

## **Special Education Funding**

### **Special Education Inflationary Increase**

In 2003, the legislature approved statutory language (20-9-326, MCA) that provides for automatic inflationary increases for many HB 2 appropriations in education. The appropriation for state special education funding was not included in the group of appropriations that receive the automatic increases. This means that, in each biennium, the OPI must request that the inflationary factor that is used for the other appropriations be applied to the special education appropriation. When the legislature does not approve this request, the disparity in funding between general education programs and special education programs grows wider and school districts must take funds from other sources to pay for the increasing costs of providing special education and related services to Montana's students with disabilities. This results in fewer educational opportunities for all students because of program cuts required to meet special education costs at the district level. During the 2015 legislative session, the proposal for an inflationary increase for special education was defeated. As a result, Montana's school districts and special education cooperatives received \$1,785,038 less in state special education funds than they would have if the request had been approved. Over time, the increasing costs associated with special education and the lack of increases in several budget cycles has resulted in the state share of special education costs dropping from 81.5 percent in FY 1990 to 33.0 percent in FY 2013.

The proposal offered for the School Funding Interim Committee's consideration is a request for the legislature to enact statutory language that includes the special education appropriation in the group of education appropriations subject to the mandatory inflationary increase.

### **Special Education Cooperative Funding Proposal**

Under Montana Code Annotated and Administrative Rules of Montana, each school district in the state is required to make available to students with disabilities a full continuum of special education and related services. For approximately 80 percent of our school districts, this full continuum of services can only be accomplished through membership in an interlocal cooperative agreement as established in 20-7-451, *MCA Authorization to create full service education cooperatives*. Many small school districts simply cannot employ all of the specialized staff required for initial identification, reevaluation and provision of special education and related services. The special education cooperatives were created to allow the local districts, if they choose to be a member, the opportunity to pool state and federal resources to more efficiently provide the services the member districts need.

The special education cooperatives serve a vital function for Montana. Not only are the cooperatives the vehicle through which the state is able to ensure that a full continuum of services is available, but they also ensure more equitable access to special education and related services to our children in their local districts.

Under the current funding formula, 5 percent of the Special Education Allowable Cost appropriation is available to support the special education cooperatives in meeting the administrative and travel cost of the cooperative. In the current fiscal year (FY 2016), this results in approximately \$2.1 million dollars that will be paid to the cooperatives.

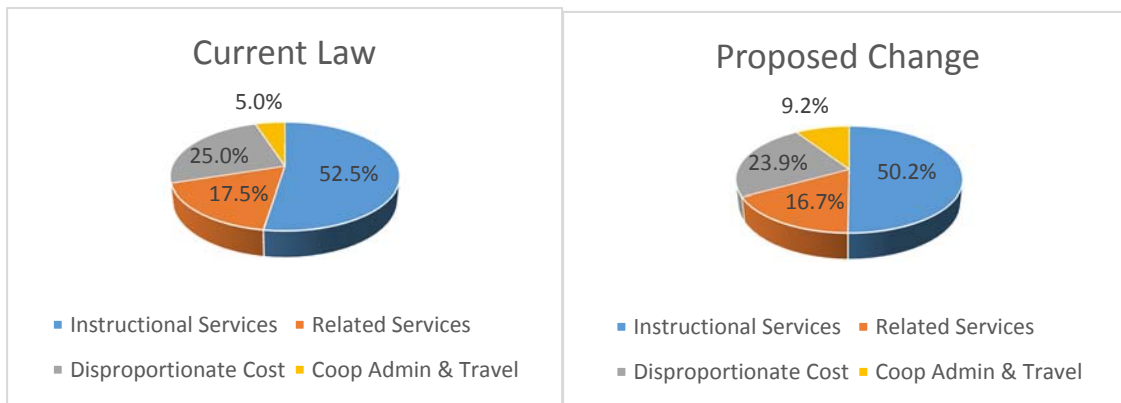
Significant increases in the costs associated with both the administration of the cooperatives and the travel costs associated with itinerant staff, coupled with a lack of increases in special education funding, have put our cooperative structure at risk for failure. In FY15, the payments to the cooperatives for

administration and travel totaled \$2,138,978, while the actual expenditures for cooperative administrative costs reported in the Trustee’s Financial Summary (TFS) totaled \$4,311,930.

Under the current funding formula, simply increasing the percentage of the appropriation dedicated to cooperative administration and travel would have the effect of reducing the payments for the Instructional Services Block Grant, Related Services Block Grant, and the Disproportionate Cost Reimbursement. This would negatively affect every school district in the state.

The proposal offered for the Committee’s consideration is to provide an increase to the Special Education appropriation earmarked specifically for cooperative administration and travel. The proposal is for an additional \$2 million in each year of the biennium. This would provide the needed funding for the continued operation of the cooperatives and would increase the amount of state and local funds available for providing special education and related services to Montana’s children with disabilities.

With the additional \$2 million annually for the Cooperative Administration and Travel Cost payments, the formula that establishes the relative proportions of each of the special education payments must be changed to reflect the addition. Under current law (20-9-321, MCA), the special education appropriation is divided as follows: Instructional Services Block Grant 52.5%, Related Services Block Grant 17.5%, Disproportionate Cost Reimbursement 25%, and Cooperative Administration and Travel 5%. With the additional funds for the Cooperative Administration and Travel payment, the relative amounts would be: Instructional Services Block Grant 50%, Related Services Block Grant 17%, Disproportionate Cost Reimbursement 24%, and Cooperative Administration and Travel 9%.



This proposal, as can be seen in the table below, would not reduce the payments for the Instructional Services Block Grant, Related Services Block Grant, or Disproportionate Cost Reimbursement.

Impact of implementation of both proposals

FY 2017 Appropriation: \$42,891,966

	SFY 2017	Inflationary Increase (1.5%)	Coop Funding Proposal
Appropriation	\$42,891,966	\$43,535,345	\$45,535,345
ISBG	\$22,518,282	\$22,856,056	\$22,856,056
RSBG	\$7,506,094	\$7,618,685	\$7,618,685
Disproportionate Cost	\$10,722,992	\$10,883,836	\$10,883,836
Coop Admin & Travel	\$2,144,598	\$2,176,768	\$4,176,768