Chapter 9

The Rising Costs of Special Education in Massachusetts: Causes and Effects

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Introduction

Over the past decade states across the nation have seen rapid increases in the number of children requiring special education services. They have also experienced significant increases in the cost to school districts for these services. In states where additional funding has been provided to support education reform and school improvement, the rising costs of special education have consumed a disproportionate share of these funds, thereby compromising school-based and state-based efforts to support reform.

The rising costs of special education have consumed a disproportionat e share of new funds for school reform and school improvement.

The causes of these increases, however, have been mis-diagnosed as the result of district policy and practice. In this case study of cost increases in Massachusetts, we determine that the increases schools have been experiencing have not been caused by school district policy and practice. In fact, just the opposite has been the case. School district policy and practice have been effective in containing and even reducing the percentage of children who require special education services in Massachusetts. Nonetheless, costs in Massachusetts have continued to increase. These cost increases have been primarily due to the increased numbers of children with more significant special needs who require more costly services.

As this chapter will show, the root causes of these increases have been factors beyond the control of schools, such as advances in medical technology, the deinstitutionalization of children with special needs, privatization of services, and economic and social factors including increases in the number of children in poverty and the number of families experiencing social and economic stress. Although the focus of this paper will be on Massachusetts, national data on special education reveal that these factors are also influencing the increased number of special education children across the country.

The National Context

National Enrollment

For the past 21 years the Department of Education has collected data on the number of infants, toddlers, and preschoolers receiving special education services and the number of children ages 6 through 21 served under the Individuals with Disabilities Education Act (IDEA). The U.S. Department of Education's Office of Special Education Programs (OSEP) reports that in 1999 almost 5.5 million students ages 6 to 21 with disabilities were served by schools under the IDEA.[1] The average increase among these students over the past 10 years was 29 percent. During this period, the annual data reported by states indicate that both the number of disability categories and the number of children receiving services increased. A state-by-state comparison of changes in the percentage of children ages 3 to 21 served under the IDEA from 1987-1988 to 1998-1999 indicates that the average increase was 36.5 percent. The states in the top quartile ranged from Nevada with the highest increase at 120 percent, to Florida with an increase of 77.7 percent, to New York with a 49.9 percent increase.

We believe that continued growth of the special education preschool population reflects medical, economic, and social factors that are producing actual increases both in the number of children with disabilities and the severity of those disabilities.

The U.S. Department of Education's 1999 Annual Report to Congress shows that each year in the last decade experienced an increase in the numbers of infants, toddlers, and preschoolers with disabilities receiving special education services through the Department's Early Intervention Program and Preschool Grants Program. From 1988-1989 to 1997-1998 the cumulative increase in special education preschool enrollment for ages three through five was 58.5 percent. This was a significantly larger increase than the 29.4 percent increase in children ages six and older served under the IDEA (see Table

TABLE 1: NATIONAL SPECIAL EDUCATION AND SPECIAL EDUCATION PRESCHOOL ENROLLMENT, 1989-1998

YEAR	AGES 3-5			AGES 6-21		
	Enrollment	*% Increase*	*Cumulative % Increase*	*Enrollment*	*% Increase*	*Cumulative % Increase*
1988-89	360,281			4,173,512		
1989-90	385,587	7.02%	7.02%	4,253,018	1.91%	1.91%
1990-91	394,766	2.38%	9.57%	4,361,751	2.56%	4.51%
1991-92	420,403	6.49%	16.69%	4,499,824	3.17%	7.82%
1992-93	455,449	8.34%	26.41%	4,625,574	2.79%	10.83%
1993-94	491,685	7.96%	36.47%	4,779,359	3.32%	14.52%
1994-95	522,709	6.31%	45.08%	4,907,511	2.68%	17.59%
1995-96	548,593	4.95%	52.27%	5,078,951	3.49%	21.69%
1996-97	557,152	1.56%	54.64%	5,230,740	2.99%	25.33%
1997-98	571,049	2.49%	58.50%	5,401,292	3.26%	29.42%

Source: U.S. Dept. of Education, *Twenty-first Annual Report to Congress* (Washington, DC: DOE, 1999).

1). The report suggests that continued growth of the special education preschool population reflects increased and more effective outreach at the state level, as well as continued improvement in reporting procedures.[2] However, we believe that this growth also reflects medical, economic, and social factors that are producing actual increases both in the number of children with disabilities and the severity of those disabilities.

The 1999 Annual Report concluded that the number of students with disabilities served under the IDEA continued to increase at a rate higher than both the general population and school enrollment.[3] Based on estimated enrollment (preK-12) for 1990-1991 through 1998-1999 the percentage of children served under preschool special education services increased faster than the percentage of children in regular education. There were increases at all levels, among children ages 0- to 2-years-old, 3- to 5-years-old, and 6- to 17-year-olds; but the greatest percentage increase occurred among children ages 3 to 5, with a 1.4 percent increase. Increases for children ages 0 to 2 were .4 percent, and increases for school age children were 1.3 percent.

Research by the U.S. Department of Education concludes that special education costs for individual children with disabilities is 2.28 times the average regular education expenditure.

The National Center for Education Statistics (NCES) confirms the data reported in the 1999 Annual Report. NCES reports that, from 1988 to 1999, public school enrollment for grades 1 through 12 increased by 17 percent, reaching 43 million in 1999. Enrollment is projected to increase through the first half of this decade to an all-time high of 44.4 million students in 2006. Enrollment trends calculated by NCES also show that the numbers and proportions of children being served in programs for the disabled increased over the last decade.[4]

The Center for Special Education Finance reports that, "special education enrollment has experienced continual growth in numbers and as a percentage of total school enrollment since the implementation of IDEA. It is, therefore, not surprising that special education expenditures have also continually risen and that based on various estimates, it appears that per-pupil expenditures for special education are growing faster than for general education."[5]

National Expenditures on Special Education

Since Congress passed the Education for All Handicapped Children Act of 1975 (EAHCA), special education expenditures have been shared among federal and state governments and local school districts. In 1988, the federal government eliminated the requirement that states provide information on special education expenditures. Therefore, it is difficult to answer the tough questions about how much is being spent on special education at the state and local levels. When EAHCA was originally enacted, the federal government made a commitment to pay 40 percent of the excess cost of its special education mandate. The Center for Education Finance reports that over the years since 1975, however, federal appropriations have ranged from 7 percent to 12 percent of the total excess cost. The national average for federal, state and local expenditures for FY94, the last year for which the Center has data, was 7 percent federal, 53 percent state, and 40 percent local.[6]

The best estimates of dollars currently spent on special education annually across the nation range from $30.9 billion to about $34.8 billion.[7] Although national expenditures on special education are not really known, various calculations support that these expenditures are rising at a faster rate than those for public education as a whole.[8] Research by the U.S. Department of Education concludes that special education costs for individual children with disabilities is 2.28 times the average regular education expenditure.[9] The national average of state special education expenditures as a percent of total K-12 expenditures was 12.2 percent. Expenditures for special education in the top quartile of states ranged from 21.2 percent for Illinois to 13.4 percent for Minnesota. Therefore, these states were spending considerably more per pupil on special education than the national average.

Updated and more accurate special education expenditure information and its relationship to general education is critical. Because this information has important policy implications, over the next four years the U.S. Department of Education's Office of Special Education Programs (OSEP) is funding the Special Education Expenditure Project (SEEP, www.seep.org/seep). SEEP research will investigate the average expenditures across states, districts, schools, and students. The project will address expenditure issues relating to inclusion, consolidation, and assessment, with an emphasis on the relationship between general education and special education. Beginning in December 2001, expenditure data from SEEP will be available to the public.

The Massachusetts Special Education Task Force found that the financial challenges facing districts as a result of rising special education costs were exacerbated by Massachusetts' new education reform funding formula.

In the interim, special education enrollment and spending in Massachusetts can serve as a case study in the causes and effects of increased enrollment and expenditures in special education.

A Case Study: Massachusetts

In the spring of 1996, the Massachusetts Association of School Superintendents (MASS) established a task force to study rapidly increasing special education costs across the state. These cost increases were significantly impacting school districts' ability to implement the state's education reform program. This task force was co-chaired by Sheldon Berman and Perry Davis, two of this chapter's authors. Drs. Berman and Davis, both Massachusetts district superintendents, co-authored the 1997 MASS study reporting the task force's findings.[10] This study has been updated with new data in 1999 and 2000, and again for this paper.

The MASS Special Education Task Force concluded that the increase in special education costs had not been a result of school district policy and practice. Instead it had been due to such medical, economic, and social factors as advances in medical knowledge and technology, the deinstitutionalization of special-needs children, the consequences of a higher percentage of children living in poverty, and the increase in families experiencing social and economic stress. Due to these factors, more children with more severe special needs were entering public schools.

In addition, the task force found that the financial challenges facing districts as a result of rising

special education costs were exacerbated by Massachusetts' new education reform funding formula. This formula was built on the inaccurate assumption that school district policy and practice were responsible for the cost increases and that the state could force school districts to change their practices by under-representing the costs of special education in the formula. Not only did the formula set unrealistically low percentages for students in special education, but also it allocated less than half of what would be required to pay for services for these students.

Finally, the task force found that increases in the numbers of children and severity of disabilities in early intervention programs serving 0- to 3-year-olds and special-needs preschool programs serving 3- to 5-year-olds indicated that costs would continue to increase in the future.

Special Education Services in Massachusetts

Massachusetts has 350 separate school districts. The vast majority are town-based and serve students within a particular town. A second group of school districts are regional districts that serve two or more towns. These tend to be in rural or suburban areas of the state. Only three school districts—Boston, Worcester, and Springfield—serve more than 15,000 students. The median size of a Massachusetts school district is approximately 2,000 students with only 9 districts having enrollments that exceed 10,000. The majority of school districts serve between 1,000 and 4,000 students.

Special education law in Massachusetts enables parents to request an alternate placement if they feel that their child is not being well-served by a district or collaborative program.

The structure of Massachusetts' school districts has a direct impact on special education service delivery. Due to the small size of most Massachusetts school districts, it is difficult to provide specialized programs for children with significant disabilities within a district. To reduce costs, school districts join legally approved collaboratives that share these programs among the participating districts. Virtually all local school districts in Massachusetts are members of a collaborative. However, the incidence of a particular disability may still not economically justify the creation of a collaborative program. In order to serve these low-incidence special-needs students, they are placed in private special education schools either as a day placement in which the student returns home in the evening or as a residential placement. In general, the large cities have sufficient student populations to create special programs within their districts, although they, too, place some students in collaborative and private programs.

Special education law in Massachusetts enables parents to request an alternate placement if they feel that their child is not being well-served by a district or collaborative program. In these cases, parents often seek placements in private programs. In general, student placements within a district or through a collaborative are more cost-effective for a district than placement in a private setting.

There are two factors that have been important in determining a child's qualification for services and the nature of his or her program in Massachusetts. The first is the eligibility standard set for a student to qualify for special education services. The second is the standard by which the student is to be served. In September 1992, the state implemented a new set of eligibility

guidelines. Prior to 1992, schools needed only the presence of a disability to place children on an IEP. Starting in 1992, schools were to use two criteria to determine eligibility: (1) the presence of a disability; and (2) determination that a child was not making effective progress in regular education. These two standards were to be used by evaluation teams to determine whether a disability was affecting the student's educational performance. In terms of standard of service, Massachusetts is one of two states that had a standard higher than the federal standard of "free appropriate public education" (FAPE). This standard, usually referred to as "maximum feasible development," has existed since 1972. Due to legislation passed in July 2000, Massachusetts will revert to the federal standard as of January 2002.

The special education components of Massachusetts' education reform funding formula were built on the assumptions that school districts did not effectively contain costs and that they identified more children than necessary as having special needs.

For state reporting purposes, Massachusetts special education placements are categorized into eight categories. The first four categories represent classifications of students who are served within a school district as follows: (1) regular education program with modifications; (2) regular education with up to 25 percent time out; (3) regular education with up to 60 percent time out; and (4) substantially separate program with more than 60 percent time out and with access to regular education, or a substantially separate special education program, run by the public school, in a facility other than a public school regular education facility. The fifth classification, known as a "private day placement," indicates students served in private settings that specialize in that disability. The sixth classification indicates "residential placements" for students served in private settings who require 24-hour care. The seventh classification represents students who reside in hospital or home settings. School districts do not have responsibility for the costs of such placements. Finally, the eighth classification indicates preschool children.

Almost all special education students are the financial responsibility of their local school district. For some private placements, the Department of Social Services shares the cost with the school district. Currently, the state pays 50 percent of all residential placements. The state also assumes responsibility for students in hospital settings and students who are incarcerated. In the early 1970s, the state managed a number of institutional settings for children with disabilities; however, by 1995 all of these children were deinstitutionalized and put under the care of their local school district.

The Massachusetts financing formula for special education was changed in July 2000 and will go into effect for the 2002-2003 school year. In this formula, the state will assume a larger share of the financial responsibility for children with disabilities. Although the new funding formula provides for a modest increase in state resources, it is still far from the formula recommended by MASS and many other groups working on special education reform in Massachusetts.

Data Collection

The MASS Special Education Task Force collected and reviewed Massachusetts Department of Education data on school expenditures and enrollments, as well as data from the state Department of Public Health, the Department of Social Services, and the office for Educational Services in Institutional Settings. Massachusetts has a comprehensive and consistent system of collecting data from each school district on district finance and enrollment. Each school district files an end-of-year report documenting expenditures by program and function. Each district also reports enrollment data as of October 1 of each year and special education data as of December 1. These reports are entered into a computer database which was made available to the task force. In addition, the task force was also able to review data on child maltreatment, enrollment in early intervention programs for 0- to 3-year-olds, and placement in foster homes.

The task force reviewed data on all school districts in the state. However, the analysis that follows does not consider vocational-technical, trade, or agricultural schools. These schools usually draw from ten or more feeder districts and their special education expenditures are not comparable to other districts. Therefore, the task force's findings and recommendations are based on data from the state's 300 city, town, and regional academic districts.

The Reality of Special Education Costs in Massachusetts

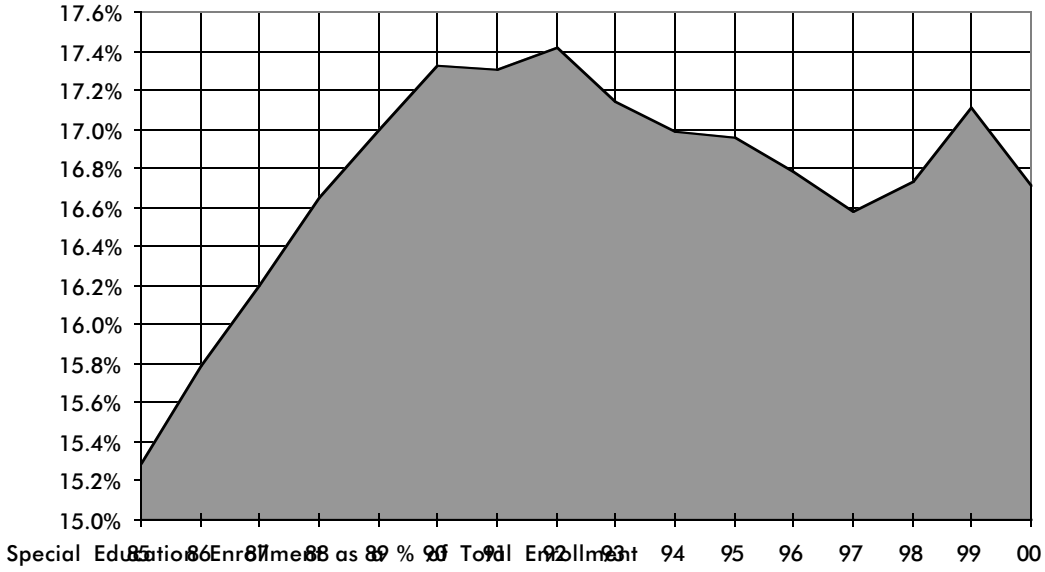
The special education components of the state's education reform funding formula, known as the foundation formula, were built on the assumptions that school districts did not effectively contain costs and that they identified more children than necessary as having special needs. Specific elements of the formula were designed as disincentives to these practices. For example, in all areas other than special education actual enrollment within a district is used to build the foundation budget. Additional allocations are provided for the number of students who are from low-income families or who are in bilingual or vocational programs. In contrast, allocations for special education are based on a preset percentage of children in special education set at a rate lower than the state average. In addition, the cost allocations for providing services to in-district preschool, in-district K-12 students, and out-of-district placements are set at levels well below the actual costs that districts incur for these students. These disincentives were designed to cause districts to be more rigorous in their use of the eligibility standards and to encourage more cost-effective placement of students.

Massachusetts schools have rigorously applied eligibility standards and provided regular education and inclusive programming for children as alternatives to special education services.

Analysis of Massachusetts enrollment data shows that these assumptions are not accurate. In fact, schools have done a good job containing costs. They have rigorously applied eligibility standards and provided regular education and inclusive programming for children as alternatives to special education services.

Special education enrollments as a percent of total enrollment reached a high in FY92 of 17.4 percent. (See Chart 1.) After that, new eligibility standards were implemented statewide. Beginning in FY93 and continuing through FY97 districts applied these new standards, and enrollment declined to a low of 16.6 percent. With the exception of a "spike" in FY99, special

CHART 1: SPECIAL EDUCATION ENROLLMENT AS A PERCENT OF TOTAL ENROLLMENT, FY85 TO FY00



education enrollment has remained relatively steady at approximately 16.7 percent.

Massachusetts special education enrollment increases are also well below national trends. Between FY89 and FY98, special education enrollment in Massachusetts grew at less than half the rate of growth nationally (31.7 percent growth enrollment nationally compared to 13.3 percent growth in Massachusetts). (See Table 2.)

In its 1997 study, the Massachusetts Special Education Task Force observed sharp increases in special education preschool enrollments and predicted that these would impact enrollments and

TABLE 2: NATIONAL VS. MASSACHUSETTS SPECIAL EDUCATION ENROLLMENT, 1989-1998

YEAR	NATIONAL			MASSACHUSETTS		
	Enrollment	*% Increase*	*Cumulative % Increase*	*Enrollment*	*% Increase*	*Cumulative % Increase*
			% INCREASE			*% INCREASE*
1988-89	4,533,793			140,326		
1989-90	4,638,605	2.31%	2.31%	143,373	2.17%	2.17%
1990-91	4,756,517	2.54%	4.91%	144,707	0.93%	3.12%
1991-92	4,920,227	3.44%	8.52%	147,732	2.09%	5.28%
1992-93	5,081,023	3.27%	12.07%	147,727	0.00%	5.27%
1993-94	5,271,044	3.74%	16.26%	149,431	1.15%	6.49%
1994-95	5,430,220	3.02%	19.77%	151,843	1.61%	8.21%
1995-96	5,627,544	3.63%	24.12%	153,912	1.36%	9.68%
1996-97	5,787,892	2.85%	27.66%	155,128	0.79%	10.55%
1997-98	5,972,341	3.19%	31.73%	159,042	2.52%	13.34%

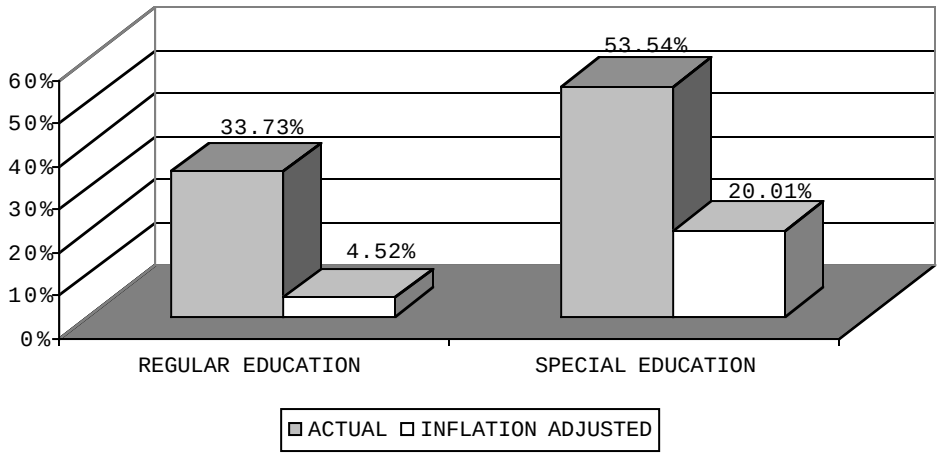
Source: 21st Annual Report to Congress 1999, U.S. Dept. of Education and Massachusetts Dept.

costs in future years. In fact, current special education increases are indeed being driven by significant increases in special education preschool enrollment. Between FY89 and FY00, special education preschool enrollment in Massachusetts rose by 83.8 percent, while other special education enrollments increased by only 13.1 percent and total enrollment by 17.8 percent. School districts continue to contain costs and effectively apply the eligibility standards but are seriously pressed by a greater number of children entering school districts at age 3 with a disability diagnosis. This sharp increase in preschool enrollment is also present nationally; overall enrollments of children ages 3 to 5 are growing at twice the rate of children ages 6 to 21 (see Table 1).

Costs continued to increase over the past decade as districts enrolled a greater number of children with more serious needs. The task force found that between FY90 and FY99 per-pupil expenditures in special education increased by $3,574 from $6,675 to $10,249, while they increased by approximately one-third as much, $1,384, in regular education-from $4,103 to $5,487. During this period, special education expenditures grew by 53.5 percent, increasing at almost twice the rate of regular education expenditures, which grew by 33.7 percent. The difference is even more significant when adjusted for inflation. In 1990 dollars, per-pupil regular education expenditures grew by only $186 or 4.5 percent, while per-pupil special education expenditures grew by $1,336 or 20 percent. (See Chart 2.)

The Education Reform Act of 1993 resulted in the addition of $1.2 billion in state aid to local school districts. However, special education costs statewide increased by $476 million during

CHART 2: PERCENT INCREASES IN PER-PUPIL EXPENDITURES IN MASSACHUSETTS FOR REGULAR AND SPECIAL EDUCATION FY90 TO FY99: ACTUAL AND ADJUSTED FOR INFLATION



those years, an equivalent of 38 percent of all the additional aid from 1993 to 1999.

The statewide impact of these increases has been dramatic, as shown in Chart 3. As a percent

of total school expenditures, special education expenditures increased from 17.2 percent in FY90 to 19.5 percent in FY99. This represented almost $140 million in additional expenditures for special education in just FY99. Special education has continued to consume an ever-larger percentage of school district budgets throughout the past decade, while expenditures on regular education as a percent of total expenditures declined from 52.3 percent to 48.6 percent between FY90 and FY99.

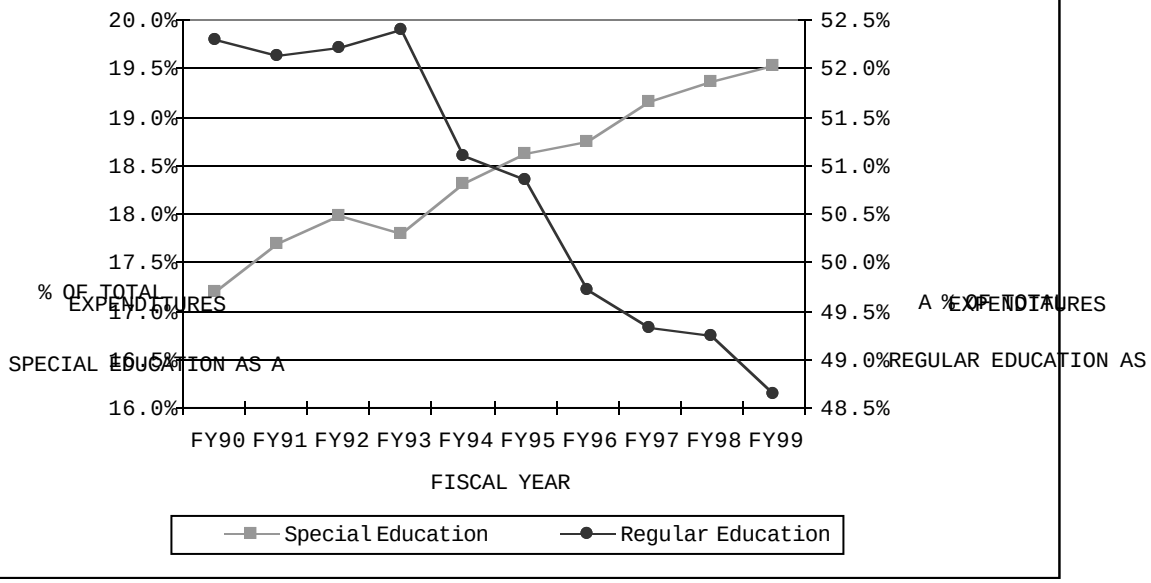
Between FY90 and FY99, expenditures for special education increased at a greater rate than expenditures for regular education in 88 percent of Massachusetts school districts.

Impact at a District Level

The majority of school districts in Massachusetts have experienced significant increases in special education costs. Between FY90 and FY99, expenditures for special education increased at a greater rate than expenditures for regular education in 88 percent of Massachusetts school districts. In only 1.3 percent of the districts was there a decline in special education expenditures between FY90 and FY99.

These increases have been particularly acute in approximately one-quarter of all districts. Between FY90 and FY99, 78 districts, or 26 percent of the non-vocational districts, spent more than 30 percent of all new funds—local as well as state—on increases in special education. Of these, 60 spent between 30 percent and 40 percent, 12 spent between 40 percent and 50 percent, 5 spent between 50 percent and 75 percent, and 1 spent 80 percent of all new funds on special education.

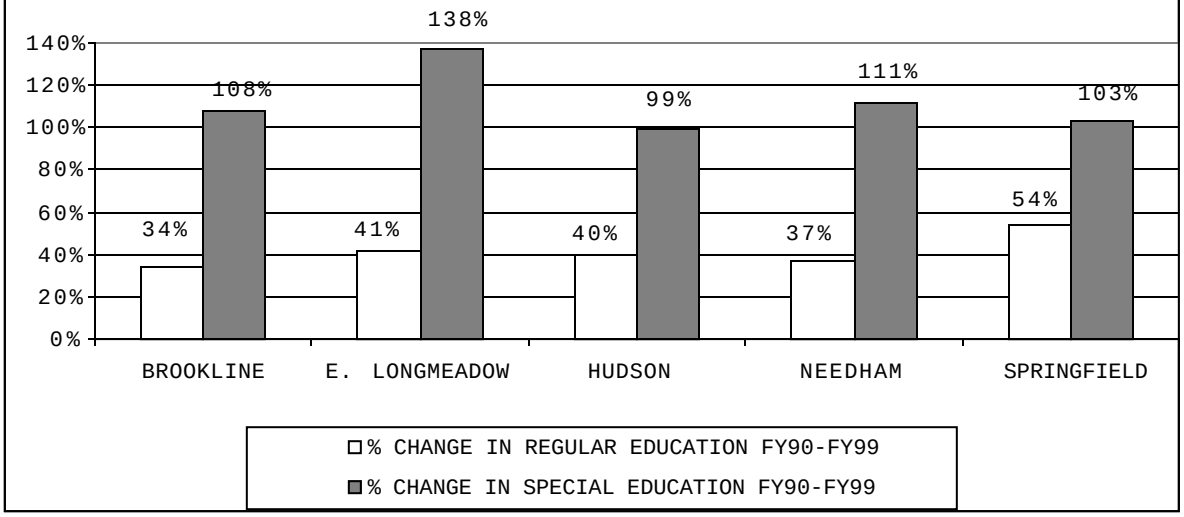
CHART 3: TRENDS IN SPECIAL EDUCATION AND REGULAR EDUCATION EXPENDITURES IN MASSACHUSETTS, FY90 TO FY99



The impact on education reform is clear when one compares the additional state aid provided to communities for education reform with the additional special education expenditures in those communities. The increases in special education exceeded the amount received in new state aid between FY93 and FY99 for 88 of the 300 school districts. For 36 more school districts, special education increases equaled between 75 percent and 99 percent of additional state aid. And for another 44 school districts, special education increases equaled between 50 percent and 74 percent of new state aid. This means that 56 percent of Massachusetts school districts spent the equivalent of 50 percent or more of new state aid on special education. There is no consistent pattern among these districts. They vary in size, wealth and region.

Chart 4 compares increases in regular and special education in five communities between FY90 and FY99. Brookline is a suburb of Boston that has become highly urbanized. Median household income from the 1990 census was $45,598. Brookline enrolls almost 6,000 students preschool to twelfth grade. Between FY90 and FY99, Brookline's total budget grew by 38 percent. Special education costs grew by 108 percent while regular education expenditures grew by 34 percent. The increased expenditures on special education represented 42 percent of all new dollars added to Brookline's budget, including additional local funds as well as additional state aid. In FY90, Brookline devoted 14.8 percent of its budget to special education; by FY99, the percentage had grown to 22.3 percent. Although education reform brought the district an additional $2,198,210 in aid between 1993 and 1999, the additional special

CHART 4: PERCENT CHANGES IN REGULAR AND SPECIAL EDUCATION SPENDING FOR SELECTED DISTRICTS, FY90 TO FY99



education costs of $3,867,659 were almost double that amount. For Brookline, the additional state aid, meant primarily to help Brookline implement education reform, simply offset a portion of the increased special education costs.

East Longmeadow is a rural community in western Massachusetts with a student population of

approximately 2,600 and a median family income of $41,372. Between FY90 and FY99, East Longmeadow experienced a 138 percent increase in special education costs, with the equivalent of 37 percent of all new funds going to special education. In contrast, regular education expenditures increased by only 41 percent. In FY90, special education represented 16.4 percent of East Longmeadow's total budget; by FY99, this had grown to 24.3 percent. As in Brookline, increases in the costs of special education between FY93 and FY99 exceeded all new aid to the district. East Longmeadow received $1,241,054 in new aid and experienced special education cost increases of $1,539,676.

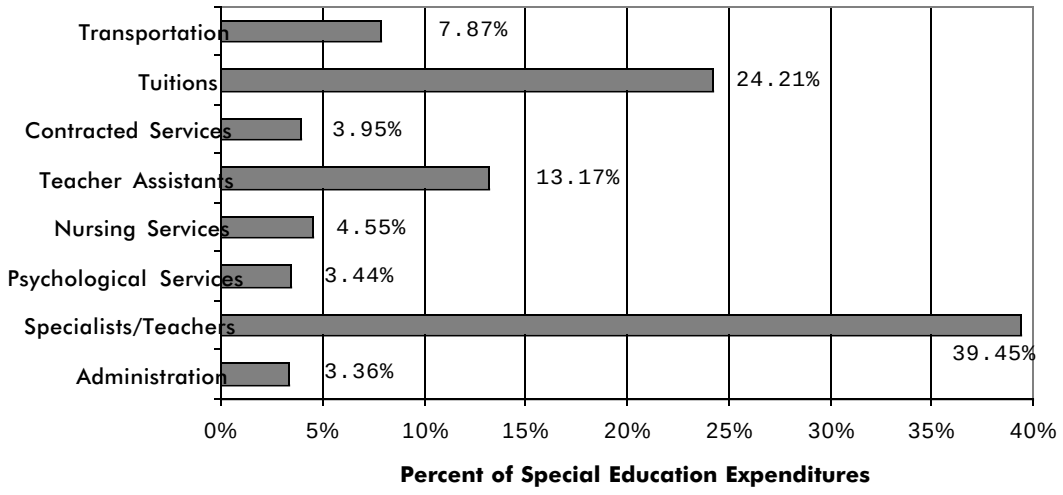
Hudson is an industry-based community in central Massachusetts. Median household income is $43,600 with a student population of approximately 2,800. Special education expenditures increased by 99.4 percent between FY90 and FY99 while regular education expenditures increased by 40.2 percent. The special education cost increases were equivalent to 32 percent of all new dollars added to Hudson's budget, and special education expenditures increased from 13.9 percent of its budget to 19.4 percent. Special education cost increases almost matched all new education reform aid between FY93 and FY99. Hudson received $1,445,134 in new state aid but spent an additional $1,259,662 on special education during those years.

Needham is a middle-income suburb on the outskirts of Boston with a median household income of $60,357 and a student population of approximately 4,300. Special education expenditures increased by 111 percent between FY90 and FY99 while regular education expenditures increased by only 37 percent. New special education expenditures were equivalent to 50.6 percent of all new funds, driving special education's percent of the total budget from 12 percent to 20 percent. As a wealthier suburb, Needham received less aid than more urban or poorer communities. Between FY93 and FY99 Needham received $1,525,975 in new aid, while its special education expenditures grew by $2,182,409.

Springfield is the third largest city in Massachusetts with a student population of almost 25,000 and a median household income of $25,656. Massachusetts education reform was designed to bring equity to school funding, and Springfield, like many urban areas of the state, received a large percentage of new education reform aid. However, even with this new aid, special education cost increases had an impact. Between FY90 and FY99, special education expenditures grew at almost double the rate of regular education expenditures. Regular education grew by 54 percent; special education expenditures increased by 103 percent and were equivalent to 28 percent of all new dollars invested in education in Springfield. This meant that Springfield was spending 25.8 percent of its budget on special education in FY99 in contrast to 23.6 percent in FY90. Springfield received $63,546,973 in new education reform aid between FY93 and FY99. Special education expenditures increased by $26,163,228, or 41 percent of the total new aid to Springfield.

An examination of the internal costs over time within a single district reveals the extent to which districts have attempted to reduce costs by creating inclusive programs. The Hudson Public Schools spend the largest portion of the district's budget on special education instructional services that include special education teachers, teacher assistants, nursing and psychological services, and such contracted services as physical therapy and occupational therapy. (See Chart 5.) As a district of 2,800 students, the district cannot provide in-district programs for some students. Tuition and transportation costs for the 28 students placed in out-of-district settings

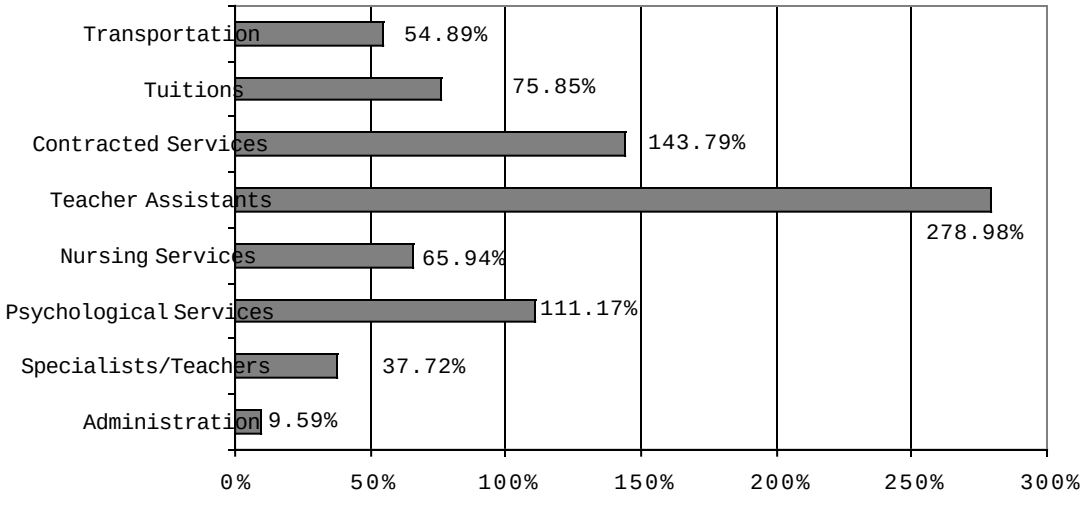
CHART 5: SPECIAL EDUCATION EXPENDITURES BROKEN DOWN BY CATEGORY FOR THE HUDSON PUBLIC SCHOOLS FOR FY00



represent approximately 32 percent of the district's special education budget.

Hudson's effort to contain costs through in-district services is shown in Chart 6. Expenditures on teacher assistants (special education aides) between FY94 and FY00 increased by 279 percent. Physical therapists and occupational therapists contracted by the district to serve students who would otherwise be in out-of-district placements increased 144 percent. The additional students

CHART 6: PERCENT INCREASES IN SPECIAL EDUCATION-RELATED EXPENDITURES, FY94 TO FY00, FOR THE HUDSON PUBLIC SCHOOLS



served within the district also required additional psychological and nursing services. (The increase in nursing services is understated in this chart due to a grant subsidizing 30 percent of Hudson's nursing budget.) Although the number of out-of-district placements decreased from 45 to 28, the increased severity of disabilities of these out-of-district placements resulted in tuition increases of 76 percent and transportation increases of 55 percent.

For most districts, the three primary causes of increased costs are students moving into the district with IEPs requiring private placement, increases in the number of preschool children requiring special education services, and increases in the number of foster placements within the community requiring significant special-needs services. In fact, one factor in declining costs in some districts has been the movement of students with expensive private placements to another community. In all these districts, compromises have been made regarding implementation of education reform initiatives due to budget constraints presented by special education cost increases. Making headway on education reform is extremely difficult in the face of such increases.

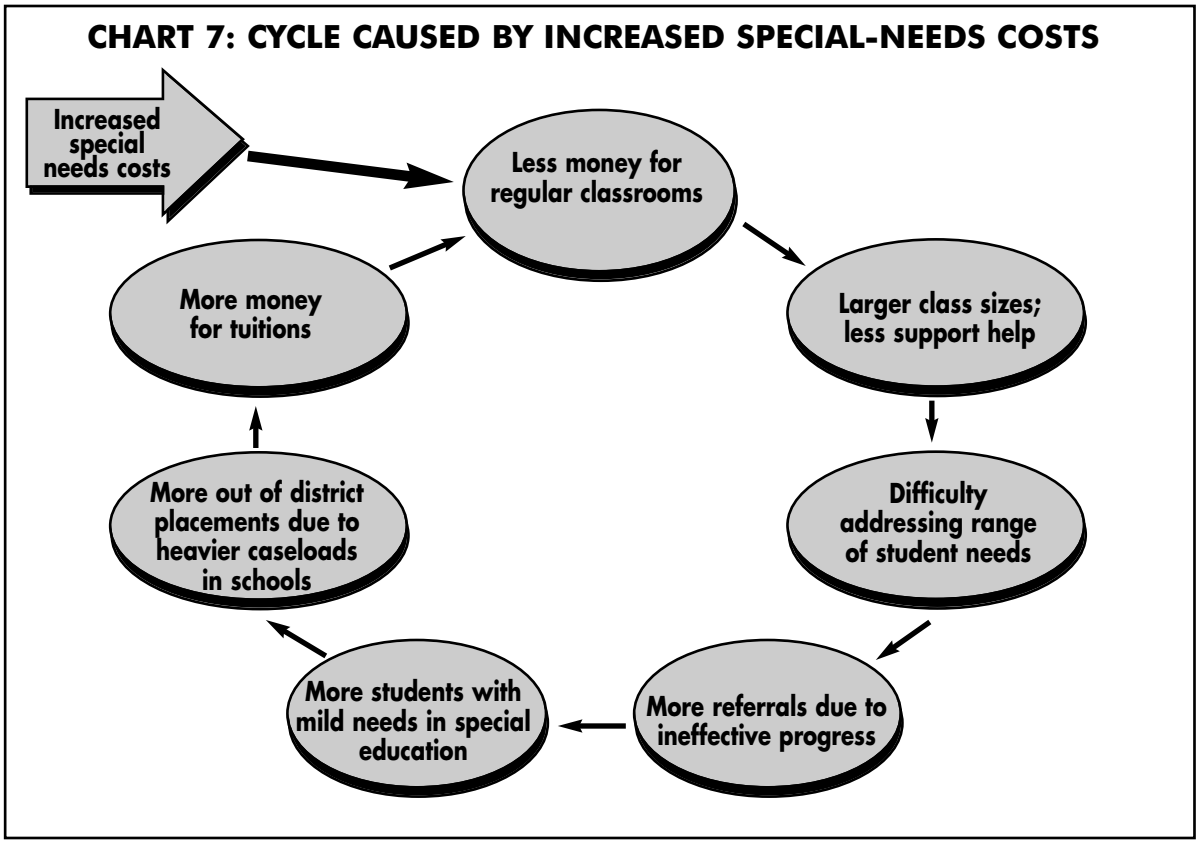
Given the limited funds available to districts, even those districts with smaller increases in special education expenditures have had their education reform efforts compromised by a disproportionate share of new funds allocated to special education. In fact, the data the task force has provided may understate the problem. Most of the increases in regular education expenditures have simply covered the cost of inflation.

Significant increases in special education have the potential for starting a vicious cycle. Increases reduce the funds available for regular education classrooms, causing increases in class size and reduction in support services. These in turn make it more difficult for teachers to address the range of student needs in the regular classroom, producing more referrals to special education. This increases costs again, perpetuating the cycle. (See Chart 7.) For many Massachusetts districts, education reform funds have prevented the perpetuation of this cycle by providing the infusion of new funds necessary to maintain regular education programs at a time of increasing special education costs. However, the price has been little improvement in regular education services for those districts—the original intent of the funding.

Associated Health Costs

Another cost trend impacting school districts is the increase in health and nursing expenditures. Over the past six years many school districts have experienced significant increases in the number of medically involved students who require nursing and other health-related care. These children are not necessarily classified as special education students, although they often receive extensive services. Many are classified under "504" plans for which the Massachusetts Department of Education does not collect data. However, in analyzing the data on statewide health expenditures for school districts, we found that costs increased by 114 percent between FY90 and FY99, from $24.6 million to $52.7 million.

A portion of these costs pay for health educators, but the remainder pays for nursing services. Health education costs funded through the state's Health Protection and Smoking Cessation grants are not included in this data. At this point, we have not been able to secure data on how much has been expended for health education versus nursing services. However, we believe that the primary driver of costs in this area is the increasing number of students who need medical



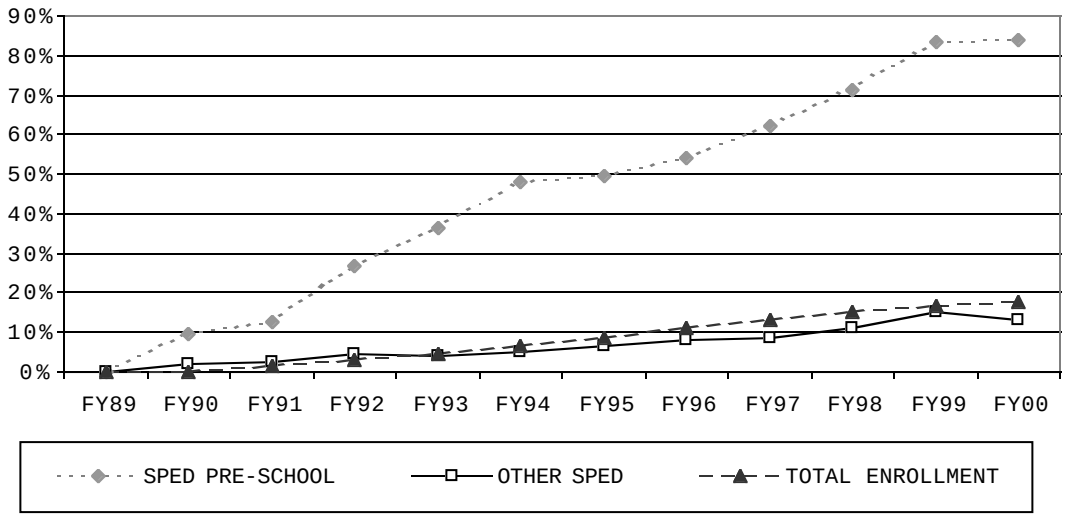
attention. This was not anticipated when the foundation formula was developed and remains an area of serious underfunding in the formula.

Medical and nursing-related costs could increase in the future, not only in Massachusetts but throughout the nation. On March 3, 1999, the U.S. Supreme Court announced its decision in *Cedar Rapids Community School District v. Garret F,*[11] a case involving a medically fragile student who had constant medical needs. In its decision, the Court clearly established the need for school districts to provide any and all necessary health services to qualified students with disabilities. The only services that school districts do not need to provide are those that can be performed only by a licensed physician. Analysts examining the implications of this case on special education in public schools have concluded that this decision will result in higher costs for school districts.[12] This did not concern the Court in *Garret F.*: "[T]he district may have legitimate financial concerns, but our role in this dispute is to interpret existing law, [our] concern was whether meaningful access to public schools will be assured."

Ominous Trends

Based on increases in preschool and early intervention enrollments as well as trends in medicine and social services, we believe that special education costs will continue to increase well into the future. A significant factor in the increase in costs over the past decade has been the rapid rise in the number of children with moderate and serious disabilities who require special-needs preschool programs. Between FY89 and FY99, regular education enrollment rose by 17.8 percent. (See Chart 8.) During this period, special education enrollment in all categories

CHART 8: CUMULATIVE PERCENT INCREASES IN TOTAL ENROLLMENT, SPECIAL EDUCATION PRE-SCHOOL ENROLLMENT, AND OTHER SPECIAL EDUCATION ENROLLMENT IN MASSACHUSETTS, FY89 TO FY00



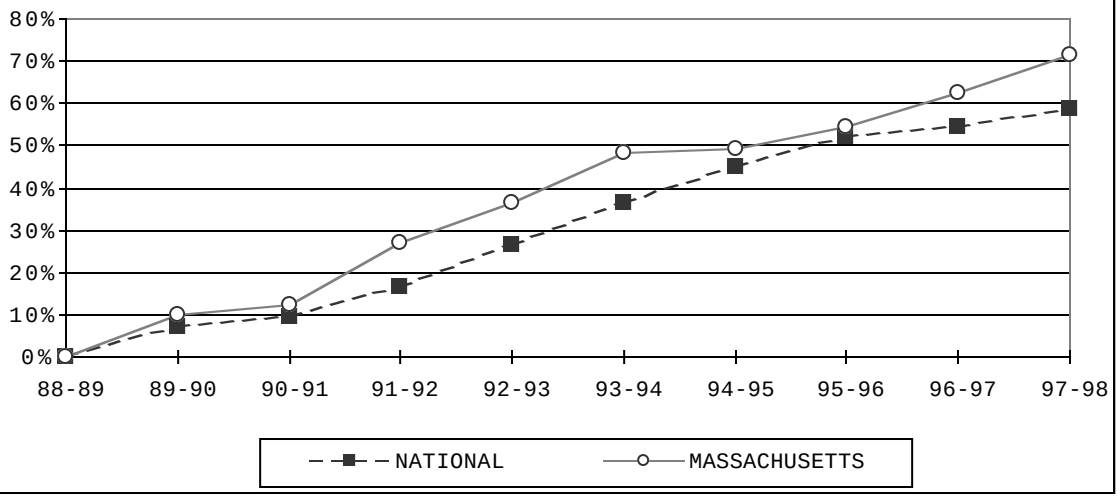
excluding preschool rose by 13.1 percent. However, special education preschool enrollment increased by 83.8 percent.

Preschool enrollment nationally has been growing at twice the rate of other special education enrollments. The increases in the Massachusetts preschool population parallel this trend. (See Chart 9.)

Increases in the numbers and severity of disabilities of children served by early intervention and special education preschool programs indicate that trends toward rising costs will only escalate further in the future.

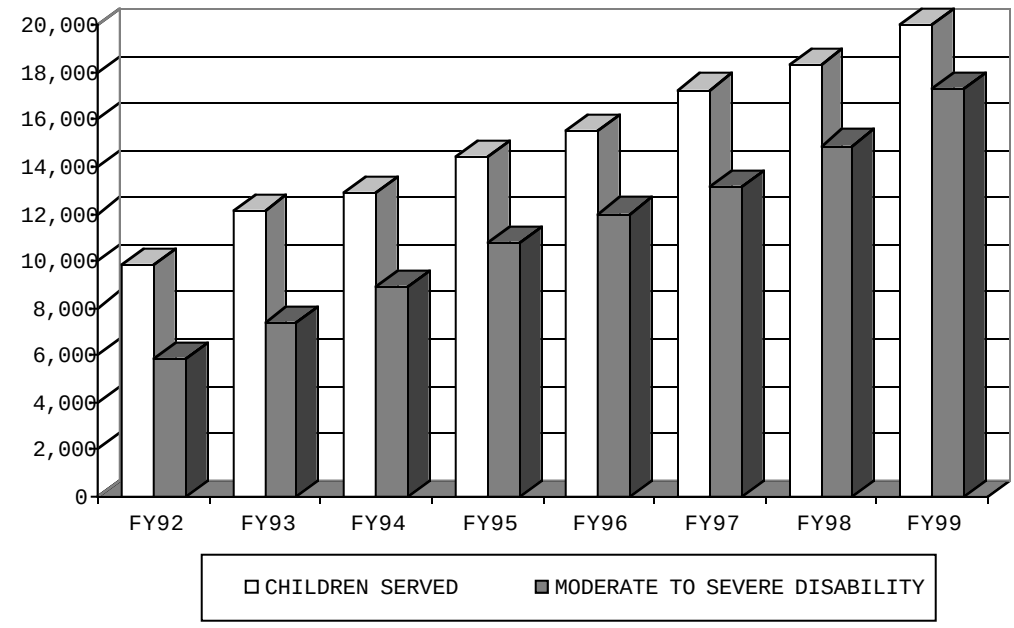
Many districts reported to the MASS Special Education Task Force that not only were the number of children requiring special-needs preschool programs continuing to increase, but these children had more significant disabilities. These reports are confirmed by data provided by the Department of Public Health regarding children in early intervention programs. (See Chart 10.) In FY92, 9,809 children were served by early intervention, with 59 percent of these children considered to have moderate or severe delays. By FY99, the number of children being served had increased by 105 percent to 20,075. However, the more ominous trend is that in FY99, the percent of children with moderate or severe delays had increased to 86 percent. Therefore the number of children with moderate to severe delays almost tripled during those years, from 5,818 to 17,290.

CHART 9: CUMULATIVE PERCENT INCREASE IN SPECIAL EDUCATION PRESCHOOL ENROLLMENT: U.S. & MASSACHUSETTS, 1989-98



There are other trends among young children that lead us to believe we will soon see a burgeoning of special education costs as these children enter preschool and K-12 programs. For example, between FY84 and FY97, there was a 50 percent increase in the number of children placed into foster care by the Department of Social Services, increasing from 8,579 children in FY84 to 13,877 in FY94 and then declining to 12,850 in FY97. (A decline between 1996 and

CHART 10: NUMBER OF CHILDREN SERVED BY EARLY INTERVENTION PROGRAMS, FY92 TO FY99



1997 was due to a tightening of foster home requirements and a reduction in the number of available placements.) The Department of Social Services also reports that between 1987 and 1994, the greatest increase in placement was among children age 6 and under. This age group increased 106 percent as opposed to a 40 percent increase for children age 7 and older.

Increases in the numbers and severity of disabilities of children served by early intervention and special education preschool programs also indicate that the cost trends of the past decade will only escalate further in the future.

Major Causes of Rising Special Education Costs

Rather than school district policy and practice, the increases in special education costs are due largely to medical, economic, and social factors.

Changes in Medical Practice

Medical technology has advanced to such a degree that children who would not have otherwise survived due to prematurity or disability are now surviving. In addition, those whose disability would previously have placed them in hospital or institutional settings are now able to enter public schools or private special education schools. The medical profession has also become increasingly aware of disabilities and is better able to diagnose them at an earlier age. Special education services are often recommended at infancy, and children are placed in early intervention programs. At age three, the responsibility for providing special education services is referred to the school district.

In particular, neonatology, the specialty of newborn medicine, has triumphed over the past decades. The last 20 years have seen increasingly premature infants survive at ever-lower mean birth weights. Table 3 shows that absolute numbers of premature infants with low birth weights increased over the last two decades. Due to advances in medical technology, survival of children at a birth weight below 3.3 pounds has increased from 52 percent twenty years ago to

TABLE 3: SURVIVAL RATES OF INFANTS BORN WEIGHING LESS THAN 3.3 LBS.

Birth Years	*Approximate Number of Infants Born Weighing < 3 1/3 Lbs.*	*% Surviving to 5 Years of Age*	*Approximate Number Surviving at 5 Years of Age*
1980 – 1985	35,000	52%	18,200
1985 – 1995	46,000	73%	33,600
1995 – current	55,000	90%	49,500

73 percent ten years ago to 90 percent today. Although this development is laudable, it has left us with consequences. Multiple studies have shown a close correlation between prematurity/low birth weight and subsequent developmental outcome.[13] Many premature infants are left with lifelong developmental and neurological problems.

Of infants born at birth weights less than 3.3 pounds, approximately 10 percent will develop classic cerebral palsy with seizures, severe spastic motor deficits, and mental retardation. All of these children, approximately 4,950 annually over the last five years, will have multiple medical issues that will necessitate the expansion of medical and nursing capabilities within the schools responsible for them. (See Table 4.)

TABLE 4: DISABILITIES ASSOCIATED WITH SURVIVING INFAND BORN WEIGHING LESS THAN 3 1/3 POUNDS

Birth Years	*Approximate Number with Cerebral Palsy*	*Approximate Number with Mental Retardation*	*Approximate Number with Learning Disabilities*
1980 – 1985	1,820	4,550	4,550
1985 – 1995	3,360	8,400	8,400
1995 – current	4,950	12,375	12,375

Fifty percent of children born weighing less than 3.3 pounds will have significant cognitive difficulties without spastic motor problems. Half of these, or approximately 12,375 annually over the last five years, will have measured intelligence in the borderline to mentally retarded range. The other half will have significant to severe learning disabilities.

Two decades ago, there was a 35 percent risk of death in the newborn period after asphyxia. Now nearly all these infants survive, and all come to school with significant to severe motor and cognitive deficits.

The actual number of children with disabilities resulting from prematurity, therefore, has increased markedly over the past 20 years. In fact, those numbers have almost tripled as medical technology has improved.

Prematurity and its consequences are not evenly distributed across society. The children of poor and marginalized populations are more likely to be born prematurely and suffer greater difficulties from this than children of middle- and upper-income families. Various studies suggest that maternal poverty increases the risk of poor developmental outcome from prematurity by factors ranging from 1.5- to 3-fold. Multigenerational poverty has been noted to be particularly associated with poor developmental outcomes in premature infants.[14] Thus, the social and economic burden of educating children with significant developmental problems resulting from their premature births is not evenly or equitably distributed across communities. Urban and rural communities bear a disproportionate share of poverty and a greater share of the disabilities resulting from prematurity.

Medical advances have enabled other populations of students to attend school who would not have been able to do so 20 years ago. For example, two of every 1,000 full-term infants are

born asphyxiated because of various medical events in the delivery process. This number has been very stable over the last two decades. Two decades ago, however, there was a 35 percent risk of death in the newborn period after asphyxia. Now nearly all these infants survive, and all come to school with significant to severe motor and cognitive deficits.[15]

One of the factors impacting costs has been the deinstitutionalization of special-needs children and the privatization of special education services over the past decade.

Another example is children born with epilepsy. Increasingly effective anti-seizure medications have allowed larger numbers of children with epilepsy to attend school on a regular basis. Although only 60 percent of school-age children with epilepsy were able to attend school without significant interruptions 20 years ago, now more than 95 percent are in school full-time. One percent of the school-age population has epilepsy; 85 percent of these children have significant special education needs. Given the treatment regimens that allow for full-time schooling, essentially all will require nursing supervision of their anti-seizure medications in school.

Children with autism represent another population that is increasingly able to attend school. Autism spectrum disorders (frank infantile autism and pervasive developmental disorders) appear to be present in roughly 2 percent of the population. It is not clear whether the apparent increase over the last 20 years represents an absolute increase in numbers or increased recognition. However, increasingly effective medical treatments for elements of behavioral dyscontrol in children with autism, coupled with more effective behavioral treatment modes, have allowed a larger percentage of children with autism to be educated in public school or consortium environments. These children generally require extensive and costly services within the school environment.

Twenty years ago, roughly two percent of the school-age population had a medical diagnosis that impacted upon their ability to function in school, both from an academic/cognitive as well as physical standpoint. Currently, conservative estimates suggest that 7.5 percent of the school-age population have a medical diagnosis that has such impact that these children cannot expect to prosper in school without significant multimodal academic and medical assistance in the school setting. The burden is placed disproportionately upon communities that have less access to contemporary treatment and intervention strategies.

The research necessary to implement effective treatments that prevent disabilities associated with prematurity, birth asphyxia, epilepsy, and autism is only now in its very earliest stages. As a result, the number of students with these disorders attending schools and requiring extensive services is likely to continue to climb for at least the first two decades of this century.

Deinstitutionalization and Privatization

A second factor impacting costs has been the deinstitutionalization of special-needs children and the privatization of special education services over the past decade. The best example is the Bureau of Institutional Schools (BIS). The Bureau of Institutional Schools was established within

Massachusetts special education law to provide special education services for children residing in facilities under the control of the Departments of Mental Health, Retardation, Public Health, and Youth Services and the County Houses of Corrections. However, in 1974, BIS primarily served two populations in state institutions. The first group was children with mental retardation; the second was children in hospital settings due to psychiatric or medical problems. BIS institutions and services for these populations were supported by state rather than local funds.

The number of children served by BIS, which has been reorganized as Educational Services in Institutional Settings (ESIS), has increased only slightly since 1974. However, the population is dramatically different from those served in 1974. Children with mental retardation are served directly through school district funds, either in programs within the district or in private or residential placements. This population, representing the majority of children served by BIS in 1974, is now the complete financial and educational responsibility of public schools. In addition, some children in hospital settings, who would have previously been served by BIS, especially those receiving psychiatric treatment, are also the responsibility of school districts. Currently, two-thirds of ESIS's caseload are incarcerated or detained youth served by the Department of Youth Services and the County Houses of Corrections, with the remainder coming from Departments of Public Health and Mental Health programs.

The shift away from state institutions toward a reliance on local school districts and collaborative or private placements is a positive one. It provides better services within a less restrictive environment. However, the financial resources to fund this shift have not come with the children.

Another example is a shift in policy at the Department of Social Services (DSS), especially in the new Commonworks Program. This program is designed to respond to the needs of hard-to-reach adolescents with multiple problems through out-of-home care. DSS typically has responsibility for out-of-home care but has sought to increase school districts' financial responsibility for children in the program. The Commonworks Program removes children from services they are receiving within a district and places them in private day or residential placements due to non-educational, family-related circumstances. School districts are then expected to share the cost of these placements. The request for proposals for lead agencies of the Commonworks Program contained specific references to the expansion of special education services, with DSS referring to school districts as a partner in paying for education services. DSS only set funding in place for educational services for 20 percent of the youth enrolled in Commonworks, however, creating an expectation that 80 percent of the youth enrolled in Commonworks would receive their educational services under cost-sharing agreements with school districts. The reality is that school districts lack the funding to support this new demand for services.

A single foster home taking one special education foster child can require a school district to pay for an out-of-district tuition of over $30,000 plus daily transportation.

A third example is the increase in the number of children who are state wards placed in foster homes. These children receive services in public schools. However, the placement and movement of these children is controlled by DSS and the foster parent. The dilemma presented by the placement process is the large number of children placed in foster homes in

some communities. In addition to the financial strain on these school districts, they are given late notification that a student with special needs will be placed in their community. A single foster home taking one special education foster child can require a school district to pay for an out-of-district tuition of over $30,000 plus daily transportation. The state does provide some additional funding for state wards, but no funding is available until the year after the costs are incurred. Plus, the funding is usually less than actual costs.

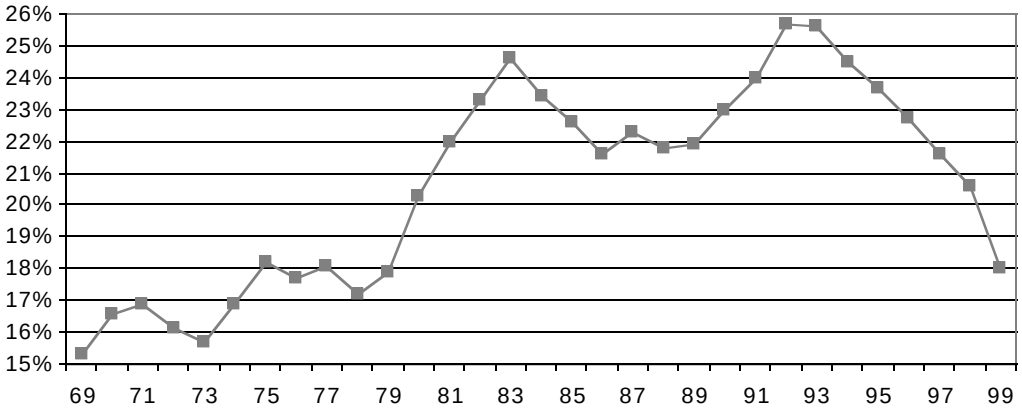
The children in both Commonworks and foster care deserve the services and education they receive. The problem is that both programs shift cost and responsibility from state level departments to local districts. Together with the deinstitutionalization of many children in ESIS, the financial and educational responsibilities now fall primarily on local communities without the funding to provide for these children.

Economic and Social Factors

A third cause of special education cost increases has been a higher percentage of children living in poverty. There is a correlation between poverty and special needs.[16] During the 1980s and early 1990s, there was a significant increase in children living in poverty nationally and in Massachusetts. The Massachusetts Committee for Children and Youth reported that the poverty rate for Massachusetts children under age 18 increased throughout the 1980s to highs of 17 percent to 19 percent between 1990 and 1993.[17] With improvement in the economy in 1994, poverty among children declined slightly, but the rate for Massachusetts rose again in 1995 to 17.1 percent. This means that between 17 percent and 19 percent of Massachusetts children in primary grades lived in poverty for their early years.

The national data on children in poverty reveal that the percentage of children under six years of age living in poverty rose significantly during the 1980s and early 1990s to a high of 25.7 percent in 1993.[18] The rate has steadily declined since 1993 and was approximately 18 percent in 1999. (See Chart 11.) The high national level of children living in poverty since the 1980s may account for a portion of the increase in special education enrollments throughout the

CHART 11: PERCENT OF CHILDREN UNDER AGE 6 LIVING IN POVERTY 1969 TO 1999



last two decades.

The major causes of districts' cost increases are advances in medical technology, deinstitutionalization and privatization of services, and increases in children in poverty and families experiencing social and economic stress.

Adding to the impact of poverty is the increase in families experiencing social and economic stress. Many communities and school districts have seen increases in such indicators as child abuse and neglect, alcoholism and drug use, and dysfunctional family environments that lead to increases in children requiring special education services.

According to the Massachusetts Department of Social Services, reports of child maltreatment were more than two and half times higher in 1999 than in 1983, as was the number of cases of confirmed maltreatment through supported investigations. (See Table 5.) DSS's report *Child Maltreatment Statistics 1995* states that "families reported for child maltreatment displayed the following characteristics: substance abuse, poverty, economic stress (and the associated problems of poor housing and limited community resources), and a lack of specific parenting skills."[19] In cases of children found to be maltreated in Massachusetts in 1997, 82 percent involved neglect, 24 percent involved physical abuse, 5 percent sexual abuse, and 2 percent emotional maltreatment.

If the Commonwealth of Massachusetts and other states wish to address the financial dilemma presented by special education, they need to recognize that the major causes of cost increases are not school district policy and practice. Instead, they are advances in medical technology,

TABLE 5: CHILD MALTREATMENT: NUMBERS OF REPORTS AND INVESTIGATIONS, 1983-1999*

Year	*Maltreatment Reports*	*Investigations*	*Supported Investigations*
83	36,258	28,204	12,518
84	46,393	34,326	16,515
85	49,320	35,971	18,203
86	51,759	35,085	18,291
87	52,391	33,832	17,356
88	61,506	37,229	18,957
89	70,713	42,590	22,532
90	82,831	52,492	28,621
91	88,748	52,853	28,048
92	89,592	47,960	24,601
93	93,752	47,587	24,186
94	97,210	51,452	26,325
95	96,255	51,285	25,375
96	101,180	54,403	27,219
97	103,533	58,743	29,815
98	97,108	52,899	27,559
99	98,799	56,335	30,349

Source: Massachusetts Department of Social Services.

deinstitutionalization and privatization of services, and increases in children in poverty and families experiencing social and economic stress.

The Foundation Formula

Rather than helping school districts adequately address special education cost increases, Massachusetts' education reform foundation formula exacerbates the problem by underestimating the percentage of children in special education programs as well as the cost of these programs. For example, in FY99 16.7 percent of the total student enrollment statewide was being served in special education programs. However, the foundation formula locked in a figure of 14 percent of student enrollment being served 25 percent of the time in special education programs. The formula adds an additional 1 percent for out-of-district placements. Locking in a 1 percent limit for out-of-district placements is particularly problematic. Given the small size of many Massachusetts districts, enrollment can vary widely, especially high-cost out-of-district placements. Out-of-district placements, in fact, can vary between 1 percent and 3 percent with smaller districts—those that can least afford it—experiencing the greatest variation. The formula makes no accommodations for these variations between districts.

Massachusetts' failure to fund adequately the costs of educating students with severe disabilities is compromising school districts' ability to implement the kinds of instructional improvements intended in the state's Education Reform Act.

More significant, the formula underestimates the cost of services for these students. For example, the formula provided $2,384 for a special education preschool student in FY99, yet the statewide average cost was $9,988. The formula allocated $17,269 for tuition costs of an elementary-age special education student enrolled in a private day or residential placement; however, the FY99 statewide average cost was $35,509 for a private day placement and $46,275 for a residential placement. In fact, only 11.9 percent of the state's FY99 foundation budget was allocated to preschool, in-district, and out-of-district special education costs while actual expenditures from school district budgets averaged 19.54 percent.

As special education costs continue to rise, the low estimates built into the formula remain inflexible and unresponsive to these changes. Consequently, they produce unrealistic estimates for districts' foundation budgets and provide no additional state aid to address the problem. Massachusetts' failure to adequately fund the costs of educating students with severe disabilities is compromising school districts' ability to implement the kinds of instructional improvements intended in the state's Education Reform Act.

Changes in Special Education Law and Policy

Based on the concerns raised in the Massachusetts Special Education Task Force study issued by MASS, as well as concerns expressed by many municipal officials and school board members, the state legislature enacted reforms in special education in July 2000.

The final FY01 State Budget contained a number of outside sections that changed the

Massachusetts Special Education Law. Many of the changes were intended to bring this law into alignment with the federal IDEA. Most significant, the legislature adopted the federal standard of "free appropriate public education," replacing the more expansive standard of "maximum feasible benefit." However, because Massachusetts will maintain its own special education law, it is not clear how this change will bring Massachusetts into full alignment with the IDEA. Special education advocacy groups have indicated they will test in court any changes made by school districts to meet the new perceived lower federal standard. Ultimately, courts will determine the benefits intended by the new Massachusetts law.

The state also moved closer to federal definitions of a disability and federal requirements for independent evaluations. However, the legislature chose to adopt provisions that were still more expansive than the federal standards in these areas. The Massachusetts law only adopted the federal definition of specific learning disability and emotional disability. This leaves other disabilities subject to Massachusetts standards that may be interpreted as different from the federal IDEA definitions. This will cause some confusion for school districts.

The increases in serious disabilities within the population in general and the increase in the number of young children with moderate and severe disabilities will require greater expenditures in special education.

Two new provisions of the law attempted to address the financial issues facing school districts. The first was an attempt to provide financial relief to a school district for unanticipated special education placements by creating a shared risk pool to which districts contribute much like an insurance policy. However, the risk pool provides relief only in the first year of expense. The local school district will need to budget for the expense in future years.

The second provision provided some relief from out-of-district costs by creating a new formula in which the state shares a greater percentage of these costs with districts. In the past, the state paid 50 percent of the cost of all residential placements but none of the costs for other special education students. The new legislation drops this provision and provides financial assistance to a district when costs for an in-district student exceed three times the per-pupil average of the foundation formula and when costs for an out-of-district student exceed four times the per-pupil average. For an in-district student the state will provide 80 percent of the costs above this point, and for an out-of-district student the state will provide 65 percent. For FY2000, the per-pupil average was $6,700; consequently, a school district would incur the complete cost for the first $20,100 for an in-district student and the first $26,800 for an out-of-district student. Although this provision appears to be beneficial to districts, in actual operation most districts will receive only very modest relief in the range of 1 percent to 3 percent of their total special education budget. Some districts will actually receive less financial assistance than they did through the 50 percent provided by the state for residential placements.

In reviewing the financial aspects of special education, the state legislature commissioned a study to determine if there would be any savings produced by changing to federal disability definitions and the federal standard of "free appropriate public education." The study, completed by McKinsey and Company, concluded that changing the eligibility rules and criteria

could result in up to 30,000 fewer students enrolled in special education and could free up approximately $125 million from local special education budgets.[20]

Despite the McKinsey analysis, we do not anticipate that the school districts will be able to realize this degree of savings. The estimate of savings was derived from a comparison of the percentage of students in special education in Massachusetts versus the percentage of students in special education nationally. Based on this, McKinsey assumed that changing the eligibility criteria would enable the state to lower the percentage of students in special education. There are two problems with this analysis. First, school districts have already rigorously applied the existing eligibility standards to such a degree that the rate of growth in special education in Massachusetts is less than half the rate of growth nationally. Second, the study did not take into account the rapidly rising percentage of children in special education nationally. Finally, children who might no longer qualify for special education services still have educational issues that will need to be addressed. Although these would theoretically be addressed through additional regular education rather than special education services, they would still represent a cost similar to what the school district was paying through special education services. There will be some savings realized in the change, especially in the cost of bureaucratic red tape associated with special education, but the savings will be modest.

The long-term solution lies in addressing the underlying causes of the special-needs increases—the medical, social, and economic issues that cause increasing numbers of children to require special education.

The study also concluded that adjusting the Massachusetts special education standard to the federal standard could, at full implementation, shift between 2,200 and 35,000 students into different educational environments and could save between $8 million and $36 million. It provided this wide range of savings because there was no definitive evidence as to whether or not the current state standard of maximum feasible benefit plays a role in keeping children in the least restrictive environment. Again, we believe that the savings will be very modest and may be consumed by expensive litigation in the short term. Districts have done their best to provide in-district programs for children, and we do not anticipate a great decline in out-of-district placements. Again, there may be a benefit to the change in that it provides school districts with a better chance to design effective in-district programs for children; however, it will not produce significant savings.

Although many of the legislative changes may have a positive benefit for school districts, the legislation does not address the essential problem. The increase in cost is not due to district policy and practice and will not be solved by legislating changes in these practices. The increasing numbers of more severely disabled children entering school have required the allocation of additional resources to educate and care for these students. The state and the federal government need to recognize that these increases are real and the only way to address them is to provide additional relief to districts. MASS originally recommended that the state pay 90 percent of the cost of special education placements, whether in-district or out-of-district, beyond three times the per-pupil average within the foundation formula, with direct payment for

the out-of-district placement by the Massachusetts Department of Education. This would ensure real relief to districts and a shared responsibility between local communities and the state.

Recommendations

Based on the data in this chapter, we conclude that policymakers should be realistic about the rising costs of special education. The increases in serious disabilities within the population in general and the increase in the number of young children with moderate and severe disabilities will require greater expenditures in special education. Even though districts in Massachusetts are making their best efforts to provide regular education programs and services as an alternative to substantially separate special-needs programs, these regular education programs and services require additional resources. Learning disabilities do not disappear just because a child is not classified as a special education student. These are realities that policymakers need to face.

It would be tragic if education reform, increased funding, and public education in general were declared failures when, in fact, the experiment was never really tried.

The long-term solution requires that the state and federal government support school districts in meeting the responsibility for special education. Communities, especially smaller communities, cannot meet the needs of children who cost the district over $20,000 each without compromising other programs, but, under current law, communities pay the bill. This places an unfair burden on local communities when the responsibility for these children is best addressed through the collective efforts of all citizens within the state and throughout the nation.

One proposal for addressing the increasing costs is to have the local community pay the educational costs and the state or federal government pay for medical, psychiatric, physical therapy, and/or occupational therapy services. Although schools should not be required to address medical problems, it is so difficult to define which service is educational and which is medical that we believe that the only effective approach is to increase both the state's and federal government's financial responsibility for special education.

On a federal level, the landmark Education for All Handicapped Children Act of 1975 established a federal commitment to pay for 40 percent of the excess cost of its special education mandate. This mandate has never been met, and the federal government currently contributes approximately a modest 12 percent of the costs of special education. Additional resources provided at a federal level would help relieve the burden on states and local school districts.

Conclusion

We face a challenging dilemma. Children are entering our school systems with significantly greater special needs, and these needs are often identified at a very early age. The increased cost of special education services is seriously compromising regular education programs and education reform in states throughout the country. We need a solution that addresses the financial crisis emerging in many districts while at the same time meeting the real and

substantial needs of these children. In addition, we need a solution that does not blame the children or those working with them and does not pit regular education against special education.

The Massachusetts Education Reform Act set ambitious new standards and dedicated significant funds for the improvement of education. However, for the majority of districts the increase in special education spending has meant that little of the new funds have been available for the improvement of regular education. For all too many districts the situation is critical. The long-term interest of children with disabilities will not be served by pulling resources from regular education classrooms. Action on the part of the state of Massachusetts and the federal government is imperative so that the needs of both regular education and special education children can be well-served and the goals of education reform realized. It would be tragic if education reform, increased funding, and public education in general were declared failures when, in fact, the experiment was never really tried.

The long-term solution lies in addressing the underlying causes of the special-needs increases—the medical, social, and economic issues that cause increasing numbers of children to require special education. We need to invest in medical research directed toward the prevention of disabilities in premature infants. We also need to invest in reweaving the social and economic support systems for families. These are difficult problems to solve, but we encourage our state and federal legislators to work toward these long-term solutions.

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[1] See U.S. Department of Education, *Twenty-first Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act* (Washington, DC: U.S. Department of Education, 1999), table II-2.

[2] See ibid. at table II-34.

[3] See ibid. at table II-44.

[4] See National Center for Education Statistics, *NCES Fast Facts-Enrollment Trends* (Washington, DC: National Center for Education Statistics, 1999), tables 3-1, 3-2 (also available at <<www.nces.ed.gov/fastfacts/display.asp>>).

[5] J. G. Chambers, T. B. Parish, J. C. Lieberman, and J. M. Wolman, "What Are We Spending on Special Education in the U.S.?" *CSEF Brief* (1998): 8.

[6] See Center for Education Finance, "Frequently Asked Questions" (available at <<www.csef.air.org>>).

[7] See National Center for Education Statistics, *What Are We Spending on Special Education in the U.S.?* (Washington, DC: National Center for Education Statistics, 1998) (also available at <<nces.ed.gov/edfin/faqs/speced1.asp#table1>>).

[8] See T. B. Parrish, *Special Education Finance: Past, Present, and Future* (Policy Paper 8) (Palo Alto, CA: Center for Special Education Finance, 1996); T. B. Parrish and J. M. Wolman, *Escalating Special Education Costs: Reality or Myth?* (Palo Alto, CA: Center for Special Education Finance, 1996) (also available at <<www.csef.air.org>>); and R. M. Rothstein and K. H. Miles, *Where's the Money Gone? Changes in the Level and Composition of Education Spending* (Washington, DC: Economic Policy Institute, 1995).

[9] See M. T. Moore, E. W. Strang, M. Schwartz, and M. Braddock, *Patterns in Special Education Service Delivery and Cost* (Washington, DC: Decision Resources Corporation, 1988).

[10] See Task Force on Special Education, *The Impact of Special Education on Educational Reform* (Boston, MA: Massachusetts Association of School Superintendents, 1997).

119 S.Ct. 992 (1999).

[12] See A. Katsiyannis and M. L. Yell, "The Supreme Court and School Health Services: *Cedar Rapids v. Garret F.*," *Exceptional Children* 66, no. 3 (2000): 317-326.

[13] See, for example, A. A. Fanaroff, L. L. Wright, and D. K. Stevenson, "Very Low Birth Weight Outcomes of the National Institute of Child Health and Human Development National Research Network, May 1991 Through December 1992," *American Journal of Obstetrics and Gynecology* 173 (1995): 1123-1141; C. L. Fawer, S. Besnier, and M. Forcada, "Influence of Perinatal, Developmental, and Environmental Factors on Cognitive Abilities of Preterm Children Without Major Impairments at 5 Years," *Early Human Development* 43 (1995): 151-164; C. L. Halsey, M. F. Collins, and C. L. Anderson, "Extremely Low Birth Weight Children and Their Peers: A Comparison of Preschool Performance," *Pediatrics* 91 (1993): 807-811; L. Jain, C. Ferre, and D. Vidyasagar, "Cardiopulmonary Resuscitation of Apparently Stillborn Infants: Survival and Long-term Outcome," *Journal of Pediatrics* 118 (1991): 778-782; C. H. Leonard, R. E. Piecuch, R. A. Ballard, and B. A. Cooper, "Outcome of Very Low Birth Weight Infants: Multiple Gestations Versus Singletons," *Pediatrics*, 93 (1994): 611-615; M. C. McCormick, S. L. Gortmaker, and A. M. Sobol, "Very Low Birth Weight Children: Behavior Problems and School Difficulties in a National Sample," *Journal of Pediatrics* 117 (1990): 687-693; A. Majnemer, B. Rosenblatt, and P. S. Riley, "Influence of Gestational Age, Birth Weight, and Asphyxia on Neonatal Neurobehavioral Performance," *Pediatric Neurology* 9 (1993):181-186; M. E. Msall, G. M. Buck, and B. T. Rogers, "Risk Factors for Major Neurodevelopmental Impairments and the Need for Special Education Resources in Extremely Premature Infants," *Journal of Pediatrics* 119 (1991): 606-614; J. Roth, M. B. Resnick, and M. Ariet, "Changes in Survival Patterns of Very Low Birth Weight Infants from 1980 to 1993," *Archives of Pediatrics and Adolescent Medicine* 149 (1995): 1311-1317; S. Saigal, L. A. Hoult, and D. L. Streiner, "School Difficulties at Adolescence in a Regional Cohort of Children Who Were Extremely Low Birth Weight," *Pediatrics* 103 (2000): 325-331; S. Saigal, P. Szatmari, and P. Rosenbaum, "Cognitive Abilities and School Performance of Extremely Low Birth Weight Children and Matched Control Children at 8 Years: A Regional Study," *Journal of Pediatrics* 118 (1991): 751-760; K. Stjernqvist and N. W. Svenningsen, "Extremely Low Birth Weight Infants Less than 901g Growth and Development After One Year of Life," *Acta Paedtrica Scandinavica* 82 (1993): 40-44; A. J. Thomson, M. Searle, and G. Russell, "Quality of Survival After Severe Birth Asphyxia," *Archives of Diseases of Childhood* 52 (1977): 620-626; C. M. Thompson, S. S. Buccimazza, and J. Webster, "Infants of Less than 1250 Grams Birth Weight at Groote Schuur Hospital: Outcome at 1 and 2 Years of Age," *Pediatrics* 91 (1993): 961-968; N. Veelken, M. Schopf, O. Dammann, and F. J. Schulte, "Etiological Classification of Cerebral Palsy in Very Low Birth Weight Infants," *Neuropediatrics* 24 (1993): 74-76; N. Veelken, K. Stolhoff, and M. Claussen, "Development and Perinatal Risk Factors in Very Low Birth Weight Infants: Small Versus Appropriate for Gestational Age," *Neuropediatrics* 23 (1992): 102-107; U. Wariyar, S. Richmond, and E. Hey, "Pregnancy Outcome at 24-31 Weeks Gestation: Neonatal Survivors," *Archives of Diseases of Childhood* 64 (1989): 678-686; N. Weisglas-Kuperus, H. M. Koot, and W. Baerts, "Behavioral Problems of Very Low Birth Weight Children," *Developmental Medicine and Child Neurology* 35 (1993): 406-416; and N. Wood, N. Marlow, K. Costeloe, A. T. Gibson, and A. W. Wilkinson, "Eurologic and Developmental Outcome After Extremely Preterm Birth," *New England Journal of Medicine* 343 (2000): 378-384.

[14] See Fawer, Besnier, and Forcada, "Influence of Perinatal, Developmental, and Environmental Factors"; Veelken, Stolhoff, and Claussen, "Development and Perinatal Risk Factors"; and Wariyar, Richmond, and Hey, "Pregnancy Outcome at 24-31 Weeks Gestation."

[15] See Jain, Ferre, and Vidyasagar, "Cardiopulmonary Resuscitation of Apparently Stillborn Infants"; and Thomson, Searle, and Russell, "Quality of Survival After Severe Birth Asphyxia."

[16] See G. T. Fujiura and K. Yamaki, "Trends in Demography of Childhood Poverty and Disability," *Exceptional Children* 66, no. 2 (2000): 187-199.

[17] See Massachusetts Committee for Children and Youth, *State of the Child 1996* (Boston, MA: Massachusetts Committee for Children and Youth, 1996): 5.

[18] See <<www.census.gov/income/histpov/hstpov21.txt>>.

[19] Massachusetts Department of Social Services, *Child Maltreatment Statistics 1995* (Boston, MA: Massachusetts Department of Social Services, 1996): 2.

[20] See McKinsey and Company, *Special Education in Massachusetts* (Boston, MA: Massachusetts Legislature Joint Committee on Education, Arts and Humanities, 2000).