The Identification of Financial Disincentives to Educating
Children and Youth with Moderate to Severe and Multiple
Developmental Disabilities in their Home Schools

Final Report
(A Summary)

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Any effort to start over again with the funding of special education in Illinois should be based on the principles enunciated by the National Association of State Boards of Education Study Group on Special Education.

- Funding must not be triggered by the labeling of students
- The level of funding must not depend on the placement of students or who provides the programs.
- Funding should be tied to "outcomes for students" and not "inputs for programs"
- Funding for special education should be linked with funding for general education to minimize competition for dollars.
- Funding should be focused on the local school district and all special education funds should flow through the local district.

Two different approaches taken in recent years by Pennsylvania and Oregon both largely achieve these goals. Oregon does it by providing added weighting for children with disabilities in its general state aid formula. Pennsylvania does it by providing special education funding to all school districts for a predetermined percentage of students in the district.

By using a single education funding formula, Oregon more closely ties together funding for special and general education. The Oregon system also incorporates an element of equity. In order to add the weighting, however, Oregon schools have to label children with disabilities.

The Pennsylvania system eliminates completely any need to label or to count children by assuming that 17 percent of all children need some extra help, and that one percent of all children need a lot of extra help. (The few children with exceptionally severe disabilities are dealt with on an individual basis with dollars set aside for that purpose.) A child doesn't have to be labeled or segregated for the school district to get money or for the child to get extra help, and once services are in place any child can get help. In both Oregon and Pennsylvania dollars flow
directly to the local school districts. The districts control the funds and have the resources to make the determination of how and where a student should be served.

Both the Oregon and Pennsylvania funding systems for special education meet most of the criteria recommended by the National Association of State Boards of Education. It is our judgment that the Pennsylvania system is more direct, simpler to understand and is more readily adaptable to Illinois than is the Oregon system.

What would a Pennsylvania funding system look like transplanted to Illinois with 1,816,182 public school students? Applying the Pennsylvania formula to Illinois yields

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\begin{align*}
17 \text{ percent times } 1,816,182 \times \$525 & = 162.1 \text{ million} \\
1 \text{ percent times } 1,816,182 \times \$7000 & = 127.1 \text{ million} \\
\text{Total} & = 289.2 \text{ million} \\
1 \text{ percent of appropriation for exceptionally severe children} & = 2.9 \text{ million} \\
\text{Total (Pa. formula applied to Ill.)} & = 292.1 \text{ million}
\end{align*}
\]

The Pennsylvania formula could be increased 46 percent before the total cost would exceed the total dollars that State government in Illinois is now spending on special education.

Appropriating and distributing dollars on the basis of the Pennsylvania formula would, in addition to providing local school districts with flexibility in spending the money in support of Individual Education Plans, considerably reduce the requirements and costs of record keeping. This point cannot be stressed too strongly. The amount of time, effort, detail and duplication that goes into applying for the various existing grant and reimbursement dollars, writing all the different required planning and budget documents, and accounting for expenditures is tremendous and makes no direct contribution to the education of even one child. Some of the school officials interviewed for this study questioned the wisdom of applying for some of the programs. The amount of effort put out in return for the dollars obtained did not seem worth it, they said.
ACCOUNTABILITY IN SPECIAL EDUCATION

There are two basically different ways of holding school districts accountable for special education. One is the way Illinois does it now. There is a regulation for every activity. Everything must be done in a particular way. Everything must be documented. Every penny must stay in its designated channel. The assumption behind this system of accountability is that if the process is proper, the result will be appropriate.

A second way of holding school districts accountable for special education would be to directly hold the school district accountable for results, and assume that if the results are appropriate, the process, whatever it was, was proper. The accountability would focus on results, not process. The State would focus on the quality of Individual Education Plans and whether their goals had been accomplished, and not on whether dollars had been spent for specific activities.

Educating children with disabilities in their home schools "fits" in a special education structure where the funding is attached to students, and accountability is tied to results.

CREATING A DISTRICT SPECIAL EDUCATION FUND

Creating a special education fund in each district into which all special education funds would be deposited, and from which all special education expenditures would be made, is one way of maintaining the level of special education funding and making accountability easier. Such a fund would allay the fears of those who think that any change in the formulas for distributing special education dollars will result in those dollars being "lost" to general education. There would be more of an incentive for both the federal and State governments to consolidate their current fragmented financial assistance programs into block grants. Such a fund would also make budgeting, record keeping, auditing and cost studies of special education easier and less costly.
RECOMMENDATIONS

The strong recommendation of this report is that Illinois fund special education with a single formula tied to school district membership and mat the dollars be sent directly to school districts which are held responsible for achieving the results specified in Individual Education Plans. Federal dollars also should be sent directly to school districts. A special education fund should be established in school districts for the receipt and expenditure of all special education funds.


"Fiscal Procedures For Special Education Pupil Reimbursement", (Revised for the 1991-92 School Year), Department of School Finance, Illinois State Board of Education; and "Revised Special Education Tuition Cost Sheet and Related Forms", Memorandum to District Superintendents, Regional Superintendents. Directors of Special Education from Bill Hinnchs, Manager, Reimbursements Section. October 15, 1992.

Ill. Rev Stat. 122:14-13.01

23 Illinois Administrative Code 226.910

Local Superintendents  
Regional Superintendents  
Directors of Special Education  
Interested Parties  

The Illinois Planning Council on Developmental Disabilities and the Illinois State Board of Education recently jointly funded a study on financial disincentives to educating students in their local schools. The synopsis of this study is attached.

The study report is designed to provide you with information about the way we currently fund special education. It points out the inequities, the barriers and the very real unfairness in the way the state funds this area. The report also makes recommendations on how to change the current system to make it more fair for those who choose, through the IEP process, to educate children in their home school.

At the State Board of Education we are continuing our efforts to involve all of the state and stakeholders regarding our special education finance system. I am very interested in your input, opinions and concerns. The State Board of Education will be proposing legislative changes in this area over the next few years. Please let us know your views on this very important part of the future of education in Illinois.

You may wish to provide your views to Gail Lieberman, Assistant Superintendent for Special Education. Also, if you wish a full copy of the document, or need it in another medium, please contact that office. They can be reached at 217/782-6601 (voice) or 217/782-1900 (TTY/TDD).

Sincerely,  

Robert Leminger  
State Superintendent  
of Education
This project was conducted under a grant funded jointly by the Illinois Planning Council on Developmental Disabilities and the Illinois State Board of Education. The contents of this report, however, do not necessarily reflect the policies of those agencies.

This document is a summary of a full report on incentives in special education financing which has been printed jointly by the Illinois Planning Council on Developmental Disabilities and the Illinois State Board of Education. To obtain copies of the full report write to or call the Illinois Planning Council on Developmental Disabilities, 830 S. Spring St., Springfield, IL, 62704, telephone, 217-782-9696; or the Department of Special Education, Illinois State Board of Education, 100 N. First St., Room E-216, Springfield, IL, 62777, (voice) 217-782-6601 or (TTYVTDD) 217-782-1900.
INTRODUCTION

In 1992 the Illinois Planning Council on Developmental Disabilities and the Illinois State Board of Education initiated a study of special education funding. The goals of the study were 1) to identify the financial incentives in the funding system which influence school districts to educate children with disabilities in separate, specialized facilities; and 2) to make recommendations to eliminate those incentives.

Federal and State laws governing the education of children with disabilities emphasize that the educational needs of the individual child should drive special education decisions, and that to the extent possible educational services should be delivered in the home classroom of the child with disabilities. The "home classroom" is the classroom the child would attend if the child did not have a disability.

Funding systems, however, have a way of creating priorities that may not be the same as those stated in the law. Administrators respond to the way that dollars flow. Dollars are appropriated to specific entities for specific purposes. Specific circumstances or specific actions turn on the money tap. Whatever dollars are attached to, tends to get done. Whatever dollars are not attached to, tends not to get done. The questions asked in this study are these: Is the money tap to Illinois school districts turned on by the educational needs of the individual child? Is the money tap turned on when a child with disabilities is educated in the regular education setting?

In special education the funding structure is not separate from, but was created with, and is an integral part of, the whole special education system. Special education came late to public education. Before federal and State laws mandated public education for everyone regardless of disability, in those districts where special education was provided, it was largely private, separate and segregated. When the laws were passed in the 1960s and 1970s, the existing private, separate and segregated structures were copied by the public schools. Public special education was an add-on, an extra cost, and local schools demanded to be reimbursed. So the structure and funding were created together. Not surprisingly they mesh and reinforce each other.
For those school districts now trying to change the structure of special education and integrate children with disabilities into regular classrooms the funding structure that was designee to support a separate system and reimburse the costs of that system becomes an impediment. The funding structure itself, with its rules, its forms, its identification of "allowable" reimbursable costs, becomes a disincentive to change, an incentive to maintain a separate, segregated system.

We look at the special education funding structure then to identify where and how it lends support to a separate educational system, and where and how it impedes the transition to educating students in regular schools. We find that the structure as a whole may be as much of an incentive to maintain the status quo as any particular, individual funding program or formula for distributing dollars.

**WHO DELIVERS SPECIAL EDUCATION SERVICES IN ILLINOIS**

The legal responsibility to educate all children with disabilities in Illinois lies with local school districts. Special education is accomplished, however, primarily through cooperatives - associations of two or more school districts formed for the sole purpose of providing special education. Some 926 school districts are organized into 66 cooperatives that educate two-thirds of the special education students in the State. The remaining one-third of the special education students are educated by the remaining 25 relatively large school districts that have chosen to maintain their own special education program and not join a cooperative.

In addition to the cooperatives that were formed voluntarily by member school districts, the State Board of Education in the 1960s organized the State into 11 regions to provide services to students with low incidence (typically vision, hearing and multiple) disabilities. The specific roles of regions have varied greatly. Some provide services directly; others only provide training and support services to school districts and cooperatives who provide the direct services.

Private schools play a large role in Illinois in providing special education services to children with disabilities. Although local public school districts have the legal responsibility for
educating all students with disabilities. many contract with private schools to fulfil this responsibility Illinois courts have traditionally considered private special education schools as contractual extensions of the public system

THE FUNDING SYSTEM FOR SPECIAL EDUCATION IN ILLINOIS

There are nine major sources of funding for special education in Illinois, two are federal, seven are State. Together the nine programs provided some $529 million in assistance for special education in FY 1991. Table 1 lists the funding programs along with the dollar amount distributed in FY 1991 and provides a general indication of the basis on which the dollars were distributed.

There are two major federal Acts that provide funds to special education. The first is the Elementary and Secondary Education Act (Chapter 1 Handicapped Program); the second is the Individuals With Disabilities Education Act (IDEA). Both programs provide dollars on the basis of the number of eligible children, although the Chapter 1 Handicapped Program also takes into account the amount of dollars a State spends. The amount of dollars per child is not set by law, but varies each year with the specific amount determined by the dollars appropriated. A child cannot be claimed for reimbursement under both programs. Together the two programs provided $103 million to Illinois in FY 1991.

There are seven State special education reimbursement programs which together in FY 1991 totaled $426 million. Unlike the federal dollars, however, the State dollars are not distributed on a per child basis. Rather they are tied to specific costs like personnel, transportation, summer school, and private school tuition, or to specific children like those who live in orphanages and foster homes; or to extraordinary circumstances where costs are unusually high. Each of the State's programs exist on its own. There is some interaction among them. For example, the Extraordinary and Orphanage programs do not cover costs already covered by State Personnel or federal dollars. There is no effort, however, to achieve any particular cumulative support level.
<table>
<thead>
<tr>
<th>Program</th>
<th>Dollars Distributed</th>
<th>Basis for Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chap. 1, PL 100-297 - Handicapped (formerly 89-313)</td>
<td>22,986,606</td>
<td>$548.86 per eligible child</td>
</tr>
<tr>
<td>IDEA PL 101-476 (formerly 94-142)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part B, flow-through</td>
<td>49,859,218</td>
<td>$257.10 per eligible child</td>
</tr>
<tr>
<td>Reg. Programs/Special Projects</td>
<td>3,955,971</td>
<td>grants</td>
</tr>
<tr>
<td>Room and Board</td>
<td>9,739,870</td>
<td>actual cost</td>
</tr>
<tr>
<td>Preschool</td>
<td>13,013,676</td>
<td>$562.90 per eligible child</td>
</tr>
<tr>
<td>Infant and Toddlers</td>
<td>3,608,771</td>
<td>grants</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extraordinary Services</td>
<td>60,799,973</td>
<td>the first $2,000 per eligible child in excess costs over regular ed per capita.</td>
</tr>
<tr>
<td>Personnel Reimbursement</td>
<td>196,000,000</td>
<td>up to $8,000 per special ed teacher and $2,800 for non-certified employees</td>
</tr>
<tr>
<td>Private School Tuition</td>
<td>24,319,506</td>
<td>the total remaining tuition cost after district pays its share which vanes depending on district's regular education costs</td>
</tr>
<tr>
<td>Special Ed Transportation</td>
<td>102,752,092</td>
<td>80 percent of costs</td>
</tr>
<tr>
<td>Orphanage Tuition - Individual</td>
<td>13,335,519</td>
<td>per capita special education tuition cost</td>
</tr>
<tr>
<td>Orphanage Tuition - Group</td>
<td>25,915,584</td>
<td>approval of program budget</td>
</tr>
<tr>
<td>Summer School</td>
<td>3,056,294</td>
<td>percentage of general state aid formula</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>529,343,080</td>
<td></td>
</tr>
</tbody>
</table>
In addition to the federal and State funding programs for special education. State law allows local school districts to levy a property tax for special education purposes. Elementary districts and high school districts are limited to a levy of 0.02 percent of equalized assessed valuation and unit districts are limited to a levy of 0.04 percent of equalized assessed valuator. Most districts extend the tax at the maximum rate. The local property taxes collected in 1991 for special education totalled $43.2 million. Because of the disparities in assessed valuation per student among school districts the amount raised per student varied widely among districts.

A FUNDING SYSTEM WITHOUT NEGATIVE INCENTIVES

In its 1992 report, "A Call For Inclusive Schools", the Study Group on Special Education put together by the National Association of State Boards of Education said that the current separate, categorical funding structure for special education has "created barriers to establishing an inclusive education system at all levels ... contributed to the segregation of students into isolated programs and served as an incentive for over identification of students so that school districts could receive more support from the state and federal governments."

The separateness of special education is a natural result of a system that ties together special children, special needs, special programs and special funds. With the label of a child known, the program is determined and the funds begin to flow for that program. Without a labeled child, there are no funds. The circle is complete and does not allow for an unlabeled child, or for a child with special needs but who is included in a regular program.

The National Association of State Boards of Education report says that for education of children with disabilities in home schools to become possible, the ties between labels, dollars and programs must be broken. Only as those connections are severed is the local school district free to treat the child as an individual and provide whatever supports are necessary for all children to be educated.
The report described what a funding system would look like that did not include incentives for segregated programs

- Funding would not be triggered by the labeling of students
- The level of funding would not depend on the placement of students or who provides the programs
- Funding would be attached to "outcomes for students" rather than "inputs for programs".
- All special education funds would flow through the local district, so that the local school district has the resources to make the choice of providing inclusive education. (If money goes directly to an intermediate service provider, the local district does not have the option of operating its own programs and inclusion is therefore precluded.)

The existing funding sources for special education in Illinois do not have the above characteristics.

The Two Federal Programs: The Elementary and Secondary Education Act. PL 100-297. (Chapter 1 Handicapped Program) and Individuals With Disabilities Education Act. PL 101-476 (formerly 94-142).

The two federal special education funding programs, Chapter 1 Handicapped and IDEA, both attach dollars to children with disabilities and require the labeling of children. The dollars flow through the State and although the dollars are distributed on the basis of the number of children with disabilities, the dollars, in general, do not flow down to local school districts. Partly in response to the federal requirement that grants not be disbursed in amounts less than $7,500, the State Board of Education limits the applicants for the grants to the mid-level providers: the regions, cooperatives and the single district providers.

There are some differences between the two programs. IDEA is the more general program and provides some support to all children with disabilities. The Chapter 1 Handicapped Program
has been in existence longer and was first passed to encourage the development of educational programs for children with severe disabilities in State operated or State supported facilities. Although the Chapter 1 Handicapped Program now serves a wider range of children, the program is still primarily for students who are the State's responsibility and includes the children with more severe disabilities. The same child cannot be counted for both programs Chapter 1 dollars cannot be used for administration. Each child counted for the program must benefit individually from the program. IDEA dollars may be used for administration and there is no requirement that each child counted for the program benefit individually. Both programs require that the federal dollars must be added to and cannot replace State and local funds.

Of the two programs, IDEA is much the larger. It's major funding program (Pan B) has an annual federal appropriation of approximately $1.4 billion and supports approximately 4.2 million students with disabilities nationwide. In FY 1991 Illinois received $257 for each IDEA eligible child. Of the IDEA-Part B money allocated to a State, 75 percent must flow through to special education providers. Of the other 25 percent, 5 percent can be used by the State for administration costs, and the remaining 20 percent can be used at the State's "discretion" for special education related services. Illinois law, however, requires that half of the State's "discretionary" dollars be used to pay the board and room costs of students with disabilities placed in private schools whose room and board are not already paid by other-State agencies.

The Chapter 1 Handicapped program has an annual federal appropriation of $150 million and supports about 260,000 students with disabilities nationwide. In FY 1991, Illinois received $549 for each child eligible for Chapter 1 Handicapped funds.

Because the dollars in both federal programs are attached to students, the dollars are distributed across the State proportionately to the number of students with disabilities. The more students served, the more federal dollars the provider receives. Because the State Board of Education limits the applicants for the funds to cooperatives and the 25 school districts that are large enough to provide their own comprehensive special education program, little of the federal money reaches local school districts.
The State policy works against educating children in their home schools because the dollars are not sent to the home districts. The greater the initial distance between the location to which the dollars are sent and the student's home school, and the more levels through which the dollars have to flow, the less chance there is that the dollars and the student will meet in the home school. Although cooperatives can pass the federal dollars through to local school districts, the grant applications typically earmark the dollars to supplement and support centralized programs. Requirements that flow money in other directions than to the local school district are an impediment and disincentive to educating students in their home schools.

Personnel Reimbursement

The Personnel Reimbursement Program is the State's basic funding program for special education. It reimburses approved special education programs a flat amount for each teacher, professional worker and noncertified employee providing special education services. The program was initially designed to pick up half the cost of special education personnel. The law, however, has not kept up with salary increases and the current rates for reimbursement are $8,000 for professional employees and $2,800 for others.

Only personnel who have been pre-approved by the State Board of Education are eligible for reimbursement. All have to be appropriately credentialed for (the handicapping conditions of) the students they are teaching and all must have job descriptions (within their credentials) on file. All personnel must spend at least 50 percent of their time with special education services and must be supervised by appropriately credentialed personnel who spend 100 percent of their time with special education services. Work assignments for each individual must also be approved.

The personnel approval and reimbursement system is disability based. It is designed on the assumption that special education has its own administrative and service delivery structure, and that special education takes place in a separate location. Although educating the student with disabilities in the home classroom can be forced into this established mold, it is not a natural fit. Local school districts have to be "creative" in the way they describe and report expenditures in
order to qualify for reimbursement. As a result, the practice of home classroom education takes on the cover of segregated reporting categories

**Extraordinary Services**

The State's Extraordinary reimbursement program is designed to cover the extra costs of educating children with more severe needs in the public school system. It supplements State Personnel and federal grant dollars. The Extraordinary reimbursement is limited by statute to $2,000 per eligible student. This means that if a school district elects to educate a child with severe needs in the public system, the State will pay the first $2,000 in extra costs and the school district will be responsible for all additional costs. The State's responsibility is limited: the school district's responsibility is open ended.

The question of whether or not the Extraordinary program contains disincentives for home classroom teaching hinges on the issue of how costs are defined. Even though the program is described as a pupil reimbursement program, the costs are special education program costs averaged over the number of special education students in the approved special education program. The program is defined by the disability characteristic of the students it is designed to serve. As an approved program that exists in an approved location, a pro rata-share of support services, educational media expenditures, administration, fiscal services, interest, operations, maintenance and depreciation are all added to the program costs to be averaged across the number of students in the program.

The costs that can be reimbursed for a student taught in the home classroom included student, however, are limited to expenditures for services and equipment obtained solely for the individual pupil. The costs allowed to be listed are: a) the net salary of an individual aide; b) equipment purchased for use solely by the pupil; and c) contracted services contracted solely for the pupil. Except for these costs, the student with disabilities taught in the home classroom is treated as a regular education student. Both direct and indirect costs are included in the reimbursement under Extraordinary when the pupil is in an approved special education program.
Not all direct and indirect costs are counted however, when the pupil is included in the regular classroom. As a result of the way costs are defined, the school district may lose dollars wrier. a student with disabilities is taught in the home classroom

Private School Tuition

The Private School Tuition Program is the State program that reimburses local school districts for part of the tuition costs for special education students who are not served in the public special education system but assigned to private schools. A complicated two-tiered formula allocates private tuition costs between the State and the local school district. If one simplifies the formula, however, ignores the impact of the two tiers on who precisely pays which dollar in what order, and concentrates on the effect rather man the mechanics, the formula is much easier to understand. Essentially, for a child in a private school: (1) the school district pays the regular per capita cost; (2) the school district pays the first extra per capita of cost up to $4,500; and (3) the State pays the rest of the tuition.

This means that a school district's responsibility for paying private tuition is limited to $4,500 in extra costs over and above the cost of educating a regular education student. The school district pays the first $4,500, and the State picks up everything that is left. The school district's financial risk is limited; the State's financial risk is open ended.

Much of the recent discussion about incentives in Illinois special education funding has centered on the differences in how the State pays for students placed in private schools and how the State pays for similar students who are educated in the public schools. The decision to place a child in a segregated private school is easier and results in the school district paying fewer of its own local dollars, it is argued, than a decision to educate that child in the school district or cooperative. Taken together (the private school tuition reimbursement formula and the reimbursement formula for extraordinary costs), the combination creates a disincentive against inclusion.
In general concept, the two programs are mirror images of each other. In the Extraordinary program there is a cap on the State’s share of the costs and the local district is responsible for all the remaining costs. In the Private tuition program, on the other hand, the local district’s share of the costs is capped and the State is responsible for all the remaining costs.

The essentials of the Extraordinary and Private tuition distribution formulas are as follows:

- **Extraordinary:** the State pays the first $2,000 of extra costs, the local district pays everything else.
- **Private tuition:** the local district pays the first one per capita of extra costs up to $4,500, and the State pays everything else.

This means, for a school district looking at the potential extra costs of educating a student with disabilities, that the first $6,500 of extra costs will be split with the State ($4,500 paid by the local district, $2,000 paid by the State) regardless of whether the school district chooses a private school program or a public extraordinary program. The only difference between the two programs is who pays first; the shares are the same.

This means that if the extra costs of special education (over the first per capita) are expected to be relatively low there is a strong incentive for the school district to go with Extraordinary funding as the State picks up all the first $2,000. As the anticipated extra costs increase over $2,000 and the sharing of costs shifts, there is an increasing financial incentive for the school district to place the child in a private school.

Once $6,500 in extra costs has been exceeded, there is no more sharing, however; the local district pays every dollar of the costs of an extraordinary public program, and the State pays every dollar of private tuition. If the extra costs are going to exceed $6,500, all school districts are better off placing the child with disabilities in a private school. (That point of division comes at a lower number than $6,500 for school districts with average and below average per pupil assessed property values. The incentive is the same, it just kicks in at a lower number.)
Private School Room and Board

If a child's Individual Education Program calls for the child to be placed in 3 residential school, then the costs of room and board are paid by the State. The State Board of Education is the agency of last resort and pays for all student room and board costs not paid by other agencies or obligated third party payers. This money comes from the State's "discretionary" share of federal IDEA grant dollars.

State payment from educational funds for room and board at private schools reinforces the other incentives to place children in private schools. Not only are additional dollars set aside to fund that particular choice, full payment of room and board (the cost of which now averages almost $45,000 a year) reduces potential parent opposition to private placement and reduces the pressure on a school district or cooperative to provide the education itself.

Special Education Transportation

The school district is responsible for providing transportation for each child with a disability who requires special transportation service "in order to take advantage of special education facilities." The responsibility extends to all children with disabilities regardless of whether they attend a public or a private school.

Special education transportation is an entirely separate system from regular education transportation and can be used only to transport special education students separately from regular students. The typical destination is a "special facility". The State reimburses local districts 80 percent of their costs for special education transportation. In the 1990-91 school year the total cost of special education transportation was approximately $132 million of which the local districts paid $29 million and the State paid $103 million.

The State also reimburses the costs of regular education transportation but the reimbursement formula leaves most local districts paying more than 20 percent of the costs. In
general the State reimburses the transportation costs that exceed the revenue generated by tax rates of .05 for high school districts, .06 for elementary districts and .07 for unit districts. The State pays an increasingly larger share of regular transportation costs as the wealth of the school district declines. In FY 1991 the total cost of regular and vocational transportation was about $250 million, half of which was paid by the State and half by local districts.

The question of disincentives for educating children with disabilities in their home schools in the transportation cost reimbursement program has three parts: 1) does education in the home school make a particular student ineligible for special education transportation: 2) does the school district lose money when a student shifts from special education transportation to regular education transportation; and 3) does the school district lose money when it stops transporting children long distances and begins to educate them in their home schools.

The State rules include two criteria for making a student eligible for special education transportation: the child's exceptionalities and the program location. Education in the home school would not affect the eligibility of any child whose exceptionalities require special transportation. Children who are eligible for special transportation solely because of the location of the special education program would, however, become ineligible for special education transportation if they were included in their home schools. This is likely to be the case for children with less severe disabilities who require special education transportation now only because their special education takes place at a separate location.

If there is any significant potential for cost savings for a school district in moving to educating children with disabilities in their home schools, it is in transportation expenditures. As children are brought back from centralized programs to their home schools, the requirements for transportation diminish substantially. The sizeable savings achieved in transportation can offset whatever increased educational costs that arise from providing increased special education supports in more locations.
If the school district however, cannot take the transportation dollars that are saved and use them to pay the increased educational costs, the school district loses money. Even if the overall costs are less, the costs to the school district may be more, if it has to pay the increased educational costs, and the State gets the benefit of the reduced transportation costs.

Transportation, better than anything else, illustrates the basic problem of categorical funding and attaching dollars to specific support services. School districts cannot freely make choices about educational programs without impacting the dollars they receive. More than one school official told us in interviews that decisions about special education in their school district would be different, if the money they now received for transportation costs could be used to pay for educational costs.

**Orphanage Tuition**

Each school district is responsible for providing education to children with disabilities who live in orphanages, foster family homes, children's homes and State housing units located within the district. The State reimburses a school district an amount equal to the per capita special education cost for each child. Since the State picks up the full cost for educating these children, there is no incentive for the school district in its choice among educational programs and settings.

**Summer School**

The State reimburses school districts for approved summer school programs conducted for children with disabilities placed in private schools, public out-of-state schools, or public school residential facilities, or for children served by the local school district who require extraordinary special education services and facilities.

With some adjustments, primarily to account for the shorter length of summer school, the State reimbursement per pupil for summer school, is the same as the State reimbursement per pupil for the regular school year under the general state aid formula. This means that the pupil
weightings for high school students, middle school students, and students from low income families are used and that there is some equalization based on assessed property values Special education students are treated differently from regular education students only in that enrollment rather than attendance is used for counting.

THE ACTIVITIES TO WHICH CATEGORICAL FUNDING ATTACHES DOLLARS

Illinois has chosen to attach most of its special education funding to the infrastructure that supports special education. As school districts and cooperatives expand their infrastructure they receive more dollars from the State. If they hire more teachers, they get more dollars. If they do more transporting, they get more dollars. If they use more private schools, they get more dollars. Even in the Extraordinary program which is called a pupil reimbursement program, the trigger for the school district or cooperative getting dollars from the State is spending dollars to buy services. Illinois attaches special education dollars to the spending of money and the building up of the service infrastructure.

The Illinois practice contrasts with the federal government and some 20 other States that attach dollars to students: a school district or cooperative that has more special education students gets more dollars. Other States attach dollars to special education students, but attach different amounts of dollars to different kinds of students to allow for varying costs associated with the kind and severity of disabilities.

Attaching dollars to the infrastructure has three effects. First, it encourages the establishment and expansion of programs. Second, it sends more dollars to wealthy districts than to poor districts. Third, it makes it difficult for school districts and cooperatives to be responsive to individual student needs.

There is substantial variation across Illinois in the dollars received from the State for special education. Wealthier districts receive substantially more per special education student than do poorer districts. Since wealthier districts can afford more infrastructure per student, it follows
that the wealthier districts qualify for more State dollars per student. Table 2 groups special education service providers by equalized assessed valuation per student. Except at the very top and bottom of the scale there is a consistent relationship: the poorer the school district, the less special education reimbursement from the State.

School districts with assessed valuations between $40,000 and $60,000 per student received an average of $1,540 in special education reimbursements per student, while districts with assessed valuations between $100,000 and $120,000 per student received an average of $2,213 in special education reimbursements per student. The poorer districts received $673 less per special education student than did districts with twice the wealth. The dollars translate directly into the quantity and quality of services. In districts with assessed valuations between $40,000 and $60,000 per student, there is one fulltime equivalent staff person for every 7.4 special education students. In the wealthier districts with assessed valuations between $100,000 and $120,000 per student, there is one fulltime equivalent staff person for every 4.9 students.

In summary, this means that the wealthier districts in the State had 50 percent more staff per student and received 44 percent more State dollars per student than did the poorer districts.

The variation in per student special education aid comes from the State reimbursement programs and not from the federal grant programs. It is clear that the result of the federal grant programs coincides with the intent: dollars are attached to students. When dollars are attached to things other than students, as in the State reimbursement programs, then there is a divergence between the dollars and the students. As Table 2 demonstrates, the divergence occurs in all of the State reimbursement programs. The divergence is the same direction in all of the programs. The effect of all of the programs working together is to make the divergence wider and to give more dollars per special education student to the wealthier districts. The variation in State per pupil support for special education is striking, particularly since there is no overt intent in the distribution formulas to produce such a result.
Table 2

Federal Grants and State Reimbursements per Special Education Student

<table>
<thead>
<tr>
<th>EAV Per Pupil</th>
<th>Number of Service Units</th>
<th>Number of Special Ed Students</th>
<th>Personnel</th>
<th>Transportation</th>
<th>Extra-ordinary &amp; Private</th>
<th>Federal Grants</th>
<th>Total</th>
<th>Special Ed Students per One FTE Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&gt;120,000</td>
<td>9</td>
<td>27,618</td>
<td>$983</td>
<td>$490</td>
<td>$338</td>
<td>$271</td>
<td>$2,082</td>
<td>6.2</td>
</tr>
<tr>
<td>$100,000 to $119,999</td>
<td>6</td>
<td>10,228</td>
<td>$990</td>
<td>$471</td>
<td>$446</td>
<td>$307</td>
<td>$2,213</td>
<td>4.9</td>
</tr>
<tr>
<td>$80,000 to $99,999</td>
<td>9</td>
<td>25,631</td>
<td>$879</td>
<td>$417</td>
<td>$351</td>
<td>$279</td>
<td>$1,926</td>
<td>6.8</td>
</tr>
<tr>
<td>$60,000 to $79,999</td>
<td>14</td>
<td>27,769</td>
<td>$788</td>
<td>$377</td>
<td>$313</td>
<td>$267</td>
<td>$1,746</td>
<td>6.4</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>38</td>
<td>79,345</td>
<td>$707</td>
<td>$312</td>
<td>$251</td>
<td>$270</td>
<td>$1,640</td>
<td>7.4</td>
</tr>
<tr>
<td>$20,000 to $39,000</td>
<td>13</td>
<td>20,912</td>
<td>$735</td>
<td>$265</td>
<td>$341</td>
<td>$267</td>
<td>$1,608</td>
<td>6.7</td>
</tr>
<tr>
<td>Chicago        $70,216</td>
<td>1</td>
<td>42,200</td>
<td>$844</td>
<td>$763</td>
<td>$856</td>
<td>$283</td>
<td>$2,746</td>
<td>6.6</td>
</tr>
<tr>
<td>East St. Louis $9,180</td>
<td>1</td>
<td>1,601</td>
<td>$808</td>
<td>$456</td>
<td>$567</td>
<td>$233</td>
<td>$2,064</td>
<td>7.7</td>
</tr>
</tbody>
</table>
The Chicago and East St. Louis school districts are omitted from the scales in Table 2 and added at the bottom as special cases: Chicago because it is so large skews any table in which it is included, and East St. Louis because it is so much poorer than any other district. The high per student level of special education funds to Chicago may in part be explained by the higher proportion of students with more severe disabilities in the City's mix of special education students and Chicago's greater use of private schools for special education placements.

The existing State funding structure makes it difficult for a school district to choose to set up a system of special education in which educating children with disabilities in their home classrooms is the norm, and the exception is segregation - despite that requirement in federal and State law. Funds are now tied to all of the institutional supports of segregated special education. If school districts are to have the choice of planning systematically for a structure that will support special education in the home school, the bonds that tie dollars to the institutional supports of segregated special education must be severed.

Attaching dollars to students and severing the bond that ties dollars to the institutional supports of segregated special education would still leave a school district or cooperative free to plan and maintain a segregated structure for special education if that was their choice. The benefit of severing the bond, however, would be to enable districts to effectively plan and maintain an inclusive structure of special education if that was their choice.