DOCUMENT RESUME

ED 449 618 EC 308 224

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TITLE	Special Education Facilities Funding Report: An LAO Report.
INSTITUTION	California State Legislative Analyst's Office, Sacramento.
PUB DATE	2000-01-03
NOTE	17p.
AVAILABLE FROM	California State Legislative Analyst's Office, 975 L Street, Suite 1000, Sacramento, CA 95818; Tel: 916-445-2375; Web site: http://www.lao.ca.gov.
PUB TYPE	Numerical/Quantitative Data (110) -- Reports - Descriptive (141) -- Reports - Evaluative (142)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Block Grants; Categorical Aid; *Disabilities; *Educational Facilities; *Educational Finance; Elementary Secondary Education; Expenditure per Student; *Finance Reform; Financial Needs; Financial Support; Grants; School Buildings; School Funds; Special Education; *State Aid; *State School District Relationship
IDENTIFIERS	*California

ABSTRACT

This report reviews the method and level of funding for special education facility needs in California and recommends modifications. It begins by summarizing special education programs, describes classroom needs, and finally discusses past and present facilities funding methods. A discussion of various options for funding special education facilities follows, along with a recommendation for funding new construction and modernization projects. The review found that local authorities should be given the responsibility to provide the facilities required to educate all of their pupils while minimizing state and local administrative costs; that the grant levels adequately address special education facility needs except for special day classes; that classification of special day class pupils as "severe" and "nonsevere" does not accurately reflect the facility needs of the population; and that a reasonable methodology is needed to provide for new construction and modernization to Medical Therapy Units. Based on the review, the legislature is urged to: (1) establish a uniform facility grant for all pupils; (2) establish a separate facility grant for county offices of education; and (3) require county offices of education to provide local matching funds except in financial hardship cases and establish a revolving loan fund to assist county offices in providing local matching funds. (CR)

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Special Education Facilities Funding Report

This report is in response to Chapter 407, Statutes of 1998 (SB 50, Greene), which directed our office to review, in conjunction with the Departments of Finance and Education, the method and level of funding for K-12 special education facility needs and recommend modifications, as appropriate. The type of facility needed varies depending on the special education program and pupil disability. Programs include designated instruction, resource specialist, special day class, and nonpublic school.

- Local authorities should be given the responsibility to provide the facilities required to educate all their pupils while minimizing state and local administrative costs.

- The grant levels in Chapter 407 adequately address special education facility needs except for special day classes. This is because a portion of the special day class population will require higher cost facilities such as toilet rooms and daily living space in the classroom.

- Classification of special day class pupils as "severe" and "nonsevere" does not accurately reflect the facility needs of the population.

- A reasonable methodology to provide for new construction and modernization of Medical Therapy Units.

Based on our review, we recommend that the Legislature:

- Establish a uniform facility grant for all pupils. This will streamline the funding process, maximize local flexibility to provide facilities needed to serve all their pupils, and minimize state and local administrative costs.

- Establish a separate facility grant for county offices of education in recognition of the special education pupils served at county facilities.

- Require county offices of education to provide local matching funds except in financial hardship cases. The Legislature should establish a revolving loan fund to assist county offices in providing local matching funds.

January 3, 2000

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INTRODUCTION

This report is in response to the requirement in Chapter 407, Statutes of 1998 (SB 50, Greene) that the Legislative Analyst, in conjunction with the Departments of Education and Finance, review the method of funding the construction and modernization of school facilities for special education pupils. These pupils are individuals between birth and age 22 who have exceptional education needs because of various physical, mental, or emotional conditions. Consequently, there is a need to provide a portion of these pupils a classroom setting that differs from the regular classroom. This report addresses the different classroom needs and recommends a streamlined process for state funding consistent with the new funding program established by Chapter 407.

New State Program for Funding K-12 Construction

Chapter 407 established a new state program for assisting in the funding of K-12 school facilities. The new program provides state funds on a per-pupil basis for both the construction of new schools and modernization of existing schools. These grants currently range from about $2,300 to $7,300 depending on whether (1) the project is for modernization or new construction and (2) the facilities are for elementary, middle, or high school purposes. Grants are based on the state providing 50 percent of the cost for new construction and 80 percent for modernization. The grants can be increased to 100 percent if a local school demonstrates an inability to provide its share of the cost. For purposes of determining the state's total funding for a project (the number of pupils times the grant amount per pupil), existing classrooms are assumed to accommodate an average of 25 pupils in grades K-6 and 27 pupils in grades 7-12.

In adopting this new program, the Legislature recognized that the grant amounts and the assumed average number of pupils per classroom did not adequately account for the classroom needs of pupils in special education. Consequently, Chapter 407 includes a provision for the State Allocation Board to adopt interim measures for determining state grants for special education classrooms. The board has adopted interim measures that provide state grants ranging from about $2,500 to $15,000 (rather than the $2,300 to $7,300 range of the regular program). Chapter 407 stipulates that the board's interim measures are to remain in effect until July 1, 2000 and are then to be changed taking into consideration the recommendations in this report.

Review of the Program

In conjunction with staff from the Departments of Education and Finance, we reviewed special education programs and facilities throughout the state. This included meetings with State Allocation Board staff and with facilities and program specialists at both the state and local levels, site visits to several special education facilities across the state, and a statewide survey of Special Education Local Plan Area administrators to obtain information on programs and associated facility needs. In addi-

tion, consideration was given to an advisory report that was prepared by a special education facilities committee convened by the State Department of Education. The draft report developed from the above activities was then discussed with staff from the Departments of Education and Finance.

In this report, we provide (1) a summary of special education programs, (2) an overview of classroom needs, and (3) a discussion of the past and present facilities funding methods. These are followed by a discussion of various options for funding special education facilities, along with our recommendation for funding new construction and modernization projects.

SPECIAL EDUCATION PROGRAMS

Special education programs are provided throughout California's K-12 public education system for individuals from birth to age 22 who have exceptional education needs because of various physical, mental, or emotional conditions.

Program Background

Federal law defines the disabilities that qualify a child for special education and mandates school responsibilities and parental rights. Federal law sets out three basic principles that apply to children with disabilities:

- All children with disabilities must be provided a free, appropriate education.
- Each child's education must be determined on an individualized basis and designed to meet his or her unique needs in the least restrictive environment.
- The rights of children and their families must be ensured and protected through procedural safeguards.

Consistent with these requirements, the California Master Plan for Special Education requires schools to assess each pupil's educational needs and consider a range of options to provide the appropriate program for each pupil. The master plan, implemented statewide in 1980 with the enactment of Chapter 797, Statutes of 1980 (SB 1870, Rodda), established an areawide approach for delivering special education services. These areas, called Special Education Local Plan Areas (SELPAs), are administered by local school officials and are responsible for assuring that the necessary range of educational programs are available to the pupils in their area. The SELPAs range in area of responsibility from multicounty to a single school district. For example, of the 116 SELPAs in 1998-99, 3 were multicounty; 33 were countywide; 48 were multidistrict; and 32 were single district. These SELPAs covered all of the 997 K-12 school districts and 58 county offices of education operating that year.

From 1980-81 through 1997-98, school districts received funding for special education based on the educational program (such as special day classes, designated instruction and services, resource specialists, and nonpublic schools) in which each pupil was placed. In order to obtain state operating funds, a district was required to identify the disability and placement setting for each special education pupil. Over time, this funding mechanism was considered an unduly complex and inequitable system that restricted local decisions and innovation. In addition, the program's cost-based funding tended to encourage placement of pupils in programs that resulted in receiving more state funding but were not necessarily the most appropriate placement for the pupil.

Current Program Funding

In view of the concerns over program cost-based funding, the Legislature established a new funding method with the enactment of Chapter 854, Statutes of 1997 (AB 602, Poochigian and Davis). Under this program a specific amount of funding for special education is provided based on the total number of *all* pupils enrolled in a SELPA rather than the number of special education pupils enrolled in specific educational programs. School districts are no longer required to identify either the number or placement of special education pupils for state funding purposes. The funding for special education is provided directly to SELPAs rather than school districts. Each SELPA is responsible for distributing the special education funds in a manner consistent with the educational programs and needs of the pupils within the SELPA.

SPECIAL EDUCATION FACILITIES NEEDS

A variety of program placement options are available for special education pupils. Program placement coupled with the nature of the special education pupil's disability results in a variety of classroom facility needs. These program placements and associated classroom facility needs are discussed below.

Designated Instruction and Resource Specialist. These services are offered either on an individual basis or in a small group setting. Pupils spend the majority of the school day in the regular classroom, with additional services provided on a "pull-out" basis in a separate classroom. The program can include speech, vision, audiological, counseling, and health services—depending on pupil needs. Instruction is provided by a regular class teacher, special class teacher, or qualified resource specialist teacher. Based on discussions with staff of the State Department of Education and State Allocation Board, adequate facilities are provided for these programs through the basic K-12 regular education grant amount provided under Chapter 407. *Consequently, a funding adjustment for special education is not necessary for these services.*

Special Day Class. Special education pupils whose needs are not best met through a regular education program with supplemental services (such as the designated instruction or resource specialist program) are placed in special day classes, where they spend the majority of the day. Classroom facilities for these programs can vary significantly depending on the educational program and the severity of the pupil's disability. *The higher cost for some of these classrooms is the primary reason why an adjustment to the basic per-pupil construction grant is made.*

Nonpublic Schools. In cases where a public school cannot effectively or efficiently run any of the three programs listed above, services can be obtained by contracting with a private, nonpublic school. These nonpublic schools must be licensed pursuant to the Education Code. A SELPA enters into a contractual agreement with the private school to provide the special education pupil the appropriate educational program. The necessary classroom facilities are the responsibility of the private school and are not part of the state school facilities program.

State-Operated Programs. This option includes placing pupils in the state-operated School for the Blind in Fremont and the Schools for the Deaf located in Riverside and Fremont. These programs are provided in state-owned facilities. These facilities are funded through the state's annual budget process along with other state capital outlay needs and are not part of the state school facilities program.

Medical Therapy Units. Depending on their physical disability, some special education pupils may need occupational and/or physical therapy. This need is separate and independent of the education program placement of the pupil. Frequently, therapy services are provided at a school in areas such as multipurpose rooms, gymnasiums, and outdoors. At times, however, when there are sufficient number of pupils in a SELPA that need these services, a separate facility known as a Medical Therapy Unit (MTU) may be needed. The facility required for an MTU can range from a large classroom to a multiroom complex, depending on the number of pupils served and the therapy required. *Funding for these highly specialized facilities is not part of the Chapter 407 per-pupil grant.*

Enrollments in Special Education

Figure 1(see page 6) summarizes enrollment in special education and total K-12 enrollment from December 1, 1996 through December 1, 1998. As the figure shows, enrollment in special education has steadily increased both in total number and as a percent of K-12 enrollment. Figure 1 also shows the placement of special education pupils in each of the programs over the last three years. It indicates that nearly all special education pupils were placed in either designated instruction/ resource specialist programs (about 67 percent) and special day classes (about 30 percent).

Pupils with a given disability may be placed in any of the available programs, depending on the educational need and the least restrictive environ-

Figure 1

Special Education Enrollment and Placement

1996 Through 1998
(December 1 Pupil Count, Ages 0-22)

	1996		1997		1998	
	Enrollment	Percent of Total	Enrollment	Percent of Total	Enrollment	Percent of Total
Designated instruction	142,274	24.1%	145,573	23.9%	147,389	23.4%
Resource specialist	254,511	43.2	264,906	43.4	274,549	43.7
Special day class	178,246	30.3	184,579	30.3	191,954	30.5
Nonpublic school	10,715	1.8	11,679	1.9	12,007	1.9
State-operated programs[a]	3,533	0.6	3,300	0.5	2,949	0.5
Totals, Special Education	**589,279**	**100.0%**	**610,037**	**100.0%**	**628,848**	**100.0%**
Totals, K-12 Enrollment	**5,612,965**	—	**5,727,303**	—	**5,844,111**	—
Special Education, Percent of K-12 Enrollment	—	**10.5%**	—	**10.7%**	—	**10.8%**

[a] Includes pupils in State Development Centers and Department of the Youth Authority institutions.

ment for the particular pupil. For example, in 1999 there were 14,527 orthopedically impaired special education pupils, placed as follows: 3,855 in designated instruction/resource specialist programs, 10,581 in special day classes, 87 in nonpublic schools, and 1 in a state-operated program.

As discussed above, about 70 percent of the special education pupils are enrolled in designated instruction/resource specialist programs, state-operated programs, or nonpublic schools. Facilities for these programs are provided for either through the Chapter 407 regular education per pupil grant, the state budget, or private funds. The remaining 30 percent of special education pupils are enrolled in special day classes. Facilities for special day classes are *not* adequately addressed in Chapter 407's regular education per-pupil grants. In addition, the unique need for MTUs is not addressed in the regular education per-pupil grant. Thus, in the balance of this report, we address the facility needs and funding for special day classrooms and MTUs, and our recommendation for adjusting state funding grants to provide these facilities.

Facility Needs of Special Day Classrooms

In general, even though the number of pupils in a special day class is about half the number in a regular classroom, a special day classroom needs to be larger. This is because more space is generally needed for (1) storing wheelchairs and other mobility equipment, (2) daily living skill areas (such as a kitchen), and (3) toilet rooms with direct classroom access. Of course, the need for these additional spaces varies considerably de-

pending on the nature of the pupils. As a result, all special day classrooms do not need each type of extra space. In those cases where spaces such as toilet rooms or kitchens are required, the cost to construct the special day classroom will be higher than a regular classroom. On the other hand, special day classrooms that are simply somewhat larger with more storage space are only marginally more costly. The state construction grant program should take into account the significant differences in these facility needs and associated construction cost differences for special day classrooms.

Past and Present Funding Methods

Lease Purchase Program. Between 1976 and 1998, special day class needs were determined by (1) classifying disabilities as "severe" or "nonsevere," and (2) assigning a classroom size, the number of pupils per classroom, and an allowable cost per classroom. The Office of Public School Construction in the Department of General Services prescribed unit cost standards for various types of construction and facility use. Figure 2 summarizes the factors used to determine state funding levels. As shown in the figure, the

Figure 2

Lease-Purchase Program
Special Day Class Basic Needs

1976 Through 1998

	Grade Level	Number of Pupils Per Classroom	Classroom Size (Square Feet)	Cost Per Square Foot (April 1998)[a]
Nonsevere Disability				
Specific learning disability	All	12	1,080	$83.10
Mildly mentally retarded	All	12	1,080	83.10
Severe disorder of language	All	10	1,080	92.51
Severe Disability				
Deaf and hard of hearing	All	10	1,080	—[b]
Visually impaired	All	10	1,330	$89.38
Orthopedic or other health impaired	All	12	2,000	83.10
Autistic	All	6	1,160	89.38
Severely emotionally disturbed	All	6	1,160	89.38
Severely mentally retarded	Elementary	12	1,750	89.38
Severely mentally retarded	Secondary	12	2,150	89.38
Developmentally disabled	All	10	2,000	89.38
Deaf/blind, multihandicapped	All	5	1,400	—[b]

[a] Cost data are for Class B construction—concrete/steel framing—as of April 1998.
[b] Data not available.

number of pupils per classroom ranged from five for multiple handicap pupils to 12 for orthopedically impaired pupils. Classrooms ranged from 1,080 square feet to 2,000 square feet and included special needs such as toilet facilities, extra storage space, and daily living skills development areas.

Current School Facilities Program. Under Chapter 407, the State Allocation Board has adopted interim regulations to provide state funds for special education facilities. These regulations continue the practice of classifying disabilities as severe and nonsevere, but funding is based on a per-pupil grant rather than an allowable cost per classroom. Under the regulations for new construction, a district receives a $5,764 grant for each special education pupil classified as nonsevere—10 percent higher than the grant for a regular education pupil. For each K-6 pupil classified as severe, the grant is $10,480—double the amount for regular education pupils. Consistent with Chapter 407, if a district can demonstrate an inability to match the state funds—called a hardship case—the state will provide both the state and district share. The State Allocation Board's regulations do not require county offices of education to meet the same hardship criteria as districts, and in most cases counties qualify for 100 percent state funding.

OPTIONS FOR FUNDING CONSTRUCTION OF SPECIAL DAY CLASSROOMS

In considering alternative methods for funding special day classrooms, we used the following basic principles:

- Local officials should have maximum flexibility to construct the facilities they need to properly serve their pupils.
- Funding for construction should not encourage the reporting of pupils by disability category in order to maximize state funding for a project.
- There should be minimal state administrative review and associated costs.
- Local administrative costs to obtain state grants should be kept to a minimum.

Keeping these principles in mind, we considered the options discussed below for funding new construction and modernization.

We also assessed the State Allocation Board's current nonsevere and severe grant amounts to determine if the grants are at a reasonable level. The board established the special education grants based on actual project cost information and from testimony received during development of the interim regulations. In our judgment, the grant levels are reasonable and adequately provide for

the necessary special day classroom facilities. However, the use of pupil classifications as "severe" and "nonsevere" does not necessarily reflect the need to construct more costly classrooms. Our review indicates that approximately 80 percent of the special day class enrollment requires somewhat larger classrooms and additional storage space. This type of space is provided through the board's 10 percent increase in the per-pupil grant. The other 20 percent of enrollment requires the higher cost classrooms that include a larger classroom, additional storage, and high cost facilities such as toilet rooms and kitchen space. These classrooms are the basis for the board's 100 percent increase in the per-pupil grant. These ratios (80 percent and 20 percent) of classroom needs were used in assessing the adequacy of the funding levels that would result from each of the four options discussed below.

The following four options for funding new construction and modernization are discussed below.

- Maintain the current method and level of funding.
- Maintain the current method and increase the level of funding.
- Provide a single grant for all special day class pupils.
- Provide a single grant for all pupils including nonspecial day class pupils.

Maintain the State Allocation Board's Current Method and Level of Funding

This option would make permanent the board's temporary regulations, which are now in place. It would continue the practice of linking types of disabilities to facility needs and would require applicants (K-12 districts and county offices of education) to identify the number of pupils in the categories of severe and nonsevere. Applicants would also need to identify the number of classrooms currently available for each category and demonstrate a need for additional classrooms by category based on an assumed number of pupils per classroom. For this purpose, the board assumes 25 pupils per classroom for grades K-6 and 27 pupils for grades 7-12. Once the capacity for a school has been determined, state funding would be provided based on the number of "unhoused" pupils in each category. The per-pupil grants currently authorized under these regulations are shown in Figure 3 (see page 10).

This option does not meet the basic principles in several ways. Local administrative costs are not minimized because of the need to maintain records and report categories of pupil disabilities. This was not an additional administrative burden in the past because this information was required for state funding of the operating budget. However, with the operating budget changes discussed earlier in this report, this information is no longer needed by the state. In fact, requiring these data for construction funding runs counter to the emphasis in the operating budget of funding based on total enrollment (regular and special

Figure 3

State Allocation Board
Current Special Education Per-Pupil Grants

			Hardship	
	New Construction	Modernization	New Construction	Modernization
Elementary (Grades K-6)				
Nonsevere	$5,764	$2,489	$11,528	$3,111
Severe	10,480	4,526	20,960	5,658
Middle School (Grades 7-8)				
Nonsevere	$6,096	$2,633	$12,192	$3,291
Severe	11,084	4,788	22,168	5,985
High School (Grades 9-12)				
Nonsevere	$7,981	$3,447	$15,961	$4,309
Severe	14,510	6,268	29,020	7,835

education) rather than a separate amount which depends on the disability and placement of each special education pupil. Further, basing state construction funds on this information could encourage improper reporting in order to maximize state funding.

In addition, the state administrative costs are not minimized because of the need to verify both the local's pupil-specific information and the construction of facilities to accommodate the specific disabilities and programs. This could also reduce local authorities' flexibility to provide facilities they deem necessary for their pupils because of the prescriptive nature of providing facilities for the reported disability classifications.

Maintain the State Allocation Board's Current Method and Increase the Funding Level

The State Department of Education's special education facilities committee proposed a funding method similar to the State Allocation Board's current regulations. This option would continue the practice of identifying pupils by disability and providing facility funding based on the number of pupils in the categories of severe and nonsevere. As with the previous option, districts would identify the number of classrooms available for each category and demonstrate a need for additional classrooms based on an assumed number of pupils per class. State funding would be based on the number of "unhoused" pupils in each category.

The committee's proposal differs from the State Allocation Board's regulations in two ways. *First,* the per-pupil grant would generally be a higher amount. The proposed grants, which would apply to all grade levels, would provide $6,950 per nonsevere pupil and $16,700 per severe pupil for new construction and $3,447 and $5,962 for nonsevere and severe pupils, respectively, for modernization. These grant amounts range from 21 percent to 59 percent higher than the board's current grants. In two cases—construction for high school nonsevere and modernization for high school severe—the grants would be lower than the board's (by 13 percent and 5 percent, respectively). The proposed grant amounts are based on the committee's evaluation of cost allowances provided under the lease-purchase program and the reported construction costs of 17 county special education facilities completed over the past ten years. *Second,* the committee's proposal would reduce the assumed number of pupils per classroom to 11 nonsevere pupils per classroom and 8 severe pupils per classroom for all grades. The class size for nonsevere pupils is based on the average number of pupils per classroom that was used under the lease-purchase program. The class size for severe, however, is less than the 9.6 average that was used in the lease-purchase program.

Similar to the State Allocation Board's current regulations, this option does not meet the basic principles outlined above. Neither state nor local administrative costs are minimized. Local flexibility is not maximized. The categorical funding structure could encourage reporting pupils to maximize state funding. Further, we have found no compelling reason to increase funding for special day class over the current level or to reduce the assumed average class size for severe students from 9.6 to eight.

Eliminate Disability Classification and Provide a Single Grant for All Special Day Class Pupils

This option would eliminate the classification and reporting of pupils as nonseverely and severely disabled. Instead, local authorities would identify the total number of pupils in special day classes. They would also need to identify the number of special day classrooms available and demonstrate a need for additional classrooms based on an assumed number of pupils per classroom. Since the categories of nonsevere and severe would no longer be used, the assumed number of pupils per classroom should reflect an average for special day classes (similar to the method for regular classrooms). To derive this number, we relied for the most part on information obtained from our statewide SELPA survey. These data indicate that the statewide average is about 13 nonsevere pupils and 9 severe pupils per classroom. Using a weighted factor of these numbers based on the statewide enrollments in April 1999 results in a factor of 11.5 pupils per special day classroom. Thus, under this option, the assumed number of pupils per special day classroom would be 11.5.

The state would then provide the same grant for each pupil enrolled in special day classes depend-

ing on the pupil's grade level (K-6, 7-8, and 9-12). The per-pupil grant amount would be based on the weighted statewide average of the State Allocation Board's grant amounts for severe and nonsevere pupils. On this basis, the new construction per-pupil grants for grades K-6, 7-8, and 9-12 special education pupils would be $6,750, $7,139, and $9,345, respectively. For modernization, the per-pupil grants would be $2,915, $3,084, and $4,037, respectively.

This option meets some of the principles outlined above by somewhat reducing state and local administrative costs because the reporting of disability categories has been eliminated. This option, however, continues to rely on reporting the number of pupils placed in special education programs at a point in time. This could encourage reporting children as special education pupils in order to maximize state funds. The option does increase, somewhat, local flexibility to construct the facilities locals need to educate their special day class pupils.

Provide a Uniform Grant to All Pupils (Regular and Special Education) That Accounts for Special Day Classroom Enrollments and Construction Costs

This option would eliminate all classification and reporting of pupils based on disability or placement setting. Local authorities would identify the total number of pupils enrolled at a school, including regular education. They would also identify the total number of classrooms available, including special day classrooms. Need for additional classrooms would be determined based on an assumed uniform number of pupils per classroom. The assumed number of pupils per classroom would reflect an average for all placements, both regular and special education. To arrive at this number, we relied on the current assumed number of regular education pupils per classroom of 25 and 27 students for grades K-6 and 7-12, respectively, and on information obtained from our statewide SELPA survey. As mentioned above, these data indicate that the statewide average is about 13 nonsevere pupils and 9 severe pupils per classroom. Using a weighted factor of these numbers based on the statewide enrollments in April 1999 results in a factor of 24.5 pupils per grade K-6 classroom and 26.5 pupils per grade 7-12 classroom.

The state would then provide the same grant for each pupil, regardless of classification or placement, depending on the pupil's grade level (K-6, 7-8, and 9-12). The per-pupil grant amount would be based on the weighted statewide average of the State Allocation Board's grant amounts for regular, severe, and nonsevere pupils. On this basis, the new construction per-pupil grant for grades K-6, 7-8, and 9-12 pupils would be $5,291, $5,595, and $7,325, respectively. For modernization, the per-pupil grant would be $2,285, $2,417, and $3,164, respectively.

This option meets all of the basic principles outlined above. Districts would be afforded the flexibility to use facilities funding resources in a manner consistent with their programmatic goals. There would be no incentive to classify pupils in order to maximize state funds. District administra-

tive costs will be minimized because there is no need to maintain records and report categories of pupil disabilities to receive state funds for facilities. This approach is consistent with the recent operating budget changes discussed earlier in this report. Furthermore, state review and administrative costs would be reduced because there would no longer be a need to track and verify pupil disabilities or placement.

This option, however, also means that (1) state facilities funds would not be directed toward a specific number of special education pupils, (2) state oversight of school facilities plans for special education would be diminished, and (3) local authorities would have the responsibility to provide the school facilities that are necessary to meet the needs of *all* their pupils. Also, this option is based on statewide averages of enrollments in special education. This could result in some overfunding or underfunding of local projects depending on actual enrollments. Our analysis indicates, however, that there would have to be a fairly large variation in a district's special day class enrollment from the statewide average to result in a funding difference of more than a few percentage points.

RECOMMENDATIONS

The options discussed above represent a range of methods available for funding new construction and modernization of special education facilities. Our recommendations for funding the facilities needed for special education are detailed below.

District Facilities. We recommend using the option that provides a uniform grant for all pupils (regular and special education) that accounts for special day classroom enrollments and construction costs. This option meets all the basic principles we used in considering each option discussed in this report. As mentioned above, this option, however, also reduces state oversight and places the responsibility for providing the necessary school facilities with the local authorities. Further, while this option, on a statewide basis, would provide about the same level of state funding as the current method, it could in some cases result in slight overfunding or underfunding depending on actual enrollments. On balance, we believe the benefits of a streamlined process that maximizes local flexibility to provide the facilities needed to serve *all* their pupils outweighs the reduced state oversight and marginal funding variations.

County Offices of Education Facilities. For county offices of education, we recommend using a single uniform per-pupil grant at the State Allocation Board's grant level for severely disabled pupils. In general, county offices of education operate programs only for the most severely disabled. Thus, the higher level of funding should ensure that counties will have the necessary facilities for this pupil population. Under this

option, the new construction grant amounts for all pupils in county programs would be $10,480, $11,084, and $14,510 for grades K-6, 7-8, and 9-12 pupils, respectively. The per-pupil grant amounts for modernization would be $4,526, $4,788, and $6,268 for grades K-6, 7-8, and 9-12 pupils, respectively. The assumed number of pupils per classroom would be nine pupils, the current statewide average for severely disabled pupils.

Restructure County Hardship Qualification. We recommend restructuring the hardship qualification for county offices of education as currently allowed under the State Allocation Board regulations. Currently, county offices are not required to meet the same hardship criteria as districts, and many qualify for 100 percent state funding. We believe that this is unnecessary and may tend to encourage the construction of county facilities with the subsequent placement of pupils in county offices of education rather than district facilities. County offices should have the responsibility, similar to school districts, to make every attempt to provide local matching funds (through bonds, certificates of participation, pay-as-you-go, or other financing mechanisms) under the current state program. Clearly, a county office that meets the current district hardship criteria should qualify for 100 percent state funding.

Alternative County Offices Funding. Another method of funding county special education facilities would involve establishing a state revolving loan fund. In this case, county offices would not have to apply for hardship funding. Instead, county offices could borrow from this fund to provide their share of the facility construction or modernization cost. County offices would repay the loans plus interest by including these costs in the amount charged to districts for the district's pupil placed in the county program. The loan costs are appropriately part of the cost of providing the county office of education program and should be charged to the district. This is similar to the contracts that districts enter into when they place a pupil in a nonpublic school. A portion of the contract per-pupil cost at the nonpublic school is the facility cost such as debt payment.

Medical Therapy Units. Currently, around 100 MTUs are operated across the state. These facilities are infrequently constructed—only five in the past five years—and the requirements for each MTU can vary significantly. The size, caseload, and number of therapy hours administered varies widely depending on geographic region and need. As a result, funding cannot be reasonably based on a per-pupil grant. The State Allocation Board currently provides $76 per square foot in state support for new construction of an MTU. Currently, the board does not fund modernization of MTUs. A significant issue is when to construct these units. This issue requires further evaluation. We recommend that the State Allocation Board's implementation committee review this issue with the intent of developing criteria to determine when an MTU should be constructed or modernized. In developing these criteria, the board should consider such factors as areawide needs and number of hours of therapy prescribed. The Department of Health Services, which has a role

in overseeing the provision of these services, should have a role in developing these criteria. In the meantime, we recommend that the board continue to fund MTUs on a case-by-case basis for new construction.

Conclusion. Adoption of these recommendations would streamline the facilities funding process for special education, minimize state and local administrative costs, and give local authorities the flexibility to build necessary facilities to meet the education needs of their pupils. Our recommendations are consistent with the current model of funding regular education facilities through a uniform grant. The recommendations are also consistent with the current operations funding model which provides a uniform level of funding on a per-pupil basis.

Acknowledgments

This report was prepared by Christopher Guyer, under the supervision of Gerald Beavers. The Legislative Analyst's Office (LAO) is a nonpartisan office which provides fiscal and policy information and advice to the Legislature.

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