Brodie, School Psychologist, Northwest Suburban Special Education Organization (arrived at 3:12 p.m.)

**Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

Terri Bryant, State Senator, 58<sup>th</sup> District

The public can view the materials by accessing the webinars posted on the commission webpage at

<https://register.gotowebinar.com/recording/1178958358123023875>.

**APPROVAL OF  
SEPTEMBER 21,  
2021 MINUTES**

[\(time marker 04:19\)](#) Senator Cappel informed the commission members that the September 21, 2021 meeting minutes were still being finalized to ensure they are accurate. Voting to approve these minutes will be added as an action in a future commission meeting. No roll call vote was taken for September 21, 2021 meeting minutes.

**PRESENTATION OF  
DATA MODELING**

[\(time marker 04:48\)](#) ISBE Finance Officer Robert Wolfe presented *Placement Neutral Modeling Results for the High-Cost Special Education Funding Commission*, which addresses the data modeling request raised by the commission members during the September 21, 2021 commission meeting. Mr. Wolfe highlighted what the data sources were and some of the assumptions that were made to produce the modeling results.

**Comments/Questions** [\(time marker 11:11\)](#)

Ms. Lindquist requested clarification on how the \$50,788 value was derived.

Mr. Wolfe advised that he leveraged the 2019-20 school year data from the private facility claims. He also arrayed all of the education costs at 1.0 and then used the 65<sup>th</sup> percentile to run his modeling calculation, which returned the value of \$50,788.

Ms. Lindquist asked why private dollars were used for the modeling?

Mr. Wolfe indicated that that approach was taken in order to accommodate the lack of full-cost data for the public set, which yielded a result of approximately \$37,000. That figure was not viewed as representative of true costs. ISBE currently receives approximately one-third of the high-cost special education data for public school districts. Mr. Wolfe commented that the use of the \$50,788 value allowed for a more accurate cost value after further analysis of the data.

Ms. Lindquist raised a concern with going forward with a model that does not reflect a true cost value for public settings in Illinois.

Senator Cappel acknowledged Ms. Lindquist's concern, but requested that Mr. Wolfe continue presenting his model.

Ms. Taylor concurred and commented that the commission's objective is to focus on least restrictive environments and a placement neutral funding model.

Dr. Smith asked that the commission stipulate that the modeling does not reflect true cost values.

Mr. Livingston stated if the values in the modeling presentation are for illustrative purposes, then the presentation could resume. He also conveyed the commission's final recommendation should address what the projected cost model would look like in order to avoid consequences that would stem from creating a funding model that may not be able to be funded adequately.

Senator Cappel mentioned that the costs displayed in the modeling presentation are the most accurate that could be derived based on available data.

Mr. Wolfe advised the stipulations and rationale for use of specific modeling values were outlined in the initial slides of his modeling presentation. He also confirmed modeling was created for informational purposes for the commission members.

Dr. Smith asked if it was possible to collect co-op tuition for in districts and out of districts? She also asked how the information would be relevant to the modeling presentation.

Senator Cappel requested Mr. Wolfe continue presenting his model while providing the opportunity for Dr. Smith's question to be discussed after the modeling data has been presented to the commission.

[\(time marker 20:48\)](#) Mr. Wolfe continued his presentation. He walked the commission members through the details of the different models and scenarios.

Comments/Questions [\(time marker 34:06\)](#)

Ms. Taylor inquired about what conclusions can be drawn from the modeling data presented. She commented one of the things she sees is that we often say the private line items are meant to protect the poorest districts, but it appears the poorest districts are not benefiting proportionately when you see how much they would gain from a more equalized system. Ms. Taylor asked if this was a reasonable conclusion?

Mr. Wolfe advised that the commission members refer to the information supplied at the last meeting in order to draw that conclusion. He advised that in this presentation they should compare the results on slide 9 to the results on slide 11 as the results relate to the tiers to make conclusions. As an example, at two times per capita with no adjustments, the modeled results for Tier 1 districts are \$74.8 million, and at two times per capita at 75% reimbursement the model results are \$82.5 million.

Mr. Livingston asked if it would be possible, based upon known information, to extrapolate the total aggregate cost of each particular model? Mr. Wolfe

confirmed that the modeling scenarios accounted for all (approximately 16,000) high-cost special education students across Illinois.

Ms. Lindquist asked what would happen if two-thirds of the districts put in public claims because now they would have access to a pot of money that they didn't think they had access to before? Mr. Wolfe advised that the claim costs would be \$383 million for the approximate 16,000 high-cost special education students, as opposed to only using the one-third that submit claims at this time.

Mr. Metheney asked Mr. Wolfe if it was possible to estimate how large the group of students is that is not included in the Education Environment (EE) Code of 04. Mr. Wolfe indicated if he had the ability to get that information then he would, but he does not have the corresponding cost information to make that projection. He also advised it is important to note that for students with an EE Code of 04, he assumed the same approximate \$50,000 cost for all of the high-cost special education students. Ms. Taylor indicated there is really no way for ISBE to get that information because you have students in 80% or more general education who are high cost; student with EE Codes in public school may not necessarily be related to cost.

Ms. Lindquist raised a clarifying comment regarding the definition of "high cost." Mr. Wolfe remarked that high cost is defined as a cost above a threshold, and the thresholds utilized in the modeling were two times per capita and three times per capita. An assumption made during modeling was that the only students that would be above the two thresholds were isolated to an EE Code of 04, for which there were nearly 8,000 students -- each of which would have an approximate cost of \$50,000. This assumption was made, although it is known that each student may not incur this level of cost specifically for the purposes of modeling. All of the data requests made previously by the commission and fulfilled ISBE were focused on an EE Code of 04.

Ms. Taylor remarked that Scenarios 1 and 2 don't take local capacity or tier into account but another way that this could be done is through proration where a fully equalized model would apply additional percentages. The approach could play a role in accounting for local ability to pay.

Mr. Wolfe cautioned the data changes annually as students move from district to district. Students also may move from one tier to a different one. Care would have to be taken as to how the commission would propose to memorialize this through statute or rule. Essentially, the data set for transportation reimbursement and Evidence-Based Funding (EBF) is fairly consistent over a fairly long period of time with some exceptions, but claim costs are easily predicted and can be analyzed for trends. Special education costs budgeting in a school district or co-operative often observes changes from year to year. These changes are contingent upon the number of students that require services in the district. This especially holds true for smaller school districts.

Ms. Barajas raised a question for clarity. Do Scenarios 4, 5, and 6 help the poorest districts by providing the most equity in comparison to the other scenarios modeled? Mr. Wolfe provided additional context with how each modeled scenario's results align with respect to EBF and the target levels of adequacy in each school district for each tier. Mr. Wolfe focused on the two



times per cap. Money is shifted around and we have a proration level of 58%. This indicates that Tier 1 districts, which are the furthest away from adequacy, would benefit at \$21.7 million and the money comes from Tiers 2 through 4. Commission members were advised to be aware of how the money shifts across tiers in each of the modeling scenarios. Both modeled Scenarios 5 and 6 benefit when the same level of reimbursements are applied as to Tier 1 and 2. Tier 1 benefits at \$13.8 million while Tier 2 benefits at \$3.8 million. Mr. Wolfe also noted that Tier 2 has the greatest number of school districts, as well as the widest range of adequacy. Mr. Wolfe also indicated that any formula that provides a greater level of reimbursement to our less resourced districts would be in alignment with EBF.

Mr. Livingston asked if there is a sense of longitudinally how proration has impacted enrollment or access over time? Mr. Wolfe confirmed that primary driver on proration is the appropriation level. Variables that would impact the level of proration are the count of students, inflation (primarily costs attributed to salaries and benefits for people who provide services to high-cost special education students), and the per capita of each district.

## DEVELOPMENT OF FINAL PROPOSAL

[\(time marker 53:24\)](#) ISBE Director of Special Education Barbara Moore , led a discussion between the commission members to develop a final proposal.

### Comments/Questions [\(time marker 54:50\)](#)

Mr. Metheney pointed out that the models consider only having one pool of money instead of two separate pools. He indicated that this was something there was considerable support for during the prior commission meeting.

Ms. Taylor also observed they modeled data with no additional appropriation factored in, which allowed for the commission to have better insight into costs and how much of the costs are being absorbed locally.

Representative Mussman advised the commission should assume no increase in appropriation in its proposal. She commented that if our goal is to say this is all the money we have to use and our intention is to make sure there is more equity between public and private and more equity in how it is distributed through EBF, then the last two models would be the discussion points we are looking for.

Ms. Lindquist cautioned of the need to avoid stressing the system due to not increasing funds. She highlighted the residential, psychiatric, and mental health services are already short and have long waiting lists. She cautioned that we do not want the same thing to happen to our high-cost students that has happened in our residential system.

Ms. Taylor commented that she agreed with Ms. Lindquist but wanted to clarify that students are everywhere (public and private) and not just in private facilities. Ms. Lindquist agreed with Ms. Taylor.

Mr. Livingston spoke how private facilities mitigate the need for residential placement and how there are currently 300 children waiting for care in psychiatric hospitals beyond medical necessity waiting for residential placement. He commented that if there is not increased funding, there will be

an impact to the system of care and more students will be required to go into residential care. He indicated these are consequences we do not want.

Senator Cappel indicated there have to be other ways besides increasing appropriations. She recognized that while the privates are indicating that they are seeing an increase in need, the publics are also seeing an increase and we need to figure out a way to make the system better.

Ms. Taylor indicated that districts pay tuition to private facilities and did not understand why private facilities would go out of business. If districts need the placements, they will still send the students there. It is just that they will be reimbursed a little differently.

Ms. Lindquist indicated that some of nonpublics have received letters from districts indicating because of proration they will not be receiving as many placements.

Dr. Doerr affirmed that both private and public settings are needed because they each serve different needs. He also went on to advise that the final report should include a recommendation for increased appropriations (public and private) in order to ensure the needed funding remains.

Ms. Barajas commented that without additional appropriations, students with the highest need will be impacted regardless of the tier they are in, especially if they are in Tier 4. However, the data model Scenarios 5 and 6 will be helpful and provide more equity for the students (public or private) who need it the most. Ms. Barajas reiterated that the whole point of this commission is to make recommendations as it does not have authority over appropriation of funds.

Ms. Moore summarized that part of the recommendation may be to increase the appropriations because of the increase in needs for high-cost students. She also stated there will need to be discussions for recommendations with the assumption that there may not be additional appropriations.

Dr. Doerr highlighted poverty and mentioned the Tier 1 schools tend to have a higher rate of poverty per capita; these are the districts we need to make sure are funded. He pointed out that we will need to take this into consideration as well.

Ms. Harkin indicated the commission members need to keep in mind that they should not do anything that could harm potential placement agencies and limit access to services. Ms. Harkin commented we need to be cautious of anything that could cause harm and create less access to place students who cannot remain in public schools and continue to be successful. She cautioned we do not want to create something that results in fewer opportunities for students.

Senator Cappel asked for confirmation regarding the needed level of funding currently being applied to Tier 1 districts through EBF which would cover that placement.

Ms. Harkin answered Senator Cappel by stating that if more money is put into EBF, that will ensure that the school districts who need additional funding will still be able to place their students.

Ms. Moore summarized that there is a need for increased appropriations, we do not want harm existing placement opportunities, and we need to provide support for the Tier 1 -- and potentially the Tier 2 -- districts that are funding the placements wherever they may be.

Senator Cappel asked if this is where EBF comes in to help support the students? She commented that we need to support those students whose placement ends (e.g., in a Tier 1 school and placement shifts to residential placement) and there is no EBF to go along with it. She also commented we are trying to get more for EBF.

Ms. Harkin agreed, indicating if we put more money into the formula that is how we solve the problem for all students, but highlighted that at the rate and pace we are putting new money into the formula it will be a while before we get there. As such, we need to separate how do we get more resources to our underfunded school districts from the conversation of how do we ensure we have placement options.

Senator Cappel indicated her understanding of the purpose of the commission is to find something that closely aligns with EBF.

Ms. Harkin commented that the analysis showed taking money away from other districts to get more money to Tiers 1 and 2, but this should not be at the expense of Tiers 3 and 4.

Ms. Taylor indicated that talking about additional money to poorer districts is important, but the commission's focus is associated with placement neutrality. The answer is not to keep a funding model that is not placement neutral and give the poorer districts more money. That does not solve the current problem.

Dr. Smith asked if we can do this in the next three to five weeks? Do we need more time to analyze this? She pointed out that as we talk, more and more challenges keep coming out.

Senator Cappel indicated the language of the bill is to get this done.

Ms. Lindquist indicated that she did not want to get this done at the expense of the students and not getting the formula right because that is what happened to residential.

Representative Mussman pointed out that there is still a fair amount of time left to continue the work. She also reminded members that whatever the written proposal and outcome of the commission is, it will not be viewed as law. The report does not compel the formula to change. The final report can identify key recommendations, issues, and concerns observed by the commission.

Mr. Livingston pointed out that there is a hold harmless provision built into the EBF principles. Now we are to develop an alternative funding model – without additional funds – but not harm the children and families. That is precisely why the hold harmless provision was built into the EBF formula. Without a complete data set or additional funds, there's certainly an opportunity for some kids and families to be harmed or not have the access that they otherwise would have had.

Representative Mussman highlighted the current discussion regarding how we do work the money through EBF in a similar fashion, but we don't want to prorate or remove money from the current tier system and EBF model (or hold harmless those individuals). She asked, what if we took the \$152 million line item and put it in EBF? She commented that this way it is increased funding beyond what we are supposed to be putting in, it follows the hold harmless model, it directs more money to Tier 1 and Tier 2, and it would give them maximum flexibility on where to spend the money in the best interests of the children. It also removes the administration burden of having to come back and calculate the classification; districts can make that decision in some form.

Ms. Taylor indicated she believes the money must follow the actual high-cost student. An example is, she could be getting the money and a student could move later in the school year to another district and be almost catastrophic to their budget if there's not going to be any reimbursement to follow the actual services that the district needs.

Dr. Doerr confirmed that the concept is good, but said it is his belief that the idea of putting the high-cost special education into the EBF was a non-starter during the negotiations that resulted in EBF. He thinks hold harmless is noteworthy but not always possible to implement in part because of the mobility of students who would meet these criteria. He indicated that since the reimbursements occur in the year after the student has received education, there would be significant stipulations in place to support a true hold harmless situation.

Ms. Barajas asked if Mr. Wolfe took Scenarios 5 and 6 and applied hold harmless to the tiers that were losing, what would that excess money look like? How would it be redistributed?

Dr. Bethel-Lietschuh asked what would be a replacement factor if we took a line item out? She asked if there was a third option, something in between, if it was not a line item and was not in EBF?

Ms. Moore stated that we currently have the state appropriation line item. The thought was taking the funding and move it to EBF so there would be no change in the total amount of what is appropriated for those students.

Representative Mussman inquired as to how difficult it would be to manage because of the mobility of high-cost special education students. She asked how often do you get a mid-year move of high-cost students? Would there be a way to send notification to ISBE to indicate that while they were a part of a district's original EBF designation that student has now moved to a new location and the district's reimbursement will need to then be retroactively adjusted?

Commission members confirmed that the mobility issues are significant. Another key issue is that lower socioeconomic families have a really difficult time registering in a new district. The reimbursement model was identified as favorable as it allows for the money to follow the student.

Ms. Moore summarized we still need a model that will be a reimbursement model in order for the funding to cover all of the students because of the mobility factors.

Ms. Amerson commented it appears we have one allocation of funds for the appropriation. If we go to a local capacity percentage or if we go to a tier distribution, some districts are going to be winners whereas other districts will be negatively impacted if we proceed with that sort of reimbursement. She asked, to mitigate the impacts of the latter, within the EBF formula can we prepare the impacted districts for a decrease of funds via a two- to four-year phase-down? This would allow for the wealthier districts to prepare for a change in expected funding.

Senator Cappel stated she liked this idea.

Ms. Moore highlighted additional areas have been identified that need to be factored into the conversation. She said we need to ensure this is a reimbursement model that allows the money to follow the student because of mobility factors. We need to ensure that hold harmless concerns are addressed. We also have to consider the idea that something in terms of phased approach can allow districts, that will be negatively impacted, time to prepare. These additional considerations will help shape future conversations.

#### **NEW BUSINESS**

[\(time marker 1:38:11\)](#) Senator Cappel stated the meeting for October 15, 2021, will need to be rescheduled to 2 to 5 p.m. on October 22, 2021. Also, the November 16, 2021 meeting will be changed so it will run from 2 to 5 p.m. that day.

Senator Cappel asked if that worked for everyone.

Everyone agreed to the changes to the above meetings.

#### **PUBLIC COMMENT**

[\(time marker 1:39:25\)](#) No public comments were heard.

#### **ADJOURN**

[\(time marker 1:40:18\)](#) Senator Cappel asked for a motion to adjourn. Dr. Doerr made the motion to adjourn. Ms. Taylor seconded the motion. Roll call vote was taken and the meeting was adjourned at 4:48 p.m.

## High-Cost Special Education Funding Commission

2 – 5 p.m. on October 22, 2021

### Commission Members

Please join the webinar from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/739179693>

You can also dial in using your phone.

United States: +1 (872) 240-3212 Access Code: 739-179-693

**Members of the public may also have the opportunity to participate via the webinar link above or on-site. Conference rooms have been reserved at the Illinois State Board of Education (ISBE) offices in Chicago and Springfield for those who wish to participate on-site.**

### Chicago

Floor 6, Green Conference Room. On-site contact: Carmelo Reyes. Participants enter on the ground level of the 555 W. Monroe Street, Chicago, IL 60661), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting. Participants should know title of meeting and name of the ISBE on-site contact.

### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title of meeting and name the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Approval of September 21, 2021 Minutes (roll call vote)
- III. Approval of October 5, 2021 Minutes (roll call vote)
- IV. Recap of Prior Meeting Outcomes
- V. Development of Funding Recommendation
- VI. New Business
- VII. Public Comment
- VIII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

**High-Cost Special Education Funding Commission**

**2-5 p.m.**

**October 22, 2021**

**Conference Room Chicago Office and V-Tel Springfield Office**

**Via GoToMeeting**

**Join meeting online: <https://global.gotomeeting.com/join/739179693>**

Dial in: +1 (872) 240-3212    Access Code: 739-179-693

**WELCOME**

Senator Meg Cappel brought the meeting to order at 2:06 p.m.

**ROLL CALL**

**Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

Dr. Sylvia Smith, Executive Director, Giant Steps

Susan Harkin, Superintendent, CUSD 300

Troy Metheney, Executive Director, Illinois Center for Autism

Marlin Livingston, President/CEO, Cunningham Children's Home

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Shawn Brodie, School Psychologist, Northwest Suburban Special Education Organization

Terri Bryant, State Senator, 58<sup>th</sup> District (arrived at 2:53 p.m.)

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education (arrived at 3:05 p.m.)

**Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers

The public can view the materials by accessing the webinars posted on the commission webpage at

<https://attendee.gotowebinar.com/recording/1712163223909898241>.

**APPROVAL OF  
SEPTEMBER 21,  
2021 MINUTES**

([time marker 02:03](#)) Senator Cappel asked if everyone received minutes from the September 21, 2021, meeting. She then asked for a roll call to approve those minutes. Roll call vote was taken, and minutes were approved.

**APPROVAL OF  
OCTOBER 5, 2021  
MINUTES**

([time marker 03:56](#)) Senator Cappel asked if everyone received minutes from the October 5, 2021, meeting. Senator Cappel then asked for a roll call to approve those minutes. Roll call vote was taken, and minutes were approved.

**RECAP OF PRIOR  
MEETING  
OUTCOMES**

([time marker 06:22](#)) ISBE Director of Special Education Barbara Moore presented *Special Education High-Cost Funding Commission – Recap of Meetings*, which provided a high-level summary of the commission's scope, approach, meeting schedule, deadline, modeling data results in an consolidated view, key topics discussed during prior commission meetings, and values shared by commission members.

**Comments/Questions ([time marker 22:20](#))**

Ms. Moore asked for a few members of the commission to share what "funding following the students" shared value means to them. The intent was to ensure the commission members had a common understanding of this shared value.

Mr. Livingston stated that to him it means that a particular program has submitted a plan that represents best practice and includes a direct tie to the interventions that assist the student to meet their Individualized Education Program (IEP) goals in an informed best practice way.

Mr. Livingston also contributed his view on what does not fall within the shared value:

- It is not spreading funding over a large population in such a manner that funding associated to students cannot be traced to the students who received the high-cost special education.



- Nor is it a program without caps on administration, occupancy, and support.

Ms. Taylor stated that to her it means that you are not going to take a lump sum and fund a certain program. Rather, the funding is going to be where the student need is. This is key to note because student needs vary.

Ms. Clementz asked for members of the commission to give a written version of their definition of “funding should follow the student” in the GoToMeeting chat function.

Representative Mussman asked if the commission was going to address students making mid-year moves in between schools or districts, and if that consideration was going to be a part of the shared value discussion.

Ms. Lindquist stated it’s specific to the student and placement. Specific examples were outlined:

- If a district enrolled a child in a nonpublic school and the school receives the reimbursement funding for as long as that child is in that specific school because a rate is attached to that student.
- If that child returned to a lesser restrictive environment (LRE) in the public, then that original funding score for 14.702 would no longer be available for reimbursement.
- If the child moved to a different nonpublic school that has a different rate, then the school would receive funding for that different specific school.
- If the student moved to a different district, then the funding from the original district stopped because it no longer has that student enrolled. Instead, the new district then would apply for the reimbursement where the student is enrolled.

Ms. Taylor stated in the chat that reimbursement is provided to a district for excess costs associated with individual high-cost students, regardless of private or public placement.

Mr. Livingston stated in the chat that cost should base on actual audited costs, not enrollment.

[\(time marker 28:18\)](#) Ms. Moore continued her presentation. She walked the commission members through the remaining shared values. She then discussed the list of remaining scheduled meetings to complete the development of the commission’s proposal and eventually its final recommendations report.

## **DEVELOPMENT OF NEW FUNDING RECOMMENDATION**

[\(time marker 31:03\)](#) Senator Cappel stated a few things the commission is going to work toward in the effort to develop its recommendation.

1. Transition to a goal of reaching consensus for a funding recommendation and affirm some areas of understanding.
2. Present an outline of a recommendation, which will be facilitated by Rae Clementz.

3. Discuss how our areas of disagreement can and should be presented.
4. Discuss a process and drafting a review of these recommendations.

[\(time marker 31:58\)](#) Ms. Clementz presented a structure for developing the new funding recommendations outline based on commission members' input. A differentiation between consensus and agreement was shared. Consensus was reached regarding the structure of the recommendations outline.

Scenarios modeled and reviewed in prior commission meetings were explained again for the commission members.

Comments/Questions [\(time marker 45:32\)](#)

Dr. Smith notes that there should be a stronger cost analysis with the true costs for what the high-cost special education students need. She expressed concern about the level of granularity in the data leveraged for the modeling scenarios.

Senator Cappel noted that desired level of granularity will not be available in time to meet the commission's deadline. She also acknowledged that the commission should be aware that putting forward a recommendation for an imperfect solution is preferred over status quo.

Ms. Clementz commented that Dr. Smith raised a good point but confirmed that the data needed to further strengthen the cost modeling is not readily available. She suggested that the commission members table acquiring and leveraging the data needed for a more robust set of cost models as an item for future consideration within the recommendation. As an example, the commission could put forward a recommendation that is bound in time and gets paired with a system of accounting that provides better quality data so that the recommendation can be re-evaluated, in light of better data, after a certain period of time.

Dr. Smith asks if the commission can backwards design this to the cost central. She suggests it may be better to perform a true cost analysis first, determine costs with more accuracy, and then make the recommendations.

Representative Mussman reminded the commission that whatever the conclusion or formula is, it's not final action. We would not be able to accumulate that data before the deadline. She agreed the commission needs to acknowledge this is the direction we feel most strongly about moving in. We acknowledge that this information is incomplete because it lacks further data, and a future goal would be to accumulate more detailed data.

Ms. Taylor stated the commission has known for well over a decade that there is a funding model that is not placement neutral. This is an opportunity to rectify that. The commission should focus on what is wrong with the system and how to improve it.

Mr. Livingston stated it is important to state within the recommendation that the true cost is not known. He suggested that what is done at this point is for illustrative purposes only and does not reflect a true cost.

Ms. Clementz stated it sounds like a critical part of this recommendation is a set of accounting principles or requirements.

Ms. Lindquist stated what you come up with can be modified, but she questions what harm has been done to the families and children in the interim. There needs to be assurance that there is no harm to the children receiving these services, whether in public or private.

Representative Mussman reminded the commission that the recommendation will not lead to direct, final action. Nothing happens from this recommendation, it is not an actual formula or state law, and dollars will not be re-allocated based on what we write in this report. No harm comes from the wording in the report.

Senator Cappel stated that the formula we have right now isn't working, and that should be included in the report. The commission should be ready to provide its best recommendation that we can put forward at this time while stating concerns.

Ms. Clementz stated the purpose of the commission is to remediate the harm in the existing system, and to connect the recommendation directly to the known issues.

Ms. Lindquist stated she would suggest that the harm right now involves public and private settings.

Ms. Taylor remarked that we are framing this up as if it is harming students. However, the funding goes to the school. Districts have children placed where they need to be. We need a fair reimbursement system that doesn't favor one over the other because we don't all have the same access.

Dr. Doerr noted the discussion was getting off track. He reminded the commission the reimbursement to the districts is provided in the subsequent year. He also advised that it took many years to get Evidence-Based Funding (EBF) passed and that we need to stay focused on our recommendation on how we want to change the funding system according to the resolution that was adopted to create this commission. He observed that the commission needs to come to consensus on selection of one of the scenarios previously modeled for the commission.

Ms. Clementz asked the commission members to think about which modeled scenarios they preferred and to be ready to share the reasoning.

Ms. Harkin requested that the scenarios summary be displayed. The associated slide from the recap presentation reviewed in the earlier part of the meeting was displayed.

To better assist in the commission's understanding of the modeled scenarios, ISBE Financial Officer Robert Wolfe indicated a need to review the modeling presentation that was shared during the October 5, 2021, commission meeting.

[\(time marker 01:05:40\)](#) Mr. Wolfe reviewed the scenarios in the *Placement Neutral Modeling Results for the High-Cost Special Education Funding*

*Commission* presentation for the commission members. Details for modeled scenarios 5 and 6 were reviewed, followed by scenarios 3 and 4.

Comments/Questions (time marker 01:12:25)

Ms. Clementz stated the modeling is showing the same amount of money going out in each situation. Its focus is on where the funding flows across the districts. She reminded the commission members of the need to address how funds are redirecting the balance of available money.

Ms. Harkin asked to look at scenarios 1 and 2 and approaching from the perspective on the re-allocation of the current distribution and ensuring that there isn't harm specifically to Tier 1 and Tier 2. In No. 2, we use a formula that is providing more funding to Tier 1 and Tier 2 districts while doing some shifting. The second piece should seek or request additional funding. She believes the commission should look at formulas that ensure we protect Tier 2.

Mr. Wolfe provided clarifications on scenarios 1 and 2. The left column, two times per cap, the proration level would be 40%. The right column, three times per cap, the proration level would be approximately 74%.

Ms. Clementz asked if that proration is not scaled or tiered in any way.

Mr. Wolfe stated that is correct. Also, as far as holding harmless districts, he would have to have precise criteria on how to accomplish that because this is a reimbursement and reimbursements are tied to costs and particular students.

Ms. Taylor asked if we could consider proration related to tiers.

Mr. Wolfe advised we could do that because there is proration in both examples. With equal proration, focusing on three times per cap in scenario 2, there is a shift of money. If the proration level was altered and had a different proration level by tiered designation, the negative numbers for Tier 3 and Tier 4 will change. Ultimately, the money must come from some place.

Ms. Harkin indicated the proration percentage assumes flat funding is in place and ensures that Tier 1 and Tier 2 are not impacted by that. She asked if Mr. Wolfe created the proration percentage.

Mr. Wolfe advised the proration percentage of 74% is the proration divided by the claim cost. Every district's reimbursement was prorated equally by 74%. If no proration is applied to Tier 1 and 75% to Tier 2, the negative impacts to Tiers 3 and 4 increase.

Representative Mussman requested that previously submitted graph details be displayed to ensure the commission members understand the driving factors behind the modeling scenarios that were created.

(time marker 01:28:26) Mr. Wolfe reviewed the graphs in the *High-Cost Special Education Task Force\_2x Per Cap Reimbursement Analysis* presentation from the September 21, 2021, commission meeting. A trend line by tier designation was reviewed. Then a more granular view was graphed

by deciles to illustrate least- to most-funded districts while showing the level of reimbursement. The graph aligns with scenario 2 and demonstrates that allocation remains generally flat.

Mr. Wolfe noted the analysis demonstrated that utilization of a threshold of two times per capita or three times per cap does not provide equalization, or said differently, provides differentiated reimbursement based upon a school district's percentage of adequacy.

Dr. Smith asked if vastly different data would impact how the graphs are formulated.

Mr. Wolfe advised that the graph demonstrates a percentage of reimbursement for an education cost based upon differentiated per capita tuition charges. Every school district in the analysis that was performed used the same educational cost.

Representative Mussman confirmed that commission's objective is best achieved by focusing on modeled scenarios 5 and 6. Senator Cappel concurred.

Ms. Harkin requested similar bar graphs be created for scenarios 5 and 6.

Mr. Wolfe agreed to create the graphs for the next commission meeting.

[\(time marker 01:36:58\)](#) Ms. Clementz displayed the scenarios from the *Placement Neutral Modeling Results for the High-Cost Special Education Funding Commission* presentation for the commission members.

Comments/Questions [\(time marker 01:38:48\)](#)

Mr. Wolfe reminded the commission that the data used for the modeling is fluid and changes annually.

Ms. Harkin reminded the commission to review the shared values when evaluating the modeled scenarios.

[\(time marker 01:40:46\)](#) Ms. Clementz displayed the recommendations outline for the commission members in response to the request to show the shared values.

Comments/Questions [\(time marker 01:41:16\)](#)

Senator Cappel also shared the shared values by reading them to the commission members.

Dr. Smith and Senator Cappel agreed that additional funding from the state be added as a recommendation in the report. Ms. Harkin also concurred.

Ms. Harkin then asked for clarification on whether the modeled scenarios also aligned with the other three shared values with a high focus on equity.

([time marker 01:42:39](#)) Ms. Clementz displayed the scenarios from the *Placement Neutral Modeling Results for the High-Cost Special Education Funding Commission* presentation for the commission members.

Comments/Questions ([time marker 01:42:39](#))

In response to Ms. Harkin's inquiry, Mr. Wolfe advised that in prior data requests and modeled data that have been fulfilled, there was evaluation on placements for both public and nonpublic. Another item of note is that the data showed there are portions of the state that have a lesser percentage of students placed in private settings than other portions of the state. This is observed for variety of reasons, such as availability of services or student needs.

Ms. Harkin asked if among scenarios 1 through 6, did any of these have anything that is different between them in relation to impacting placement of students?

Mr. Wolfe confirmed there was no impact. All scenarios provide some level of reimbursement.

Ms. Lindquist asked what would the situation be if there is no public option and the district relies solely on private facilities.

Mr. Wolfe advised that if there is no public option in the district and it relies solely on a private setting because there is no cooperative or other local districts, then a Tier 1 district that places all its high-cost students into a private facility will see less reimbursements.

Ms. Taylor added a district should only have private options if it is following LRE guidelines for students.

Representative Mussman remarked that the commission has referenced a concept of sending students out for public placement. Three categories were identified: private, public co-op, and public.

Mr. Wolfe confirmed.

Ms. Lindquist stated that a fourth category should be considered for small districts that do not belong to a co-op and do not run their own separate program and rely on nonpublic placement.

Ms. Taylor advised that small districts can keep students at home by developing their own programs or provide additional support as districts currently do rather than sending students to a high-needs school.

Ms. Lindquist referred to Waukegan as an example of an unintended consequence.

Representative Mussman stated that if the funds shift, the reality will be a difference in which districts gain more or lose more in relation to the current system. Tier 3 and Tier 4 schools would be impacted most. However, the task force is not committed to resolving all issues.

([time marker 01:49:19](#)) Ms. Clementz displayed the recommendations outline for the commission members in response to the request to show the shared values.

Comments/Questions ([time marker 01:50:27](#))

In response to some questions raised by commission members regarding potential impacts to students, Representative Mussman remarked that the commission does not have a hold harmless option and therefore it is expected that some will benefit while others do not if the allocation of funds were to shift. However, the majority of the schools that would be impacted negatively are Tier 3 and Tier 4 schools, which have more financial resources to draw on to offset impacts.

Senator Cappel concurred.

Dr. Doerr inquired if there are districts that rely on solely on private facilities and no public facilities.

Ms. Lindquist indicated that there are but clarified by defining the placement in a separate building though some members of the commission indicated that this clarification was incorrect.

Representative Mussman reminded commission members that to a certain degree, that would go back to a previous question as to whether or not schools are incentivized to place students in a private setting because they get reimbursed at full freight, whereas if they keep them in-house they have to absorb the cost with no reimbursement at all. There may be schools that are doing that. She stated that the discussion may come down to a philosophical debate as to whether or not the private placement was the best placement for the student or simply the most financially expedient placement. Or whether or not having the financial resources to keep students in-house allow them to be mainstreamed may ultimately be to their benefit. Should a district have this opportunity to do things differently in the future? Again, that is a philosophical debate as to whether or not a district chose to start pulling some students out of private and kept them and how is it actually a detriment to the students. That is now an issue the commission could resolve that on this call.

Mr. Wolfe reviewed the model and reminded the commission that he used code Educational Environment (EE) 04 for placement of students outside a mainstream education. The model utilized cost data from the private facilities for public placement educational costs. He reminded the commission that this approach was taken because it was the best available cost data.

Ms. Clementz reiterated that a formula needed to be fleshed out in the recommendation, and that the commission must decide if the preferences is to utilized two or three times per capita in that recommendation. However, the commission must decide if the preference is to leverage two or three times per capita. Representative Mussman requested the use of Menti as the collaborative tool.

([time marker 02:00:34](#)) Ms. Clementz leveraged the Menti tool for collaborative responses by the commission members.

Comments/Questions ([time marker 02:02:41](#))

Mr. Livingston requested that the Menti responses be included in the meeting minutes.

Question: "Would you support a 2 or 3 times per cap recommendation as a base?" An even split was displayed.

Mr. Brodie advocated two times per capita to avoid impacts that would stem from three times per capita.

Representative Mussman then requested clarification regarding the depth of proration with respect to the modeled data for scenarios 5 and 6.

Mr. Wolfe advised as follows:

- Two or three times per capita is the threshold on when state reimbursement starts. The reimbursement starts at the next dollar above the capita amount.
- Based on the modeling assumptions of flat funding and the inclusion of all high-cost special education students, the claim cost will increase.
- At two times per capita the total cost is \$383 million. At three times per capita it is \$206 million.

Mr. Livingston remarked a preference to three times per capita because it reflects a more shared cost and be viewed more favorably by our elected officials.

Representative Mussman asked if at two times per capita the commission would expect to see less money per student but receive money for more students. Similarly, she asked if at three times per cap, there are fewer students factored into the way the funding would flow but more money would be allocated to those fewer students.

Mr. Wolfe advised that school districts are compelled to provide services that are outlined in the IEP. He also remarked that the proration levels vary and should be considered by the commission members. Mr. Wolfe provided an overview of costs and proration levels and Mr. Livingston echoed his support for three times per capita. Mr. Wolfe remarked that at three times per capita the school district will assume a greater portion of a high-cost student costs but also districts would be eligible to submit reimbursements for students that they have in their public placements. Mr. Livingston stated that the school districts would be in a dramatically better position as compared to the current environment.

Ms. Clementz confirmed that Representative Mussman's statements were intended to reflect quantity of students versus intensity of need, as opposed to quantity versus quality. Representative Mussman confirmed that this was so.

Representative Mussman then restated her clarifying comment to indicate that the analysis that was reviewed shows that the approach would claim



something on a greater number of students or allows for claiming more money against a smaller number of children. She also remarked that to a certain degree it is reasonable for the commission to state that it was not able to agree definitively on one model over another and that the members had similar preferences. The two options presented were the ones that were strongest unless at some point members opt to change their positions. She also commented that the commission could report that the members were stalemated and could not put forward a recommendation as has been done by task forces occasionally in the past.

Ms. Clementz mentioned one of the principles the commission member voiced frequently is that they do seem to want to minimize these really steep levels of proration due to the impacts that would be felt by school districts. She then asked the members to think about the preference they have over the modeled scenarios.

Ms. Lindquist asked if Mr. Wolfe could provide data for two times per capita on where students were kept -- specifically, front money versus how much additional money Tier 1 districts would get.

Mr. Wolfe indicated that this is referenced in the supplied modeling for scenarios 1 and 2.

Ms. Lindquist then asked if the modeling data could be supplied at the district level.

Mr. Wolfe advised that the district level data is unreliable. He confirmed use of code EE 04 and the 65th percentile of the private facility data set as the education cost.

Ms. Clementz reminded the commission of the fluidity of the data set given mobility. Mr. Wolfe concurred.

Representative Mussman advised that the data could change from year to year, so a sampling could be performed on individual districts to see what it currently looks like. However, it does not give a good indication of how they would turn out over time as the districts' student bodies -- and their needs -- fluctuate from year to year. Therefore, their compensation would fluctuate from year to year.

Ms. Taylor stated that it might be worth considering not to merely state that the commission is stalemated with respect to two versus three per capita, but posing the question of whether members prefer one or the other but can you support the other option. Ms. Clementz agreed to add the question to the Menti with the inclusion of an option for 2.5 times per capita.

Next, a weighted support Menti question was posed to the commission members to gauge level of support for their per capita preferences. Most voted for three times per capita but could support 2.5 times per capita.

In addition, commission members were asked to indicate their level of concurrence as to whether scaling reimbursements by EBF tier seems to reflect the core values. All indicated that it does.

Also, a question regarding reimbursement rates being viewed as appropriate was posed to the commission members. The indication was distributed

evenly among the top three options for varying levels of reimbursement across different levels of adequacy.

[\(time marker 02:33:34\)](#) Ms. Clementz displayed the recommendations outline for the commission members in response to the request to show the shared values.

The commission members will summarize their desired recommendations input in bullet point and written format and submit to Mr. Reyes. The detail supplied may include their feedback on the outline that Ms. Clementz will share through ISBE communication channels so that the commission and respond before the next commission meeting. The outline content will include an executive summary, an issue statement, modeling references, shared values, a summary of areas where the commission did not reach complete agreement, and things to consider before final implementation.

Mr. Brodie requested that the outline document's referenced modeling formulas be validated to align with the modeling approach.

Ms. Clementz agreed to ensure that the outline addressed the need to model any final formula present in a bill for alignment to the stated values.

Responses received will be aggregated for inclusion into the draft recommendations document. This will be reviewed in the next meeting.

Mr. Metheny requested additional modeling. Specifically, he requested modeling that would include students from an additional Educational Environment code.

Mr. Wolfe also advised that the requested additional modeling would result in an increase in costs and a need to further alter percentages by tier designation, and reduce the reimbursement rates for Tiers 2 through 4. He does not expect it to change the alteration of the distribution by tiers but does expect it to show an increase in claim costs.

## **NEW BUSINESS**

[\(time marker 02:48:34\)](#)

Senator Cappel referenced Mr. Metheny's new request for modeling data, which was raised moments prior.

Mr. Livingston was curious as to whether or not any of the commission members' views regarding one or two funding lines have changed. None indicated so.

## **PUBLIC COMMENT**

[\(time marker 02:49:50\)](#) No public comments were heard.

## **ADJOURN**

[\(time marker 02:49:59\)](#) Senator Cappel asked for a motion to adjourn. Ms. Taylor made the motion to adjourn. Dr. Doerr seconded the motion. Roll call vote was taken, and the meeting was adjourned at 4:58 p.m.

## High-Cost Special Education Funding Commission

1 – 4 p.m. on November 5, 2021

### Commission Members

Please join the webinar from your computer, tablet or smartphone.

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**Members of the public may also have the opportunity to participate via the webinar link above or on-site. Conference rooms have been reserved at the Illinois State Board of Education (ISBE) offices in Chicago and Springfield for those who wish to participate on-site.**

### Chicago

Floor 6, Green Conference Room. On-site contact: Carmelo Reyes. Participants enter on the ground level of the 555 W. Monroe Street, Chicago, IL 60661), check in at security station, display ID (driver's license or state-issued ID), pass through metal detector, and proceed to meeting. Participants should know title of meeting and name of the ISBE on-site contact.

### Springfield

Floor 3, V-Tel Room. On-site contact: Danielle Rock. Participants enter on the first floor of the Alzina Building (100 S 1st St, Springfield, IL 62701), check in at south-end guard station, display ID (driver's license or state-issued ID), and wait to be escorted to meeting. Participants should know title of meeting and name the ISBE on-site contact.

## AGENDA

- I. Welcome/Roll Call
- II. Approval of October 22, 2021 Minutes (roll call vote)
- III. Discussion of Scenario 5 and 6 Percentage of Adequacy Decile Analysis
- IV. Commission Outline Review for Feedback
- V. New Business
- VI. Public Comment
- VII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

**High-Cost Special Education Funding Commission**

**1-4 p.m.**

**November 5, 2021**

**Conference Room Chicago Office and V-Tel Springfield Office**

**Via GoToMeeting**

**Join meeting online: <https://global.gotomeeting.com/join/641929237>**

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**WELCOME**

Senator Meg Cappel brought the meeting to order at 1:06 p.m.

**ROLL CALL**

**Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

Dr. Sylvia Smith, Executive Director, Giant Steps

Susan Harkin, Superintendent, CUSD 300

Troy Metheney, Executive Director, Illinois Center for Autism

Marlin Livingston, President/CEO, Cunningham Children's Home

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers (arrived at 1:09 p.m.)

Terri Bryant, State Senator, 58<sup>th</sup> District (arrived at 1:10 p.m.)

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education

Susan Harkin, Superintendent, CUSD 300 (arrived at 1:24 p.m.)

**Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

Shawn Brodie, School Psychologist, Northwest Suburban Special Education Organization

The public can view the materials by accessing the webinars posted on the commission webpage at <https://attendee.gotowebinar.com/recording/7826780482688678401>.

**APPROVAL OF  
OCTOBER 22, 2021  
MINUTES**

[\(time marker 00:02:06\)](#) Senator Cappel asked if everyone received minutes from the October 22, 2021, meeting. Senator Cappel then asked for roll call to approve those minutes. Roll call vote was taken, and minutes were approved.

**DISCUSSION OF  
SCENARIO 5 AND 6  
PERCENTAGE OF  
ADEQUACY DECILE  
ANALYSIS**

[\(time marker 00:04:00\)](#) Senator Cappel made note that the data that is needed for the additional modeling that was requested at the end of the previous commission meeting is not available at this time. Instead, the chairpersons offered to take future action to request this data from school districts after the commission completes its work. Recommendations in the final report will note that there is a need to collect additional data for a more accurate cost modeling.

Senator Cappel then requested that ISBE Financial Officer Robert Wolfe review the analysis he prepared in response to the request raised during the beginning of the previous commission meeting.

[\(time marker 00:04:32\)](#) Mr. Wolfe reviewed the *Scenario 5 and 6 Percent of Adequacy Decile Analysis* presentation for the commission members. [Comments/Questions \(time marker 00:08:43\)](#)

Dr. Smith requested a copy of the materials that Mr. Wolfe presented. Ms. Taylor advised the content was shared by ISBE Project Manager Carmelo Reyes. Mr. Reyes advised that the content was shared by Hector Rodriguez, Director of Government Relations at ISBE.

No additional comments or questions were raised.

**COMMISSION  
OUTLINE REVIEW  
FOR FEEDBACK**

[\(time marker 00:09:44\)](#) Senator Cappel introduced the outline by informing the commission that there are three core pillars for which consensus or agreement must be reached. Senator Cappel also advised that ISBE Director of Accountability A. Rae Clementz will introduce the validation of voting members. The three core pillars were summarized as follows:

- Pillar 1 – Should districts need to contribute a per capita tuition costs?
- Pillar 2 – Review and discuss Scenario Models 5 and 6.
- Pillar 3 – Align costs with accounting roles.

[\(time marker 00:10:30\)](#) Ms. Clementz made a Menti presentation for the members to participate through collaboration.

Ms. Clementz began the validation of voting members by having each of them select their name. Those who were able to, did so. Mr. Reyes advised that member Shawn Brodie was having technical issues in dialing into or access the meeting. Mr. Livingston confirmed that he was travelling but would attempt to join the Menti presentation .

Ms. Clementz next asked the commission via the Menti if school districts should be required to contribute to two times or three times per capita tuition costs before reimbursements are applied. Commission members chose from the following options: two times per capita, three times per capita, or either is acceptable. As the commission members considered their options, Ms. Clementz reminded them that for Scenario 5, if we remained at that two times per cap, school districts would receive approximately \$25 per every \$100 expensed. She also reminded the members that for Scenario 6, which associates to three times per capita, school districts would receive approximately \$30 to \$33 per every \$100 expensed.

A majority of the commission members selected the option of two times per capita.

Ms. Clementz asked if anyone would like to explain their reasoning for why they selected the option they did.

#### Comments/Questions [\(time marker 00:17:11\)](#)

Ms. Taylor remarks that she likes two times per capita in theory. In Scenarios 5 and 6 the approach prorates the reimbursement, depending on which tier a school district is in. She summarized that in Scenario 6 both Tiers 1 and Tier 2 received 79% back in reimbursements, whereas Tier 3 received 50% and Tier 4 received 25%. However, what concerns her about keeping it at two times per capita is that then it is prorated even more. This would mean that the Tier 3 and Tier 4 districts would face more impacts. If the model allowed for two times per capita and prorated for all, she might feel more comfortable.

Ms. Lindquist stated that she finds it difficult to vote on the Menti questions without having the data that will be requested later from Representative Mussman and Senator Cappel. She doesn't understand what the costs are or could potentially be.

Representative Mussman stated that right now these actions are being based on the total cost, which is the same appropriating line we already have -- she believes that is \$150 million. We are talking about how \$150 million will be disbursed, based on this model, so the state does know its capped cost. The cost per district will change each year in each district based on the individual makeup of each student. She also remarked that if the commission received more detailed data, the data itself would only represent a fixed moment in time. She believes there are viable numbers to work with as far as costs go within the framing of scope for the commission.

Ms. Lindquist understands that data is not available from ISBE. She believes it could be acquired from the local education agencies and districts. She also indicated that the data is needed in order to best determine how to proceed.

Ms. Taylor stated we are making a recommendation on what this new formula should be, based on the principles that we must consider. The recommendation does not become law. She believes that the commission can make a recommendation as to what its members believe is right. If they can acquire more data and find costs are prohibitive, then that is another question to be addressed separately.

Senator Cappel concurred. She also stated that she and Representative Mussman will take future action and are committed to making sure that they pursue the acquisition of better cost data. She reminded the commission members that the data that is available now to the commission is the best available data set at this time. Moreover, the commission was advised that the final report will serve as a recommendation. The need to collect additional data for more accurate cost modeling will be listed in the final report for a recommendation.

Ms. Lindquist asked if the commission would be able to meet again after the more accurate data is collected.

Representative Mussman advised that the commission members will stop meeting after the final report is filed. She also reiterated that the final report deadline is November 30, 2021. The request for more accurate cost data will be part of the commission's recommendation because such data will not be available in time to be included. Progress should continue to be an interactive process. Commission members, as stakeholders, will continue to be involved if/when the time comes for supporting legislation to be created and filed. Stakeholders would see if that information comes in and modeling is done by ISBE. It would be presented in a committee hearing and allow commission members to validate or revise their current stance on how funding should be applied.

Ms. Lindquist asked if the recommendation could include language stating that another panel could review the data to ensure the recommended approach still aligns with principles of Evidence-Based Funding (EBF).

Senator Cappel stated that the final report can include language indicating the need to collect the data necessary for a more accurate cost modeling in order to determine the best path forward and validate the current perspective.

Ms. Lindquist restated the significance of understanding the costs from her viewpoint.

Ms. Clementz offered some clarification regarding legislative process. Typically, when bills are proposed there is a period of public comment. The data used in support of a future bill would be made public. As such, members of this task force could make public statements while stating their current role on this task force and use the opportunity to affirm or revise their support based on the additional data acquired for analysis or modeling.

Representative Mussman confirmed that any of the commission members would have the ability at a later date to give formal testimony in committee,

sign witness slips, and provide written testimony to indicate whether they do or do not support a position being proposed in future potential legislation.

Ms. Taylor stated that from the public perspective, she has observed many instances where legislation was introduced to try to change funding for high-cost special education students. Certainly, the nonpublic schools know how to advocate, rally, and ensure that legislation did not pass.

Dr. Smith asked if the wording in the final report could be made firm.

Senator Cappel advised that the determination could not be made until the data requests are received and solidified. Thus, her suggestion is that the final report include language that states the need to collect the additional information for more accurate cost modeling.

Representative Mussman reiterated that the output from the task force is a documented recommendation, as opposed to legislation. More information could be requested within the recommendation but does not compel or require schools to supply it. Similarly, the recommendation cannot commit the task force to reconvene. As such, the collection of specific data or resuming of commission meetings for this task force are not viable expectations unless a legislator creates a new bill that becomes law and mandates that the specifically needed information shall formally be gathered while also mandating this task force's originating members shall be re-appointed or replaced, as necessary, to evaluate.

Dr. Doerr affirmed that commission members, along with everyone else in the State of Illinois, has a right to testify. He asked that the commission move along.

Senator Cappel concurred.

[\(time marker 00:33:19\)](#) Ms. Clementz made a Menti presentation for the members to participate through collaboration. She asked the commission if Tier 1 districts should have a higher proration rate than Tier 2.

[Comments/Questions \(time marker 00:33:51\)](#)

Ms. Taylor asked for clarification that this question is only applicable to Tier 1 and Tier 2. She also asked if their reimbursement would be the same percentage and their proration would be the same.

Ms. Clementz clarified that is correct. She also remarked that based on EBF guidelines Tier 1 and Tier 2 districts are below adequacy. Also, Tier 1 districts are furthest away from adequacy, but the higher count of districts exist in Tier 2.

Most members supported the option of allowing Tier 1 districts to have a higher proration rate than Tier 2.

Representative Mussman asked Ms. Clementz if various additional questions could be added to the Menti to weigh member preferences on a variety of factors. Ms. Clementz advised that to do so might not be best use of the commission members' time.



[\(time marker 00:38:58\)](#) Ms. Clementz made a Menti presentation for the members to participate through collaboration. She asked the commission if public special education programs should be subject to cost accounting rules in alignment with private program rules for purposes of rate determination.

Comments/Questions [\(time marker 00:39:39\)](#)

Mr. Livingston inquired if the question related to both the accounting standard as well as the caps.

Ms. Clementz noted that this specific question deals with only rules. Those are the administrative rules that define how that process happens.

All members supported the option of having public special education programs subjected to cost accounting rules in alignment with private program rules for purposes of rate determination.

[\(time marker 00:42:17\)](#) Ms. Clementz displayed the draft document of the outline for recommendations. She noted that the bulk of the report itself should be relatively short in order to focus on the recommendation. The report should include an executive summary, issue definition, recommendation, description of the commission's work, and appendices. Consensus from prior meetings has been documented and included in the draft outline for the commission members to review.

The recommendation section used the cost formula defined in modeling Scenarios 5 and 6.

Education Cost – [(???) x Per Cap) x (% for Tier Designation)] = Reimbursement. The “???” portion of the formula is a variable for times per capita. During the collaborative Menti exercise earlier in the meeting, the commission members reached majority consensus with a recommendation of two times per capita. Options in the recommendation's formula for times per capita are two times, two and one-half times, and three times.

Ms. Clementz also stated that if additional modeling shows that two times per capita results in less money in districts than would be observed at three times per cap, then that might be something worth reconsidering at that particular point in time.

Ms. Clementz asked if any commission objected to the overall framing of the use of the Scenario 5 and 6 formula within the recommendation outline. No objections were raised.

Majority consensus was reached on the differentiation of Tier 1 and 2 with respect to the exact percentage by tier designation where the models prepared for the commission used 75% for Tiers 1 and 2, 50% for Tier 3, and 25% for Tier 4. However, a specific recommendation on how that should be further differentiated was not defined. Consequently, should additional cost data become available, the percentages for tier designations should be fully vetted or requested to be vetted when commission members have the

opportunity to give testimony in other future committees when a final determination is made.

Comments/Questions (time marker 00:47:45)

Dr. Smith suggested that final report include wording that states that there were some individuals on the commission who were not in complete agreement. The primary driver for this request was the lack of the public setting cost data. Strong wording is needed to help enforce the need for the collection of the data for a stronger cost analysis.

Ms. Lindquist reiterated her concerns about making an option selection in the Menti questions reviewed earlier in the meeting due to the lack of public setting cost data.

Ms. Clementz and Senator Cappel confirmed that these points of reservation would be mentioned in the final report.

(time marker 00:50:59) Ms. Clementz resumes her display of the recommendations outline document.

Ms. Clementz stated that the outline will be updated below its recommendation section's formula to also include wording on the need to see further differentiation of the percentage that each tier is rated at. Moreover, it will provide language that strong consensus in having the public cost accounting rules align with the nonpublic rules in order to better understand costs and have a stronger position in which to have the needed data more formally requested.

Comments/Questions (time marker 00:52:12)

Mr. Livingston stated that he withheld from selecting some of the options in the Menti questions reviewed previously in the meeting due to lack of full cost data availability. He also stated that there was clear consensus that there would be two separate funding lines and he saw that that was absent from the recommendation. He understands that the commission did not revisit that issue because of the broad consensus that there needed to be new money and that the new money would be put into a separate mandated categorical. With that, he asked if the recommendations address the separate funding line issue. He also asked if there is an opportunity for the appendices to include a position statement for the nonpublic schools.

Ms. Taylor asked if the expectation is for the public to also include a position statement in the appendices.

Senator Cappel indicated she did not recall the discussion in prior meetings with respect to two funding line items.

Representative Mussman recalls discussing the topic of two funding line items, but did not recall if it was facilitated by a Menti. The commission members have discussed the idea that it would be ideal to have additional funding, so the recommendation can state the need to make a commitment to stronger investment for high-cost special education students. However, the available data does not allow for a specific amount to be specified. Also,

Representative Mussman reminded the commission that consensus previously reached was that the commission would proceed with the assumption that additional funding may not be acquired.

Mr. Livingston advised that this should be included.

Senator Cappel also reminded the members that, if appropriate, this could be added to the section in the final report where members did not reach full agreement.

Dr. Doerr agreed with Representative Mussman's points regarding the two lines of funding but would mention it in the final report as a recommendation. He went on to remind the commission members that consensus was reached on several points. Given this observation, he inquired as to why separate position statements should be included in the appendices.

Dr. Helfer confirmed that the 2010 report includes a position report from the public facility advocates. Based on the subsequent efforts that will be taken on by the chairpersons, he went on to recommend that the additional detail could be beneficial for future decision makers. Supplying the widest range of information is an important point to consider.

Representative Mussman indicated that both the public and nonpublic advocates would have the same privilege.

Senator Cappel mentioned that she was hoping to avoid the need for position statements based on the consensus reached by the commission members on various factors.

[\(time marker 01:02:01\)](#) Representative Mussman motioned to allow commission members to submit a position paper to be included in the appendices of the task force report. Ms. Barajas seconded the motion. Senator Cappel then requested that roll call be taken. However, Mr. Reyes advised that the commission is not able to call roll on an item not previously listed on the published agenda for a given commission meeting. Senator Cappel agreed. It was agreed to include this under the New Business agenda item.

Mr. Livingston made reference to the October 22, 2021, commission meeting's recap presentation, which made reference to the two lines of funding.

Ms. Taylor stated that there was no Menti vote on the requirement of two lines of funding.

[\(time marker 01:05:50\)](#) Dr. Bethel-Leitschuh inquired if the commission needed to rescind the motion previously raised in error. Representative Mussman stated that she rescinds the motion.

[\(time marker 01:06:40\)](#) Ms. Clementz resumed her display of the recommendations outline document.

Ms. Clementz displayed the wording for the section's issue definition and requested feedback from the commission members.

Comments/Questions (time marker 01:07:46)

Ms. Taylor suggested that wording in the issue definition to include a reference of to serve students in the least restrictive environment.

Ms. Lindquist commented on the language that touches on the appearance of student placement that is driven by financial incentive. She agreed that there were different funding streams, but she does not support the appearance of financial incentive.

Ms. Taylor suggested that wording be factual and that state reimbursements occur at a higher rate for restrictive placements, as compared to least restrictive environments.

Ms. Lindquist concurred. She also stated that federal officials have examined the current funding formula twice and have not found any violations.

Representative Mussman recommended that the use of the word "violation" be avoided due to its inflammatory nature. Rather, the wording could state that the funding is different and imbalanced.

Ms. Taylor remarked that if the outline's wording will omit the portion regarding the appearance of an incentive, we need to replace that with the truth.

Ms. Clementz provided a read out of her notation that indicated after districts have unequal access to public and private placements, there would be a sentence that says more restrictive environments are currently reimbursed at a higher rate than the less restrictive environments.

Ms. Harkin asked if the statement should reference the need for funding should be placement neutral.

Ms. Clementz advised that the wording meets the intent.

Dr. Smith stated that the interests of the student should be a key factor and the needs of the students come first.

Ms. Clementz confirmed that consensus indicates that the commission members agree.

Senator Cappel confirmed that the wording presented did not give placement setting over the needs of the students. Instead, the wording touches on the fact that there are some areas of the state that do not have readily available accessible private facilities, which is a fact.

Ms. Taylor confirmed that the wording is not a value judgement.

Ms. Clementz recommended including a similarly factual statement that both public and nonpublic facilities play a crucial role in serving all students.

Senator Cappel agreed.

Dr. Smith remarked that nonpublic schools provide excellent and superb educational and social-emotional experience for students. She went on to support Ms. Clementz' suggestion.

The chairpersons indicated that the wording should be limited to factual content.

Ms. Clements then recapped with the fact that the cost of educating the student times per the local capita tuition reimbursement is not equitable when compared to a district's percentage of adequacy. Also, the formula hits Tier 1 and Tier 2 districts far more significantly than it hits Tier 3 and Tier 4 districts. Next, the data for public high-cost special education and student placement is unavailable at this time. Moreover, it should be fully acknowledged that there was data that the commission would have liked to have seen but that was not readily available. As such, the only reliable data for high-cost placements is from nonpublic facilities. Therefore, comparative data between the actual costs of supporting high-cost special education students in public and nonpublic facilities is unavailable at this time. Also, assuming that there are no new dollars, the modeling shared with commission members suggests that reimbursement based on tiers would redistribute funds from Tier 3 and Tier 4 districts to districts in Tiers 1 and 2. Consequently, this would require an increased administrative load for all districts because of the missing data leading to an unknown payoff.

Ms. Lindquist asked for clarification on the increased administrative load.

Ms. Clementz advised that this relates to the need to collect data from all districts for enhanced cost modeling.

Ms. Taylor added currently that public programs are not required to create or maintain cost sheets for the public programs.

Ms. Clementz agreed. She then reminded the commission that EBF is currently underfunded by \$4.6 billion and that, due to the current financial status of Illinois, adding additional dollars for the purposes of funding high-cost special education students it is most likely not feasible at this time. However, the recommendation can still state that funding should be included.

Ms. Clementz advised that the meeting not focus on the section about the description of the commission's process and work because the content for that section will merely be pulled from content reviewed during prior commission meetings. Suggestions by the commission members for the section should be provided when a draft of the report is shared with the commission.

Ms. Clementz provided an overview of the appendices in the outline. Again, content for the section will merely be pulled from content reviewed during prior commission meetings. Content will include agendas, minutes, data requests, presentations, etc.

[\(time marker 01:26:05\)](#) Ms. Clementz was asked to display slide 11 of the *Special Education High-Cost Funding Commission – Recap of Meetings*, which was reviewed with the commission members on October 22, 2021. The slide recapped the September 21, 2021, commission meeting during which commission members indicated support for separate funding lines.

Ms. Clementz offered to include the separate funding lines topic to the Menti. Mr. Livingston stated that the results should be included in the recommendation, as well as the minutes.

[\(time marker 01:27:17\)](#) Ms. Clementz made a Menti presentation for the members to participate through collaboration.

Comments/Questions [\(time marker 01:27:24\)](#)

Senator Cappel stated while the commission could suggest the two funding lines, the use of the existing funding in EBF would be more efficient.

Mr. Livingston indicated the need for the two funding lines to be included in the final recommendation.

Representative Mussman advised that if the commission wants to include it in the report, perhaps support via Menti should be polled again.

[\(time marker 01:29:48\)](#) Ms. Clementz made a Menti presentation for the members to participate through collaboration.

Comments/Questions [\(time marker 01:30:02\)](#)

Members were provided three choices: the recommendation should indicate a single source of funding, separate sources of funding, or no preference. The polling indicated that there was not full consensus on whether one or two funding lines should be used. The poll indicated a stalemate between the two options, as compared to the commission's previous stance where consensus was in favor of two funding lines.

[\(time marker 01:34:02\)](#) Senator Cappel advised the commission that a motion was needed to formally rescind Representative Mussman's prior motion regarding the inclusion of position statements in the final report. Dr. Smith made the motion. Dr. Bethel-Leitschuh seconded the motion.

[\(time marker 01:34:47\)](#) Ms. Clementz made a Menti presentation for the members to participate through collaboration.

Members were also provided with a question on whether or not they would recommend adding additional funding in support of high-cost special education students. Strong consensus was observed for the recommendation to include a note that additional funding be added.

No other items were raised for inclusion in the Menti.

## **NEW BUSINESS**

[\(time marker 01:37:00\)](#) The commission discussed whether to include position statements. Senator Cappel indicated a preference in include areas where consensus was not reached within the designated section of the

outline. Conversely, Ms. Lindquist favored the idea of including position statement papers from both public and nonpublic entities in the appendices as the additional detail would provide more context. Dr. Doerr concurred with Senator Cappel. Dr. Smith concurred with Ms. Lindquist and conveyed that it could support the need for funding. Ms. Taylor agreed with Dr. Doerr. Senator Cappel also reminded the commission members that position remarks were already captured during prior commission meetings in which the Illinois landscape for special education funding was reviewed. Senator Cappel requested guidance on how to proceed from Ms. Clementz; she advised the commission to consider the timeline to create and submit the report.

[\(time marker 1:43:56\)](#) Senator Cappel reviewed the timeline for the commission.

November 12, 2021

- The commission members will receive a draft of the recommendation by the end of the day. Feedback from commission members is requested for specific sections of the draft document and must be provided no later than 10 a.m. on November 15, 2021.
- Commission members were encouraged to block a portion of time on their calendars to perform the needed review and submit feedback.

November 15, 2021

- Feedback responses from the commission members are received no later than 10 a.m.

November 16, 2021

- The scheduled commission meeting will be used to review the recommendation document and any additional final feedback.

November 23, 2021

- ISBE recommends that an additional one-hour meeting be held at 2 p.m. on November 23, 2021. The proposed meeting will be coordinated to allow for voting on approval of the final recommendation by the commission members.

[\(time marker 1:44:48\)](#) Based on the timeline discussed, Ms. Clementz suggested that the commission evaluate the section of the draft report in which areas will be noted that consensus was not reached. If, after reviewing the section on November 16, 2021, the commission members prefer to include position statements in the appendices, a vote to do so could be taken. This could be added to the agenda for the November 16, 2021, commission meeting. Senator Cappel concurred.

[\(time marker 1:47:14\)](#) The timeline will be reviewed with the commission members; an additional meeting will be coordinated on November 23, 2021,

Senator Cappel asked for a motion to approve. Roll call vote was taken. The motion was approved.

Senator Cappel reminded the commission members that feedback is to be sent to Mr. Reyes.

**PUBLIC COMMENT**

[\(time marker 01:49:17\)](#) Mr. Wolfe and Ms. Clementz were thanked for their support.

**ADJOURN**

[\(time marker 01:50:31\)](#) Senator Cappel asked for a motion to adjourn. Ms. Harkin made the motion to adjourn. Ms Taylor seconded the motion. Roll call vote was taken, and the meeting was adjourned at 2:57 p.m.



## High-Cost Special Education Funding Commission

2 – 5 p.m. on November 16, 2021

### Commission Members

Please join the webinar from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/739179693>

You can also dial in using your phone. United States: +1 (872) 240-3212 Access Code: 739-179-693

**Members of the public may also have the opportunity to participate via the webinar link above or on-site. Conference rooms have been reserved at the Illinois State Board of Education (ISBE) offices in Chicago and Springfield for those who wish to participate on-site.**

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## AGENDA

- I. Welcome/Roll Call
- II. Approval of November 5, 2021 Minutes (roll call vote)
- III. Commission Report Review for Feedback
- IV. New Business
- V. Public Comment
- VI. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

**High-Cost Special Education Funding Commission**

**2-5 p.m.**

**November 16, 2021**

**Conference Room Chicago Office and V-Tel Springfield Office**

**Via GoToMeeting**

**Join meeting online: <https://global.gotomeeting.com/join/739179693>**

Dial in: +1 (872) 240-3212    Access Code: 739-179-69

**WELCOME**

Senator Meg Cappel brought the meeting to order at 2:03 p.m.

**ROLL CALL**

**Members Present by Phone:**

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

Dr. Sylvia Smith, Executive Director, Giant Steps

Susan Harkin, Superintendent, CUSD 300

Troy Metheney, Executive Director, Illinois Center for Autism

Marlin Livingston, President/CEO, Cunningham Children's Home

Dr. Scott Doerr, Superintendent, Nokomis CUSD 22

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers (departed from meeting at 3:09 p.m.)

Terri Bryant, State Senator, 58<sup>th</sup> District

Dr. Jason Helfer, Deputy Instructional Officer, Illinois State Board of Education

Susan Harkin, Superintendent, CUSD 300

Shawn Brodie, School Psychologist, Northwest Suburban Special Education Organization

**Members absent:**

Dave Severin, State Representative, 117<sup>th</sup> District

Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities

The public can view the materials by accessing the webinars posted on the commission webpage at <https://attendee.gotowebinar.com/recording/1874032226738062339>.

**APPROVAL OF  
NOVEMBER 5, 2021  
MINUTES**

([time marker 00:01:49](#)) Senator Cappel asked if everyone received minutes from the November 5, 2021, meeting. She then asked for roll call to approve those minutes. Roll call vote was taken, and minutes were approved.

**COMMISSION  
REPORT REVIEW  
FOR FEEDBACK**

([time marker 00:03:06](#)) Senator Cappel provided guidance to the commission for the feedback that should be supplied as the draft report is reviewed. Representative Mussman agreed.

**Comments/Questions ([time marker 00:04:28](#))**

Ms. Taylor asked for clarification on the originating source of the draft report's inserted comments. Dr. Helfer confirmed that the comments were inserted based on what was provided to ISBE Project Manager Carmelo Reyes at the request of commission members during the prior meeting. Ms. Lindquist also confirmed that she submitted the inserted comments on behalf of herself and fellow commission members Dr. Smith, Mr. Livingston, Mr. Metheney, and other non-commission members. Ms. Taylor inquired whether the submission of a group response was permissible given the previously established ethics rules and potential violation of the Open Meetings Act.

ISBE Principal Consultant of Legislative Affairs Barbara Hobrock confirmed that five is a majority for a quorum, so members are allowed to meet in groups of four or fewer without violating the Open Meetings Act. Appointed ISBE Ethics Officer Colette McCarty confirmed Ms. Hobrock's response.

Concerns raised by some of the commission members prompted a decision to review a prior version of the draft report that did not include the inserted comments. This allowed for all commission members to contribute feedback as the document review occurs.

Senator Cappel stated that going forward subcommittee meetings should be avoided.

Senator Cappel then requested that ISBE Director of Accountability A. Rae Clementz share the draft report.

[\(time marker 00:27:37\)](#) Ms. Clementz then reviewed the draft recommendations report with the commission members.

Comments/Questions [\(time marker 00:29:03\)](#)

The Historical Context section of the draft report was reviewed. The commission members decided to condense the wording in the section while retaining some of its pertinent content. This would be done by moving some of the language and replacing it with a more concise summary. The proposed revision also will include placing the removed language to an appendix along with associated report content, as applicable. The intent is to allow report readers to view historical context, as desired.

The High-Cost Funding Commission section was also reviewed. Commission members agreed that the language related to the availability data would be modified to reflect that the data was not available within the timeframe that the commission was doing its work. It was agreed that the definition of “high-cost” in relation to two times per capita would be added later in the report.

Next, the Current State of Affairs section was reviewed. Ms. Lindquist advised the language associated with the formula be adjusted to two times over the per capita. Also, Dr. Smith requested that clarifying language that describes source of the data used and states where assumptions were made for modeling purposes on other data sets be inserted in the Data Request subsection.

ISBE Financial Officer Robert Wolfe also clarified the report’s distinction between Figures 1, 2, and 3 as compared to Figures 4 or 5 and 6. Ms. Clementz confirmed Figures 1, 2, and 3 were created based on a full set of known extant data to illustrate the point that merely using a two times per capita or three times per capita model does not provide a level of differentiation.

Mr. Livingston made a request specific to the subsections that touched on cost modeling. He asked that a statement be included indicating that special education costs in the public sector were not available to the commission.

The Recommendation section was also reviewed. Ms. Lindquist and Mr. Livingston suggested that collection of accurate cost data for analysis be listed as a recommendation before implementation of the recommended formula. Representative Mussman remarked that the formula is associated more directly with policy regardless of how much funding is available in an associated appropriation line.

The commission proceeded to the Topics for Future Consideration section. The language related to collection of cost data was discussed. Senator Cappel advised against adding language to strengthen the need for cost data collection before acting. Ms. Taylor indicated the language was acceptable as presented. Mr. Livingston indicated preference to stating prior to any final cost model being adopted that specific factors be considered. Dr. Doerr concurred with Ms. Taylor and provided insight into how future support can be provided in the legislative process.

It also was requested that the first bullet in the Topics for Future Consideration section be associated with the map that was supplied when the data request was fulfilled.

It was requested that a bullet be included to indicate that the commission members discussed separate-versus-single funding lines, but consensus was not reached; thus, future commissions are encouraged to continue the discussion, as applicable.

There was strong consensus that additional language be inserted to recommend that additional funding be applied to high-cost special education.

Finally, the Concluding Remarks section was reviewed. Ms. Taylor proposed enhancing a statement regarding student need to emphasize "student need independent of placement type." Also, Ms. Lindquist's concern was noted in the feedback collected regarding the need to collect accurate public placement costs for high-cost special education costs.

Ms. Clementz then commenced a review of the changes.

Representative Mussman advised of the removal of the Historical Context section and the appendices that would have been created based on the feedback the commission members initially supplied.

There was no additional feedback.

## **NEW BUSINESS**

[\(time marker 2:07:16\)](#) Mr. Livingston mentioned making the public facilities more aware of cooperative options for special education opportunities. Representative Mussman advised that this could be considered when future legislation pertaining to high-cost special education is contemplated.

## **PUBLIC COMMENT**

[\(time marker 02:11:24\)](#) Diane Schultz, president and CEO of the Baby Fold in Normal, Ill., expressed her concerns to commission members about making a recommendation without specific and accurate data that would allow for a thorough cost analysis to reflect the recommended changes to the reimbursement.

[\(time marker 02:17:21\)](#) Beth Conran, retired CEO/ president of the Menta Group, expressed her concerns to the commission about keeping private and public funding line items separate until a data analysis can be performed.

[\(time marker 2:21:18\)](#) Sally Sover, president of the Illinois Association of Private Special Education Centers, expressed her concerns to the commission regarding making changes to the current funding formula without an independent cost study analysis. Ms. Sover also recommended keeping private and public funding line items separate until a data analysis can be performed.

## **ADJOURN**

[\(time marker 02:31:09\)](#) Senator Cappel asked for a motion to adjourn. Ms. Harkin made the motion to adjourn. Ms. Taylor seconded the motion. Roll call vote was taken, and the meeting was adjourned at 4:33 p.m.

## High-Cost Special Education Funding Commission

2 – 3 p.m. on November 23, 2021

### Commission Members

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## AGENDA

- I. Welcome/Roll Call
- II. Approval of November 16, 2021 Minutes (roll call vote)
- III. Review and Discussion of Final Report
- IV. Approval to submit Final Report – roll call vote
- V. New Business
- VI. Public Comment
- VII. Adjourn

Dates, times and locations are subject to change at the direction of the chairpersons. Please check <https://www.isbe.net/Pages/HighCostSPEDFunding.aspx> for official meeting postings.

## UNOFFICIAL MINUTES

### High-Cost Special Education Funding Commission

2-3 p.m.

November 23, 2021

Conference Room Chicago Office and V-Tel Springfield Office

Via GoToMeeting

Join meeting online: <https://global.gotomeeting.com/join/739179693>

Dial in: +1 (872) 240-3212    Access Code: 739-179-69

#### WELCOME

Senator Meg Cappel brought the meeting to order at 2:04 p.m.

#### ROLL CALL

##### Members Present by Phone:

Meg Cappel, Co-Chair, State Senator, 49<sup>th</sup> District

Michelle Mussman, Co-Chair, State Representative, 56<sup>th</sup> District

Betty Lindquist, Founder, Counseling Connections

Melissa Taylor, Assistant Superintendent, Belleville Township District 201

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Bambi Bethel-Leitschuh, Chair, Advisory Council on Education of Children with Disabilities

##### Members absent:

Paula Barajas, LBSI, CPS 299, Illinois Federation of Teachers

Lindsay Amerson, Deputy Director, Governor's Office of Management and Budget

Susan Harkin, Superintendent, CUSD 300

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#### **APPROVAL OF NOVEMBER 16, 2021 MINUTES**

[\(time marker 00:09\)](#) Senator Cappel asked if everyone received minutes from the November 16, 2021, meeting. She then asked for roll call to approve those minutes. Roll call vote was taken, and minutes were approved.

#### Comments/Questions [\(time marker 05:20\)](#)

Senator Cappel reminded commission members that the minutes for the November 23, 2021, meeting will be posted on the task force webpage, but will not be voted on for approval.

#### **REVIEW AND DISCUSSION OF FINAL REPORT**

[\(time marker 05:47\)](#) Senator Cappel reminded commission members that Public Act 102-0150 created the High-Cost Special Education Funding Commission for the purpose of making recommendations for an alternative funding structure for high-cost special education that is aligned to the principles of the Evidence-Based Funding formula. She also stated that failure to submit a recommendation would be a failure to fulfill the mandate imposed on the commission.

Senator Cappel confirmed that commission members have received the recommendations report.

#### Comments/Questions [\(time marker 07:00\)](#)

Senator Cappel advised that the report's Appendix, which will reference commission meeting agendas and minutes, will be populated after the November 23, 2021, meeting but prior to the report being submitted to the General Assembly.

[\(time marker 07:23\)](#) Ms. Clementz then reviewed the revised draft recommendations report with the commission members while ISBE Project Manager Carmelo Reyes displayed it on the meeting screen.

#### Comments/Questions [\(time marker 16:34\)](#)

Mr. Livingston commented that the Topics for Future Consideration section's wording regarding polling that was done required edits. Ms. Taylor proposed removing the polling reference language from the Topics for Future Consideration section. Mr. Livingston and Representative Mussman agreed.



Ms. Clementz reminded the commission that the motion to approve the draft report must include reference to the aforementioned revision to the Topics for Future Consideration section.

No additional feedback was provided regarding the report.

#### **APPROVAL TO SUBMIT FINAL REPORT**

[\(time marker 23:48\)](#) Senator Cappel asked for a motion to approve the recommendations report, striking the last sentence of the second bullet in the Topics for Future Consideration section. Representative Mussman made the motion. Senator Bryant seconded the motion. Roll call vote was taken, and a majority favored submission of the report.

#### Comments/Questions [\(time marker 29:14\)](#)

Representative Mussman requested acknowledgement that the vote was in the majority. Senator Cappel confirmed that the commission voted with eight in favor, four opposed, and one abstention; as such, the report can be submitted as per statute.

#### **NEW BUSINESS**

[\(time marker 29:57\)](#) Ms. Lindquist asked if the draft report comments raised by the commission members prior to the November 16, 2021, meeting were included for public record. Mr. Reyes advised that due to the concerns raised by some of the commission members, it was decided to instead review each section and allow for all members to comment. Mr. Brodie reminded the commission that this approach was taken due to non-commission members having reviewed the draft recommendations report. Representative Mussman also confirmed that draft report comments were brought forth for discussion during the November 16, 2021, meeting. Dr. Doerr confirmed.

Ms. Lindquist then asked which team was responsible for drafting the commission's recommendations report. Representative Mussman stated that the commission as a whole was responsible for drafting the report.

Ms. Lindquist indicated she would like to submit a dissenting opinion. Representative Mussman advised that an additional Appendix cannot be added to the report as it was voted on due to parliamentary procedure. Ms. Lindquist indicated that had she known that, she would have raised a request for dissenting opinion sooner.

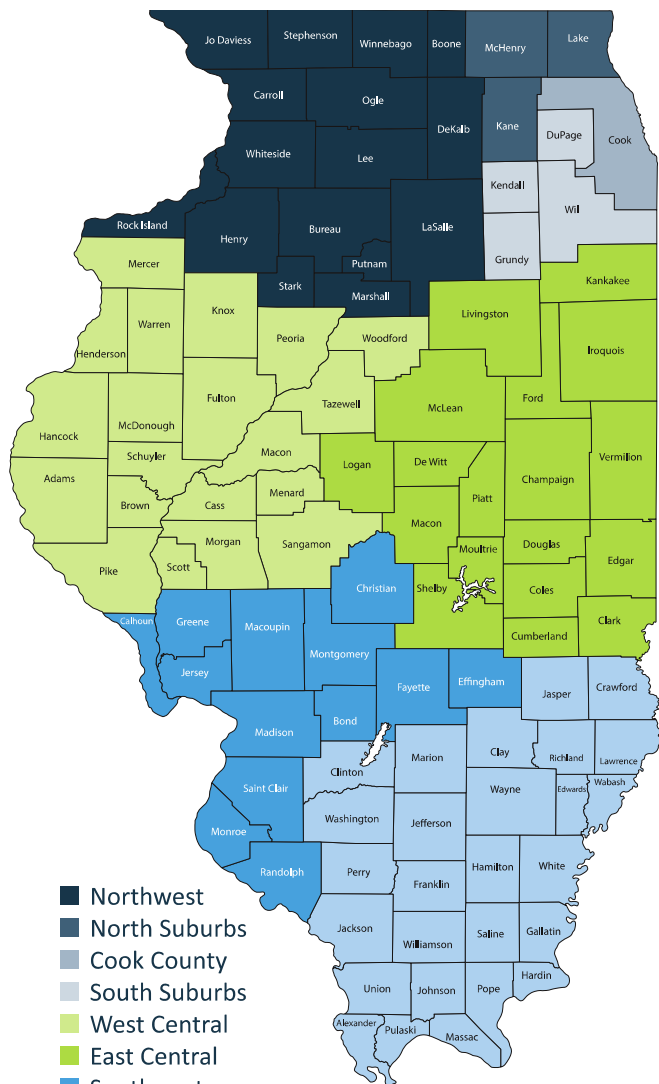
#### **PUBLIC COMMENT**

[\(time marker 42:02\)](#) No public comments were heard.

#### **ADJOURN**

[\(time marker 42:35\)](#) Senator Cappel asked for a motion to adjourn. Ms. Taylor made the motion to adjourn. Senator Bryant seconded the motion. Roll call vote was taken, and the meeting was adjourned at 2:50 p.m.

## Appendix D – Special Education Funding Overview (8.10.21)



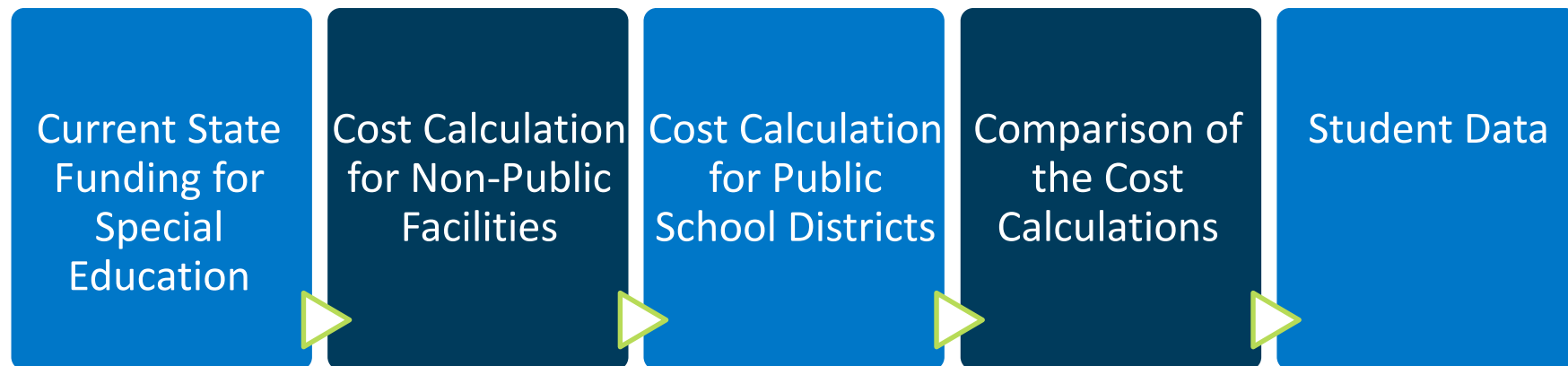
# 2021 Special Education Funding Overview

## High-Cost Special Education Funding Commission August 2021



**Illinois**  
State Board of  
Education

# Agenda



# Current State Funding for Special Education



**Illinois**  
State Board of  
Education

# Categorical Programs

Categorical programs are mandated by statute for a particular purpose or population. Funds for these programs are to be used for that particular purpose or population only.

Special Education  
Private Tuition

Special Education  
Transportation

Special Education  
Orphanage



**Illinois**  
State Board of  
Education

# Categorical Types

**Reimbursement — Service and costs are reimbursed the following fiscal year after filing a claim.**

- Special Education Private Tuition
- Special Education Transportation

**Current Year — Service and costs are paid in the same fiscal year in which a claim is filed.**

- Special Education Orphanage



# Special Education Historical

## State Appropriations

<u>Program Name</u>	FY 19	FY 20	FY 21
Sp Ed Private Tuition	135,265.0	152,320.0	152,320.0
Sp Ed Transportation	387,682.0	387,682.6	387,682.6
Sp Ed Orphanage (14-7.03)	73,000.0	91,700.0	93,000.0

Amounts (000's)



**Illinois**  
State Board of  
Education



# Special Education Historical

## 100% Claim Amounts

<u>Appropriation Year</u>	FY 19	FY 20	FY 21
Sp Ed Private Tuition	168,709.0	191,438.9	193,533.8
Sp Ed Transportation	453,408.6	469,663.1	445,409.3
Sp Ed Orphanage (14-7.03)	79,309.4	85,521.4	*

Amounts (000's)

\* Final claim data will not be available until August 2021



**Illinois**  
State Board of  
Education

# Special Education Historical

## Pro-Ration Reimbursement Percentages

<u>Fiscal Year</u>	FY 19	FY 20	FY 21
Sp Ed Private Tuition	80%	80%	79%
Sp Ed Transportation	86%	83%	87%
Sp Ed Orphanage (14-7.03)	100%	100%	100%

Amounts (000's)



**Illinois**  
State Board of  
Education

# Private Tuition

## 105 ILCS 5/14-7.02

Provides funding to districts for the tuition paid to nonpublic special education private facilities for students with disabilities. Funding is reimbursed quarterly for prior year expenses.

### Reimbursement Formula

District Tuition Paid = \$25,000

District Per Capita Charge = \$5,000

District Financial Obligation (2 Per Capita Charge) -  $\$5,000 \times 2 = \$10,000$

Tuition \$25,000 – District Obligation \$10,000 = \$15,000 Reimbursement

**FY 2021 Appropriation = \$152,320,000**



**Illinois**  
State Board of  
Education

# Private Residential

## 105 ILCS 5/14-8.01

Provides funding to districts for residential costs paid to nonpublic special education private facilities for students with disabilities. Funding is reimbursed monthly for the regular and summer term as claims are submitted.

### Reimbursement Formula

Monthly Claims = Reimbursement

**2019-20 Estimated Claims - \$40,000,000**



**Illinois**  
State Board of  
Education

# Special Transportation

## 105 ILCS 5/14-13.01(b)

Provides funding to districts and special education cooperatives that transport students with disabilities who have special transportation needs stated in their individualized education program. Funding is reimbursed quarterly for prior year expenses.

### Reimbursement Formula

Eligible Costs x 80% = Reimbursement

**FY 2021 Appropriation = \$387,682,600**



**Illinois**  
State Board of  
Education

# Special Education Orphanage

## 105 ILCS 5/14-7.03

Provides full funding to districts for educating students with disabilities who reside in foster family homes or state-owned facilities. Funding is paid for current year expenses computed per 23 IL Admin Part 130 rules.

### Reimbursement Formula

Education Costs + Required Transportation = Reimbursement

**FY 2021 Appropriation = \$91,700,000**



**Illinois**  
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Education

# Special Education Excess Cost

## 105 ILCS 5/14-7.02b

Provides funding to districts from unobligated federal IDEA funds if a student's education cost exceeds 4 district per capita tuition charges.

	FY 18	FY 19	FY 20
Districts with Eligible Claims	331	342	337
Students Approved	19,928	19,950	18,069
Total Cost Claimed	\$318,703,375	\$339,451,080	\$326,673,971
Eligible Cost over 4 Per Caps	\$26,046,493	\$33,154,448	\$32,693,533
Unused Federal Room & Board	\$8,915,254	\$12,326,734	\$7,146,602
Proration	34.2%	37.2%	21.9%



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# Evidence Based Funding

PA 100-0465

Special Education Cost Factors

## Average Student Enrollment (ASE) to Position Ratio

Core Teacher	141:1
Instructional Assistant	141:1
Psychologist	1,000:1

**FY2021 Contribution to the Adequacy Target  
(before regionalization) for 1.0 ASE is approximately \$749**



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Education



# State Special Education

## Evidence Based Funding – PA 100-0465

### Attributable Special Education Funding in EBF

- FY17 Special Ed Base Funding Minimum (BFM)
- Annual Special Ed Tier Funding

### **BFM = FY17 100% gross claim and distributions for:**

- Special Ed Personnel \$443,361,731
- Special Ed Funding for Children \$303,829,699
- Special Ed Summer School (100% = \$13,121,600)

FY17 Total Special Ed Base = \$760,313,030

FY21 EBF Special Ed Base and Annual Tier = \$955,708,236



**Illinois**  
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# Cost Calculation for Non-Public Facilities



**Illinois**  
State Board of  
Education

# Cost Calculation for Non-Public Facilities

Per Diem rates are approved by the Illinois Purchased Care Review Board based upon 89 Illinois Administrative Code Part 900.

## Per Diem Rate Calculations

Allowable Costs ÷ Census (Average Daily Enrollment) = Per Diem Rate



# Cost Calculation for Non-Public Facilities

## Consolidated Financial Report (CFR)

A schedule included with the Audited Financial Statements of the Non-Public Facility that is utilized to collect data used in the calculation of the per diem tuition rate

Due to the audit requirement, current fiscal year rates are calculated on data from the second prior fiscal year



# Cost Centers within the CFR

## Program

Cost associated with providing direct and related services to students with disabilities on an ongoing basis in accordance with services described in the students' Individualized Education Plans (IEPs)

## Examples of Non-allowable Costs

Medical care, except for diagnostic/evaluative services; Clothing and allowances; Fundraising; Non-client transportation; Membership dues to national, state, or parent organizations



# Cost Centers within the CFR

## Support

Costs associated with provision of food/dietary services, laundry services, housekeeping services, and other domestic services

## Examples of Non-allowable Costs

Non-client meals; imputed costs of goods/services (donated or in-kind goods and services)



# Cost Centers within the CFR

## Occupancy

Costs associated with operation and maintenance of the physical plant, including janitorial, security, utilities, repairs and maintenance

## Examples of Non-allowable Costs

Profit as part of rent payments to a related party; imputed costs of goods/services (donated or in-kind goods and services)



# Cost Centers within the CFR

## Capital

Costs associated with interest paid (mortgage/installment loans, operating loans) and depreciation/amortization

## Examples of Non-allowable Costs

Non-straight-line depreciation; interest payments to related parties/organizations; mortgage or loan principal payments





# Cost Centers within the CFR

## Administration

Costs associated with overall organizational leadership and direction of program services; also includes clerical and bookkeeping cost

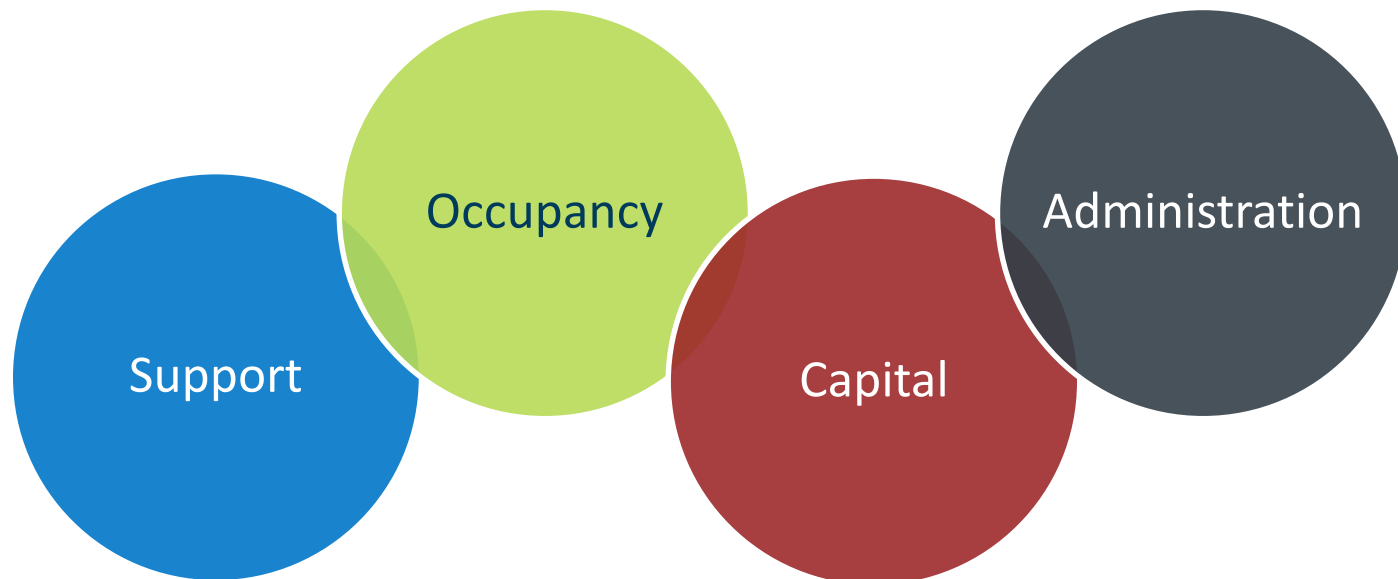
## Examples of Non-allowable Costs

Marketing/Public Relations costs; fines and penalties; bad debt; compensation/benefits to non-working officers; non-special education program legal expenses



# Cost Centers Subject to Cost Limitations

Costs are limited to the lesser of actual allowable costs or 125% of the Median Center Cost of all the Non-Public Facilities



# Examples of Offsetting Revenue

Federal Grant Revenues

Rent

Investment Income

Payments for Services Received from State or Federal Government



# Inflation Factor

In recognition of the 2 fiscal year lag in the setting of Per Diem Rates, Administrative Rules provide for net allowable costs (Allowable Cost less revenue) to be adjusted by Consumer Price Index for All Urban Consumers – All items less medical care in US City Average, all urban consumers, not seasonally adjusted



# Cost Calculation for Public School Districts



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# Cost Calculation for Public School Districts

**Special Education Tuitions Costs governed  
by 23 Illinois Administrative Code 130**

**Allowable Program\* Cost ÷ Average Daily Enrollment = Educational Cost**

\*School Districts have a great deal of flexibility in defining the program for which a cost is being determined.



**Illinois  
State Board of  
Education**

# Cost Calculation for Public School Districts

**SPECIAL EDUCATION DATA**  
 Name of Program \_\_\_\_\_

1. Total ADE this program..... \_\_\_\_\_  
 2. Days in session this program ..... \_\_\_\_\_  
 3. Total Number of Sp. Ed. Pupils Enrolled \_\_\_\_\_

**REGULAR EDUCATION DATA**

4. Total number of pupils enrolled ..... \_\_\_\_\_  
 5. Days in session ..... \_\_\_\_\_  
 6. District per capita tuition charge ..... \$ \_\_\_\_\_

EXPENDITURES		COLUMN A Special Education	COLUMN B Regular Education	COLUMN C Enrollment of Cost Programs		TOTALS
7.	1200 Instruction (specify)	_____				= \$ _____
8.	2112 Attendance	_____	_____ +	_____ x	Line 1	= \$ _____
9.	2113 Social Work Services	_____	_____ +	_____ x	Line 1	= \$ _____
10.	2120 Guidance Services	_____	_____ +	_____ x	Line 1	= \$ _____
11.	2130 Health Services	_____	_____ +	_____ x	Line 1	= \$ _____
12.	2140 Psychological Services	_____	_____ +	_____ x	Line 1	= \$ _____
13.	2150 Speech Pathology and Audiology Services	_____	_____ +	_____ x	Line 1	= \$ _____



# Cost Calculation for Public School Districts

14.	2210	Imprv. of Instruction			+		×	Line 1	= \$	
15.	2220	Educational Media Serv.			+		×	Line 1	= \$	
16.	2310	Board of Education Serv.			+		×	Line 1	= \$	
17.	2320	Executive Administration			+		×	Line 1	= \$	
18.	2330	Special Area Admin.			+		×	Line 1	= \$	
19.	2410	Office of Principal			+		×	Line 1	= \$	
20.	2510	Direction of Business			+		×	Line 1	= \$	
21.	2520	Fiscal Services			+		×	Line 1	= \$	
22.	2570	Internal Services			+		×	Line 1	= \$	
23.	2600	Support Serv.-Central			+		×	Line 1	= \$	
24.		Other (specify function)			+		×	Line 1	= \$	
25.		Equipment Depreciation							= \$	
<b>Operation and Maintenance</b>										
26.		All 2540 expenditures.....								
27.		Number of district-owned classrooms.....								
28.		Cost/classroom (Line 26/27).....								
29.		Number of district-owned classrooms used in this program					×	Line 28		\$
30.		<input type="checkbox"/> Depreciation (Line 1 × \$200) or <input type="checkbox"/> Rent (Check the appropriate box).....								\$
31.		Other (Specify).....								\$
32.		TOTAL EXPENDITURES.....								\$





# Cost Calculation for Public School Districts

## OFFSETS

33. Evidence Based Funding - Personnel .....	\$	
34. Federal Funds - IDEA Part B .....	\$	
34a. Other State and Federal Funds .....	\$	
35. TOTAL OFFSETS .....	\$	

## NET EXPENDITURES

36. Line 32 minus ( - ) line 35 .....	\$	
37. Line 36 divided (÷) by line 1 (Total cost per 1.0 ADE) .....	\$	



# Cost Calculation for Public School Districts

- The Cost sheet is based on the 23 Illinois Administrative Code Part 100 Rules- Requirements for Accounting, Budgeting, Financial Reporting, and Auditing.



# Cost Calculation for Public School Districts

- 1200 Instructional Expenditures or Line 7.
- Direct expenditures (i.e. Teachers, instructional aides and related expenditures) for the program for which the cost is being determined.
- Essentially, these would be the classroom(s) cost.



# Cost Calculation for Public School Districts

Lines 8-24 (Capital Outlay Excluded)

	Function	Purchased Services Allowed
Line 10	2120 Guidance Services	N
Line 11	2130 Health Services	Y
Line 14	2210 Improvement of Inst.	Y
Line 15	2220 Ed Media Services	Y

The divisor for the expenditures will be either the Spec Ed Child Count or the total enrollment of the district contingent upon the expenditures that were included for the function.



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# Cost Calculation for Public School Districts

Lines 8-24 (Capital Outlay Excluded)

	Function	Purchased Services Allowed
Line 9	2113 Social Work Services	Y
Line 12	2140 Psychological Services	Y
Line 13	2150 Speech Pathology and Audiology Services	Y

The divisor for the expenditures will be Spec Ed Child Count.



# Cost Calculation for Public School Districts

Lines 8-24 (Capital Outlay Excluded)

	Function	Purchased Services Allowed
Line 8	2112 Attendance	N
Line 16	2310 Board of Education Services	N
Line 17	2320 Executive Administration	N
Line 18	2330 Special Area Admin	N

The divisor will be the total district enrollment, with the exception of line 18 which can be either district enrollment or the Special Ed Child Count contingent on the expenditures.



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# Cost Calculation for Public School Districts

Lines 8-24 (Capital Outlay Excluded)

	Function	Purchased Services Allowed
Line 19	2410 Office of Principal	N
Line 20	2510 Direction of Business	N
Line 21	2520 Fiscal Services	N
Line 22	2570 Internal Services	N
Line 23	2600 Support Services	N

The divisor will be the total district enrollment, with the exception of line 18 which can be either district enrollment or the Special Ed Child Count contingent on the expenditures.



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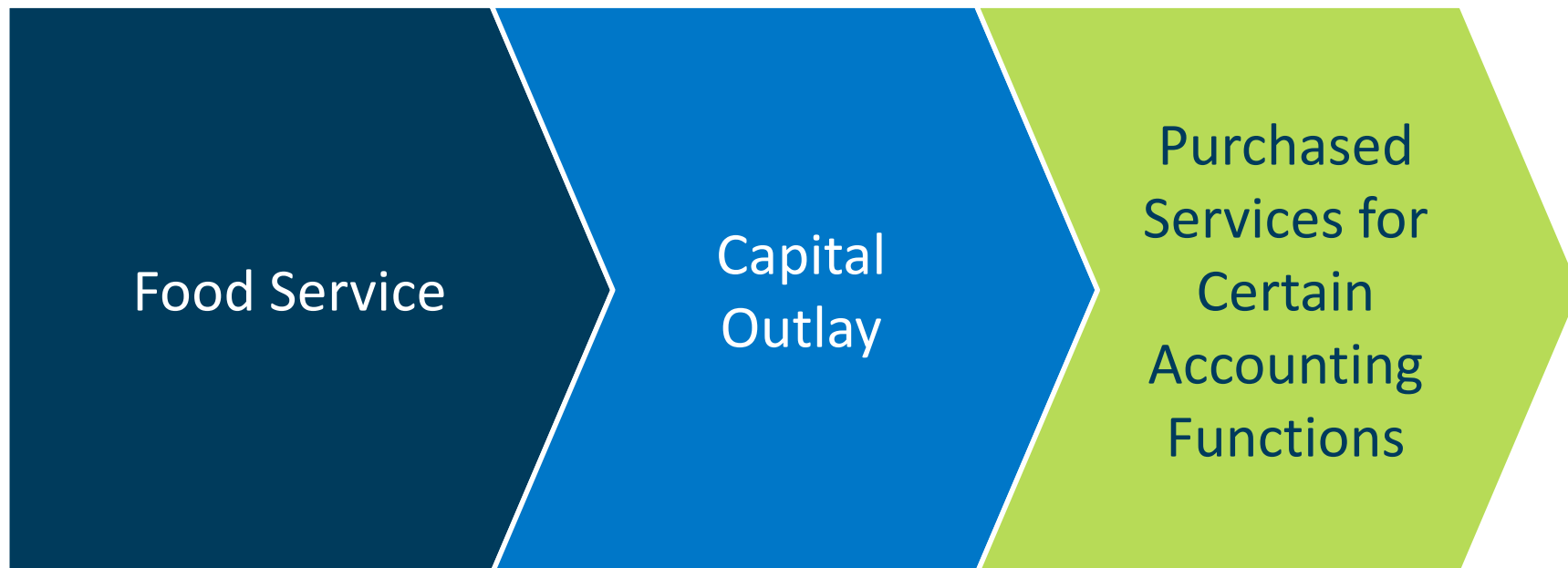
# Cost Calculation for Public School Districts

- 2540 Operation and Maintenance Expenditures.
- Function 2540 Expenditure net of Capital Outlay are divided by the number of classrooms in the district. That product is multiplied by the number of classroom utilized by the program for which a tuition cost is determined.





# Non-Allowable Expenditures



# Offsetting Revenue

- Special Ed Personnel Reimbursement Received in FY2017 that is part of the EBF Base Funding Minimum Payments.
- Federal Grant Revenues used to pay for any of the expenditures claimed on Line 7-31.



# Comparison of the Cost Calculations



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# Comparison of Cost Calculations

	Non-Public Facilities	School Districts
Audited Costs	Yes	No
Expenditure Limits	Yes	No
Current Expenditures	No	Yes
Individual Student Costs in the daily rates	Yes	No
Ability to define program cost	No	Yes



# Student Data



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State Board of  
Education

# Students with disabilities placed in a separate school or private facility

	2019	2020	2021
ECE	1,365	1,226	752
K-12	19,327	19,051	17,151
	<b>20,692</b>	<b>20,277</b>	<b>17,903</b>
State Enrollment	1,980,527	1,960,718	1,883,979
	1.04%	1.03%	0.95%



# Geographic distribution of students with disabilities placed in a separate school or private facility

	2019	2020	2021	3 Year Average
Cook	8,285	8,105	7,368	7,919
Collar	6,349	6,222	5,369	5,980
Downstate	6,058	5,950	5,166	5,725
	<b>20,692</b>	<b>20,277</b>	<b>17,903</b>	<b>19,624</b>



# Geographic distribution of students with disabilities placed in a private facility

	3 Year Average	Total Students 3 Year Average	% Placed in Private Facility
Cook	3,083	7,919	38.93%
Collar	3,567	5,980	59.65%
Downstate	2,824	5,725	49.33%
	<b>9,474</b>	<b>19,624</b>	<b>48.28%</b>

Students from the Collar counties are placed in private facilities 38% more than Cook/Downstate students.



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State Board of  
Education



## Appendix E – Illinois Landscape: Public Facilities Commission Presentation

# Illinois Special Education Funding Landscape: Guiding Principles and Experience regarding Students with Significant Needs

Dr. Judy Hackett  
Superintendent  
NSSEO  
IASA Board Member  
Chair  
IAASE Legislative Co-Chair  
[jhackett@nsseo.org](mailto:jhackett@nsseo.org)

Melissa Taylor  
Asst. Superintendent  
BTBS #201  
IAASE Legislative Co-

[mtaylor@btbs201.org](mailto:mtaylor@btbs201.org)

# Guiding Principles for an Equitable, Inclusive Formula

- Special education students, to the greatest extent possible, should be educated in the Least Restrictive Environment (IDEA-FAPE)
- Support efforts to work towards a funding formula that reflects an equalized approach to supporting students with the greatest needs and costs (IASA/IAASE)
- A continuum of educational placements should be available for students with special needs, including both public and private options (IDEA/IAASE/ISBE)
- “Equitably designating funds to focus on specific student populations” (ISBE strategic plan, 2020-2023)

# Background - **Least Restrictive Environment (LRE)**

IDEA 300.114 LRE requirements.

(a) General

(2) Each public agency must ensure that—

(i) **To the maximum extent appropriate**, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled; and

(ii) **Special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.**

# Background - LRE -Equitable State Funding Mechanism

## IDEA 300.114 LRE requirements.

### (b) Additional requirement—State funding mechanism—

#### (1) General.

(i) A State funding mechanism must not result in placements that violate the requirements of paragraph (a) of this section; and

(ii) A State **must not use a funding mechanism by which the State distributes funds on the basis of the type of setting** in which a child is served that will result in the failure to provide a child with a disability FAPE according to the unique needs of the child, as described in the child's IEP.

(2) Assurance. If the State does not have policies and procedures to ensure compliance with paragraph (b)(1) of this section, the **State must provide the Secretary an assurance that the State will revise the funding mechanism as soon as feasible to ensure that the mechanism does not result in placements that violate that paragraph.**

# Background - Equitable Placement Options

## IDEA 300.115 **Continuum of alternative placements.**

(a) Each public agency must ensure that a continuum of alternative placements is available to meet the needs of children with disabilities for special education and related services.

(b) The continuum required in paragraph (a) of this section must—

(1) Include the alternative placements listed in the definition of special education under §300.39 (**instruction in regular classes, special classes, special schools, home instruction, and instruction in hospitals and institutions**);

# Historic State Inequities

- Since the late 70's, the current practice of funding on separate private line has continued despite the evolution of progressive practices and state funding reform
- Current State reimbursement model does not support all placement options
- Funding model of reimbursement is not equitable
- Funding inequities has been extensively studied and discussed numerous times over the past decades led by national funding experts and designated special education funding task forces in Illinois.
- Several legislative proposals have moved through committees
- EBF admittedly did not include or address students with significant needs and associated costs.

# Critical Areas to Consider

Important areas to consider when discussing funding structures for students with the most significant (high-cost) disabilities include:

- Equity - *Funding should be equitable across all educational settings.* (IDEA)
- Funding should be *placement neutral* (OSEP/Federal IDEA). Funding should follow students, not where they are placed
- Funding should follow student need, not disability label or category.



# EQUITY

Equitable funding/district reimbursement regardless of placement

*“ISBE staff will work collaboratively with the members of the General Assembly to determine how to ensure, through possible changes to the School Code and/or the funding formula, that funding does not influence whether students are placed in private or public special education settings.” (Illinois School Funding Reform Commission (ISFRC) Report 2-1-17)*

# FUNDING/REIMBURSEMENT

## Illinois reimbursement model is not equitable across placement options

- Special Education Private Tuition (MCAT) Districts are reimbursed at costs over **2x** the district per capita from state funds.
- Excess Cost - Districts are reimbursed at costs over **4x** the district per capita **only** if remaining Federal Room & Board funds; no state funds for excess cost.

# Comparative District Reimbursement based on Placement

<b>Private Placement</b>	
Placement Cost	\$45,000
<b>2x</b> District per capita (\$10,000)	-\$20,000
Reimbursement	\$25,000
Prorated Reimbursement to District	<b>\$25,000</b>
2020 Proration	<b>100%</b>

<b>Public Placement</b>	
Placement Cost	\$45,000
<b>4x</b> District per capita (\$10,000)	-\$40,000
Reimbursement	\$5,000
Prorated Reimbursement to District	<b>\$1,080</b>
2020 Proration	<b>21.6%</b>

# Students with Disabilities under EBF

- The majority of students with a range of mild to moderate disabilities are educated in their home school districts and supported through the Evidence Based Funding Model (EBF)
- Students with more significant disabilities (high-cost) students are educated in a range of educational settings & are not accounted for in EBF.
- Those educational settings include public school districts, public special education cooperative programs and private special education and residential facilities.

# Increased Benefits of Equitable Reimbursement System

Meeting the needs of students with significant disabilities would be met solely through collaborative decision making of an IEP team

Districts would have an *equitable* reimbursement model that would support building greater capacity across school districts, public special education cooperatives and private special education facilities

**ALL** students with significant disabilities across Illinois would benefit equally from designated state reimbursement. In the case of state proration, it would be applied equally.

# What Happens if We Don't Address This?

The last legislative task force of special education funding was created during the 95th General Assembly. As a result, a report was issued in 2010. Findings:

- *There are several key concerns with the nonpublic component of the formula. It provides a substantial fiscal incentive for private placements, it contributes to inequities in the overall system, and it does not appear to conform to its stated purpose.*
- *This is a clear fiscal incentive for private (nonpublic) school placements for children in need of “extraordinary services.” The fact that over one-tenth of the State’s special education funding is allocated for this purpose suggests that the use of these funds has extended beyond extraordinary circumstances.*
- *These resources are disproportionately allocated to the best funded regions of the State.*

**These findings remain, despite all other changes to education funding.**

**In 2010, Illinois had 159 approved non-public facilities, and now there are 296.**

**Since there has not always been excess room and board dollars, school districts have placed students in private facilities so that they can maintain a steady flow of dollars to their districts with the least amount of proration.**

## Questions to Guide Commission's Charge

- Does the new, alternative reimbursement model reflect equity, embrace diversity of needs, and reflect an inclusive mindset for ALL students?
- Does the new, alternative reimbursement model reflect progressive educational practices that have evolved across IL?
- Does the new, alternative reimbursement model reflect an equitable, placement neutral approach?
- Does the new, alternative reimbursement model align to the guiding principles of state organizations, IDEA, ISBE and EBF?

## Appendix F – Illinois Landscape: Private Facilities Commission Presentation



# Illinois High-Cost Special Education Funding Commission

August 24, 2021

A decorative graphic consisting of several horizontal lines of varying lengths and colors (teal and white) extending from the right side of the slide.

# KEY POINTS

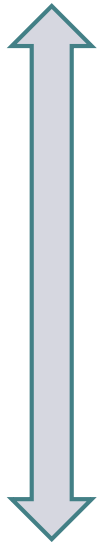
- Private placements serve the most severe and profound students in the state.
- Funding for severe and profound students requires **designated funding** that follows the child, meaning that the district submits a claim for that specific student. These dollars can only be used to educate that student.
- **Public schools have always had access to multiple funding sources to support special education students.**
- Private placements have specific rigid oversight, caps on expenses (i.e. administration), programmatic accountability, and tuition rates set by Illinois Purchased Care Review Board. Cooperative schools that provide special education services set their own tuition rates.

# Beliefs

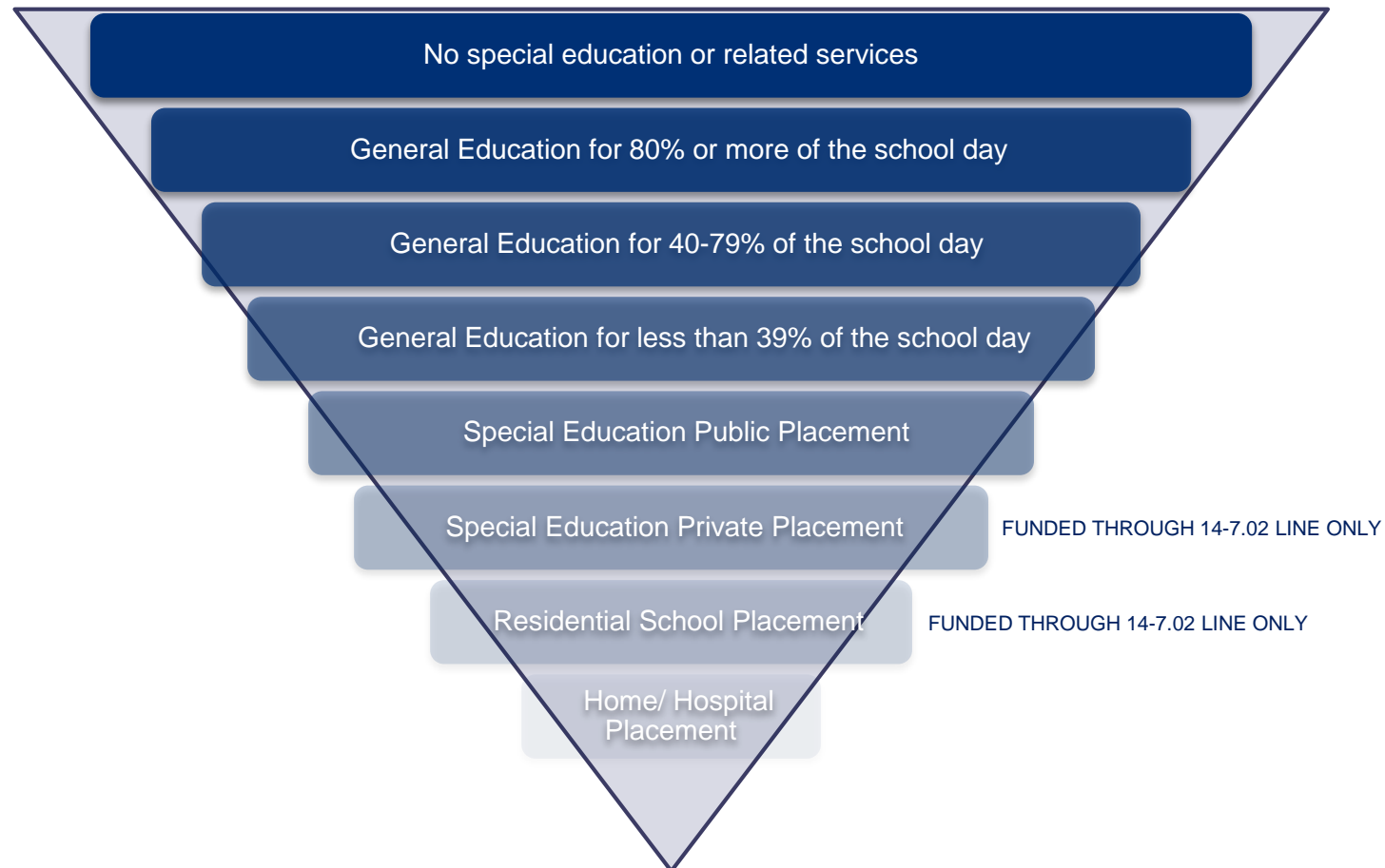
- Private Placements are more restrictive, by definition and by law
- Severe and profound students are typically placed in a separate out of school private placement.
- Severe and profound students will cost more and should have protected designated funding!
- Equity is defined by student need; not everyone gets the same amount.

# The Special Education Continuum of Placements

Less  
Restrictive



More  
Restrictive



## DIFFERENCES - PUBLIC VS. PRIVATE

	Access	Caseload Staffing	Revenue	Tuition	Expenses	Oversight
<b>Districts (Public)</b>	All students	Max: 13 8:1 ratio	Multiple Revenue Sources  Money serves all special ed students	N/A	No caps Includes TRS	Public special ed regs
<b>Coops (Public)</b>	Limited - geographically Limited -- requires membership dues	Max: 13 8:1 ratio	Multiple Revenue Sources  Money serves all special ed students	Set by Coop  Tuition fees are above and beyond membership dues  Tuition fees are greatly increased for non-member students (contain all actual costs)	No caps Includes TRS	Public special ed regs
<b>Private</b>	Limited - geographically	Max: 10 5:1 ratio	One revenue source permitted  Money follows the student with severe and profound needs only	Set by Illinois Purchased Care Review Board using actual audited costs  Tuition costs are same for all students within the same school, regardless of home district	Capped Expense Categories  -Administrative -Occupancy -Support  No TRS	Public special ed regs  Part 401 Rules (37 pages) <a href="https://www.isbe.net/Documents/401ARK.pdf">https://www.isbe.net/Documents/401ARK.pdf</a>  Annual renewals; assigned ISBE consultant

# PROGRAMMATIC DIFFERENCES IN PRIVATE PLACEMENTS

- Specialized training for all staff to meet individual student needs.
- Training on individual student needs.
- Intensive CLINICAL interventions by highly specialized staff. (i.e. Family therapies, lower clinical caseloads, psychiatric consultation, etc.)
- Approved program descriptions require us to identify what programs, interventions, services differentiate us from the public sector

# PRIVATE PLACEMENT REQUIREMENTS BY LAW

- IEP team, including parents, meet to identify all options available on the continuum and collaboratively determines the least restrictive placement option
- Superintendents in every school district sign a contract agreement confirming that the public school system cannot meet the student needs through the public system

# STUDENT REFERRED TO PRIVATE PLACEMENTS

- Illinois' most fragile and mentally ill children
- Primarily students with significant Mental Health and physical needs
  - Aggressive
  - Danger to self and others
- Students with complex, multiple diagnoses or disorders
- Students who are too severe and profound for the public system



# DATA (Polling of Students Currently in Private Placements)

*Sample size: 500 Students currently placed in private facilities through IEP Review.*

- 84% came from the following placements on the continuum
  - Special Education Cooperative Schools
  - Separate Public Day District School
  - Public Day Program
  - Residential
  - Home Bound
  - Mental Health Hospitals
  - Juvenile Justice Facilities
  - Other Private Day School
- 10% from a self contained classroom where the IEP team determined their needs exceeded a separate public day program/school and could best be met in a Private Facility
- 2% were emergency 45 day placement due to an incident of imminent danger (i.e. severely injuring themselves or others, bomb threat, guns in school, etc.
- 72% were eligible for ESY. Indicating level of severity

# Previous State Reviews of Illinois Private Tuition Funding Line by the Federal Office of Special Education Programs (OSEP)

- OSEP Findings: After several visits to Illinois 1998 and 2011 the USDE/OSEP finding supported that Illinois Funding did NOT cause for children to be placed in private.
  - Tom Hehir, Director of OSEP, said the formula did not violate LRE or IDEA because:
    - ***Superintendent have to sign the ISBE created contract that confirms there are no public school options available that will meet the students need***
    - All decisions are made on an independent bases
    - ISBE Supervision and monitoring
    - The placement is made by the IEP team that includes parents
- 2011 USDE/OSEP Melanie Musgrove Director of OSEP did not have a finding against Illinois for the formula

# DATA

- Historical data reflects that public placements are higher than private placements
- Private placement claims are impacted by:
  - Reduction in statewide mental health services
  - Increase in violence - increase in overall mental health needs
  - Reduction of residential facilities
  - Availability for in person instruction during COVID

# FUNDING CONCERNS WITH CURRENT PROPOSAL

- ISBE presentation indicated that Public Placements do not have
  - Audited Costs
  - Expenditure limits/Cost Containments
  - Program description requirements
    - Districts with higher costs would be paid for by the entire state rather than being paid by the local district where the decisions on resources are made.
    - If a local education agency determines they will provide and can afford services such as Hippo therapy, Aquatic Therapy, multisensory playgrounds, heated pools, hi-tech sensory rooms, accessible playgrounds or other extensive therapies this should remain a local decision and not paid for by the entire state.

# Consequences of Proposed Changes to Current Funding

- Requires significant additional state revenue (over \$100,000,000 above current funding) **There needs to be a cost study to determine impact of any proposed legislation.**
- EBF is not fully funded yet; where would these additional dollars come from?
- If no additional dollars are available there would be significant proration that will occur for students accessing the current dollars.
- This would disproportionately affect lower socioeconomic, high minority districts.
- Monitoring and cost containment is essential for any students accessing 14-7.02 line item.

# Continued

- State dollars are limited. Excess Cost Claims reflect:
  - Only 337 (37% of Illinois districts made claims)
  - \$326 M in claims were made
  - \$32.6 M were eligible
  - \$7.1M were distributed
  - ISBE presented an estimated cost for proposed changes \$70,000,000 to \$100,000,000.
    - However, ISBE has not been able to provide an accurate estimate.

## 2 Per Cap Tuition Charge

- These were used so that state funds could be equitably dispersed.
- Using the 2 Per Cap distribution takes into account a district's poverty and local resources (Similar to parts of EBF)
- **The 2 per cap was used for students attending Private Schools (14-7.02 students) and as their only designated funding source.**

# 2Per Cap Vs 4 Per Cap

- Based on the beliefs of EBF highest need students in high poverty districts are getting funded.
- We agree that both EBF and the 14-7.02 Line Item need to be fully funded
- The excess cost line item was never intended to fully fund the costs of high needs special education students in the public sector. It was a way to distribute excess funds from the Federal residential/room and board line item. Therefore, 2 per cap and 4 per cap cannot be compared since they were intended for different purposes.
- The dollars that were meant to fund students in public school included Personnel and Funding For Children Requiring Special Education (FFCRSE). These funds are now distributed through the EBF.



# SPECIAL EDUCATION FUNDING

- **School districts have multiple resources for funding students with special needs.**
  - IDEA Funds, Medicaid reimbursement, Cares Act, Federal grants, State grants, Operating and Maintenance, etc.
- Districts continue to receive special education funds under the new EBF model
- Under the new EBF FY2021, there are increased dollars designated for special education that goes to each district regardless of the level of student need.

# SUMMARY

- Cost Analysis needs to occur due to significant consequences
  - Impact to the most severe and profoundly disabled Illinois students regardless of placement.
  - Revenue: Where is the money coming from? Proration will affect ALL ILLINOIS STUDENTS with disabilities.
  - Impact to lower socioeconomic students due to proration.
  - Accountability and cost containment measures need to be comparable across settings for students with severe and profound disabilities.

## Appendix G – National Landscape: State Models for Funding Special Education



# State Models for Funding Special Education

High-Cost Special Education Funding Committee

August 24, 2021

# About WestEd

- **Public, not-for-profit, joint powers agency**
- **Over 50 years of service in research, training, and technical assistance**
- **Work on a range of topics: early childhood, K-12, and higher ed**
- **Clients have included states, school districts, federal agencies, foundations, and IHEs**



# Introductions



**Sara Doutre**  
Project Director  
WestEd

Transforming State Systems  
to Improve Outcomes for  
Children with Disabilities



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# Objective

**Provide an overview of state special education funding policies and formulas, including specifically for high-cost special education students.**

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# Outline

- Education Funding Policy Framework and Key Terminology
- State Special Education Funding
  - Overview
  - Detailed Examples



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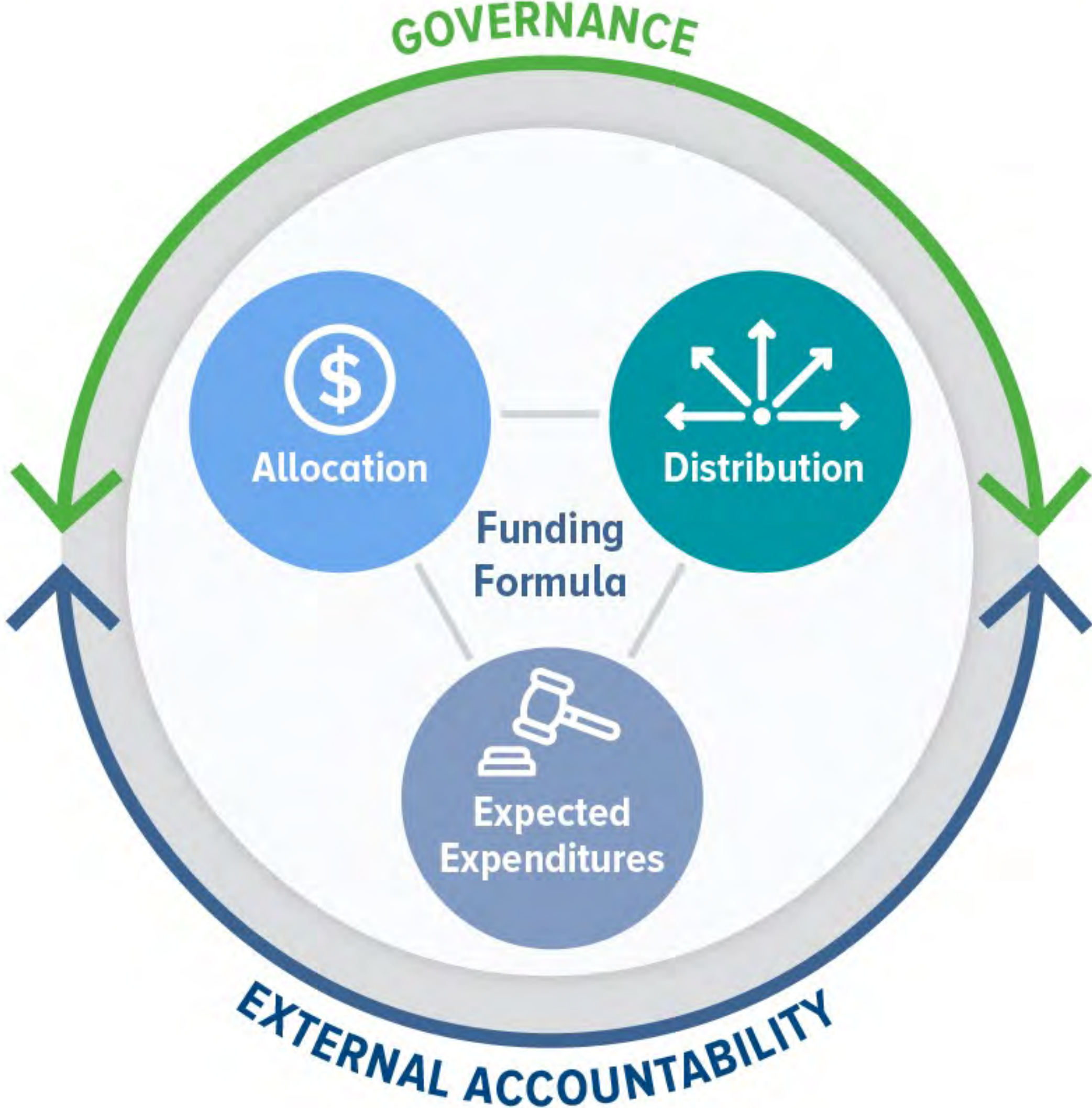
# Grounding Assumptions

**Ultimately, each local educational agency (LEA) is responsible to provide a free and appropriate education to each student with a disability.**

**Federal and state special education funding are not currently sufficient to fund special education costs. There will almost always be a local share.**

**State special education funding policies communicate state priorities.**

# Education Funding Policymaking Framework





**Allocation** – how amounts of funding are calculated, the mathematical calculation.

**Distribution** – how funds are directed to specific local entities.

**Expected Expenditures** – requirements or restrictions on how funds may be spent.

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# Allocation Considerations

- Unit counts (most frequently, a count of students)
- Multiplied or adjusted based on a variety of student characteristics (e.g., disability type, English learner status) and/or other measures intended to create equity and/or stability (e.g., property tax revenue, cost-of-living adjustments)
- Become more complex when unit counts are adjusted by more characteristics approaches.

# Allocation Considerations (cont.)

## Common allocation approaches (not mutually exclusive)

- Census-Based (12 states – AK, AL, AR, CA, CT, ID, IL, MT, ND, NJ, RI, WV)
- Child-Count Based (36 states)
- Single Weight / Dollar Amount (20 states – AK, AL, CA, CO, HI, ID, IL, LA, MD, MO, MT, NC, ND, NH, NY, OR, PA, SD, UT, WA)
- Multiple Weights / Dollar Amounts (16 states – AK, AZ, GA, IA, IN, KY, MA, ME, NJ, OH, OK, SC, SD, TX)
- Resource-Based (7 states – AL, DE, ID, IL, NM, TN, VA)
- Reimbursement (6 states – KS, MI, MN, NE, WI, WY)
- Hybrid (4 states – FL, MS, NV, VT)

---

# Distribution Considerations

## Also not mutually exclusive

- To whom state funds flow from the SEA
  - Directly to LEAs
  - Directly to other agencies
  - To intermediary LEAs or ESAs
- How funds flow
  - Separate categorical allocation(s)
  - Part of the foundation funding

---

# Expected Expenditure Considerations

Almost always vary by funding type/stream

- Are the funds restricted to special education costs?
- Are some funds restricted more than others?

# How are broad funding formulas leveraged toward high-cost students?

## Weights

- Disability category
  - Weights for each of the 13 disability categories (South Carolina, Virginia)
  - Collapsed groups of disability categories. Ohio bases its weights on student disability, but has collapsed the 13 IDEA categories into six categories.
- Incidence
  - Kentucky uses three weights for incidence levels (low, 2.35; moderate, 1.17; and high, 0.24).
- Service needs -- Florida uses “matrix of service” that determines the overall nature and intensity of service needed; students in levels 1–3 are funded through a census-based, single-weight approach that is part of the foundation; and students in levels 4 and 5 are weighted heavily and funded through a separate, restricted funding stream.



# Weighting Examples

Assuming a base amount of \$1,000 per student

State	Arizona (11 weights)	Georgia (5 weights)	Iowa (3 weights)
Lowest weight	Mild intellectual, specific learning disability, speech language (.003) = \$3	Self-contained learning disabled and speech/language disordered (1.3901) = \$1,390	Receiving part of the educational program (includes modifications and adaptations to general education) (0.72) = \$720
	Preschool severe delay (3.595) = \$3,595	Special education students receiving services in a general education setting) (1.4583) = \$1,458	Receiving majority of the educational program (1.21) = \$1,210
Highest weight	Multiple disability, severe sensory impairment (7.947) = \$7,947	Deaf-blind, profoundly mentally disabled, resourced other health impaired (4.7898) = \$4,790	Receiving most or all of educational program (2.74) = \$2,740

# Weighting Examples (cont.)

Assuming a base amount of \$1,000 per student

State	Oklahoma (13 weights)	Pennsylvania (3 weights)
Lowest weight	Speech language impairment (.005) = \$5	Cost <\$25,000 per year to serve (1.51) = \$1,510
	Other health impairment (1.2) = \$1,200	Cost \$25,000 - \$49,999 per year to serve (3.77) = \$3,770
Highest weight	Vision impaired and Deaf-blindness (3.8) = \$3,800	Cost >\$50,000 per year to serve (7.46) = \$7,460

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# Supplemental Funding for High-Cost Programs

## 26 states provide supplemental funding for high-cost programs

- High cost pools vary in funding source, allocation, distribution, and expected expenditure as well
- Sources: Federal, state
- Allocation: Federal funds restricted to costs above 3x APPE and a maximum state set-aside for high-cost programs; state allocation formulas vary significantly
- Distribution: Many reimburse for costs after the fact, some provide funding up front
- Expected Expenditure: Restricted to actual costs, special education costs, and at least one state with no restriction on the use of funds

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# Allocation

- Typically based on per-child costs and require submission of costs or IEP demonstrating high need
- At least one state bases high-cost funding allocation on required adult to child ratio (AK)
- Many states have adopted the 3x APPE required for federal funds
  - Range from 2 x APPE to 5 x APPE
- Most states' high cost funds are capped at a maximum amount, some are not (AK, WA)
- Some states condition high-cost program payment or reimbursement on non-public placement

## LEAST RESTRICTIVE ENVIRONMENT (LRE)

### §300.114 LRE requirements.

(a) *General.* (1) Except as provided in §300.324(d)(2) (regarding children with disabilities in adult prisons), the State must have in effect policies and procedures to ensure that public agencies in the State meet the LRE requirements of this section and §§300.115 through 300.120.

(2) Each public agency must ensure that—

(i) To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled; and

(ii) Special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.

(b) *Additional requirement—State funding mechanism—*(1) *General.* (i) A State funding mechanism must not result in placements that violate the requirements of paragraph (a) of this section; and

(ii) A State must not use a funding mechanism by which the State distributes funds on the basis of the type of setting in which a child is served that will result in the failure to provide a child with a disability FAPE according to the unique needs of the child, as described in the child's IEP.

(2) *Assurance.* If the State does not have policies and procedures to ensure compliance with paragraph (b)(1) of this section, the State must provide the Secretary an assurance that the State will revise the funding mechanism as soon as feasible to ensure that the mechanism does not result in placements that violate that paragraph.

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## State Example: California

- Allocated proportionally based on available funds actual costs for students in nonpublic placements including licensed children's institutions.
- \$6 million is allocated with \$3 million available first for educationally-related mental health services, including out-of-home residential services for students from small SELPAs (ESAs).
- Reimbursements are for a very small percentage of the cost.
- ESAs also facilitate high-cost pools for LEAs, using LEA contributions.
- Funds are restricted to special education costs and provided on a reimbursement basis.

Sources: <https://www.cde.ca.gov/fg/aa/se/senpslciiecp.asp> and <https://www.cde.ca.gov/fg/fo/profile.asp?id=5096&recID=5096>

# State Example: New York

- High Cost Excess Cost Aid
  - For students for whom the cost, as approved by the commissioner, of appropriate special services or programs exceeds the lesser of \$10,000 or 4 times the expense per pupil.
  - Entitled to an additional apportionment for each such child computed by multiplying the district's excess cost aid ratio by the amount by which such cost exceeds 3 times the district's expense per pupil without limits.
  - Restricted to special education costs.
- Private Excess Cost Aid:
  - A district receives Private Excess Cost Aid for pupils with disabilities in in-state and out-of-state private school settings. The aid is computed on a student-by-student basis with districts receiving private excess cost aid for each student.
  - Restricted to private school special education costs.

Sources:

[http://www.oms.nysed.gov/stac/schoolage/schoolage\\_placement\\_summary/public\\_excess\\_cost/](http://www.oms.nysed.gov/stac/schoolage/schoolage_placement_summary/public_excess_cost/) and

[http://www.oms.nysed.gov/stac/schoolage/schoolage\\_placement\\_summary/private\\_excess\\_cost/](http://www.oms.nysed.gov/stac/schoolage/schoolage_placement_summary/private_excess_cost/)

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## State Example: Alaska

- Districts apply annually for intensive funding by submitting IEPs for students who demonstrate need by means of need of 1:1 or 1:2 adult to child ratio.
- For each eligible IEP, the district receives \$70,000, regardless of the cost of the program.
- That \$70,000, like all special education funding in Alaska, becomes part of the block grant and use of funds is not restricted.

Source: [https://education.alaska.gov/Media/Default/static/covid/AK\\_SPED\\_Handbook.pdf](https://education.alaska.gov/Media/Default/static/covid/AK_SPED_Handbook.pdf)



# State Example: Pennsylvania

- For students for which expenses are incurred on an annual basis that are equal to or greater than seventy-five thousand dollars (\$75,000) as follows:
  - (A) for a student for whom expenses are equal to or greater than seventy-five thousand dollars (\$75,000) and less than or equal to one hundred thousand dollars (\$100,000), subtract the State subsidies paid on behalf of the student to the school district or, for a student enrolled in a charter school, the charter school payment received by the charter school where the child is enrolled from the expense incurred for the student and multiply the difference by the school district's or charter school's market value/personal income aid ratio; and
  - (B) for a student for which expenses are greater than one hundred thousand dollars (\$100,000), subtract the State subsidies paid on behalf of the student to the school district or, for a student enrolled in a charter school, the charter school payment received by the charter school where the child is enrolled from the expense incurred for the student.
  - No school district or charter school shall in any school year receive an amount which exceeds the total amount of funding available multiplied by the percentage equal to the greatest percentage of the State's special education students enrolled in a school district or charter school.

Source: <https://www.education.pa.gov/Documents/K-12/Special%20Education/Funding%20Sources/Contingency%20Fund%20Guidelines.pdf>

# State Example: Georgia

- LEAs with children with disabilities meeting criteria for the Residential and Reintegration Services Grant Program may be eligible to receive partial or total funding (covers only educational costs, related services, and room and board. LEAs that apply for assistance shall assume full responsibility for the funding at the time of submitting an application. Grants are not automatically funded.
- Approval for grant applications is based on the severity of the disabling condition and the availability of funds. Applications are reviewed with priority based on the following:
  - Children with profound and severe disabilities requiring residential services who are wards of the State.
  - Children with profound and severe disabilities requiring reintegration from a residential program.
  - Children with profound disabilities needing residential services.
  - Children with severe disabilities needing residential services.
  - Children with severe or profound disabilities who attend an intensive day treatment program due to location of day program, but would otherwise require a residential program.

Source: <https://uat.gadoe.org/Curriculum-Instruction-and-Assessment/Special-Education->

[Services/Documents/Budget%20and%20Grant/2019%20docs/Submission%20of%20High%20Cost%20and%20Residential%20Reintegration%20Grants.pdf](https://uat.gadoe.org/Curriculum-Instruction-and-Assessment/Special-Education-Services/Documents/Budget%20and%20Grant/2019%20docs/Submission%20of%20High%20Cost%20and%20Residential%20Reintegration%20Grants.pdf)

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## State Example: Washington

- Safety Net funding is available to Local Education Agencies (LEAs) with a demonstrated capacity for special education funding in excess of state and federal funding otherwise available to the LEA.
- The individual 2020–21 application threshold was \$34,457 (2.3 x APPE), the state reimburses at 100% beyond that threshold, which is reset annually.
- Districts complete worksheets documenting costs and provide IEPs for each student with a high cost program (high-need).
- Restricted to allowable costs: personnel, transportation, supplies, out-of-district placement.

Source: <https://www.k12.wa.us/sites/default/files/public/bulletinsmemos/bulletins2020/B087-20-Addendum.pdf>

# Recent State Special Education Funding Studies

- California State Special Education Funding System Study, Part 2: Findings, Implications, and Considerations for Improving Special Education Funding in California, July 2021. <https://www.wested.org/ca-special-education-funding-system-study/>
- California Special Education Funding System Study, Part 1: A Descriptive Analysis of Special Education Funding in California, October 2020. <https://www.wested.org/resources/ca-special-education-funding-system/>
- Study of the Individualized Education Program (IEP) Process and the Adequate Funding Level for Students with Disabilities in Maryland, December 2019. <https://www.wested.org/resources/study-iep-process-and-adequate-funding-in-maryland/>
- Study of Vermont State Funding for Special Education, December 2019. <https://legislature.vermont.gov/assets/Legislative-Reports/edu-legislative-report-special-education-funding-study-executive-summary-and-full-report.pdf>



**Thank you!**

**Sara Doutre**

**[sdoutre@wested.org](mailto:sdoutre@wested.org)**

## Appendix H – Data Request (9.7.21)

## Data Request Response for the High-Cost Special Education Funding Commission

Prepared by the Illinois State Board of Education

**Request 1:** The Commission requested data on students with disabilities placed in a separate school or private facility, as presented in the “2021 Special Education Funding Overview,” disaggregated by race.

**Summary:** As indicated in the funding overview slide, the percentage of students in either a public or private separate special education school (SSES) statewide is just over 1 percent of the total state student population. Over 90 percent of these students are in the K-12 grades.

Table 1 presents the racial makeup of the group of students who are placed in either a public or private SSES. Counts of students from the past three years are presented and then converted to a percentage of the total number of students placed in a SSES in that year.

Table 2 compares the size of each racial group in the SSES student population to the size of that same racial group in the overall students with disabilities (SWD) population. The racial makeup of the SSES population is broadly similar to the overall state student population and the overall SWD population.

**Data:**

Table 1. Racial disaggregation of students with disabilities placed in either a public or private SSES						
Early Childhood (Pre-K)	Student Counts			Race as Percent of Year Total		
	2019	2020	2021	2019	2020	2021
American Indian or Alaska Native	Data < 10 Suppressed for Privacy <sup>1</sup>					
Asian	67	54	46	4.91	4.40	6.01
Black or African American	316	287	141	23.15	23.41	18.43
Hispanic or Latino	515	476	317	37.73	38.83	41.44
Native Hawaiian or Other Pacific Islander	Data < 10 Suppressed for Privacy					
Two or More Races	51	47	27	3.74	3.83	3.53
White	412	358	232	30.18	29.20	30.33
<b>Total</b>	1365	1226	765*			

Table 1 continues on the next page

### Students with disabilities placed in a separate school or private facility

	2019	2020	2021
ECE	1,365	1,226	752
K-12	19,327	19,051	17,151
	20,692	20,277	17,903
State Enrollment	1,980,527	1,960,718	1,883,979
	1.04%	1.03%	0.95%



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<sup>1</sup> As required in the federal [Family Educational Rights and Privacy Act](#) and the state [Illinois School Student Records Act](#).

K-12	Student Counts			Race as Percent of Year Total		
	2019	2020	2021	2019	2020	2021
American Indian or Alaska Native	62	59	46	0.32	0.31	0.27
Asian	475	488	499	2.46	2.56	2.90
Black or African American	5,092	5,012	4,406	26.35	26.31	25.57
Hispanic or Latino	3,854	3,959	3,731	19.94	20.78	21.66
Native Hawaiian or Other Pacific Islander	19	24	22	0.10	0.13	0.13
Two or More Races	875	913	834	4.53	4.79	4.84
White	8,950	8,596	7,691	46.31	45.12	44.64
<b>Total</b>	<b>19,327</b>	<b>19,051</b>	<b>17,229*</b>			

\* Note: The 2021 totals differ from the finance overview based on the date the data was pulled from the source system.

Table 2. Racial disaggregation of students with disabilities in an SSES compared to the overall students with disabilities population						
Early Childhood (Pre-K)	In an SSES			All Students with Disabilities		
	2019	2020	2021	2019	2020	2021
American Indian or Alaska Native	Data < 10 Suppressed for Privacy			0.29	0.28	0.26
Asian	4.91	4.40	6.01	4.70	4.87	5.09
Black or African American	23.15	23.41	18.43	11.69	11.81	11.41
Hispanic or Latino	37.73	38.83	41.44	25.00	25.29	25.12
Native Hawaiian or Other Pacific Islander	Data < 10 Suppressed for Privacy			0.07	0.05	0.09
Two or More Races	3.74	3.83	3.53	4.75	4.89	5.14
White	30.18	29.20	30.33	53.48	52.80	52.90
K-12	In an SSES			All Students with Disabilities		
	2019	2020	2021	2019	2020	2021
American Indian or Alaska Native	0.32	0.31	0.27	0.26	0.25	0.26
Asian	2.46	2.56	2.90	2.40	2.48	2.55
Black or African American	26.35	26.31	25.57	20.47	19.90	19.81
Hispanic or Latino	19.94	20.78	21.66	26.12	26.31	26.86
Native Hawaiian or Other Pacific Islander	0.10	0.13	0.13	0.09	0.08	0.09
Two or More Races	4.53	4.79	4.84	3.97	4.09	4.21
White	46.31	45.12	44.64	46.70	46.88	46.23



**Request 2:** The Commission requested data on SWD placed in an SSES, as presented in the “2021 Special Education Funding Overview,” disaggregated by facility type (public or private).

**Summary:** Table 3 compares the number of students in an SSES who are placed in a public SSES or a private SSES. Table 4 presents this same information as a percent. Ninety percent of early childhood students who are in separate special education schools are in public SSES. Slightly under 50% of K-12 students placed in separate special education schools are in public SSES.

### Students with disabilities placed in a separate school or private facility

	2019	2020	2021
ECE	1,365	1,226	752
K-12	19,327	19,051	17,151
	20,692	20,277	17,903
State Enrollment	1,980,527	1,960,718	1,883,979
	1.04%	1.03%	0.95%



**Data:**

**Table 3. Number of students with disabilities in a public or private SSES placement**

	Public SSES			Private SSES			Year Total Students		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Early Childhood	1236	1101	701	129	125	64	1,365	1,226	765
K-12	9652	9354	8444	9675	9697	8785	19,327	19,051	17,299
<b>Total</b>	10888	10455	9145	9804	9822	8849	20,692	20,277	17,994

**Table 4. Percent students with disabilities in a public or private SSES placement**

	2019		2020		2021	
	Public	Private	Public	Private	Public	Private
Early Childhood	90.5%	9.5%	89.8%	10.2%	91.6%	8.4%
K-12	49.9%	50.1%	49.1%	50.9%	48.8%	50.8%
<b>Total</b>	52.6%	47.4%	51.6%	48.4%	50.8%	49.2%

### Geographic distribution of students with disabilities placed in a private facility

	1 Year Average	Total Students 2 Year Average	% Placed in Private Facility
Cook	3,683	7,919	38.93%
Collar	3,567	5,980	59.65%
Downstate	2,824	5,725	49.33%
	<b>9,804</b>	<b>19,624</b>	<b>49.96%</b>

Students from the Collar counties are placed in private facilities 38% more than Cook/Downstate students.



**Request 3:** The Commission requested data showing the geographic distribution of students with disabilities placed in a public SSES, as in slide 46 of the “2021 Special Education Funding Overview” (Figure 1).

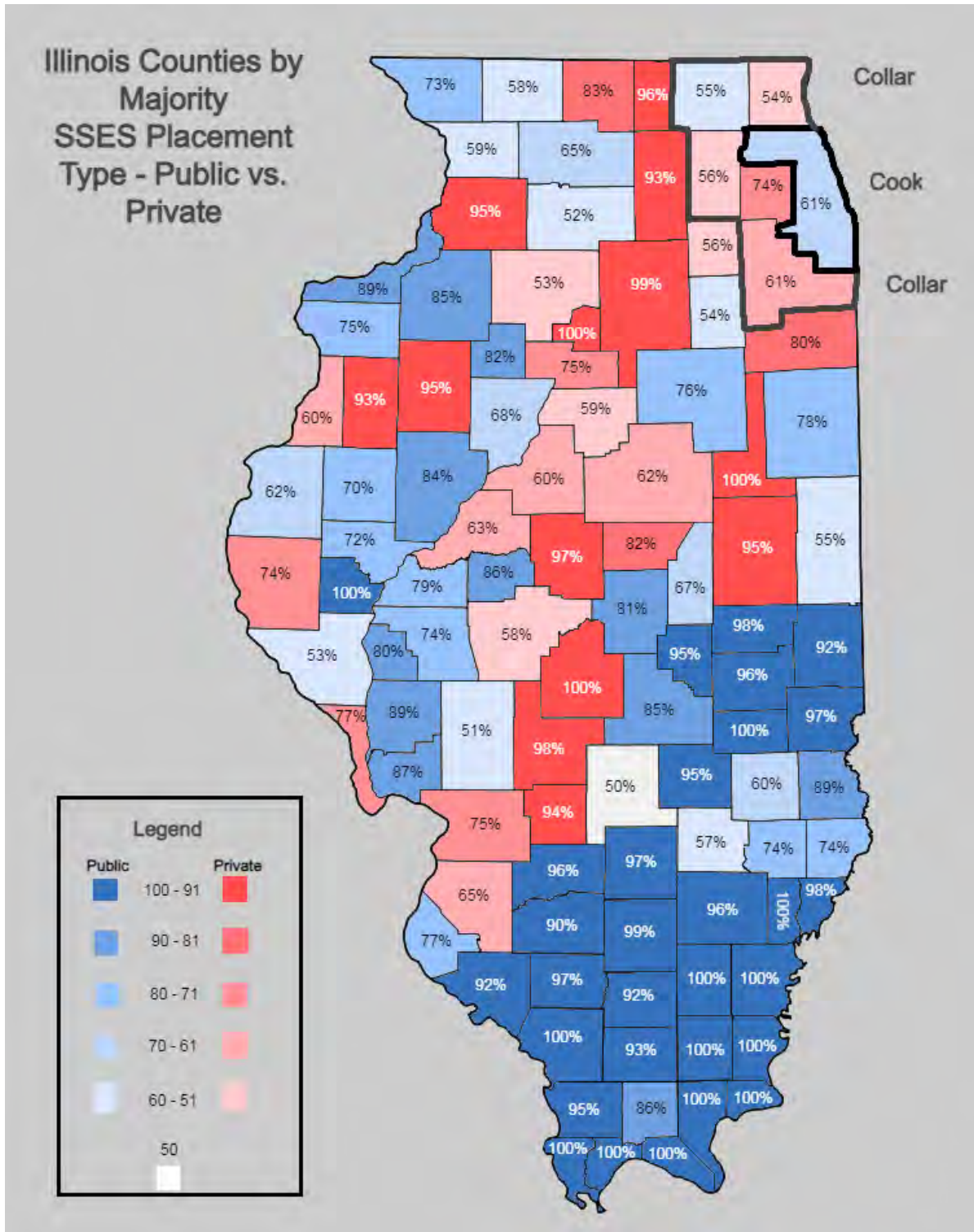
**Summary:** Collar counties are more likely to place students in a private SSES than a public SSES. There are high rates of placement in public SSES in the southeastern portion of the state. It is worth noting that the largest number of students are served in Cook County, which serves approximately 200 more students than are served in the collar counties. The collar counties, in turn, serve approximately 200 more students than are served in all the remaining counties in the state (Table 5).

#### Data:

**Table 5. Geographic distribution of students with disabilities placed in a public or private SSES**

	Total Students 3-Year Average	Percent Placed in Private Facility	Percent Placed in Public Facility
Cook	7,919	39.93%	61.07%
Collar	5,980	59.65%	40.35%
Downstate	5,725	49.32%	50.68%
<b>Total</b>	<b>19,624</b>	<b>49.29%</b>	<b>51.72%</b>

Figure 1. Illinois Counties by Majority SSES Placement Type – Public vs. Private



**Request 4.** The Commission requested data comparing Illinois' rate of placing students with disabilities in private special education facilities to that of other states.

**Data and Summary:** National and state comparative data on the rates of placement of students with disabilities specifically in private special education facilities is not available. Available data includes the combined or overall rate of placement of students in a public or private SSES, residential facility, or homebound/hospital placement. When looking at a set of three other similar-sized states, the rates of placement are as follows:

New Jersey	7.02%
Illinois	6.50%
Pennsylvania	4.77%
Ohio	3.77%
National State Average	2.78%

To place this into context, at 6.5%, Illinois is above the national mean of 2.78%, but in the middle to upper third of the range of state rates of placement (12.40-8.54 max to 0.00 min).

**Request 5:** The Commission requested data on the average length of stay for a student in a private facility.

**Summary:** The mean length of placement for a student in a private SSES is approximately 33.3 months, while the mean length of placement in a public SSES is 31.5 months. In both cases, the length of the placement is approximately 2.75 years (Table 6).

**Data:**

Table 6. Length of placement before moving from a private facility to a public facility				
	Public SSES Placements		Private SSES Placements	
	Total Students	Mean Length of Placement (in months)	Total Students	Mean Length of Placement (in months)
2019	9626	32.8	9674	34.8
2020	9345	32.1	9694	33.6
2021	8402	29.7	8701	32.6

**Request 6:** The Commission requested data on the outcomes of special education students placed into less restrictive environments, disaggregated by facility type.

**Summary:** The rate of students who are successfully transitioned from an SSES to a less restrictive environment is similar in public and private facilities. The difference lies in if the return to a less restrictive environment was between two SSES placements, or whether the student remained in the less restrictive environment since their last SSES placement.

When students transition from a public SSES to an LRE, they remain in that LRE at higher rates than students who were served at a private SSES and then moved to an LRE. Students who are served at a private SSES are more likely to return to another SSES placement.<sup>2</sup>

**Data:**

**Table 7. Number and percentage of students moving from an SSES to an LRE, disaggregated by facility type.**

	Public SSES					Private SSES				
	Total Students	Students Moved to LRE	Percent of Total Students Moved to LRE	Percent whose return to an LRE was between two high-cost SSES placements	Percent whose return to an LRE was after an high-cost SSES placement	Total Students	Students Moved to LRE	Percent of Total Students Moved to LRE	Percent whose return to an LRE was between two high-cost SSES placements	Percent whose return to an LRE was after a high-cost SSES placement
2019	9626	2197	23%	22.6%	77.4%	9674	2336	24%	66.7%	33.3%
2020	9345	1589	17%	29.5%	70.5%	9694	1701	18%	40.7%	59.3%
2021	8402	622	7%	63.2%	36.8%	8701	802	9%	68.7%	30.8%

<sup>2</sup> As both public and private SSESs include an outlier year that does not follow the trend of the other two years, caution should be used when making inferences from these data.

**Request 7:** The Commission requested data on rates placement in public and private SSES by Evidence-Based Funding tier.

**Summary:** Table 8 provides the number of students in either a public or private SSES by Evidence-Based Funding tier. The specific range of percent away from adequacy contained in a given tier changes from year to year depending on the amount of funding above base minimum available.<sup>3</sup> Table 9 presents this same information as a percent.<sup>4</sup> The pattern of distribution by tier across public and private institutions is similar to that of the overall population distribution by tier as shown in Table 10.<sup>5</sup>

**Data:**

Table 8. Number of students in either a public or private SSES by Evidence-Based Funding Tier									
Early Childhood									
Tier	2019		2020		2021		Tier Totals by Year		
	Public	Private	Public	Private	Public	Private	2019	2020	2021
1	919	58	841	55	492	21	977	896	513
2	171	45	144	39	140	23	216	183	163
3	36	14	41	15	28	11	50	56	39
4	113	13	78	16	48	11	126	94	59
Total	1,239	130	1,104	125	708	66	1,369	1,229	774
K-12 Counts									
Tier	2019		2020		2021		Tier Totals by Year		
	Public	Private	Public	Private	Public	Private	2019	2020	2021
1	5,286	4,672	5,398	4,733	4,096	3,948	9,958	10,131	8,044
2	2,577	2,725	2,313	2,784	2,677	2,942	5,302	5,097	5,619
3	505	795	320	594	355	530	1,300	914	885
4	1,399	1,665	1,386	1,749	1,466	1,705	3,064	3,135	3,171
Total	9,767	9,857	9,417	9,860	8,594	9,125	19,624	19,277	17,719

Table 9. Percent of students in either a public or private SSES by Evidence-Based Funding Tier							
Early Childhood Education (Pre-K)							
Tier	2019		2020		2021		
	Public	Private	Public	Private	Public	Private	
1	67.1%	4.2%	68.4%	4.5%	63.6%	2.7%	
2	12.5%	3.3%	11.7%	3.2%	18.1%	3.0%	
3	2.6%	1.0%	3.3%	1.2%	3.6%	1.4%	
4	8.3%	0.9%	6.3%	1.3%	6.2%	1.4%	

<sup>3</sup> For more information on Evidence-Based Funding calculations, please see [https://www.isbe.net/Documents/EBF\\_Presentation\\_Detailed.pdf](https://www.isbe.net/Documents/EBF_Presentation_Detailed.pdf).

<sup>4</sup> Each cell of Table 8 is the percentage of that tier in that grade range (Pre-K or K-12) for the year in total (e.g., Tier 1 public K-12 count cell - 5286 ÷ 2019 Tier Totals by Year Total cell - 19,624 = 67.1%).

<sup>5</sup> Please keep in mind that, as shown previously in Table 4, approximately 90 percent of the Pre-K population is served in a public SSES, compared to approximately 50 percent of the K-12 population being served in a public SSES.

<b>Total</b>	90.5%	9.5%	89.8%	10.2%	91.5%	8.5%
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Table 9 continues on the next page

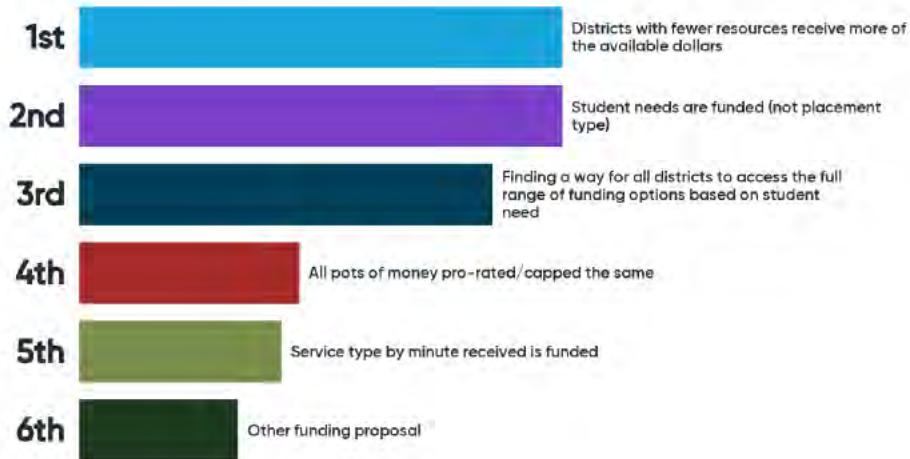
K-12 Counts						
Tier	2019		2020		2021	
	Public	Private	Public	Private	Public	Private
<b>1</b>	26.9%	23.8%	28.0%	24.6%	23.1%	22.3%
<b>2</b>	13.1%	13.9%	12.0%	14.4%	15.1%	16.6%
<b>3</b>	2.6%	4.1%	1.7%	3.1%	2.0%	3.0%
<b>4</b>	7.1%	8.5%	7.2%	9.1%	8.3%	9.6%
<b>Total</b>	49.8%	50.2%	48.9%	51.1%	48.5%	51.5%

Table 10. Number and Percent of Student Enrollment by Evidence-Based Funding Tier		
Tier	Sum of Evidence-Based Funding FY22 Average Student Enrollment (ASE)	Percent
<b>1</b>	937,825	49.2%
<b>2</b>	579,576	30.4%
<b>3</b>	104,424	5.5%
<b>4</b>	283,060	14.9%
<b>Total</b>	1,904,885	





# Rank the following priorities from most important to least



## What other considerations should be kept in mind when developing a district funding recommendation for high-cost students?

I would refer back to what was presented at the last meeting. I believe there were some good ideas that can be woven into EBF.

I like the idea of looking at 3x per cap, plus EBF criteria

Prioritize working students back to mainstream.

Our way forward should fully consider unintended consequences. Let's pilot something - let's provide a way to build out capacity. Taking from one funding stream only to take away resources that are working does not make sense. Let's waste in.

Consideration of Hold Harmless

I think we need more analysis of what is working in other states and how they modeled after EBF. There were interesting ideas presenting last meeting. Anything we do needs to be based on data.

hold harmless what is working

I wonder how we might allow input from families and students - on any proposed changes.

Difficulty in access for rural areas.

## What other considerations should be kept in mind when developing a district funding recommendation for high-cost students?

ensure the neediest students/districts are not hurt by any changes

focusing, of course, on student needs, but also that the recommendation considers the realities of running programs (ways of making sure whatever changes occur do not "harm" current providers).

We should identify the variables that define a "high needs" student. Clarity of what defines a "high needs" student will help everyone to have a baseline for future discussions.



**For Your  
Participation**

## Appendix J – 2x Per Capita Presentation



# High-Cost Special Education Funding Commission

September 21, 2021

Equity • Quality • Collaboration • Community



# Analysis of 2x Per Capita Tuition Charge based upon EBF Data

- Average In-State Private Facility Tuition Rate for 2019-2020: **\$50,902**
- FY2019 Per Capita Tuition for all Illinois School Districts
- **\$50,902 – 2x Per Capita Tuition = Reimbursement**
- **Reimbursement ÷ \$50,902 = Reimbursement %**

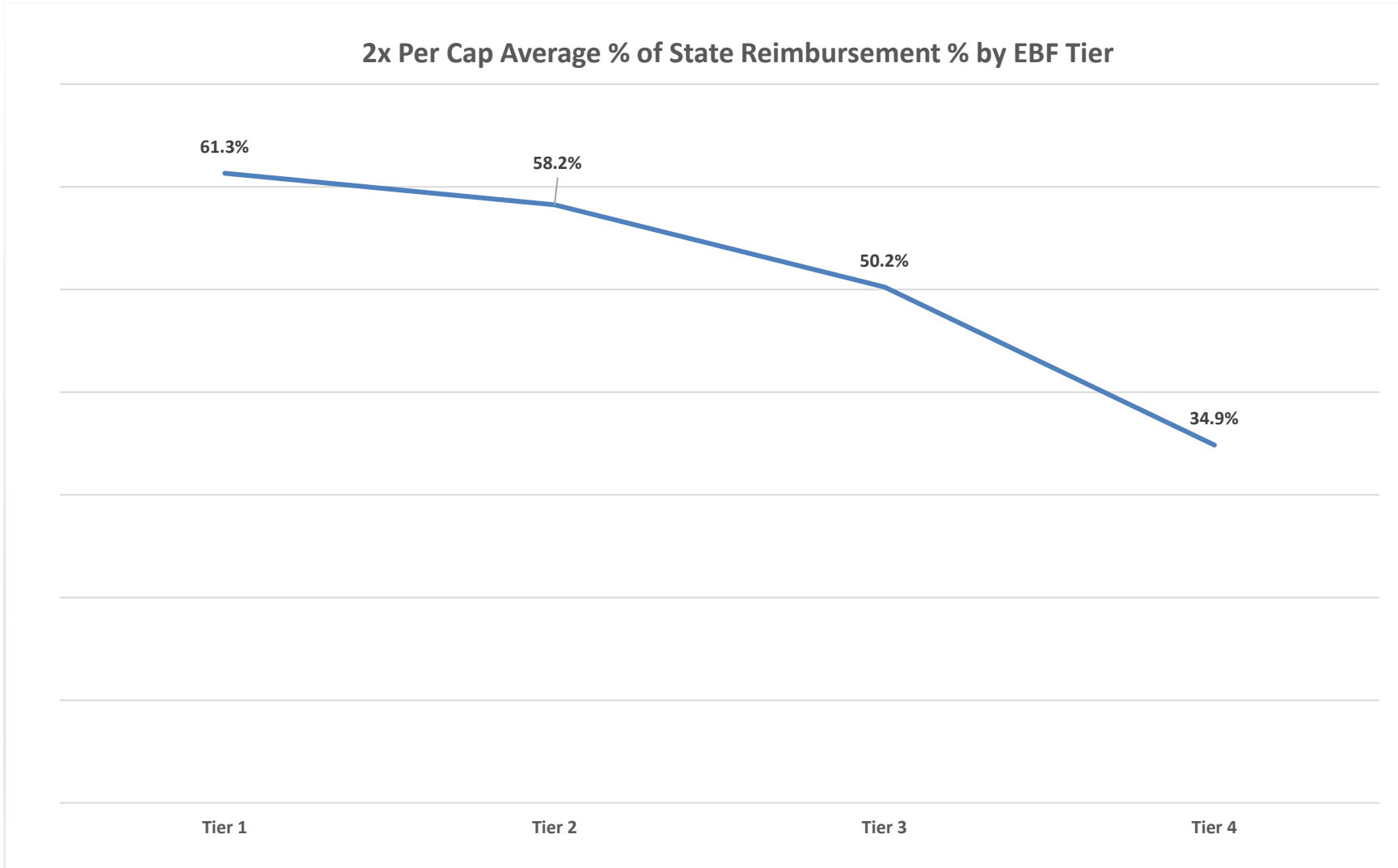
The analysis is based on viewing the % of reimbursement through 3 EBF Data Points:

1. **Tier Designation**
2. **Local Capacity %** (the portion of the EBF Adequacy Target to be funded by Property Taxes)
3. **% Adequacy**

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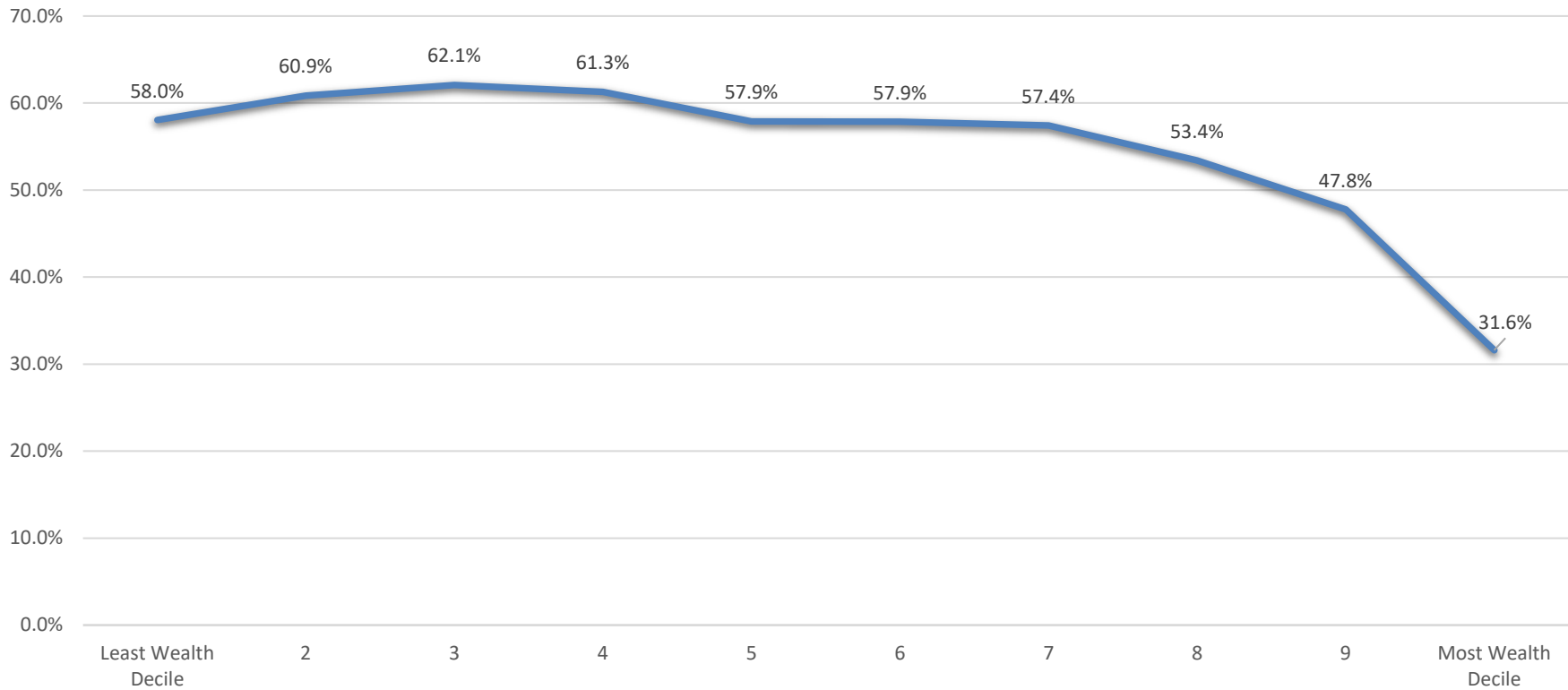
### 2x Per Cap Average % of State Reimbursement % by EBF Tier



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## 2x Per Cap Average % of State Reimbursement EBF Local Capacity % In Deciles

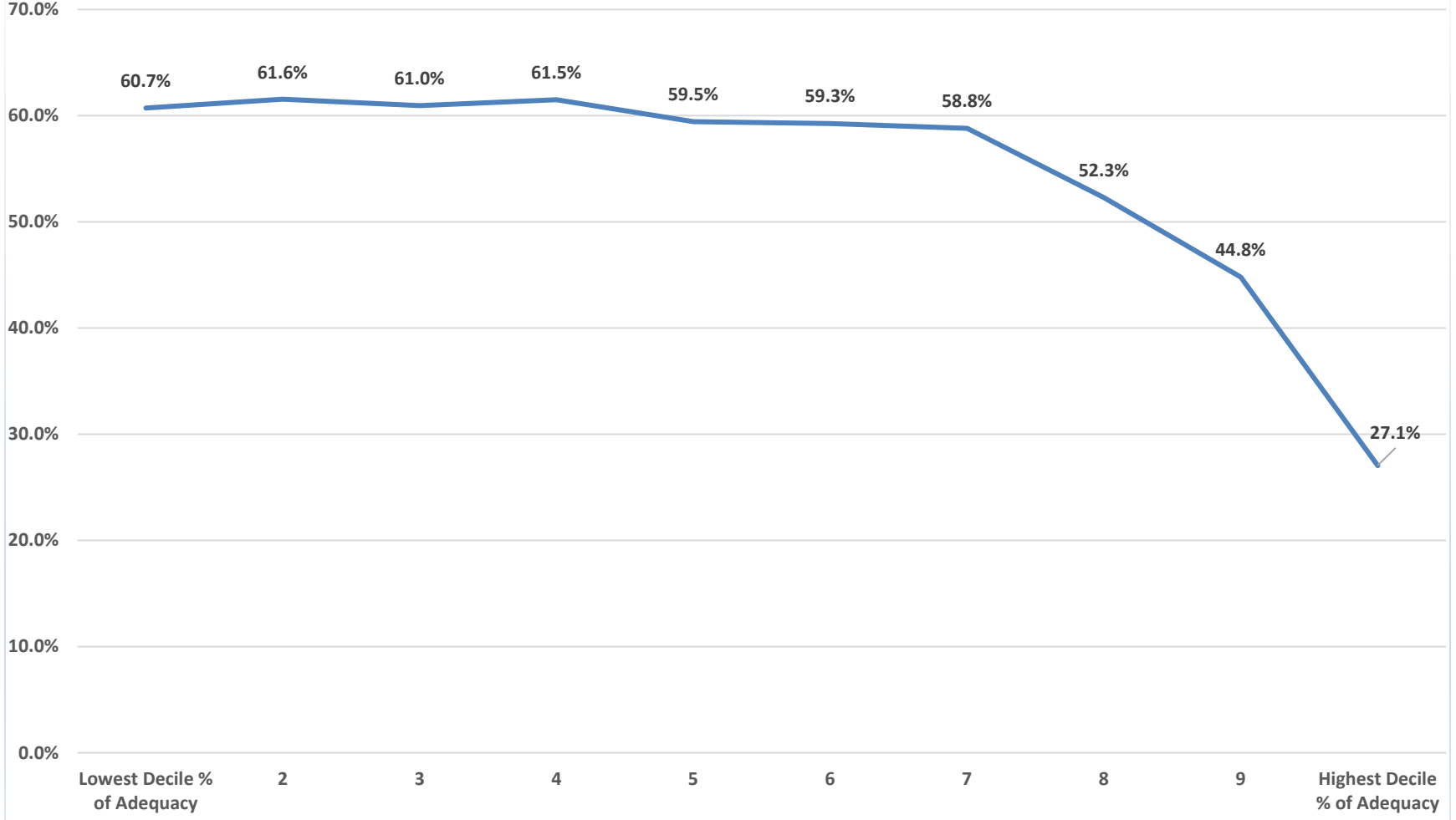


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### 2x Per Cap Average % of State Reimbursement % of Adequacy In Deciles



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## Appendix K – Funding Priorities Presentation



# Priorities for High Cost Special Education Funding

9.21.2021



# Summary of Themes and Common Elements

- Commission members were requested to submit their priorities and/or considerations for a funding proposal to ISBE
- The received comments are summarized here in an attempt to pull out central ideas, themes, and common elements
  - Expressed in lay language for accessibility
- Discussion to facilitate:
  - shared understanding around key terms or concepts
  - additional nuance or clarifying detail
- To come to ***consensus***<sup>1</sup> on a proposal or set of priorities to model for future meetings

<sup>1</sup> General agreement, not complete agreement



## Priorities & Considerations Statement A

- ***A placement neutral funding system***<sup>2</sup>
  - For same rate, options include: 2x per capita, 3x per capita, or 4x per capita
- No opinion on a ***combined*** or ***separate funding lines***
- ***Scaled payments***<sup>3</sup> by EBF Tiers. For example:
  - Tier I and II districts reimbursed for 75% of all costs over (2/3/4) x per capita
  - Tier III districts reimbursed for 50% of all costs over (2/3/4) x per capita
  - Tier IV districts reimbursed for 25% of all costs over (2/3/4) x per capita
- All costs for all students > 4x per capita should be reimbursed at 100%
- In the event of proration, proration should impact Tier I districts the least.

<sup>2</sup> Costs are reimbursed at the same rate regardless of placement type

<sup>3</sup> Payment, if not at the full amount, is scaled in some way such that those with less receive more



# Priorities & Considerations Statement B

- Maintain *separate* funding lines for public and private programs
- *Placement neutral funding* reimbursed at 2x per capita
- Then, *payments scaled* by EBF Tiers



## Priorities & Considerations Statement C

- A *placement neutral funding system*
- With a *combined funding line* to serve all students who meet a common definition of *high-cost/high-need*
  - Example: Students whose costs exceed 3x per cap
- Defined by common, *placement neutral accounting practices*<sup>4</sup>
- *Scaled* so districts with higher per capita costs receive less *reimbursement* & districts with lower per capita costs receive more
- Paired with *increased funding to EBF* to handle majority of special education costs, distributed according to current formula

<sup>4</sup> Public & private facility rate calculations utilizing the same compilation criteria



# Priorities & Considerations Statement D

- Maintain *separate funding lines*
- Using common, *placement neutral accounting practices*
- Paired with *increased funding* to ensure that any prorated amounts for reimbursement not dip below a pre-set level.





## Review: Common Terms

- Funding neutral reimbursement rate
  - Debate over 2x / 3x / or 4x per capita
- Funding neutral accounting practices
- Scaled payments
  - Debate over when to apply the scaling and by what mechanism
- Separate or combined funding line
  - Line is vernacular here – meant to refer to a collective amount of money available for reimbursement
    - For private facilities, this refers to a line item in the budget
    - For public facilities, there are various funding streams that contribute
- High-cost / High-need
- Increased funding



## Illinois State Board of Education

**Are There Any Other Priorities or Considerations?**

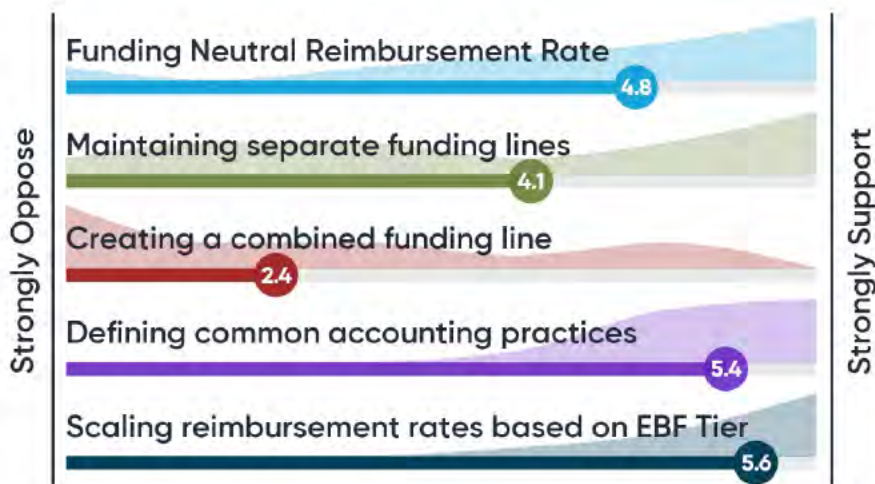


Appendix L – Menti Survey Results II

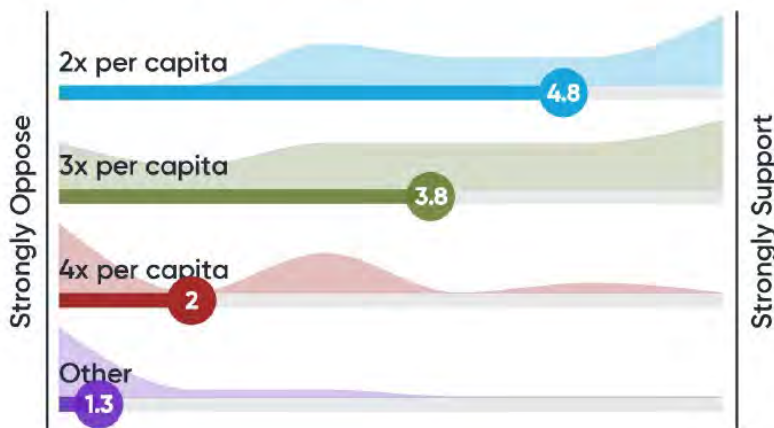
# High Cost Special Education Funding Commission Meeting

09.21.2021

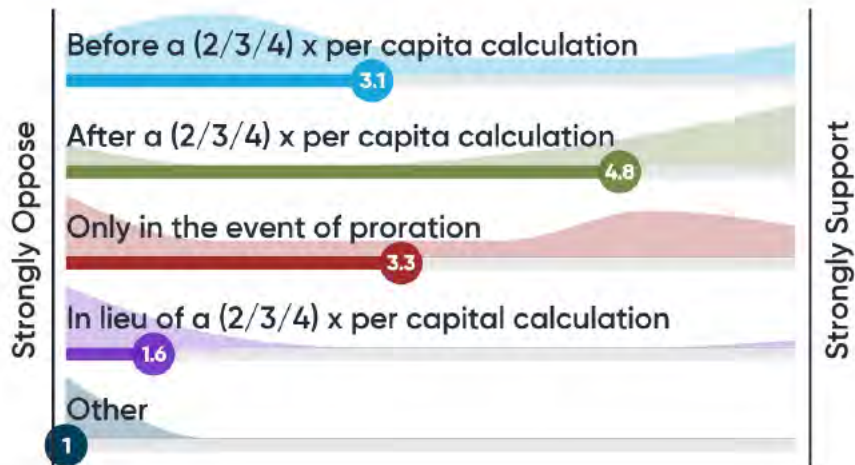
To what extent to you support or oppose the following funding priorities:



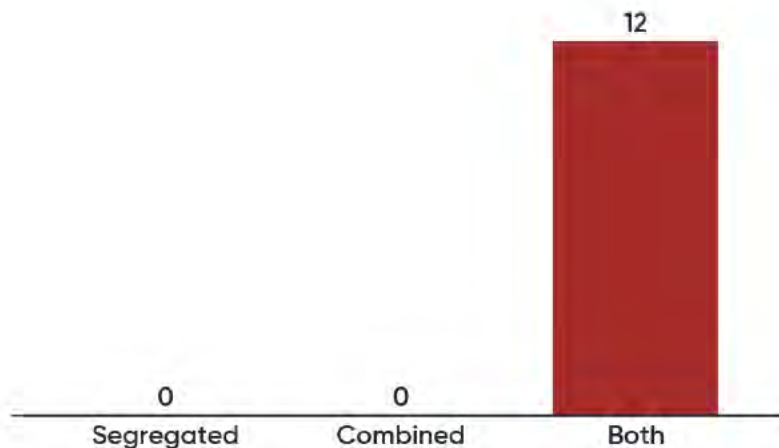
Regarding the rate of reimbursement, to what extent do you support or oppose a rate of:



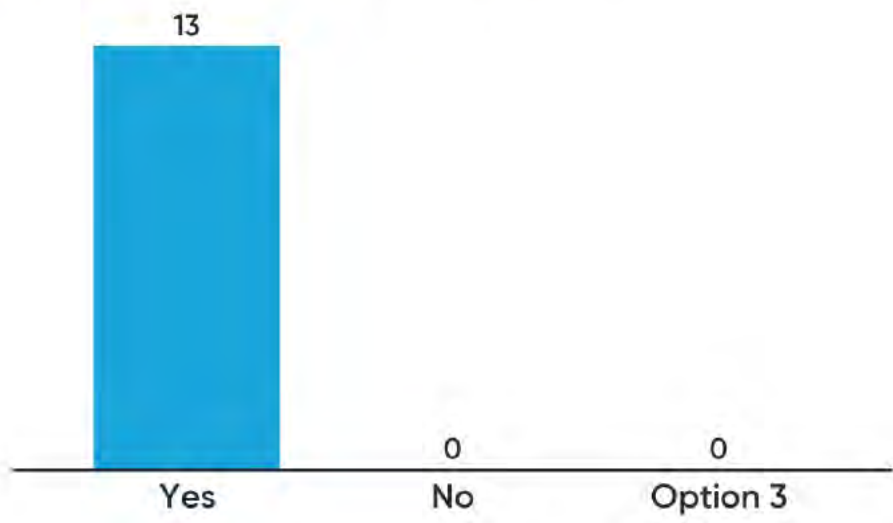
## Regarding scaling reimbursements according to EBF



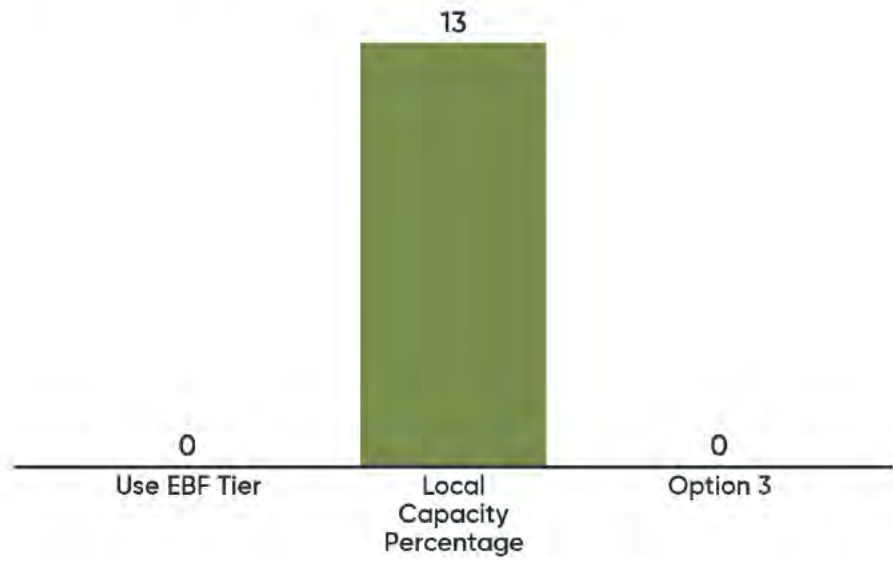
## Keep data sets segregated, combined, or both



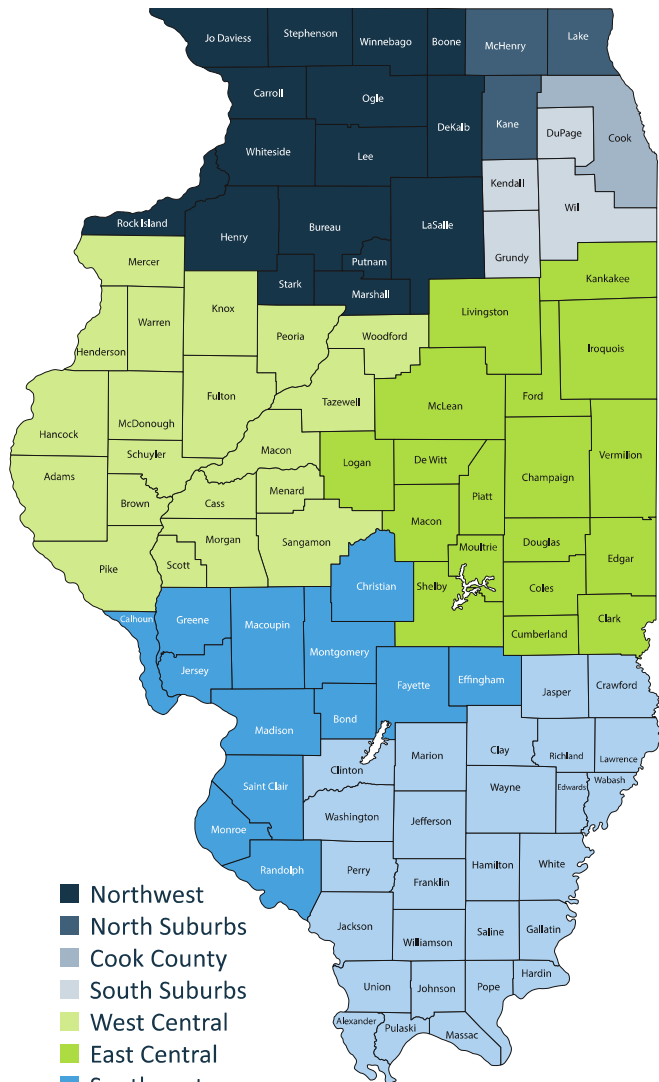
# Model 2x and 3x per capita



# Multiple Choice



## **Appendix M – Modeling Results (10.5.21)**



# Placement Neutral Modeling Results

High-Cost Special Education Funding Commission  
October 5, 2021



**Illinois**  
State Board of  
Education



# Model Specifications

- School Year 2019-2020
- Actual School Year 2019-2020 Spec Ed Private Facility Reimbursement Data
- Student Average Daily Enrollment (ADE) Data for Code EE04 (Full-time special education class in a separate public day school that does not house programs for students without disabilities) for School Year 2019-2020





# Model Specifications

- 1.0 Education Cost for students in Public Placement \$50,788
- Transportation Costs excluded

\$50,788 presents the 65<sup>th</sup> percentile of the 1.0 Education Cost from the School Year 2019-2020 Special Ed Private Facility Data. Utilization of \$50,788 in that data set replicated the total statewide claim cost.



# Model Specifications

## ADE Totals

	ADE
Students in Private Placements	8,236.181
Students in Public Placements	7,768.317
Total	16,004.498



## Scenarios

1.  $\text{Ed Cost} - 2 \times \text{Per Cap} = \text{Reimbursement}$
2.  $\text{Ed Cost} - 3 \times \text{Per Cap} = \text{Reimbursement}$
3.  $\text{Ed Cost} - ((2 \times \text{Per Cap}) \times (1 - \text{Local Capacity Percentage})) = \text{Reimbursement}$
4.  $\text{Ed Cost} - ((3 \times \text{Per Cap}) \times (1 - \text{Local Capacity Percentage})) = \text{Reimbursement}$
5.  $\text{Ed Cost} - ((2 \times \text{Per Cap}) \times (\% \text{ for Tier Designation})) = \text{Reimbursement}$
6.  $\text{Ed Cost} - ((3 \times \text{Per Cap}) \times (\% \text{ for Tier Designation})) = \text{Reimbursement}$

Tier 1 75%

Tier 2 75%

Tier 3 50%

Tier 4 25%



## Overall Results Scenarios 1 (2x Per Cap) & 2 (3x Per Cap)

Claim Cost	Ed Cost - 2x Per Cap	Ed Cost - 3x Per Cap
Students in Private Placement	\$ 195,247,166	\$ 110,122,639
Students in Public Placement	\$ 187,811,876	\$ 96,220,260
Total Claim Cost	\$ 383,059,042	\$ 206,342,899
Appropriation Level	\$ 152,320,000	\$ 152,320,000
Proration	39.7%	73.8%



## Overall Results Scenarios 3 & 4

<b>Claim Cost</b>	<b>Ed Cost - 2x Per Cap x (1- LCP)</b>	<b>Ed Cost - 3x Per Cap x (1-LCP)</b>
<b>Students in Private Placement</b>	<b>\$ 106,989,685</b>	<b>\$ 61,046,135</b>
<b>Students in Public Placement</b>	<b>\$ 114,907,854</b>	<b>\$ 61,422,568</b>
<b>Total Claim Cost</b>	<b>\$ 221,897,539</b>	<b>\$ 122,468,703</b>
<b>Appropriation Level</b>	<b>\$ 152,320,000</b>	<b>\$ 152,320,000</b>
<b>Proration</b>	<b>68.6%</b>	<b>100.0%</b>



## Overall Results Scenarios 5 & 6

Claim Cost	Ed Cost - 2x Per Cap x % Based on Tier Designation	Ed Cost - 3x Per Cap x % Based on Tier Designation
Students in Private Placement	\$ 130,269,660	\$ 79,061,879
Students in Public Placement	\$ 130,146,923	\$ 73,258,709
<b>Total Claim Cost</b>	<b>\$ 260,416,584</b>	<b>\$ 152,320,588</b>
<b>Appropriation Level</b>	<b>\$ 152,320,000</b>	<b>\$ 152,320,000</b>
<b>Proration</b>	<b>58.4%</b>	<b>99.9%</b>

2x Per Cap Tier 1 & Tier 2 (75%) Tier 3 (50%) Tier 4 (25%)

3x Per Cap Tier 1 & Tier 2 (79%) Tier 3 (50%) Tier 4 (25%)



## Results Scenarios 1 & 2 by Tier Designation (2x & 3x Per Cap)

<b>Tier 1 Comparative of Modeled to Actual Reimbursement</b>			
Modeled	\$	74,849,809	\$ 79,157,216
Actual	\$	68,708,306	\$ 68,708,306
Difference	\$	6,141,503	\$ 10,448,909
<b>Tier 2 Comparative of Modeled to Actual Reimbursement</b>			
Modeled	\$	52,196,164	\$ 54,317,739
Actual	\$	53,765,786	\$ 53,765,786
Difference	\$	(1,569,622)	\$ 551,953
<b>Tier 3 Comparative of Modeled to Actual Reimbursement</b>			
Modeled	\$	7,797,450	\$ 7,319,112
Actual	\$	9,245,951	\$ 9,245,951
Difference	\$	(1,448,501)	\$ (1,926,840)
<b>Tier 4 Comparative of Modeled to Actual Reimbursement</b>			
Modeled	\$	17,476,577	\$ 11,525,934
Actual	\$	20,600,007	\$ 20,600,007
Difference	\$	(3,123,430)	\$ (9,074,074)



## Results Scenarios 3 & 4 by Tier Designation (2x & 3x Per x (1-LCP))

<b>Tier 1 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 90,400,706	\$ 75,773,605
Actual		\$ 68,708,306	\$ 68,708,306
Difference		\$ 21,692,399	\$ 7,065,299
<b>Tier 2 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 52,455,845	\$ 41,803,465
Actual		\$ 53,765,786	\$ 53,765,786
Difference		\$ (1,309,940)	\$ (11,962,321)
<b>Tier 3 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 3,628,074	\$ 2,397,958
Actual		\$ 9,245,951	\$ 9,245,951
Difference		\$ (5,617,878)	\$ (6,847,994)
<b>Tier 4 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 5,835,375	\$ 2,493,675
Actual		\$ 20,600,007	\$ 20,600,007
Difference		\$ (14,764,632)	\$ (18,106,332)



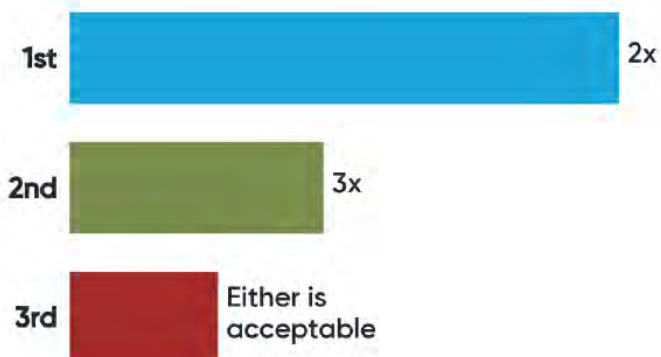


## Results Scenarios 5 & 6 by Tier Designation (2x & 3x Per Cap and % by Tier)

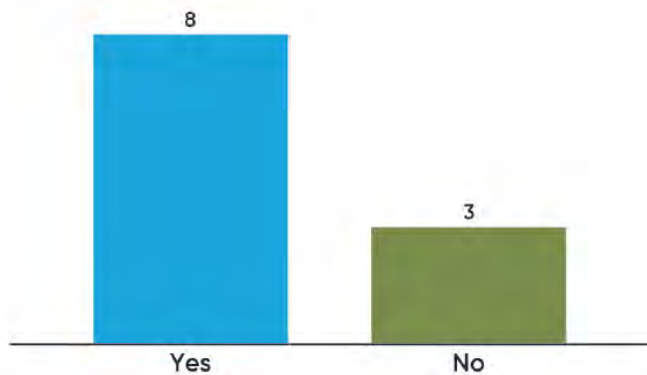
<b>Tier 1 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 82,575,070	\$ 85,078,309
Actual		\$ 68,708,306	\$ 68,708,306
Difference		\$ 13,866,764	\$ 16,370,002
<b>Tier 2 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 57,583,338	\$ 58,380,802
Actual		\$ 53,765,786	\$ 53,765,786
Difference		\$ 3,817,552	\$ 4,615,016
<b>Tier 3 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 5,734,818	\$ 4,957,459
Actual		\$ 9,245,951	\$ 9,245,951
Difference		\$ (3,511,133)	\$ (4,288,493)
<b>Tier 4 Comparative of Modeled to Actual Reimbursement</b>			
Modeled		\$ 6,426,775	\$ 3,903,431
Actual		\$ 20,600,007	\$ 20,600,007
Difference		\$ (14,173,233)	\$ (16,696,577)

### Appendix N – Menti Survey Results III

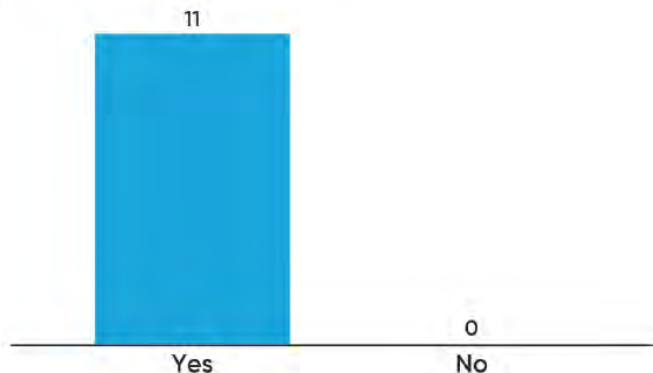
**Should districts need to contribute 2x or 3x per capita tuition costs before being reimbursed?**



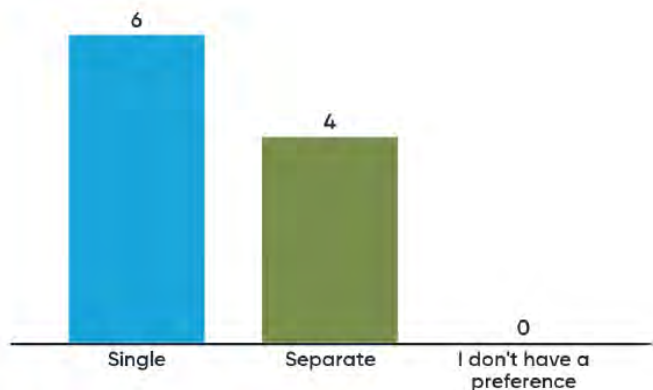
**Models 5 & 6 use the same proration rate for Tier 1 & 2 districts (M5: 75% M6 79%). Should Tier 1 districts have a higher proration rate than Tier 2?**



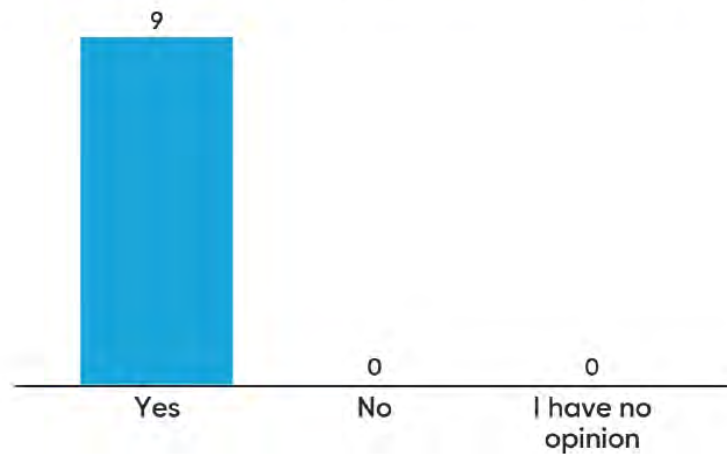
**Should public programs be subject to cost accounting rules in alignment with private program rules for purposes of rate determination?**



**Should there be a single funding source for high-cost placement or maintain separate public and private lines?**



**Would you recommend to add additional state funding dedicated to high cost special education students?**

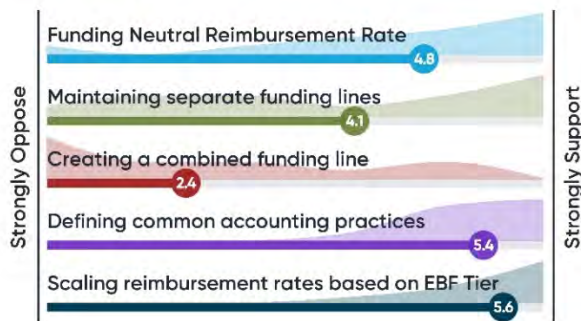


## Appendix O – Funding Polls

Below are the two polls related to the consideration of a single combined funding stream or maintenance of two separate funding streams for public and private high cost special education funding placements on two different meeting dates. Please note that different commission members were present and voting at each meeting.

September 21, 2021

**To what extent to you support or oppose the following funding priorities:**



November 5, 2021

**Should there be a single funding source for high-cost placement or maintain separate public and private lines?**

