



FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Special Education Contribution Pressure Increases

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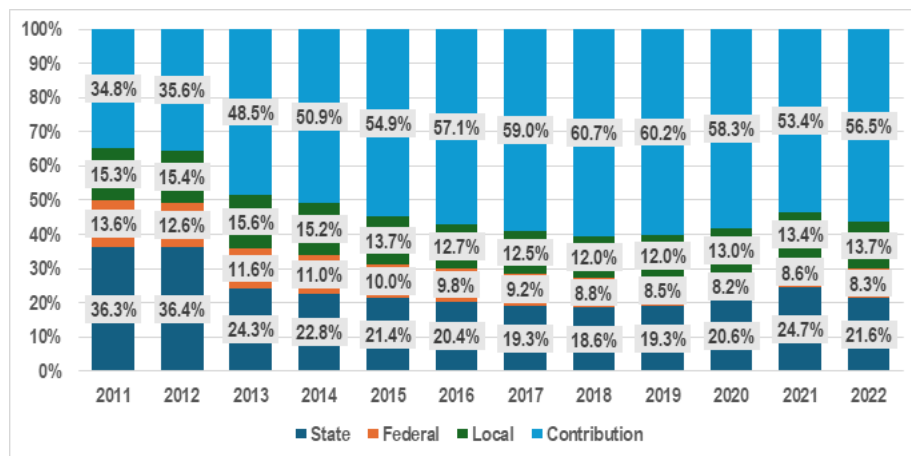
While waiting for final details related to the State Budget proposals, local educational agencies (LEAs) are reviewing local budgets to support special education programs and are finding increasing student needs with diminishing resources. Across the state, LEAs are faced by growing costs influenced by increasing salaries and benefits for employees, higher costs for systemic support related to behavioral and mental health, and the need to use contracted service providers to fill staffing shortages in special education programs.

As special education leaders look to next year, program projections may indicate a need to expand services, expand local placement options, and to continue making progress towards increasing inclusive practices and settings. Plans may include opportunities for increasing effectiveness and efficiency of program resources, while others may need to include reductions in expenditures or staffing to stay within local resources.

For 2024-25, special education funding via AB 602 is projected to be approximately \$896.89 per average daily attendance (ADA), inclusive of the proposed 1.07% cost-of-living adjustment, which will bring limited respite from higher cost pressures within the special education department. Despite multiple years of substantial growth in special education funding, state and federal special education revenues continue to be inadequate to cover program needs.

Using state-certified data for 2022-23, School Services of California Inc. (SSC) calculated the shifting impact of funding source changes in state, federal, and local resources. As shown in Figure 1, which utilizes Goal 5XXX to determine the revenue sources and expenditures for special education programs, the impact of one-time funding and increased state commitments to special education can be seen in the past several years.

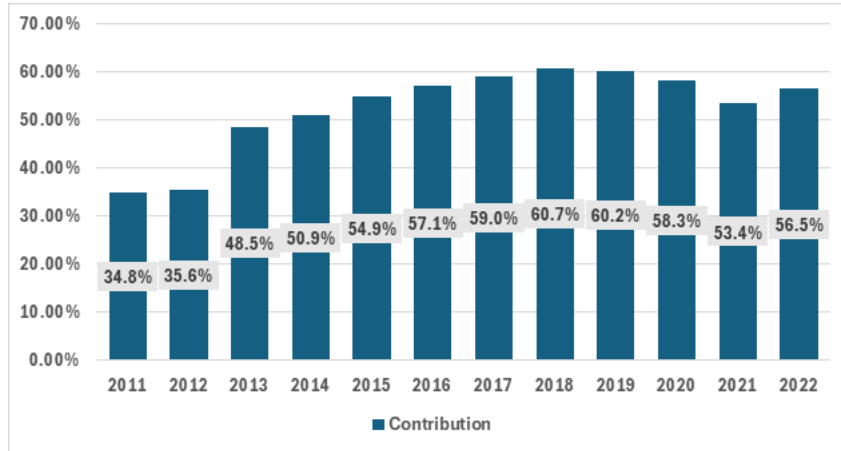
Figure 1: Special Education Expenditures by Revenue Source



Source: State-certified data

General Fund contribution, calculated as the difference between Goal 5XXX expenditures and Goal 5XXX revenues, is shown in Figure 2. The impact of higher AB 602 revenue and one-time funds lowered local contributions in 2020-21 and 2021-22 across the state. However, rising special education program expenses and expiring one-time resources reversed the trend, which will continue in 2023-24 and 2024-25, making the monitoring of special education program budgets and informed collaborative decisions a high priority for all LEAs.

Figure 2: Local Contribution as a Share of Special Education Expenses



Source: State-certified data

As an outcome of changes in the calculation and allocation of special education funding and increasing compliance and improvement monitoring activities, many LEAs are showing a deeper interest in how revenue is used within Special Education Local Plan Areas and what opportunities there are to provide services to students within the least restrictive environment. This is especially true of the mental health ADA funds, which were allocated directly to LEAs for the first time in 2023-24. Mental and behavioral health are hot topics for LEAs, and focused analysis on the use of mental health ADA funds, costs to develop and run an internal program, and issues related to program transfer procedures mandated by Education Code may need to be considered.

Other critical issues facing LEA special education programs are ongoing declining enrollment, increasing special education eligibility, chronic absenteeism impacting ADA, and the overall effect of rising expenditures and declining resources on the maintenance of effort obligation. As part of SSC’s annual professional development cycle, the [Special Education—Both Sides of the Equation](#) webinar will help special education program and fiscal staff to consider the impact of funding realities, program needs, and available resources on multiyear planning to obtain the desired program outcomes. Join us on June 25, 2024, for this opportunity to gather information, tools and tips for effective program management and planning, and to receive guidance on ways to improve programs serving students with disabilities within the resources provided.