

Additional federal aid to match the federal commitment to students with disabilities is needed; however . . . major infusions of aid . . . are unlikely.

The Current Federal Role in Special Education Funding¹

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Federal funding under the Individuals With Disabilities Education Act (IDEA) is driven by a permanently authorized formula that ties federal financial assistance to guarantees of an appropriate education for children with disabilities.² Federal aid to states is based on each state's number of children with disabilities who are receiving special education programs and services, adjusted by a uniform percentage of the national average per pupil expenditure (APPE). The authorized percentages of the APPE were five percent in FY 1978, 10 percent in FY 1979, 20 percent in FY 1980, 30 percent in FY 1981, and 40 percent in FY 1982 and beyond.

However, federal aid for students with disabilities has never exceeded 12.5 percent of the national APPE, and only reached fully authorized levels during the first two years that the program was effective. In FY 1980, appropriations dropped to 12 percent of the APPE, then declined to 10.2 percent in FY 1981. In FY 1982 and FY 1983, although federal aid was authorized at 40 percent of the APPE, appropriations held steady at about 10 percent, falling to approximately 9 percent of the APPE in FY 1984. Between FY 1985 and FY 1992, appropriations ranged from 7.9 percent (FY 1990) to 9.1 percent of the APPE (FY 1987), or less than one-fourth of the authorization level.

For FY 1993, federal funding is estimated to be 8.2 percent of the APPE or \$2.05 billion, approximately \$7.93 billion below the authorized level of 40 percent of the APPE (see Table 1 and Figure 1). Currently, total of \$9.98 billion would be required for the IDEA, Part B, State Grant Program, if authorizations matched appropriations.³ This is nearly a fivefold increase.

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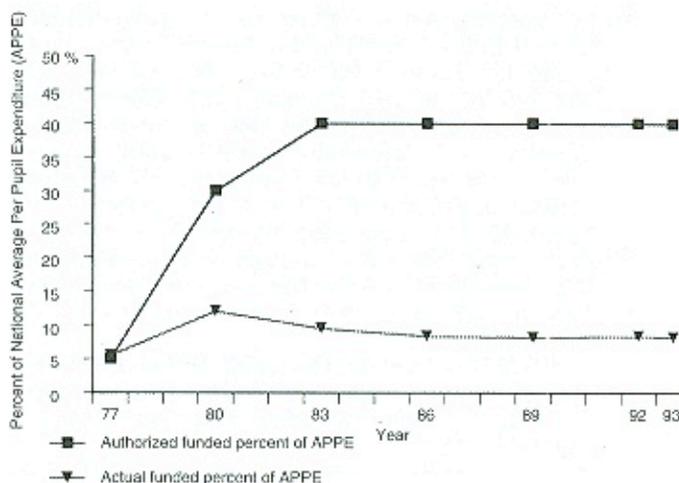


Figure 1. IDEA, Part B, Grants to States: Authorized Versus Funded Percent of APPE.

The gap in the federal financial commitment to children with disabilities—as represented by the difference in funding authorized under the Individuals With Disabilities Act versus appropriations—can be interpreted to be substantially larger than these figures indicate, however. This is because the excess costs of providing special education and related services have grown. Federal funding authorized under P.L. 94-142 was based on research studies done by the National Education Finance Project in 1970, which estimated the actual cost of educating a child with disabilities to be, on average, double the cost of educating children without disabilities.⁴ Federal aid was intended to act as a catalyst for state and local assistance to children with disabilities. Therefore, it was targeted to grow to a maximum of less than one-half (40 percent) of the average excess costs of educating children with disabilities by FY 1982 and succeeding years. Since enactment of P.L. 94-142 in 1975, when the permanent authorization was established, the excess costs of educating children with disabilities have increased slightly from the previous estimate of two times the cost of educating non-disabled children to 2.3 times such cost.⁵ Based on this revised estimate, 40 percent of the excess costs of educating children and youth with disabilities would require an estimated support level of approximately 52 percent of the APPE. Thus, federal aid under the IDEA, Part B, is currently less than one-fifth of initial estimates of the eventual federal contribution.

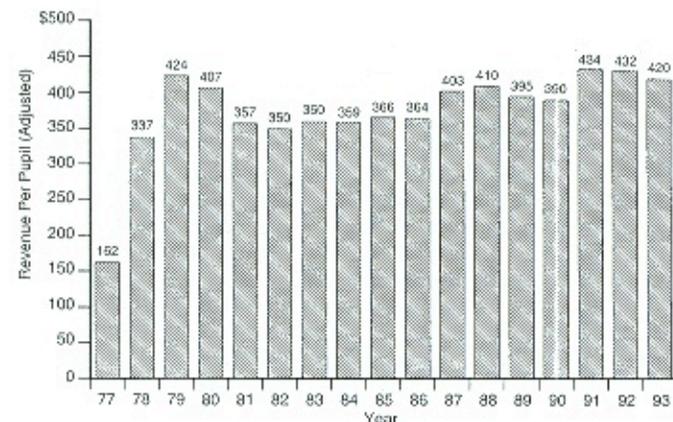


Figure 2. IDEA, Part B, Grants to States: Revenues Per Eligible Pupil Over Time (adjusted for inflation).

Table 1. Individuals With Disabilities Education Act, Part B, Section 611—Grants to States: Cross-time Changes

Fiscal Year	Children Served	Federal Funding	Share Per Child	APPE a/	Funded % of APPE Authorized Under P.L. 94-142 b/	Actual Funded % of APPE c/
1977	3,485,000	\$ 251,769,927	\$ 72	\$1,430	5%	5.0%
1978	3,561,000	566,030,074	159	1,568	10	10.2
1979	3,700,000	804,000,000	217	1,736	20	12.5
1980	3,803,000	874,500,000	230	1,919	30	12.0
1981	3,941,000	874,500,000	222	2,168	40	10.2
1982	3,990,000	931,008,000	233	2,354	40	9.9
1983	4,053,000	1,017,900,000	251	2,640	40	9.5
1984	4,044,500	1,068,875,000	261	2,861	40	9.1
1985	4,124,000	1,135,145,000	275	3,086	40	8.9
1986	4,121,000	1,163,282,000	282	3,356	40	8.4
1987	4,167,000	1,338,000,000	321	3,510	40	9.1
1988	4,236,000	1,143,737,000	338	3,871	40	8.7
1989	4,337,000	1,475,449,000	340	4,130	40	8.2
1990	4,409,000	1,542,610,000	350	4,403	40	7.9
1991	4,557,000	1,854,186,000	407	4,704	40	8.7
1992	4,717,000	1,976,095,000	419	4,968	40	8.4
1993	4,885,000	2,052,728,000	420	5,108	40	8.2

a/ APPE = Average per pupil expenditure.

b/ P.L. 94-142 is a forward funded program, indicating that funding appropriated in a given fiscal year is available to states the last 3 months of the fiscal year in which the appropriation is made and the following 12 months. P.L. 94-142's formula went into effect the fiscal year ending September 30, 1978, which was interpreted as the school year 1977-78. Thus, an entitlement of 5 percent of the APPE had to be made available under a FY 1977 appropriation (see Fraas, 1986, p. 48, footnote a).

c/ Data provided by the Budget Office of the U.S. Department of Education (May 1994).

Table 2. Individuals With Disabilities Education Act, State Grant: Cross-Time Changes in Funding and Students Served

Fiscal Year	Children Served a/	IDEA, Part B State Grants Federal Funding a/	Share Per Child a/	Federal Funding in FY 1993 Dollars b/	Share Per Child in FY 1993 Dollars b/
1977	3,485,000	\$ 251,769,927	\$ 72	\$ 564,953,896	\$ 162
1978	3,561,000	566,030,074	159	1,199,853,742	337
1979	3,700,000	804,000,000	217	1,568,555,193	424
1980	3,803,000	874,500,000	230	1,547,305,970	407
1981	3,941,000	874,500,000	222	1,405,778,048	357
1982	3,990,000	931,008,000	233	1,397,902,560	350
1983	4,053,000	1,017,900,000	251	1,457,489,000	360
1984	4,044,500	1,068,875,000	261	1,471,943,370	359
1985	4,124,000	1,135,145,000	275	1,509,123,156	366
1986	4,121,000	1,163,282,000	282	1,501,571,814	364
1987	4,167,000	1,338,000,000	321	1,681,330,800	403
1988	4,236,000	1,431,737,000	338	1,736,435,396	410
1989	4,337,000	1,475,449,000	340	1,714,648,306	395
1990	4,409,000	1,542,610,000	350	1,717,869,307	390
1991	4,557,000	1,854,186,000	407	1,976,225,723	434
1992	4,717,000	1,976,095,000	419	2,035,878,476	432
1993	4,858,000	2,052,728,000	420	2,052,728,000	420

a/ Source: U.S. Department of Education. *Justifications of Appropriation Estimates to the Congress, FY 1995*, Vol. I., F-18.

b/ Adjusted by the Federal Budget Composite Deflator. In U.S. Department of Education (forthcoming). *Digest of Education Statistics 1994*, Table 4. Washington, DC: National Center for Education Statistics.

Another way to assess the federal commitment to assuring a free and appropriate education to children and youth with disabilities is to examine federal funding per eligible child in special education. Federal aid was \$162 per eligible child in FY 1977 (adjusted for inflation), growing to \$424 per child in FY 1979, but has been below that amount in each succeeding year except FY 1991 (\$434) and FY 1992 (\$432). Currently, federal aid per eligible child is \$420 for FY 1993, or 1 percent less than in FY 1979 (adjusted for inflation). This indicates essentially no growth in federal funding for special education over the past 14 years. If federal aid met the federal commitment of 40 percent of the APPE, \$2,043 would be required per eligible pupil in FY 1993 (under current assumptions). Table 2 and Figure 2 show federal expenditures for children with disabilities for each year of the IDEA authorization, in current and adjusted dollars per eligible child. Although special education costs have represented a growing share of overall elementary and secondary school spending over the past two decades, federal aid per eligible student has essentially held steady.

Table 3 shows total special education aid and the percentage of federal, state, and local expenditures for children with disabilities by state, for 1987-88.⁶ The fifty states, Washington, DC, and Puerto Rico spent a total of \$19.2 billion for special education and related services from federal, state, and local sources, in 1987-88. Overall, federal aid comprised 8 percent of total expenditures for special education and related services, 56 percent was derived from state coffers, and 36 percent was derived from local sources. Federal aid ranged from 65 percent of total special education expenditures in Kentucky to 3 percent of costs in Minnesota and New York. Eleven states received over 12 percent of funding from federal sources, while six states received less than 5 percent. State expenditures for special education and related sources, like federal aid, varied widely, from approximately 90 percent or more of total expenditures (in Hawaii, the District of Columbia, Idaho, Missouri, New Mexico, and Rhode Island) to 17 percent or less, of total expenditures (in Kentucky, New Hampshire, Oregon, and Virginia). Local revenues as a percent of total special education expenditures ranged from 3 percent (or less) of total (in New Mexico, Oklahoma, and Alabama) to over 70 percent (in Michigan, New Hampshire, Oregon, and Virginia).⁷

Additional federal aid to match the federal commitment to students with disabilities is needed however, pressures on federal budgets suggest major infusions of aid, at least in the short term, are unlikely. Thus, given the junior role the federal government plays and will apparently continue to play in special education funding, a major issue becomes how relatively modest levels of federal aid might best be used to provide incentives for state improvement and reform of special education. Given rising costs in a time of pressures on budgets at all levels of government, it appears increasingly imperative that these limited public resources be used as efficiently and equitably as possible. What forms of public policy might promote these objectives and how can federal resources be used to advance policy reform at the state and local level? What might

be done to better harmonize federal priorities with state fiscal policies? How might federal aid for children and youth with disabilities be restructured to better meet the priorities of the 1990s and beyond, while contributing to coherent education policy at the state and local levels? These questions comprise the dominant fiscal concerns of policymakers, scholars, and others that will seek resolution as the IDEA is reauthorized in the 103rd Congress.

Endnotes

1. This manuscript was prepared for the Center for Special Education Finance, American Institutes for Research, Palo Alto, California (June 1994), under a cooperative agreement with the U.S. Department of Education, Office of Special Education Programs (H169G20002). Points of view or opinions expressed do not necessarily represent the official agency positions of the U.S. Department of Education or the CSEFs network of advisors and professional organizations.
2. J. Tweedie, "The politics of legalization in special education reform." In J. G. Chambers & W. T. Hartman (Eds.), *Special education policies: Their history, implementation and finance* (Philadelphia, PA: Temple University Press, 1983), pp. 48-112.
3. FY 1994 allocations are based on imputed state per pupil expenditure data for fiscal year 1991, edited data as reported by states with imputations for missing data by the National Center for Education Statistics. Child count is based on December 1, 1992, Office of Special Education, U.S. Department of Education, data.
4. Committee on Labor and Public Welfare, in U.S. Senate, Committee on Labor and Public Welfare, Subcommittee on the Handicapped, *Education of the Handicapped Act as amended through December 31, 1975*. (Report No. 72-611). (Washington, DC: U.S. Government Printing Office), 1977; R. Rossmiller, J. Hale, and L. E. Frohreich, *Educational programs for exceptional children: Resources, configurations and costs*. (Special Study No. 2). (Madison, Wisconsin: National Education Finance Project), 1970.
5. The excess cost of educating a child with a disability in FY 1994 was \$6,498 (U. S. Department of Education, *Justifications of Appropriation Estimates to the Congress, FY 1994, Vol. I, F-22*). The national average per pupil expenditure (APPE) for FY 1994 was \$4,969. For a review of special education costs, see S. Chaikind, L. C. Danielson, and M. L. Braven, "What do we know about the costs of special education? A selected review," *Journal of Special Education*, 26(4), 334-370.
6. 1987-88 is the last year for which financial data are/will be available due to repeal of the requirement to collect these data in the 1990 Amendments.
7. Variations are due in part to differences in reporting the data, i.e., some states reported combined state and local expenditures under state sources. See U.S. Department of Education (1992).

Table 3. Total Special Education Expenditures, 1987-88 (Special Education & Related Services)

	Total a/	Percent		
		Federal	State	Local
Alabama	\$ 245,327,616	11.58%	85.39%	3.04%
Alaska	94,759,808	4.84	69.95	25.20
Arizona	190,541,825	11.38	44.94	43.67
Arkansas	79,743,473	16.28	56.93	26.79
California	1,760,879,250	6.20	78.60	15.20
Colorado	229,034,857	7.65	40.21	52.14
Connecticut	414,328,000	4.74	38.89	56.37
Delaware	51,678,931	12.89	62.47	24.64
Dist. of Columbia (DC)	39,032,732	10.32	89.68	na
Florida	807,441,711	5.76	61.92	32.32
Georgia	424,778,788	6.56	75.02	18.42
Hawaii	83,996,111	4.46	95.54	na
Idaho	58,549,239	10.16	89.84	na
Illinois	1,465,759,516	7.52	42.12	50.37
Indiana	251,729,322	14.98	52.55	32.46
Iowa	195,667,724	7.62	75.58	16.80
Kansas	175,397,831	6.86	51.19	41.95
Kentucky	223,524,336	65.30	11.30	23.40
Louisiana	259,438,868	6.91	69.81	23.29
Maine	78,910,940	13.90	49.72	36.38
Maryland	347,740,452	7.57	39.27	53.17
Massachusetts	671,473,211	6.88	36.49	56.63
Michigan	633,397,752	7.30	21.89	70.81
Minnesota	399,023,000	3.70	66.82	29.48
Mississippi	118,586,585	13.69	79.93	6.38
Missouri	288,736,260	9.64	90.36	na
Montana	38,943,312	10.11	71.54	18.34
Nebraska	73,514,055	11.11	78.89	10.00
Nevada	91,601,889	5.39	55.69	38.93
New Hampshire	92,815,443	5.37	17.42	77.22
New Jersey	500,491,873	10.66	78.46	10.88
New Mexico	119,614,213	8.37	90.64	0.99
New York	3,341,610,000	3.17	46.91	49.92
North Carolina	277,869,119	13.11	73.68	13.21
North Dakota	42,667,948	7.33	27.60	65.07
Ohio	1,189,440,634	4.90	56.65	38.45
Oklahoma	287,856,953	9.60	87.69	2.71
Oregon	201,238,104	8.70	17.08	74.22
Pennsylvania	717,513,364	11.03	59.47	29.50
Rhode Island	104,963,770	5.58	94.42	na
South Carolina	168,715,167	13.70	55.78	30.52
South Dakota	36,957,818	9.73	34.77	55.49
Tennessee	171,758,872	14.27	63.20	22.53
Texas	825,837,026	11.94	56.11	31.95
Utah	87,892,414	14.24	81.43	4.33
Vermont	49,953,033	9.18	41.30	49.52
Virginia	372,139,534	7.17	17.38	75.45
Washington	306,849,849	6.31	70.16	23.53
West Virginia	121,976,310	11.98	73.69	14.33
Wisconsin	468,972,759	6.12	59.21	34.67
Wyoming	51,702,710	4.46	79.07	16.47
Puerto Rico (PR)	48,234,267	30.27	69.73	na
States, DC, & PR	\$19,204,055,632	7.86%	55.88%	36.26%

a/ Data Source: U.S. Department of Education (1992). *Fourteenth Annual Report to Congress to Assure the Free and Appropriate Public Education of All Children With Disabilities*. Table AH1, p. A209-210. Total funds expended may not equal the sum of special education and related services because some states only reported total funds expended.

b/ na = data not available.