

Ohio Special Education Cost Analysis

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Section One

Introduction

The primary purpose of this study is to determine the cost of providing special education services to Ohio public school students with disabilities. The study utilizes available data from the state of Ohio, local school districts and Educational Service Centers (ESC). It also uses and analyzes the information and insights contained in a 2022 special education cost study (*Special Education in Ohio: Best Practices, Costs, and Policy Implications*) mandated by the state of Ohio and prepared by the American Institutes for Research (AIR). This study focused on costing out a special education system based upon “best practices.” While professionally executed, the study was incomplete. For instance, it did not provide a clear articulation of how special education weights should be reconfigured and what the cost of its policy implications would be for the state of Ohio and local education agencies.

The importance of this new analysis is high because it is necessary in order to fully and accurately fund special education services. The significance of this work is underscored by the fact that approximately one out of every six Ohio public school students (K-12 districts including community school students) receive special education services. Totalling over 262,000 Pre-K through grade 12 students, including community school students (2022-2023), each member of this group has an assessment-based Individualized Education Plan (IEP). Per state and federal law, the state of Ohio and its local education agencies are required to provide these students with a free and appropriate public education (FAPE) in the least restrictive environment possible.

This requirement has been the case since the 1970s. As is outlined in this cost analysis, during the intervening years special education funding and service delivery have gone from a largely segregated model with separate “unit” funding tied to classroom costs, and often separate services, to models that are largely integrated with funding for “regular” education students. Yet, the true cost of these special education services remains unclear and the state’s special education funding model has never been fully funded.

The report attempts to address this issue directly. It begins with a clear statement in Section Two regarding the rationale for the study. It moves forward in Section Three by providing an overview of the current (Ohio) special education policy context. This overview includes: a description of the state’s special education funding model, including its national context, and the historical challenges associated with enhancing special education funding in Ohio.

Section Four provides perspectives from the Ohio field of special education practitioners. Seven significant challenges were identified:

- A shortage of intervention specialists and related services personnel.
- Funding and serving high cost, low-incidence students with disabilities, including the problematic nature of the state’s threshold funding mechanism.
- Behavioral health crisis and related service and funding pressures.
- The state’s failure to include a current cost-based special education funding component in its new Fair School Funding Plan.
- Pre-school special education services and funding.
- Implementation of expanded educational choice options.
- A shortage of ESC facilities and related special education funding.

The report continues with an analysis in Section Five of the referenced AIR special education cost study and the identification of two major questions: What are the AIR study’s central assumptions, including those related to best practices, associated with costing-out special education services in Ohio? Are these assumptions reasonable?

Section Six focuses on framing and identifying key special education cost questions and then answering these questions. The questions are as follows:

- What is the estimated total state (and separately) local cost of implementing both the best practice-based AIR study policy implications and a fully funded version of Ohio’s current special education funding model?
- Within the context of the current study, what are the answers to the following questions:
 - What is the cost of funding high cost, low incidence students with disabilities?
 - What is the cost of adequately addressing the educational cost of serving students with behavioral health needs?
 - What are the key cost and funding implications of Ohio’s Fair School Funding Plan, which is in the fourth year of a proposed six year phase-in period?
 - What is the role of federal special education resources, including the Medicaid in Schools Program?
 - Why is it necessary and what is the cost of reconfiguring special education funding weights?

The study ends with a Section Seven conclusion and related next steps.

Section Two

Special Education Costs: Why Ohio Needs More Knowledge and the Right Numbers

Introduction

*Special education funding in Ohio needs attention, analysis and action. Ohio's special education community understands why and so do many state policymakers. It's also a key takeaway from a 2022 state mandated special education cost study titled *Special Education in Ohio: Best Practices, Costs, and Policy Implications*. The primary focus of this independent study was to "identify best practices for providing special education and related services to students with disabilities ... and to calculate the associated costs. Additionally, this study compares the current Ohio state funding formula with the estimated costs of implementing best practices to inform state discussions around potential changes in state funding policy."*

Though a solid step forward, the AIR study did not answer fully all the substantive questions that need to be addressed in order to rationally finance special education services in Ohio. What needs to be done to complete the cost study and answer these questions is outlined below.

Why Additional Special Education Cost Analysis Is Necessary

Special education funding is designed to pay for the state and federally mandated additional costs of providing a free and appropriate public education (FAPE) to public school students with disabilities and to do so in the least restrictive environment possible. These are students who have been assessed by qualified professionals and deemed to have one or more of 14 disabilities (including developmental delay for pre-schoolers), and thus need supplemental services in order to succeed educationally. The cornerstone of this assessment-driven system is the individual education plan (IEP).

Ohio currently has a six-weight system of funding special education. Supplemental (weighted-only) state special education funds, which totaled \$664 million for Ohio's 609 K-12 school districts in FY 2023, are provided to school districts based on the assessed needs of students with disabilities and are equalized based on school district wealth. These funds are in addition to the state and local, per pupil funds provided to all students through Ohio's school funding formula. The primary mechanism for allocating supplemental special education funds, each weight was originally designed to be a multiplier of the per pupil base amount of funding. A cluster of disabilities is included within each weight with the least costly (to the state) weight being Category 1, which provides supplemental funds for students with speech and language impairments. The costliest weight is Category 6, which

provides supplemental funding for students with deaf-blindness, autism and/or traumatic brain injury.

Unfortunately, though Ohio's current special education funding system was designed, over 20 years ago, to be cost-based, it has never been fully funded by the state and it has never been thoroughly updated to determine what the true costs currently are for providing special education services. Instead, special education has been receiving various versions of cost-of-living adjustments which, in effect, represent an override of the weighted system.

This system override provides fiscal continuity, but it does not determine or address the actual cost of providing special education services. Meanwhile, Ohio continues to phase-in funding for a new, inputs-based approach to school funding known as the Ohio Fair School Funding Plan, but *without* including updated special education costs. This is true even though special education funding is of high importance to school districts and other Ohio educational entities, including Educational Service Centers, which are major special education direct service providers.

Improving special education funding is also of great significance to Ohio's growing number of students with disabilities. In the early years of federally mandated special education services, which began in 1975, approximately 10% of public school students were identified as needing special education services; in 2022, however, there were approximately 250,000 K-12 Ohio special education students or over 15% of the public school population. The largest number of these students is doing grade level work with assistance, but there is nevertheless a significant overrepresentation of students with disabilities (often for poverty-related reasons) within the state's large population of students who are at-risk of educational failure.

In response to this situation and the related need for more knowledge of the true costs of educating students with disabilities, the Ohio Department of Education (now the Ohio Department of Education and Workforce) hired a firm, American Institutes For Research (AIR), to do an independent, best practice-focused special education cost study. This study was completed in November 2022 as the FY 2024-2025 state operating budget development process was being finalized. This tight timeframe combined with the complexities associated with special education funding resulted in the exclusion of any of the study's policy implications from the FY 2024-2025 state operating budget. Yet, this same budget did include funding for years three and four of the implementation of the Ohio Fair Schools Funding Plan. It is worth noting, however, that updating (and increasing) the base cost per pupil calculation in FY24 resulted in an increase in special education funding from \$664 million in FY23 to \$775 million in FY24.

In order to fully understand Ohio's special education funding situation, it is necessary to conduct a thorough analysis of the AIR special education cost study, a technically complex,

sometimes opaque document. In doing this work, it will be essential to gain a deep appreciation of the current special education policy and fiscal context and its historical roots. This is true because of both the study's strengths and its weaknesses with the latter including the reality that it did not fully address the central question of how much more it would cost state government and local school districts *in Ohio* to fund the study's policy "implications," including the judgment that Ohio's special education weights are inaccurate and need to be reconfigured.

A leading example of the AIR study not getting to the finish line on a key issue is its estimate of (average) costs of special education weighted categories ranging from \$9,760 for speech and language impairment to \$59,098 for students with other health impairments. What it did not do is take the next essential step to incorporate these weights into Ohio's school funding formula and quantify what these figures mean from a statewide and a school district perspective. Clearly, these and other key questions require answers and, in effect, an analysis that reality checks and then completes the study.

As with all fiscal and policy studies, including excellent ones, it is essential for state policymakers to ask penetrating questions and analyze the results of the study for themselves before deciding whether or not – and how – to operationalize policy recommendations in ways that make sense when the unique realities of the state and local scene are taken into full consideration. Many would argue that this is doubly true when the subject is special education funding and its impact on a diverse group of students and school districts.

Many could also argue that policy and fiscal analyses too often fail to focus carefully on the significance and complexity associated with the actual implementation of policies – and the fact that implementation issues should be integrated into the policy development process. Both art and science, implementation has proven to be a killing ground for far too many good ideas. And it's why it is so essential to review the AIR study using an Ohio fiscal and operational lens.

Finally, knowing that the need for further special education cost analysis is real and urgent, the Ohio Educational Service Center Association provided critical help in providing information and insights that strengthened this study, which was funded by the nonprofit Ohio Education Policy Institute. The study reviews the referenced AIR study, including its central methodological focus on identifying and then costing-out evidence-based best practices using the insights provided by Professional Judgment Panels populated by Ohio practitioners from school districts with a history of providing best practices for special education as explained later in this report.

The AIR study needs to be reviewed carefully and it needs to be completed so Ohio policymakers, particularly including the DeWine Administration, have the knowledge they

need to create a more rational, evidence-based special education funding model informed by an accurate and up-to-date analysis of legitimate special education costs. And the clock is ticking in terms of doing this work now so it can be utilized in the FY 2026-2027 state budget development process, which began in Summer 2024.

Section Three

Ohio Special Education Funding Policy Context

Brief Summary of Special Education Funding in Ohio

Dating back to at least the mid-1980s, Ohio provided funding for students with disabilities (commonly referred to as “special education” funding) through a “unit” system. The unit system worked by defining and funding classroom units for students with different types of disabilities. The number of units was determined by the number of students in each school district with different disabilities in accordance with prescribed student/staff ratios that varied by disability type. The student/staff ratios and other necessary supports for students with disabilities were spelled out in the state special education standards (commonly referred to as the “Blue Book”). The state minimum teacher salary schedule was used as the basis for funding the units.

The special education unit funding system suffered from several deficiencies:

- 1) First, the state minimum teacher salary schedule (which had a starting point of roughly \$17,500 in the 1990s) was widely regarded to be absurdly low thereby fundamentally undermining the adequacy of funding for special education.
- 2) Because funding for special education was based upon the minimum teacher salary schedule - which was not linked in any way to the per pupil foundation amount - funding for special education units would typically lag behind funding for students without disabilities from year to year. Special education advocates referred to this as the “parity” issue.
- 3) Unit funding for special education had the advantage of creating a clear stream of funds for students with disabilities as well as an easy mechanism for tracking whether these funds were actually spent as intended (i.e. if a district was funded for “x” number of units then there should also be “x” classrooms serving these children). However, educational research began to show that students with disabilities would be better served by an educational experience where they were integrated to the greatest extent possible with “regular” students (a practice often called “mainstreaming”) rather than being segregated in their own separate classrooms. As a result, federal legal requirements evolved to mandate that students with disabilities must be served in the “least restrictive environment” (LRE) possible, a practice that does not easily lend itself to a unit funding system.

In 1998, in response to these realities, the Ohio General Assembly replaced the unit funding system of funding special education with a system of 3 pupil weights. The system of pupil weights was subsequently expanded and modified in 2001 (effective with the FY02 school year) to a 6 weights system – a model Ohio updated again effective in FY10. Under a weighted pupil system special education students are counted once in the district’s average

daily membership (ADM) for foundation funding and then additional funding is provided in accordance with their weight. The primary advantage of the weighted pupil funding system is that by first counting the student in district ADM and then providing additional funding for the disability through the weight, funding for special education will increase in accordance with changes in the foundation level. This solves the “parity” problem described above.

Table 1 shows which of the 13 K-12 pupil disability types are included in each of the 6 weighted pupil funding categories. These groupings have been utilized since the FY02 school year.

Table 1: FY02-FY25 Special Education Funding Categories & Disability Types

Special Education Funding Category	Student Disability Type
Category 1	Speech & Language Impairments
Category 2	Intellectual Disabilities, Specific Learning Disabilities, Other Health Impairments (minor)
Category 3	Hearing Impairments, Severe Behavioral Health Disability
Category 4	Visual Impairments, Other Health Impairments (major)
Category 5	Multiple Disabilities, Orthopedic Impairments
Category 6	Deaf-Blindness, Autism, Traumatic Brain Injury

The 6-category weighted pupil system has been modified several times since its inception in FY02. Originally based on a cost study contracted by the Ohio Coalition for the Education of Children with disabilities (OCECD), the original weights were used from FY02 through FY09. Note that the weights were reduced by a “phase-in percentage” ranging from 82.5% in FY02, 87.5% in FY03, 88% in FY04 and 90% from FY05 through FY09. The weights were updated in FY10 (although still phased-in at 90%) and used for 2 years before the funding formula was suspended and replaced by the “Bridge Formula” in FY12 and FY13.

Table 2 provides a summary of special education pupil weights used from FY02 to FY13.

Table 2: Special Education Weights with Phase-in Percentage FY02-FY13

Fiscal Year(s)	Category 1	Category 2	Category 3	Category 4	Category 5	Category 6	Phase-in %
FY02	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	82.5%
FY03	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	87.5%
FY04	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	88.0%
FY05-FY09	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	90.0%
FY10-FY11	0.2906	0.7374	1.7716	2.3643	3.2022	4.7205	90.0%
FY12-FY13	Bridge Formula – Special Ed Funding Based on FY11 \$ Amount						

In FY14 the special education weights were converted to the equivalent per pupil amount that would be implied by multiplying the previous FY11 weights (again reduced to 90% by the on-going phase-in percentage) by the FY14 core opportunity aid amount of \$5,745 per pupil. The same process was used to reach the per pupil amounts in FY15 (multiplying by the \$5,800 base cost per pupil). As a result, the per pupil amounts used in FY14 and FY15 produced the exact same amount of funding as if the weights had been used.

However, use of per pupil amounts for special education funding rather than weights would require annual increases in the per pupil amounts equal to the percentage increase in the per pupil core opportunity aid amount in order for special education funding to keep pace with funding for “regular” students. In FY16 the special education per pupil amounts from FY15 were increased by 2% and by another 2% in FY17. In FY18 and FY19 the special education per pupil funding amounts were kept at the FY17 levels (0% increase). In FY20 and FY21, the funding formula was again frozen and none of the parameters in the formula were increased. ***This meant that the special education weighted amounts were unchanged from FY17 through FY21.***

Table 3 provides per pupil special education funding amounts for FY14 to FY21.

Table 3: Special Education Per Pupil Amounts, FY14-FY21

Fiscal Year	Category 1	Category 2	Category 3	Category 4	Category 5	Category 6
FY14	\$1,503	\$3,813	\$9,160	\$12,225	\$16,557	\$24,407
FY15	\$1,517	\$3,849	\$9,248	\$12,342	\$16,715	\$24,641
FY16	\$1,547	\$3,926	\$9,433	\$12,589	\$17,049	\$25,134
FY17	\$1,578	\$4,005	\$9,622	\$12,841	\$17,390	\$25,637
FY18	\$1,578	\$4,005	\$9,622	\$12,841	\$17,390	\$25,637
FY19	\$1,578	\$4,005	\$9,622	\$12,841	\$17,390	\$25,637
FY20	\$1,578	\$4,005	\$9,622	\$12,841	\$17,390	\$25,637
FY21	\$1,578	\$4,005	\$9,622	\$12,841	\$17,390	\$25,637

FY22 was the first year of implementation of the Fair School Funding plan which signaled a return to pupil weights (as multipliers of base cost funding). The special education weights included in the Fair School Funding Plan were determined by increasing the previous FY17-FY21 per pupil amounts to their 100% funding levels (recall that the weighted funding amounts beginning in FY14 were based on the FY11 weights funded at a 90% phase-in percentage) and then dividing by an FY22 estimated statewide average base cost for “regular” students of \$7,201 per pupil. These weights have been used each year since FY22.

Once enacted, the actual FY22 and FY23 statewide average base cost per pupil under the Fair School Funding Plan was \$7,351.71, roughly 2.1% above the estimated average base cost per pupil of \$7,201. And in the FY24-25 biennium, after an overdue data update, the statewide average base cost increased by 12.1% to \$8,241.61. Table 4 shows the special education weights implemented under the Fair School Funding Plan as well as the imputed per pupil amounts in FY22-23 and FY24-25 for each of the 6 special education funding categories. Also note that funding increases for special education based on the new pupil weighting structure have been phased in at 16.67% in FY22, 33.33% in FY23, 50% in FY24 and 66.67% in FY25.

Table 4: Special Education Weights and Imputed Per Pupil Amounts, FY22-FY25

Fiscal Year(s)	Category 1	Category 2	Category 3	Category 4	Category 5	Category 6
FY22-FY25 Weights	0.2435	0.6179	1.4845	1.9812	2.6830	3.9554
FY22-23 Per Pupil Amount	\$1,790	\$4,543	\$10,914	\$14,565	\$19,725	\$29,079
FY24-25 Per Pupil Amount	\$2,007	\$5,092	\$12,235	\$16,328	\$22,112	\$32,599

Another substantive piece of the state’s current special education funding model is funding for high-cost cases that exceed the limitations of the current model. Formally referred to as “catastrophic aid,” this funding is now labeled as “threshold” cost reimbursement funding. Though discussed in greater detail later in the report, at the conceptual level this funding is available as a supplemental payment to school districts, joint vocational schools, and community schools for high-cost students with disabilities in special education funding categories 2-6. The reimbursement is available to the financially responsible district or school for eligible students in categories 2-5 whose annual educational and related expenses exceed \$27,375, and for any students in category 6 whose expenses exceed \$32,850 in the prior fiscal year. Reimbursement can only be received through a formal application process. For the most recent fiscal year, there was a statewide total of over 19,000 applications.

Significantly, and problematically, state threshold reimbursement cost funding is provided through a 10% earmark of special education weighted funding. This funding appears as a negative “adjustment” to the state special education funding received by each of Ohio’s 609 K-12 school districts and community schools. A discussion of this issue and its policy rationale and workability is provided later in the report.

In addition to these state funds there are federal resources devoted to educating students with disabilities. The federal grant awarded under the Individuals with Disabilities Act (IDEA), Part B (IDEA-B) provides funds that must be used to pay the “excess costs” of providing special education and related services to students with disabilities. According to the Ohio Department of Education and Workforce, excess costs are defined as “those costs that are over and above the average annual per-student expenditures in a local educational agency (LEA) during the preceding school year for an elementary school or secondary school student.”

Section 602 (8) and Section 300.16 of IDEA, requires an LEA to compute the excess costs of the average per-student expenditures in an LEA during the preceding year for eligible students. LEAs may not compute the minimum average amount it must spend on the education of students with disabilities based on a combination of the enrollments in elementary and secondary schools. In the event that an expense cannot be separated by elementary and secondary school, the LEA can prorate those expenses.

Federal law stipulates a maintenance of effort (MOE) requirement for LEAs as well as a long list of eligible expenditures; however, as articulated by the Ohio Department of Education and Workforce, the use of IDEA Part B funds must support “the instruction or development of students with disabilities or students being served in a Coordinated Early Intervening Services program.” An ancillary benefit to non-disabled students is allowable, but the service must be directed to and the majority of the benefit received by students with disabilities.

In Ohio’s FY24-25 state operating budget, the Ohio Department of Education and Workforce received an IDEA appropriation of \$510 million in FY24 and \$520 million in FY25. These federal funds are allocated by formula to school districts, county developmental disabilities boards, the Ohio State School for the Blind and the Ohio School for the Deaf, the Ohio Department of Youth Services, community (public charter) schools, and chartered nonpublic schools to assist in the provision of mandated special education services. The Department may use a portion of these funds for administration (2%) and other state-level activities (10%), leaving nearly \$450 million for local uses.

A final piece of Ohio’s federal special education funding scene is the state’s Medicaid Schools Program. The program funds DEW’s efforts to provide schools and school districts with reimbursement for services to Medicaid-eligible students, including the costs of enrolling eligible children in the Ohio Medicaid Program and assisting those who are already enrolled to access the benefits available to them. Two DEW appropriations totaling \$575,000 in FY 24 support the Department’s cost to administer the program. DEW receives claims and financial reports from districts and schools and then submits them to the Ohio Department of Medicaid for reimbursement. DEW also provides technical assistance and program monitoring to verify federal program mandates and assure program compliance and accountability.

But the real significance of this program lies at its core: With DEW technical support, LEAs can use eligible special education-related expenditures as match to draw down federal Medicaid matching funds at a rate of over two dollars for every one dollar of eligible school expenditures. In FY22, there were \$49 million in interim claims and \$94 million in settlements for a total reimbursement of \$143 million.

Ohio and National Special Education Funding Profile

Ohio's special education funding methodology sits within a broader national picture. This framework includes the fact that every state provides special education funding and no state has ever refused federal special education funding so it can be free of related federal requirements, such as FAPE, which began in 1975 with the passage of the federal Education For All Handicapped Children Act.

The key components of Ohio's special education funding model include:

- Funding being provided within the primary school funding model.
- A hybrid funding mechanism that utilizes multiple funding sources. The centerpiece of this model are per pupil foundation funds (base aid) and six special education weights designed as multipliers of this base cost funding. The weights are designed to supplement funding for students with one or more of 14 federally identified disabilities.
- Additionally, the model includes a "threshold" funding set-aside for services for relatively low-incidence students who have complex needs and are therefore very costly to serve.

Importantly, because it is funded as part of the state primary funding model, Ohio's special education funding is representative of the most commonly utilized model nationally. It is used by 35 states and the District of Columbia.

According to a 2024 special education funding report prepared by the Education Commission of the States (ECS) titled *50-State Comparison*, the nation's special education funding landscape involves multiple approaches to funding educational services for students with disabilities. The ECS report includes every state and Washington D.C.; it identifies the following state special education funding mechanisms. The number of states using each mechanism is listed in parentheses after each entry. This latter information comes from a September 25, 2023 ECS informational report explaining how states are funding special education services and equitable funding approaches for these services. Note that because states can use multiple methods, the total sums to more than 51.

- **Single Weight:** A single percentage is multiplied by the base amount or a single dollar figure is added to the base amount to provide supplemental special education services. (9 States)
- **Multiple-Student Weights:** More than one percentage is multiplied by the base amount, or more than one dollar figure is added to the base amount to differentiate supplemental funding based on student need or type of service being provided. (21 States)

- **Hybrid Model:** This approach utilizes multiple funding streams. (21 States)
- **Census-Based:** State allocates funds to support a specific student population based on attendance or enrollment counts for the overall student body, rather than actual district demographics. The funding is often coupled with another mechanism. (12 States)
- **High-Cost Student System:** State reimburses districts for particularly high cost services. This funding is often coupled with another mechanism. (17 States)
- **Reimbursement:** Districts submit receipts of eligible expenditures to the state, and the state reimburses districts for all or a portion of those expenditures. (9 States)
- **Resource-Allocation:** State allocates funds to pay for specified staffing positions or instructional resources. (5 States)

In brief, Ohio’s hybrid special education funding, which is built into its primary system of school funding and combines a multiple weight system with high-cost student “Threshold” reimbursement, is, from a structural perspective, the most common form of funding state special education programs.

Challenge of Enhancing Ohio Special Education Funding

As this study suggests, the major problem plaguing special education funding in Ohio is not its structure, which is consistent with what the majority of states have designed, but in its inadequate funding of this model. The problem has been present even when positive changes have taken place in how special education is funded. This is true, not relative to the opinions of critics, but by the fact that the state’s own policies have not been fully funded. This lack of full funding was in place when, over 20 year ago, Ohio shifted from a 3 weight to a 6 weight system of funding special education. Though the new model became law it was never fully funded with a multi-year phase in that, at best, reached 90%.

This limitation stayed in place for years and was made worse when the system of special education weights, which served as multipliers of per pupil foundation aid, became per pupil additions in order to diminish their financial effectiveness and cost. And for many years, the state’s special education funding formula was essentially overridden with what amounted to what the state deemed to be affordable cost-of-living increases. In fact, as has been previously noted, Ohio’s special education weights were frozen from FY17 through FY21. Only in FY22 with the initial phase-in of the Fair School Funding Plan did weights return to being multipliers and generate more funding as the base aid amount increased.

School districts and special education advocates continually complained about this situation, but the results have not yet created a new system of funding special education

that is fully funded. Moving in this direction, however, has taken a positive turn with the creation of the Fair School Funding plan, which is having a positive financial impact on both general and special education and with the completion of a state mandated special education cost study; but, still, it is not the same as a fully funded special education finance model based on an accurate assessment of actual costs.

Necessary Next Steps

As previously noted, and primarily because of its opaqueness and incompleteness, and not because of its intellectual integrity, the AIR study is being reviewed and stress tested using an Ohio lens to make sure that its key assumptions and related policy and fiscal implications are sound and that related costs are accurately estimated. The urgency and significance of this matter explains why the Ohio Education Policy Institute underwrote this Ohio-based analysis. Ohio students with disabilities are legally mandated to receive a free and appropriate education – an education that can only be implemented fully with adequate financial resources. This analysis can help assure that this happens.

Section Four

Perspectives From the Field: Leading Special Education Service and Funding Issues

While special education services are mandated by federal law and delivered by all 50 states, there are unique state and even substate differences in how these services are provided and funded. A study aimed at quantifying the actual cost of delivering special education services in Ohio must start with a fundamental understanding of the unique delivery structures, funding issues, and current/emerging realities and challenges of providing special education service at the local education agency level.

The best source of this ground-level information is engaged professionals – intervention specialists, related service personnel and administrators, state and local agency leaders – practitioners involved in the day-to-day delivery of these services. During the development of the research questions and throughout the study period, the research team engaged Ohio special education professionals at the state, regional, and local level. The combined decades of professional experience made their significant contributions invaluable to the study. Researchers engaged with these key informants using the following structure:

Project Advisory Group

The research team assembled a well-balanced group of education professionals with either policy, program, or financial knowledge of special education funding in Ohio to serve as a project advisory group. The panel included a representative mix of school district and Educational Service Center (ESC) professionals including district and ESC superintendents, treasurers, special education directors, as well as statewide special education policy and advocacy professionals. School district personnel included administrators from urban, suburban, and rural (Appalachian) districts ranging in size from more than 40,000 to fewer than 2,500 students.

Educational Service Center Advisory Group

While ESC personnel were members of the project advisory group, a separate group of ESC personnel was identified to provide additional data specific to the significant ESC role in Ohio's special education service delivery. In Ohio, ESCs partner with public school districts to deliver special education services every school day. On average, approximately 70% of ESCs revenues are associated with providing special education services, a percentage that has increased significantly in the past decade. Importantly, members of the ESC group brought decades of experience partnering with school districts across all district typologies to provide services to students with disabilities.

Individual interviews with Key Informants

In addition to the more formalized advisory groups, experienced special education professionals across Ohio were willing to serve as key informants throughout the research period. This was critical, as these individuals provided financial and service delivery data, reviewed draft findings, and served as ongoing advisors to guide the study.

In answering the question, “What is important for us to know about today’s realities when delivering and funding special education services in Ohio?”, the special education professionals consulted for this study provided rich information that can be grouped into the following topic areas:

- Funding and Serving High Cost, Low Incidence Students
- Shortage of Intervention Specialists and Related Services Personnel
- Behavioral Health Crisis and Related System/Fiscal Pressures
- Pre-School Special Education Services
- Expansion of Educational Choice Options
- Impact of the state’s new Fair School Funding Plan on special education
- Shortage of ESC Facilities and Related Funding

It is important to note that special education professionals in both the Ohio Department of Education and Workforce and the Ohio Coalition for the Education of Children with Disabilities confirmed the legitimacy of the topic areas prioritized by key public school and ESC informants.

As for prioritizing the six challenges with this list (the last entry provides additional special education funds even if it is not fully implemented), the perspectives from the field suggest that the top, most impactful areas are: the shortage of intervention specialists and related service personnel; funding and serving high cost, low incidence students; and the behavioral health crisis and related system/fiscal pressures.

Funding and Serving High Cost, Low Incidence Students

Funding and serving students with low-incidence disabilities and complex needs emerged as one of the most challenging aspects of special education provision. Both district and ESC personnel, as well as statewide policy and advocacy group representatives, stressed the growing challenge of adequately serving the needs of this population of students. Districts either provide these services directly or contract with ESCs to provide them. Inadequate funding to the districts for these costly and often highly specialized services leads to financial shortfalls. The problem is made more difficult by personnel shortages and related increases in costs even when it is possible to hire these professionals.

As previously noted, ESCs have been increasing services for low-incidence disabilities in recent years which is a significant part of the reason that, in aggregate, about 70% of their revenues are linked to providing special education-related services. Reasons for this trend include increasing numbers of students with more intense and complex challenges, including those with autism and/or social-emotional challenges. The cost per student for these cases can range upwards of \$40,000 per year and higher for some acute cases. Private providers can demand even higher amounts in order, for instance, to provide one-on-one aides and specialized therapies for these students. Funding sources like Ohio's autism-related Peterson Scholarship are often inadequate to pay for the services.

When asked about subgroups of special education students particularly difficult to serve, one district administrator from Appalachian Ohio described the challenge of serving the growing number of students with autism. He described the lack of trained professionals to provide high quality services. His district, like many others, contracts with both ESCs and private providers to obtain services for students with autism, but often there is simply no one available to meet specific service needs yet the district is still required to meet these needs.

Another informant stressed the inadequacy of services (and funding) for other special populations with low-incidence disabilities, such as English Language Learners with complex educational needs. The situation can be made more difficult when, as is too often the case, it is hard to find someone qualified to do required student evaluations.

As noted below, the growing behavioral health crisis is yet another example of high costs and difficulty hiring trained personnel to work with this complex group of students.

Shortage of Intervention Specialists and Related Services Personnel

Staffing challenges were at the top of virtually every list when practitioners were asked about the biggest issues in special education service delivery. The need for professionals is growing and the pipeline is stagnant or even shrinking. As a state-level administrator described, these personnel challenges are not new, but worsening post COVID and as the baby boomer cohort continues to retire in large numbers. The shortages affecting special education are both intervention specialists and related services personnel, such as school psychologists, physical therapists and speech and language pathologists. Recruiting some related services personnel who can demand higher wages in other clinical settings drives up the cost for districts and ESCs. Districts are asking ESCs to hire related services personnel to work in the district because the district pay scale is limited and ESCs can often pay more. Districts and ESCs increasingly find themselves in "bidding wars" for specialized personnel to provide mandated services and the wars can extend passed educational settings into the often higher paying health care sector.

All of this drives up the cost of special education. So does the broader teacher shortage that is creating opportunities for intervention specialists to move to the regular classroom. Many are making this decision to alleviate stress and burnout and, in some cases, to climb a more remunerative career ladder. Out of necessity, special education teachers are increasingly being hired on non-traditional licensure paths with no preservice training or experience working with children with disabilities. They are then placed in classrooms with high need students. When administrators were asked to prioritize what they would like to see changed about special education service delivery and funding, they often cited personnel as the top priority, including more related services providers, more intervention specialists who are adequately trained, and more of a focus on all preservice teachers being trained adequately to work with students with disabilities, including the increasing number of students with complex (and high cost) behavioral health diagnoses.

School Special Education Services: Pre-K Through Grade 2

Virtually every key informant described escalating educational needs of the pre-K to 2nd grade population. Today, preschool and K-2 classrooms are often regarded as the “canaries in the coal mine” for future special education service needs. Districts are seeing more challenging, complex/high cost cases in this age group. On the other end of the disability spectrum, many of these preschool students are presenting with speech and language deficits, where the opportunity for early intervention, almost always at much lower cost than when the student is older, is most optimal. Therefore, districts are increasing capacity in preschool programs to intervene earlier.

There is a huge impact gleaned from working effectively with preschool students for 2-3 years before they enter kindergarten. However, there is limited additional funding to increase preschool slots despite state pre-school funding increasing 28.1% by rising from \$110 million in FY19 to \$141 million in FY23. One rural school district administrator described their expanded preschool program as vital for early intervention and prevention related to problems associated with an increasing lack of language development. If they can get students enrolled in preschool, assess them and identify those who need “speech only” services, they can usually provide adequate early intervention. This funding situation is made more problematic by the fact that speech and language is the lowest funded disability. This shortfall is exacerbated, according to multiple key informants, because funded intervention time for speech and language services is inadequate.

Behavioral Health Crisis and Related System Pressures

Practicing professionals across organization types described the exceptionally costly and growing number of students with serious emotional disturbances. Students with serious emotional and behavioral disorders are often as costly to serve as students with autism, but the weighted funding for these students is currently far less. The increasing behavioral

needs of preschool and primary grade students is driving up costs due to the need for increased staffing and intervention services. Behavioral issues are driving the increased need for a lower staff/student ratio in both regular and special education classrooms at all grade levels. It is difficult to find aides to work with students with behavioral issues because the pay is low and the job is challenging.

Another costly reality is the increasing trend in behavioral issues with preschool and kindergarten students. Districts are directing more resources to address this by adding more educational aides to existing preschool and kindergarten classrooms, as well as adding additional preschool classrooms for earlier diagnosis and intervention for behavioral issues.

This is all reflective of the growing number of students experiencing mental health related problems. Leading facts gleaned from Jonathan Haidt's recent book, *The Anxious Generation*, are revealing: The incidence of major depression (nationally) increased 145% for girls and 161% for boys just since 2010. During the same period, suicide rates for young adolescents (ages 10-14) grew by 167% for girls and by 91% for boys.

Expansion of Educational Choice Options

School district representatives described what they are seeing as an increasing trend of special education students leaving the district for private school/service provider options through mechanisms such as Ohio's Jon Peterson autism scholarship. According to the key informants, there are often challenges with monitoring and oversight of these students. In fact, IEPs prepared by home school districts become irrelevant in these private settings per state law. Parents can be ill informed about this and related realities, including how services that these private providers offer compared to the range of services students would receive if they stayed in the public school.

It is important to underscore the fact that a student's home school district is responsible, per the "Child Find" provision of federal IDEA law, to identify all students with disabilities and then assess them and provide them with an IEP; however, private schools can modify the IEP with no input from the district and then request additional funding for added services. The district must maintain capacity (e.g. enough school psychologists, speech and language pathologists) to assess and develop educational plans and provide ongoing re-evaluation and therapeutic services for these students even though they are no longer in their buildings or under their supervision or receiving funding for these students. The home school district is also responsible for transporting students to private providers. These providers can also refuse to serve the costliest, highest need students. The costs to districts for the provision of special education services in private settings is growing as more students with disabilities take advantage of this option.

Shortage of ESC Facilities and Related Funding

A lack of facility space needed to serve students with disabilities is a growing problem for ESCs. ESCs are working to build new facilities to house special education programs but Ohio law does not permit ESCs to issue bonds for these or any other facility costs.

Field Perspectives Summary

Key informants at the state and local level emphasized similar priority areas for special education funding and delivery, including the mismatch between the current funding and capacity of the system, including increased caseloads and their cost and complexity. These professionals all prioritized the need for personnel, including better preservice training for special education and regular classroom teachers, and the need for more professional and financial resources to address the educational needs of low-incidence students with complex educational and often health-related needs associated with their disabilities.

Section Five

Analysis of AIR's Special Education Cost Study

Introduction

Special Education in Ohio: Best Practices, Costs, and Policy Implications is a state mandated cost study written by the nonprofit American Institutes for Research (AIR) and completed in November 2022.

Based on FY 2022 costs, the study is designed to provide a contemporary understanding of the costs, in Ohio, associated with the provision of state and federally mandated special education services for over 260,000 Pre-K through 12 public school students with disabilities who are deemed to be eligible for special education due to their documented disability. At the heart of the study's methodology is the decision to anchor the analysis in evidence-based best practices. The basic idea being that Ohio should determine what special education best practices are and then review them using the experience-based insights of Ohio special education practitioners. Over 80 experts were selected from local education agencies employing best practices (as is explained below) to participate in the AIR study as members of professional judgment panels. Interestingly, according to AIR, its utilization of these panels marks the first time this approach has been used nationally to determine special education costs.

AIR Study Research Questions

The AIR study was designed to ask and answer the following research questions:

1. What are the best practices for special education and related services that provide students with an adequate education as defined by meeting the standards described in Ohio's *Each Child Means Each Child* strategic plan?
2. What are the best practices for using technology to serve students with disabilities? How was technology leveraged to serve these students during the COVID-19 pandemic?
3. What is the per student cost of implementing the identified best practices for special education and related services in Ohio? How are the per student costs of best practices broken out by special education program component (screening, initial identification, reevaluation, direct service, indirect service and case management)?
4. How does the current per student funding of special education and related service practices compare with the estimated costs of best practices? How do differences

between funding and estimated costs of best practices vary by disability classification?

5. Nationally, how do states fund their special education programs?
6. How can the Ohio Department of Education create a funding policy that encourages statewide implementation of identified best practices?
7. What role does federal funding play in paying for special education services for students with disabilities? How has the funding given to states to provide services and supports to students with disabilities under the federal Individuals with Disabilities Education Act funding changed since its passage in 1990?

AIR Study Answers and Ohio Policy Implications

AIR addressed each of the seven question sets, a process that was informed by the professional judgment panels (PJP). The panelists were selected from what AIR considered to be evidence-based best practice school districts. The identification of qualifying best practice districts was determined by using a “beating-the-odds” (BTO) analysis.

According to the AIR cost study, the BTO analysis was conducted to help identify school districts where students with disabilities are performing better than expected based on observable characteristics. The study assumed that “evidence-based best practices are being implemented in these districts and, therefore, that staff working in these districts have a high likelihood of implementing best practices. Information from the BTO was used as a piece of evidence when selecting PJP participants.”

Ohio data (2016-2017 through 2018-2019 school years) used for the BTO analysis came from:

- Ohio report card data for traditional school districts and community schools.
- Special education performance indicator data.
- District and school enrollment data.
- Special education enrollment by special education funding data; and
- “Urbanicity” data from the National Center for Education Statistics Common Core of Data.

Beyond PJP participation, assumptions regarding best practices were informed by AIR’s knowledge and experience and reality-checked by Ohio special education practitioners; however, the study did *not*, in every case, state exactly what best practices entailed. Having said that, many examples and categories of best practices were noted. They ranged from the need for three more days of high quality professional development for special education professionals to the need for students with disabilities to be served (and initially identified) by multidisciplinary teams that include the student (as appropriate), the family

(particularly in the early years), and community partners (particularly in the later years). More manageable caseloads for special education practitioners was also called out as an important best practice priority.

Best practices were then quantified to the extent possible. *Data limitations meant that the categories of indirect costs and special education technology were not costed out by AIR.* Consistent with how Ohio's state aid formula currently functions, AIR did its quantification of special education costs by assuming that these costs, spelled out in FY 2022 dollars, were *in addition to* the per pupil base-cost funding (state/local) of \$7,350.77 per year provided to all public school students in Ohio.

Special Education Best Practice Context

As previously noted, the study includes seven key research questions several of which relate directly to defining and identifying best practices. Though the report's findings identified specific examples of best practices, it did not provide a listing of the full range of such activities. Nor did it provide a thorough understanding of the relationship between the "beating-the-odds" methodology used to select PJP panelists from school districts employing best practices and what those best practices are by category of disability.

However, discussions with the lead authors of the AIR study clarified AIR's research methodology. The Beating the Odds analysis was used to identify individuals to working in such districts who could be included in the professional judgment panels. AIR then convened the PJPs and used them to construct a best practices-model for delivering special education services to students with disabilities in Ohio. This process was Ohio-specific, and according to AIR, the cost model was evidence based and care was taken to consider that services would be provided in an efficient manner.

AIR's analysis used student performance data and district characteristics to identify those districts in which students with disabilities are performing better than expected based on their characteristics. According to AIR study, "In this way, we identified districts across the state in which we can assume that best practices are being implemented and focused our panelist selection on applicants who work (or recently worked) in those districts. We considered BTO scores of the districts in which our 86 applicants currently worked (or worked within the last 5 years) and analyzed applicant experience, credentials, and roles held throughout their career to develop panels with extensive and varied experience in serving students with disabilities."

In reviewing the best practice literature, the primary focus appears to be on identifying and describing specific best practices and less about defining the common characteristics of best practice. A Merriam-Webster dictionary definition for best practices states that it is "a

procedure that has been shown by research and experience to promote optimal results and that is established or proposed as a standard suitable for widespread adoption.”

Within this definition there are gradations of best practice with an “evidence-based” practice, which is what the AIR study employs, being on the higher end of this spectrum. Such a standard means that there is documented evidence that a specific education practice achieves its intended results. Vanderbilt University’s IRIS Center (located at its Peabody College of Education and Human Development) defines evidence-based best practice as one “where effectiveness is supported by rigorous research. In other words, research shows that the practice or program works.”

Other relevant definitions and uses of evidence-based practice include the following:

1. The federal Institute of Education Sciences references the Elementary and Secondary Education Act (ESEA), which states that an evidence-based intervention “demonstrates a statistically significant effect on improving student outcomes” It goes on to say that this intervention demonstrates a rationale based on “high-quality research findings or positive evaluation”
2. The Nebraska Department of Education defines evidence-based practices as “methods that have been tested and proven to work. To be considered as Evidence-based Practice, a practice must have multiple demonstrations of effectiveness from high-quality experimental studies.”
3. Ohio has an Empowered by Evidence initiative and an Ohio Evidence-Based Clearinghouse that provides relevant information and methodologies for utilizing evidence-based educational practices; however, Ohio’s school districts are not required to use Ohio’s Evidence-Based Clearinghouse nor does Ohio endorse or require the use of any other specific evidence-based clearinghouse.

Ohio does provide ESSA-related information regarding using evidence to strengthen educational investments. ESSA provides four levels of evidence:

- Level 1: Strong evidence from at least one well-designed and well-implemented experimental study.
- Level 2: Moderate evidence from at least one well-designed and well-implemented quasi-experimental study.
- Level 3: Promising evidence from at least one well-designed and well-implemented correlational study.
- Level 4: Demonstrates a rationale based on high-quality research findings or positive evaluation that such activity, strategy or intervention is likely to improve student outcomes or other relevant outcomes.

Additionally, the Ohio Department of Education and Workforce provides a process for using evidence-based practices, which is outlined in its *Steps to Being Empowered by Evidence*. There are five steps as follows: i) understanding the value of using evidence-based strategies; ii) consider your local needs; iii) learn the basics as it relates to understanding levels of evidence as outlined above; iv) make strategies that prove their worth (with regard to intended results); and v) tap into Ohio’s Empowered by Evidence resources.

These uses and definitions of evidence-based practices provide a framework for gaining greater clarity about evidence-based best practices.

AIR Disability Cost Estimates and Proposed New Funding Categories

Anchored in a best practice model, the AIR study computed current funding and then compared it to the estimated per student cost of implementing best practices. The specific steps utilized to produce these calculations were *not* fully articulated at the detail level. However, the study did make it clear that the cost of implementing best practices was reduced by the savings that comes because students with disabilities use general education services to a lesser degree because they receive special education services. This phenomenon, referred to in the AIR report as the “substitution effect”, is shown as an adjusted cost of implementing best practices and reflects the delivery of services in an efficient manner. For example, in funding category 1 the per student adjusted cost amount of \$9,131 reflecting the “substitution effect” is roughly 8% below the unadjusted cost amount of \$9,914 per student. These figures were shown in Exhibit 13 of the AOR report.

The AIR adjusted and unadjusted per pupil funding amounts for all six current Ohio special education funding category are shown in Table 5 below.

Table 5: AIR Per Pupil Cost Amounts by Current Ohio Special Education Funding Category

Special Education Funding Category	AIR Best Practices Funding Amount	AIR Adjusted Best Practices Funding Amount	AIR Substitution Effect % Reduction
Category 1	\$9,914	\$9,131	-7.9%
Category 2	\$15,553	\$14,049	-9.7%
Category 3	\$33,501	\$31,054	-7.3%
Category 4	\$43,992	\$41,148	-6.5%
Category 5	\$25,953	\$21,615	-16.7%
Category 6	\$39,949	\$36,884	-7.7%

Source: AIR report Exhibit 13

Exhibit 13 in the AIR report also provided a comparison of both the AIR adjusted and unadjusted best practices special education per pupil cost amounts to the special education per pupil funding amounts employed in Ohio’s FY22-23 school funding formula. These per pupil funding amounts are derived by multiplying the weights employed in the FY22-23 funding formula times the \$7,351.71 statewide average base cost per pupil and are also shown in Table 4 on page 12 above. Table 6 below compares Ohio’s FY22-23 special education per pupil amounts with the AIR adjusted per pupil funding amounts.

Table 6: FY22-23 Ohio Per Pupil Cost Amounts and AIR Per Pupil Cost Amounts by Current Ohio Special Education Funding Category

Special Education Funding Category	FY22-23 Ohio Per Pupil Amount	AIR Adjusted Best Practices Funding Amount	% Difference FY22-23 vs AIR
Category 1	\$1,790	\$9,131	410%
Category 2	\$4,543	\$14,049	209%
Category 3	\$10,914	\$31,054	185%
Category 4	\$14,565	\$41,148	183%
Category 5	\$19,725	\$21,615	10%
Category 6	\$29,079	\$36,884	27%

Source: AIR report Exhibit 13

Table 6 shows that all of the AIR per pupil cost amounts are higher than those used in Ohio’s FY22-23 funding formula. More specifically, the AIR category 1 per pupil amount is more than 5 times higher than the FY22-23 funding formula per pupil amount, while the Categories 2, 3 and 4 AIR per pupil amounts are all roughly triple the FY22-23 formula per pupil amounts.

Ohio’s FY24-25 school funding formula used the same pupil weights for the 6 special education funding categories as were used in the FY22-23 funding formula. However, because the statewide average base cost increased by 12.1% from \$7,351.71 per pupil to \$8,241.61 per pupil (as a result of updating the inputs used in the base cost calculation) the per pupil amounts for each of the 6 special education funding categories also increased by 12.1%.

A second issue arises when examining the application of the AIR study to Ohio’s current FY24-25 funding formula. The AIR study was conducted in 2022 utilizing data appropriate for the FY23 fiscal year. In order to adapt the AIR findings to FY24 it is necessary to adjust the AIR special education per pupil amounts for inflation. The U.S. Bureau of Labor

Statistics CPI inflation calculator shows that the inflation rate from FY23 to FY24 was slightly more than 3%.

Table 7 provides a comparison between the FY24-25 per pupil amounts used in the formula and the AIR adjusted special education per pupil amounts as well as the AIR amounts with a 3.0% inflation increase. Because the AIR report was completed prior to the enactment of Ohio’s FY24-25 state budget, their report did not provide this comparison. Table 7 shows that the AIR per pupil amounts, when adjusted for inflation, are higher than all of the special education per pupil amounts used in Ohio’s FY24-25 funding formula.

Table 7: FY24-25 Ohio Per Pupil Cost Amounts and AIR Per Pupil Cost Amounts by Current Ohio Special Education Funding Category

Special Education Funding Category	FY24-25 Ohio Per Pupil Amount	AIR Adjusted Best Practices Funding Amount	Inflation Adjusted AIR Funding Amount	% Difference FY24-25 vs AIR Inflated
Category 1	\$2,007	\$9,131	\$9,405	369%
Category 2	\$5,092	\$14,049	\$14,470	184%
Category 3	\$12,235	\$31,054	\$31,986	161%
Category 4	\$16,328	\$41,148	\$42,382	160%
Category 5	\$22,112	\$21,615	\$22,263	1%
Category 6	\$32,599	\$36,884	\$37,991	17%

Importantly, while it is informative to compare the inflation adjusted AIR special education cost amounts with the per pupil amounts in Ohio’s current special education funding categories, the AIR report also recommended reconfiguring the funding categories from their current structure. The reason for this is because AIR’s cost analysis resulted in significant differences in cost across the 14 student disability types (including Developmental Delay for pre-schoolers).

Table 8 provides a comparison of the FY22-23 per pupil costs employed in Ohio’s funding formula with AIR’s adjusted costs per pupil for each of the 14 student disability types. This information was shown in Exhibit 15 of the AIR report.

Table 8 shows that the only disability type for which the AIR per pupil cost is lower than Ohio’s FY22-23 funding formula cost is Deaf-Blindness. The other 12 disability types are all shown to have higher costs as computed by AIR than those used in Ohio’s funding formula. The cost differences range from a computed increase of \$770 per student for Orthopedic

Impairments to a \$40,542 per student increase for students with Other (Major) Health Impairments.

Table 8: FY22-23 Ohio Per Pupil Cost Amounts and AIR Per Pupil Cost Amounts by Current Ohio Special Education Funding Category

Student Disability Type	FY22-23 Ohio Per Pupil Amount	AIR Adjusted Best Practices Funding Amount	\$ Increase FY22-23 vs. AIR	% Difference FY22-23 vs. AIR
Traumatic Brain Injury	\$29,079	\$55,533	\$26,454	91.0%
Other Health Impaired (major)	\$14,565	\$55,107	\$40,542	278.4%
Autism	\$29,079	\$36,595	\$7,516	25.9%
Emotional Disturbance (SBH)	\$10,914	\$31,087	\$20,173	184.9%
Visual Impairment (Blindness)	\$14,565	\$30,961	\$16,396	112.6%
Developmental Delay (Pre-K only)	\$4,543	\$29,694	\$25,151	553.8%
Intellectual Disability	\$4,543	\$28,635	\$24,092	530.4%
Hearing Impairment (Deafness)	\$10,914	\$28,230	\$17,316	158.7%
Deaf-Blindness	\$29,079	\$26,669	-\$2,410	-8.3%
Multiple Disabilities	\$19,725	\$21,875	\$2,150	10.9%
Orthopedic Impairment	\$19,725	\$20,495	\$770	3.9%
Other Health Impaired (minor)	\$4,543	\$15,313	\$10,770	237.1%
Specific Learning Disability	\$4,543	\$10,029	\$5,486	120.8%
Speech or Language Impaired	\$1,790	\$9,131	\$7,341	410.1%

Source: AIR report Exhibit 15

Table 9 provides the same comparison as in Table 8, this time comparing the AIR funding amounts by disability type with the per pupil funding amounts used in the FY24-25 funding formula. Table 9 also shows the AIR funding amounts adjusted using a 3.0% inflation factor as was done in Table 7 above. When compared with the special education per pupil funding amounts currently used in the FY24-25 funding formula the inflation adjusted AIR per pupil funding amounts are higher for all disability types with the exception of Deaf-Blindness, and Orthopedic Impairment. Again, because of the timing of the completion of the AIR report, this comparison to FY24-25 was not included in the AIR study.

Table 9: FY24-25 Ohio Per Pupil Cost Amounts and AIR Per Pupil Cost Amounts by Current Ohio Special Education Funding Category

Student Disability Type	FY24-25 Ohio Per Pupil Amount	AIR Adjusted Best Practices Funding Amount	Inflation Adjusted AIR Funding Amount	\$ Increase FY24-25 vs. AIR Inflated	% Difference FY24-25 vs. AIR Inflated
Traumatic Brain Injury	\$32,599	\$55,533	\$57,199	\$24,600	75.5%
Other Health Impaired (major)	\$16,328	\$55,107	\$56,760	\$40,432	247.6%
Autism	\$32,599	\$36,595	\$37,693	\$5,094	15.6%
Emotional Disturbance (SBH)	\$12,235	\$31,087	\$32,020	\$19,785	161.7%
Visual Impairment (Blindness)	\$16,328	\$30,961	\$31,890	\$15,562	95.3%
Developmental Delay	\$5,092	\$29,694	\$30,585	\$25,493	500.6%
Intellectual Disability	\$5,092	\$28,635	\$29,494	\$24,402	479.2%
Hearing Impairment (Deafness)	\$12,235	\$28,230	\$29,077	\$16,842	137.7%
Deaf-Blindness	\$32,599	\$26,669	\$27,469	(\$5,130)	-15.7%
Multiple Disabilities	\$22,112	\$21,875	\$22,531	\$419	1.9%
Orthopedic Impairment	\$22,112	\$20,495	\$21,110	(\$1,002)	-4.5%
Other Health Impaired (minor)	\$5,092	\$15,313	\$15,772	\$10,680	209.7%
Specific Learning Disability	\$5,092	\$10,029	\$10,330	\$5,238	102.9%
Speech or Language Impaired	\$2,007	\$9,131	\$9,405	\$7,398	368.6%

Tables 8 and 9 clearly show that AIR’s estimated costs of serving students of all disability types differ considerably from the funding amounts currently utilized in Ohio’s school funding formula. **Furthermore, the AIR report noted that the wide variation in AIR’s estimated costs of serving different types of students with disabilities as compared to Ohio’s current funding formula costs indicates that Ohio’s 6 special education funding categories should be reconfigured. However, while the AIR report did compute FY23 weights for each individual disability type (see Exhibits 16 and 17), AIR did not propose how to reconfigure the 14 disability types into new special education funding categories.**

Thus, in order to complete the work identified in the AIR report, Table 10 shows this analysis’s recommendation for grouping the 14 disability types into six new special education funding categories based on the AIR cost figures.

Table 10: Current and Proposed Ohio Special Education Costs and Funding Categories

Student Disability Type	FY22-23 Ohio Per Pupil Amount	Current Funding Category	AIR Funding Amount	Proposed Funding Category	Proposed Per Pupil Amount
Traumatic Brain Injury	\$29,075	6	\$55,533	6	\$55,405
Other Health Impaired (major)	\$14,563	4	\$55,107	6	\$55,405
Autism	\$29,075	6	\$36,595	5	\$36,595
Emotional Disturbance (SBH)	\$10,912	3	\$31,087	4	\$29,624
Visual Impairment (Blindness)	\$14,563	4	\$30,961	4	\$29,624
Developmental Delay	\$4,542	2	\$29,694	4	\$29,624
Intellectual Disability	\$4,542	2	\$28,635	4	\$29,624
Hearing Impairment (Deafness)	\$10,912	3	\$28,230	4	\$29,624
Deaf-Blindness	\$29,075	6	\$26,669	4	\$29,624
Multiple Disabilities	\$19,722	5	\$21,875	3	\$21,733
Orthopedic Impairment	\$19,722	5	\$20,495	3	\$21,733
Other Health Impaired (minor)	\$4,542	2	\$15,313	2	\$15,313
Specific Learning Disability	\$4,542	2	\$10,029	1	\$9,800
Speech or Language Impaired	\$1,790	1	\$9,131	1	\$9,800

Note that the proposed per pupil funding amounts shown in Table 10 were arrived at by using the number of students in each disability category (based on FY23 data provided by DEW shown in Table 12 below) to compute the weighted average of the funding amounts for each disability type within a category. A simpler approach would be to simply average the per pupil cost figures of each disability type within a funding category. While the weighted approach is theoretically more precise as it computes the per pupil funding amount in proportion to the number of students in each disability within a funding category, using the weighted approach also raises the issue of how often the per pupil amounts would need to be recomputed as the proportion of students in the various disability categories changes over time. Recomputing these amounts every year would both increase the complexity and decrease the stability of the funding formula, neither of which might be justified by the increased accuracy of the weighted average approach. *Ultimately, it is a policy decision whether to use a weighted average or simple average approach in determining the per pupil amounts in each of the 6 proposed special education funding categories.*

Table 11 shows the special education weights for the proposed disability funding categories based on the AIR cost estimates for each disability type. Weights are shown for the FY22 through FY25 school years. The weights are arrived at by dividing by the proposed per pupil amounts in each of the 6 funding categories (shown in Table 10) by the statewide average base cost per pupil amount in each year. Note that despite the 3.0% inflation increase applied to the AIR cost amounts, the proposed weights are lower in FY24 and FY25 than they would have been in FY23. This is because the statewide average base cost amount increased by 12.1% from \$7,351.71 in FY22 and FY23 to \$8,241.61 in FY24 and FY25.

Table 11: Proposed Ohio Special Education Weights and Funding Categories

Proposed Funding Category	FY23 Proposed Per Pupil Amount Based on AIR	FY22-23 State Average Base Cost Per Pupil	Proposed Special Ed. Weights (FY23)	FY24 AIR Inflation Adjusted Per Pupil Amount	FY24-25 State Average Base Cost Per Pupil	Proposed Special Ed. Weights (FY24 & FY25)
6	\$55,405	\$7,351.71	7.5371	\$57,067	\$8,241.61	6.9243
5	\$36,595	\$7,351.71	4.9778	\$37,693	\$8,241.61	4.5735
4	\$29,624	\$7,351.71	4.0297	\$30,513	\$8,241.61	3.7023
3	\$21,733	\$7,351.71	2.9958	\$22,385	\$8,241.61	2.7161
2	\$15,313	\$7,351.71	2.0829	\$15,772	\$8,241.61	1.9138
1	\$9,800	\$7,351.71	1.3301	\$10,094	\$8,241.61	1.2248

Section Six

Estimated Cost of Implementing AIR Disability Cost Estimates in Ohio

The next step required to complete the analysis provided in the AIR report is to use the per pupil amounts and funding weights for the proposed 6 new special education funding categories shown in Table 11 above and combine those with data on the number of students in each disability type in Ohio and then simulate the school funding formula using the findings from the AIR study. This approach will yield an estimated cost of implementing the special education funding levels computed by AIR. This analysis computed the estimated cost of implementing the AIR report for both FY23 (the year that AIR report was completed), and also for FY24 which reflects Ohio’s current school funding formula.

Table 12 shows the total number of students in each disability category in FY23.

Table 12: FY23 Statewide Total Number of Students by Disability Type

Student Disability Type	K-12 Students Traditional Districts	Pre-K Students Traditional Districts	K-12 Students Community Schools*	FY23 All K-12 and Pre-K Students
Traumatic Brain Injury	1,204	50	76	1,329
Other Health Impaired (major)	498	39	31	568
Autism	24,323	3,670	2,060	30,053
Emotional Disturbance (SBH)	11,367	37	1,556	12,960
Visual Impairment (Blindness)	685	44	30	758
Developmental Delay (Pre-K)	186	4,988	11	5,186
Intellectual Disability	15,578	158	1,914	17,649
Hearing Impairment (Deafness)	1,498	152	57	1,708
Deaf-Blindness	52	0	<10	52
Multiple Disabilities	8,779	563	341	9,683
Orthopedic Impairment	931	139	35	1,105
Other Health Impaired (minor)	47,912	1,123	4,677	53,712
Specific Learning Disability	87,986	133	8,070	96,189
Speech or Language Impaired	23,339	6,844	1,459	31,642
Total	224,338	17,940	20,316	262,594

Source: Ohio Department of Education and Workforce. Note that for a variety of reasons, these figures differ from the those found in the DEW School Finance Payments reports (SFPRs).

* Also note there were no Pre-K special education students in Ohio community schools in FY23.

Table 12 shows that in FY23 there were 262,594 students with disabilities attending traditional school districts and community schools in Ohio. 224,338 of these students were K-12 students in traditional school districts. The disability categories in Table 12 are shown in the same order as in Table 10 above, in descending order of AIR-computed cost. Table 12 shows that in FY23 there was a total of 181,543 students who were diagnosed as Other Health Impaired (minor), Specific Learning Disabled, or as Speech or Language Impaired. These are the three lowest cost categories and comprise 69% of the total of 262,594 students. Again, the student totals by disability shown in Table 12 were used to compute the funding amounts for the 6 special education funding categories shown in Table 11 above.

Table 13 shows the FY23 distribution of students with disabilities across the 8 different typology groups for traditional school districts. The primary finding from Table 13 is that the poor rural, poor small town, urban, and major urban typology groups have the 4 highest percentages of students with disabilities. This is consistent with other research which has shown a link between economic disadvantage and disabilities.

Table 13: FY23 Number of K-12 Students with Disabilities by District Typology Group

Typology Group	# of K-12 Students with Disabilities	# of K-12 Students without Disabilities	Total Number of K-12 Students	% of K-12 Students with Disabilities
Poor Rural	22,139	111,429	133,568	16.6%
Rural	13,286	77,458	90,744	14.6%
Small Town	22,544	140,541	163,085	13.8%
Poor Small Town	26,535	137,251	163,786	16.2%
Suburban	41,387	252,052	293,439	14.1%
Wealthy Suburban	30,279	215,804	246,083	12.3%
Urban	33,467	149,724	183,191	18.3%
Major Urban	34,702	137,455	172,157	20.2%
Total	224,339	1,221,714	1,446,052	15.5%
Community Schools	20,316	91,977	112,293	18.1%

Table 14 shows the total number of students in each disability category in FY24. This table is organized the same as Table 12.

Table 14: FY24 Statewide Total Number of Students by Disability Type

Student Disability Type	K-12 Students Traditional Districts	Pre-K Students Traditional Districts	K-12 Students Community Schools*	FY24 All K-12 and Pre-K Students
Traumatic Brain Injury	1,175	46	84	1,305
Other Health Impaired (major)	496	33	37	566
Autism	27,041	4,448	2,222	33,711
Emotional Disturbance (SBH)	10,823	26	1,518	16,624
Visual Impairment (Blindness)	650	38	35	723
Developmental Delay (Pre-K)	2,723	6,585	155	9,463
Intellectual Disability	14,690	78	1,856	16,624
Hearing Impairment (Deafness)	1,432	154	51	1,637
Deaf-Blindness	46	<10	<10	46
Multiple Disabilities	8,582	533	311	9,426
Orthopedic Impairment	881	133	42	1,056
Other Health Impaired (minor)	48,846	913	5,122	54,811
Specific Learning Disability	86,725	96	8,540	95,361
Speech or Language Impaired	22,485	6,476	1,459	30,420
Total	226,595	19,959	21,432	267,586

The data on the number of students by disability type shown in Tables 12 and 14 was initially used to estimate the cost of implementing the AIR special education costs per pupil and funding weights shown in Table 11. However, DEW ultimately provided data showing the number of students in each of the 6 reorganized special education funding groups proposed here (see Table 10) that reflect the AIR-computed costs of serving students with different disabilities. The ideal way to estimate the cost of implementing the findings from the AIR report is to simulate Ohio’s school funding formula on a district-by-district basis. However, DEW routinely masks data values for which there are fewer than 10 students. Because there is too much masked data – particularly for the low incidence, high-cost funding disability types - to allow for a district-by-district simulation of the funding formula, *all cost estimates here are based on statewide totals and utilize the statewide average state share ratio.* The sections below summarize the findings from these simulations.

K-12 Traditional School Districts: FY23 & FY24 Current Funding Formula

Ohio's current school funding formula uses a weighted pupil approach to funding students with disabilities. The number of students in each of the 6 special education funding categories is multiplied by the weight for that category which is multiplied by the statewide average base cost per pupil. This calculation determines the total (state + local) amount of funding for students with disabilities in each school district. The state share of funding is computed by multiplying each district's state share percentage times this amount. The formula can be expressed as follows:

$$\text{State Special Education Funding} = (\text{Statewide average base cost per pupil}) \times (\text{disability funding category weight}) \times (\text{\# of students in disability category}) \times (\text{District State Share Percentage})$$

Table 15 provides a summary of FY23 and FY24 special education state funding for K-12 students in Ohio's 609 traditional school districts.

Table 15: FY23 & FY24 K-12 Traditional Districts Special Education Funding

	FY23	FY24
FTE # of Students with Disabilities*	213,776	218,014
Total (State + Local) Special Ed. Current Formula Funding	\$1.761 Billion	\$2.058 Billion
Special Education Funding State Average State Share %	42.27%	44.99%
<u>Fully Phased in</u> State SFPR Funding	\$744 Million	\$926 Million
Local Share of Fully Funded Special Education Funding	\$1.017 Billion	\$1.132 Billion
<u>Actual Phased-in</u> State SFPR Funding	\$664 Million	\$775 Million
School District Special Education Spending	\$2.852 Billion	\$3.040 Billion
Special Ed. Spending in Excess of Current Formula Funding	\$1.091 Billion	\$982 Million
Special Ed. Spending in Excess of Actual Formula Funding	\$1.171 Billion	\$1.133 Billion
Federal IDEA Funds	\$427 Million	\$450 Million
Special Ed. Transportation	\$95 Million	\$106 Million
Special Education Funding Shortfall	\$649 Million	\$577 Million

* FTE figures here are from the DEW SFPR reports. As mentioned above, these figures differ slightly from those shown in Tables 12 and 14 above.

Table 15 shows that assuming that the Fair School funding plan was *fully funded and phased-in*, the state share of special education funding for K-12 students in traditional school districts would have been \$744 million in FY23 and \$926 million in FY24. (Note that after the impact of the phase-in, *actual* special education funding received by Ohio's 609 school districts was \$664 million in FY23 and \$775 million in FY24.)

Table 15 also shows that based on an overall statewide average state share percentage of 42.27% for special education funding, the \$744.4 million in state funding for special education implies that Ohio's FY23 school funding formula presumed a local share of funding of \$1.017 billion (57.63%) and a combined state + local funding level for special education in FY23 of \$1.761 billion. Similarly, Table 15 shows that based on an FY24 overall statewide average state share percentage of 44.99% for special education funding, total special education funding implied by the funding formula is \$2.058 billion while the local share of funding (55.01%) is \$1.132 billion.

By comparison, Table 15 also shows DEW data that reveals that Ohio's traditional K-12 school districts spent \$2.852 billion on special education services in FY23 and \$3.040 billion in FY24. Thus, Ohio school districts actually spent \$1.091 billion more in FY23 and \$982 million more in FY24 to serve students with disabilities in compliance with state and federal law than the total state + local funding amount presumed by Ohio's school funding formula ***if it were fully funded in each of those years.***

However, because actual state funding after the formula phase-in provision was only \$664 million, special education spending in FY23 was actually \$1.171 billion more than the sum of actual state funding plus the implied local share of funding under the current formula. While an additional \$427 million in federal IDEA funding was received by Ohio school districts in FY23, and an estimated \$95 million was received for transporting K-12 special education students, that still leaves a funding gap of \$649 million, which presumably must be made up with local revenue. This local revenue must either be diverted from serving other students or raised locally through school levies. ***This \$649 million gap is a concrete illustration of the need to update the long out-of-date special education weights in the formula.*** In FY24 this funding gap decreased slightly to \$577 million.

In addition, when the combined total of \$664 million of FY23 state special education formula is added to the estimated \$95 million in K-12 special education transportation funding, a total of \$759 million in state funding was provided to school districts in FY23. This amount was only 26.6% of FY23 district expenditures of \$2.852 billion on K-12 students with disabilities. In FY24 this percentage increased only slightly to 29.0% (\$775 million + \$106 million = \$881 million divided by \$3.040 billion.

A. FY23 & FY24 Estimated Cost of AIR Weights and Revised Funding Categories in Ohio's 609 Traditional School Districts

The AIR weights and per pupil amounts shown in Table 11 can be combined with DEW data grouping the number of students by the 6 newly proposed special education funding categories to estimate the total cost of serving students with disabilities in FY23 and FY24.

The most accurate method for estimating the cost of employing the AIR weights in Ohio's school funding formula is to simulate the new weights on a district-by-district basis. However, DEW data limitations made this approach impossible. This is because DEW masks data in any instance when a student count is less than 10 students. This is particularly problematic here as many school districts have fewer than 10 students with certain disabilities, especially in the cases of low-incidence, high-cost categories which makes the district-by district approach impractical. The steps taken to work around this issue and estimate the impact of the AIR weights on funding for K-12 students with disabilities attending Ohio's 609 traditional school districts are as follows:

1. The authors of this report requested state total data from DEW for both FY23 and FY24 that regrouped students with disabilities into the 6 proposed special education funding categories shown in Table 10. Because DEW simply reorganized the student disability categories into the proposed revised funding categories, the sum total of students remained the same for both FY23 and FY24. This allows for an apples-to-apples comparison of the cost of state funding for students with disabilities under the current formula and using the AIR weights.
2. The FY23 number of students in each of the 6 proposed AIR-based special education funding categories was multiplied by the FY23 proposed AIR-based special education weights shown in Table 11. This process results in a new total cost of serving students with disabilities based on the AIR study.
3. Next, the FY23 statewide average state share percentage of special education funding of 42.27% (computed by the authors of this report) was used to compute the state share of the cost for each category of students with disabilities. This cost was then compared with actual state funding for special education in FY23.
4. The same process was used to estimate the impact of the AIR weights in FY24, with the total number of K-12 students with disabilities equal to 218,010 students and a statewide average state share percentage of 44.99% employed.

Table 16 provides a summary of the estimated costs of employing the AIR weights and revised funding categories in Ohio's funding formula for students with disabilities in FY23 and FY24. *All calculations in Table 16 assume that the special education funding formula is fully funded and 100% phased-in.*

Table 16 shows that the estimated total (state + local) cost of special education using the AIR weights and revised funding categories is estimated to be \$3.724 billion in FY23 and \$3.983 billion in FY24. The FY23 estimated AIR cost of \$3.724 billion is \$872 million more than the \$2.852 billion that DEW data showed school districts spending on students with disabilities in FY23, while the FY24 estimated AIR cost of \$3.983 billion is \$943 million more than the FY24 DEW-reported district special education spending level of \$3.040 billion. *The FY24 funding gap indicates that a best practices-based funding model for special education implies that the amount of resources devoted to special education in Ohio should be increased by roughly 31% compared to the current level of expenditure.*

Table 16: FY23 & FY24 Estimated Cost of Using AIR Weights to Fund K-12 Students with Disabilities in Traditional School Districts

	FY23	FY24*
FTE # of Students with Disabilities	213,776	218,010
Special Education Funding State Average State Share %	42.27%	44.99%
School District Special Education Spending	\$2.852 Billion	\$3.040 Billion
Total (State + Local) Special Ed. Current Formula Funding	\$1.761 Billion	\$2.058 Billion
Current <u>Fully Phased in</u> Special Ed. State Funding	\$744 Million	\$926 Million
Local Share of Current Fully Funded Special Ed. Funding	\$1.017 Billion	\$1.132 Billion
Estimated Total Cost of AIR Weights & Funding Categories	\$3.724 Billion	\$3.983 Billion
Estimated State Share of AIR Weights Cost	\$1.574 Billion	\$1.792 Billion
Estimated Implied Local Share of AIR Weights Cost	\$2.150 Billion	\$2.191 Billion
Estimated Increase in State Funding Under AIR Weights	\$830 Million	\$866 Million
Estimated Implied Increase in Local Cost Under AIR Weights	\$1.133 Billion	\$1.059 Billion
Estimated Total Increase in Special Ed. Funding Under AIR	\$1.963 Billion	\$1.925 Billion

* FY24 funding estimates reflect a 3.0% inflation adjustment to the AIR-estimated cost amounts.

In addition, Table 16 shows that if the AIR cost model was implemented in FY23 the state share of special education funding (prior to any formula phase-ins) is estimated to have increased from \$774 million to roughly \$1.574 billion. This is an increase in the state's obligation of \$830 million, which would more than double the \$744 million computed amount of funding under Ohio's current funding formula if it were fully funded. The implied local share of special education funding under the AIR weights in FY23 would also more than double from the current \$1.017 billion to \$2.150 billion.

Table 16 also shows that if the AIR cost model was implemented in FY24 the state share of special education funding (again prior to any phase-in provisions) is estimated to be \$1.792 billion. This amount is \$218 million more than the \$1.574 billion estimated state share of special education funding under AIR in FY23, due both to the higher state share percentage in FY24 as compared to FY23, but also to the application of the 3.0% inflation adjustment in FY24. The estimated increase in state funding under the inflation adjusted AIR weights in FY24 compared to current fully phased in special education funding is \$866 million.

Finally, it is important to note that Table 16 also shows that the local share of special education funding implied by the use of the AIR weights and revised funding categories would increase by \$1.133 billion in FY23 and by \$1.059 billion in FY24 compared to the implied local share under Ohio's current funding formula. However, because local districts are already spending much more than the local share implied by Ohio's current funding formula, and because they received \$427 million in Federal IDEA funding in FY23 and \$450 million in FY24, they would not necessarily have had to increase their spending on students with disabilities by these amounts.

Table 17 demonstrates the impact on local funding for special education if the AIR weights were implemented in FY23 and FY24.

Table 17 shows that Ohio school districts in aggregate actually spent \$38 million more in FY23 than the amount implied by the AIR weights and revised funding categories once the \$427 million in Federal IDEA funding and \$95 million in state funding for special education transportation was taken into account. Similarly, in FY24 Ohio's traditional school districts actually spent \$74 million more in aggregate than the amount that would have been expected had the AIR weights been in place. **This highly significant finding illustrates that if the AIR weights and revised categories were implemented, and the state share fully funded, then Ohio school districts would have the resources required to serve students with disabilities in the best practices fashion costed out in the AIR study.** Of course, because data limitations prevented these calculations from being made on a district-by-district basis, it is possible (and in fact, likely) that not all districts currently have sufficient local funding place to meet the AIR standard after IDEA funding and increased state funding are considered, while other districts have more than enough.

Table 17: Distribution of Funding Across State, Local and Federal Sources Under AIR Weights

	FY23	FY24
A. Estimated Total Cost of AIR Weights & Funding Categories	\$3.724 Billion	\$3.983 Billion
B. Estimated State Share of AIR Weights Cost	\$1.574 Billion	\$1.792 Billion
C. Estimated Implied Local Share of AIR Weights Cost	\$2.150 Billion	\$2.191 Billion
D. Federal IDEA Funds	\$427 Million	\$450 Million
E. K-12 Share of Special Ed. Transportation	\$95 Million	\$106 Million
F. Local Funding Required (C-D-E)	\$1.628 Billion	\$1.635 Billion
G. Current Actual Local Funding*	\$1.666 Billion	\$1.709 Billion
H. Estimated Total Increase in Local Special Ed. Funding (G-F)	-\$38 Million	-\$74 Million

* Current Actual Local Funding = Current Special Ed Spending – Actual Phased-in State Aid – Federal IDEA Funding – K-12 Share of State Special Ed. Transportation Funding (all data shown in Table 15)

B. Community Schools: FY23 & FY24 Cost Estimates

Ohio’s 340+ community schools also receive funding to serve students with disabilities. While community schools are public schools, they do not have the authority to levy property taxes, so they receive all of their funding from the state (along with a small amount of Federal funding). For the purposes of this analysis the salient point is that there is no local share of funding in the foundation funding formula for community schools. Otherwise, the community school funding formula uses the same parameters as are used in the foundation aid formula funding the traditional K-12 school districts.

The formula for computing state funding for students with disabilities for communities is very straightforward. For each community school the formula is as follows:

(Statewide average base cost per pupil) X (disability funding category weight) X (# of students in disability category)

Because there is no local share of community school funding statewide totals can be used to estimate the cost of implementing the AIR weights in Ohio’s school funding formula. These cost estimates were arrived at by taking the following steps:

1. Data provided by DEW regrouped community school students in each disability category shown into the new proposed special education funding categories shown in Table 10.
2. The FY23 number of community school students in each of the 6 proposed AIR-based special education funding categories was multiplied by the FY23 proposed AIR-based special education weights shown in Table 11. This process results in a new total cost of serving 18,425 students with disabilities based on the AIR study.
3. The same process was used to estimate the impact of the AIR weights on community school funding in FY24, with the total number of students with disabilities equaling a total of 19,769 students.

Table 18 provides a summary of the special education state funding estimates for community schools. Table 18 shows that the estimated cost of adjusting the special education funding categories and applying the AIR-derived weights for each category shown in Table 11 above for Ohio community schools would have been \$328.7 million in FY23 and \$361.1 million in FY24. These figures imply an increase in funding of \$184.0 million in FY23 and \$187.6 million in FY24. Table 18 also compares both of these figures to what the funding level would have been in FY23 and FY24 had the formula been fully phased-in in each year. In both years state funding of special education for community school students would have more than doubled had the AIR-derived weights and funding categories been in place (note that a 100% increase reflects a doubling of funding).

Table 18: FY23 & FY24 Community School Special Ed Cost Estimates

	FY23	FY24*
FTE # of Students with Disabilities	18,425	19,769
<u>Fully Phased-in</u> SFPR Funding	\$144.7 Million	\$173.5 Million
Estimated Cost of AIR Weights & Funding Categories	\$328.7 Million	\$361.1 Million
Cost Increase of AIR Weights in \$	\$184.0 Million	\$187.6 Million
% Increase of AIR Weights	127%	108%
<u>Actual</u> Phased-in SFPR Funding	\$125.0 Million	\$146.2 Million

* FY24 funding estimates reflect a 3.0% inflation adjustment to the AIR-estimated cost amounts.

C. FY23 and FY24 Preschool Special Education Analysis

The next area of Ohio’s school funding formula as it pertains to students with disabilities is funding for preschool special education students. The funding formula for preschool special education has 2 components.

First, an “unequalized” funding component where each student is funded by the state at \$4,000 per pupil, and

Second, an “equalized” funding component which works similarly to that for K-12 students with the weight for each disability funding category multiplied by the state average base cost figure and then multiplied by the state share in each school district and finally by the number of students in each disability funding category. This amount is then cut in half (multiplied by 0.5) to reflect the fact that preschool students typically only attend school for half a day.

Ohio’s preschool special education funding formula can be expressed thusly:

*Unequalized Funding = Total Preschool Special Education FTE * \$4,000*

Equalized Funding = (Statewide average base cost per pupil) X (disability funding category weight) X (# of students in disability category) X (District State Share Percentage) X (0.5)

Total Preschool Special Education Funding = Unequalized Funding + Equalized Funding

The methodology for estimating the cost of applying the AIR-derived special education weights and funding categories is the same for preschool as it was for K-12 students attending traditional school districts and community schools. Note that preschool special education funding is not subject to the phase-in provisions of the Fair School Funding Plan, however, there is a fixed maximum allocation of funding annually. This maximum amount was \$141.0 million in FY23 and \$147.5 million in FY24.

The preschool special education cost estimates were arrived at by taking the following steps:

1. Data provided by DEW regrouped the number of preschool students in each disability category shown into the new proposed special education funding categories shown in Table 10. The FY23 total in the DEW data file was 24,496 preschool special education students.
2. The FY23 number of preschool students in each of the 6 revised special education funding categories was multiplied by the FY23 proposed AIR-based special education weights shown in Table 11.
3. Next, the overall FY23 statewide average state share percentage of 40.59% was used to compute the state share of the cost for each category of preschool students with

disabilities. Statewide totals were used rather than a district-by-district computation because the data masking protocols employed by DEW resulted in too much missing data at the district level.

4. The same process was used to estimate the impact of the AIR weights in FY24, with 26,159 preschool students with disabilities sorted by DEW into the new proposed funding categories and then multiplied by the FY24 weights shown in Table 11 and the overall statewide average state share percentage of 43.30% was employed to compute the state share funding under the AIR cost estimates.

Table 19 provides a summary of the special education state funding estimates for preschool special education.

Table 19 shows that the estimated cost for Ohio preschool students of adjusting the special education funding categories and applying the AIR-derived weights for each category shown in Table 11 above. The unequalized portion of preschool special education funding which is simply \$4,000 per student is unaffected by the change to the AIR weights. (This component of funding is analogous to the base cost amount in the K-12 funding formula.) However, the application of the AIR weights is estimated to increase the equalized portion of preschool special education funding by \$65.6 million (151%) in FY23 and by \$75.3 million (126%) in FY24.

Table 19: FY23 & FY24 Preschool Special Ed Cost Estimates

	FY23	FY24*
FTE # of Students with Disabilities	25,546	26,159
A. Unequalized SFPR Funding	\$98.2 Million	\$104.8 Million
B. Current <u>Equalized</u> SFPR Funding	\$43.5 Million	\$60.0 Million
C. Total Current Computed SFPR Funding (A+B)	\$141.7 Million	\$164.8 Million
D. Estimated <u>Equalized</u> Funding AIR Weights & Funding Categories	\$109.3 Million	\$135.5 Million
E. Estimated Cost of AIR Weights & Funding Categories (A+D)	\$207.3 Million	\$240.1 Million
F. Cost Increase of AIR Weights in \$ (E-C)	\$65.6 Million	\$75.3 Million
% Increase in <u>Equalized</u> Funding of AIR Weights (D/ B)	151%	126%
Capped Current SFPR Funding	\$141.0 Million	\$147.5 Million

* FY24 funding estimates reflect a 3.0% inflation adjustment to the AIR-estimated cost amounts.

Table 19 also shows that total preschool special education funding is estimated to increase from \$141.7 million to \$207.3 million in FY23 and from \$164.8 million to \$240.1 million in FY24. Both of these figures are compared to what the funding level would have been in FY23 and FY24 had funding for preschool special education not been capped each year.

Finally, by dividing the equalized funding portion of the state funding for preschool special education by the state share index, the total (state + local) amount of funding implied by the formula for preschool students with disabilities can be computed. In FY23 Ohio's funding formula implied \$107.2 million in state + local funding for preschool students with disabilities. Employing the AIR weights implies a total of \$269.4 million in state and local funding for preschool students with disabilities. This figure is roughly 9% higher than the \$247.9 million that DEW data shows that Ohio's traditional school districts spent to educate preschool students with disabilities in FY23.

Similarly, in FY24 Ohio's funding formula implied \$138.7 million in state + local funding for preschool students with disabilities while employing the AIR weights in FY24 implies a total of \$312.8 million in state and local funding for preschool special education. The AIR total is roughly 16% higher than the \$270.1 million that DEW data shows that Ohio's traditional school districts spent to educate preschool students with disabilities in FY24.

AIR K-12, Preschool, and Community School Cost Estimates Summary

Table 20 provides a summary of the findings from the analysis contained in the preceding 3 sections of this report.

The top section of Table 20 shows the actual total state phased-in funding for K-12 and preschool students with disabilities in traditional school districts and K-12 community school students under Ohio's current funding formula was \$930 million in FY23 and \$1.069 billion in FY24. Similarly, total state special education funding for students with disabilities if the current formula was fully funded would have been \$1.031 billion in FY23 and \$1.265 billion in FY24.

The middle section of Table 20 shows that under the AIR special education weights and revised funding categories the total cost to the state of funding students with disabilities would have been \$2.101 billion in FY23 and \$2.323 billion in FY24.

The bottom row of Table 20 ***indicates an increase of state funding for special education as compared to actual current (phased-in) funding of \$1.171 billion in FY23 and \$1.254 billion in FY24. In both years, roughly 76% of increased costs are for K-12 school districts, 17% for community schools, and 6% for preschool special education.***

Table 20: FY23 & FY24 Estimated Cost to the State of AIR Weights to Fund K-12 & Preschool Traditional and Community School Students with Disabilities

	FY23	FY24
A. Current State Special Ed. Funding		
Current K-12 Fully Phased in Special Ed. State Funding	\$744 Million	\$926 Million
Current <u>Actual</u> Phased-in K-12 State Special Ed. Funding	\$664 Million	\$775 Million
Current Total Computed Preschool Special Ed. State Funding	\$142 Million	\$165 Million
Current Actual <u>Capped</u> Preschool State Special Ed. State Funding	\$141 Million	\$147.5 Million
Current Fully Phased-in Community School Special Ed. Funding	\$145 Million	\$174 Million
Current <u>Actual</u> Phased-in Community School Sp. Ed. Funding	\$125 Million	\$146 Million
Total Current Fully Funded State Funding for Special Education	\$1.031 Billion	\$1.265 Billion
Total Current <u>Actual</u> Phased-in State Funding for Special Ed.	\$930 Million	\$1.069 Billion
B. AIR State Special Ed. Funding		
K-12 Estimated State Share of Using AIR Special Ed. Weights	\$1.574 Billion	\$1.792 Billion
Preschool Estimated State Share of Using AIR Special Ed. Weights	\$207 Million	\$240 Million
Community School Estimated State Share of AIR Special Ed. Weights	\$329 Million	\$361 Million
Estimated Total State Funding for Special Education Under AIR Weights	\$2.110 Billion	\$2.393 Billion
C. Increase in State Special Ed. Funding		
Increase in AIR State Cost of Special Education vs. <u>Current Fully Funded</u>	\$1.079 Billion	\$1.128 Billion
Increase in AIR State Cost of Special Education vs. <u>Current Phased-in</u> Funding	\$1.180 Billion	\$1.324 Billion

D. Threshold Cost (formerly Catastrophic Cost) Reimbursement

As mentioned above, Ohio’s new school funding formula enacted in FY22 now includes a 10% set aside to be used as reimbursement for “Threshold Costs”. Threshold cost aid, formerly known as “catastrophic cost aid”, is a supplemental payment to school districts

districts, joint vocational schools, and community schools for high-cost students with disabilities in special education funding categories 2-6. The reimbursement is available to the financially responsible district or school for eligible students in categories 2-5 whose annual educational and related expenses exceed \$27,375, and for any students in category 6 whose expenses exceed \$32,850 in the prior fiscal year. Reimbursement can only be received through a formal application process.

For a variety of procedural reasons, the Threshold Cost reimbursement process takes place in the year following the school year in which the expenses were incurred. As result, the Threshold Cost reimbursement payment typically occurs nearly a year after the school year in which the expense occurred. For example, the Threshold Cost reimbursement for a student served in the FY23 school year would not be received by the school district until late in the FY24 school year.

The 10% set aside for Threshold Cost reimbursement occurs as an adjustment to each school district’s, community school’s and joint vocational school district’s school finance payment. For example, if the school funding formula computes that a school district is to receive \$1 million in state aid for students with disabilities then the Threshold Cost set aside would appear as a deduction of \$100,000 from the school district’s total state aid payment.

Table 21 provides summary of Threshold Cost reimbursement funding from FY13 through FY23.

Table 21: Threshold Cost Reimbursement Funding FY13-FY23

Year	Federal Funds	State Funds	Total Funds
FY13	\$4,360,000	\$39,864,439	\$44,224,439
FY14	\$4,739,201	\$40,000,000	\$44,739,201
FY15	\$4,818,078	\$40,000,000	\$44,818,078
FY16	\$4,826,296	\$40,000,000	\$44,826,296
FY17	\$4,905,254	\$40,000,000	\$44,905,254
FY18	\$5,005,376	\$40,000,000	\$45,005,376
FY19	\$5,119,440	\$40,000,000	\$45,119,440
FY20	\$5,212,054	\$40,000,000	\$45,212,054
FY21	\$5,273,702	\$80,331,983	\$85,605,685
FY22	\$5,602,662	\$82,916,886	\$88,519,548
FY23	\$6,047,369	\$96,499,955	\$102,547,324

Table 21 shows that prior to the implementation of the Fair School Funding Formula in FY22 the total amount in the Threshold Cost reimbursement pot had been roughly \$45 million dating back to at least FY13. The \$45 million total was a combination of roughly \$40 million in state funds and \$5 million in Federal IDEA funds. In FY22 the total amount of funding available for Threshold cost reimbursement increased to roughly \$85 million as the state funding level doubled to \$80 million primarily as a result of the implementation of the 10% set aside. This change allowed the Threshold Cost reimbursement percentage (the fraction of funding provided to claims submitted) to increase from 27% for the 2020 school year to 47.7% for the 2021 school year (remember the one year lag in payments means that claims for the FY20 school year were paid out in FY21 and claims for the FY21 school year were paid out in FY22).

Table 22 provides a comparison of Threshold Cost reimbursement funding and Threshold Cost reimbursement claims made by school districts from FY13 through FY23. Table 21 shows that the percentage of threshold Cost reimbursement to claims made fell annually from 56.5% in FY13 to 26.9% in FY20. Over this time frame the amount of Threshold Costs reimbursement claims made increased from \$77.9 million in FY13 to \$167.8 million in FY20 (increase of 115.3% - more than double) while the amount of reimbursement remained virtually unchanged from \$44.0 million in FY13 to \$45.2 million in FY20 (increase of 2.7%).

Table 22: Threshold Cost Claims Requested vs. Amount Reimbursed FY13-FY23

Year Claim Made	# of Approved Threshold Cost Applications	Total Reimbursement Requested	Total Reimbursement Paid	% Threshold Costs Paid
FY13	6,889	\$77,935,236	\$44,028,333	56.5%
FY14	7,814	\$99,611,881	\$44,739,201	44.9%
FY15	8,610	\$116,530,575	\$44,817,916	38.5%
FY16	9,010	\$116,888,916	\$44,826,296	38.3%
FY17	9,465	\$128,448,267	\$44,905,254	35.0%
FY18	9,836	\$140,181,709	\$45,005,376	32.1%
FY19	10,502	\$166,098,355	\$45,119,440	27.2%
FY20	11,142	\$167,780,995	\$45,212,054	26.9%
FY21	11,601	\$179,353,564	\$85,605,685	47.7%
FY22	13,859	\$209,851,268	\$88,488,315	42.2%
FY23	15,384	\$246,606,910	\$102,547,324	41.6%

Table 22 also shows that the percentage of Threshold Cost Claims paid jumped significantly in FY21 to 47.7%. This was a result of the implementation of the 10% set aside in FY22, the first year of the Fair School Funding plan (again remember that FY21 claims are not paid until FY22 which was the year the Threshold Cost funding pot increased). However, the percentage of Threshold Costs that have been reimbursed has fallen in both FY22 and FY23, with the FY22 and FY23 percentages both below the 44.9% percentage in FY14.

The reason that the Threshold Cost reimbursement percentage has fallen over the last 2 years is that while the Threshold Cost reimbursement pot has increased by nearly 20% (from \$85.6 million in FY21 to \$102.5 million in FY23), the Threshold Cost reimbursement requests have increased by 37% (from \$179.4 million to \$246.6 million) over the same time frame. While the reasons for the continued escalation in Threshold Cost reimbursement requests is not entirely clear, there appear to be 2 likely reasons:

- 1) The costs of serving students with disabilities has been escalating while the Threshold Cost reimbursement eligibility amounts have remained unchanged for many years. This suggests that it is time to adjust (i.e. increase) the eligibility cutoff amounts. The argument for doing so is made even stronger if the higher AIR weights are implemented because the funding amounts for more than half of the disability types would then be above the current Threshold Cost cutoff amounts.
- 2) It is also possible that the advent of the 10% Threshold Cost set aside has incentivized districts to apply for reimbursement. The reason for this is that unlike the prior method of funding the state share of the Threshold Cost reimbursement pot, the current method presents to districts as coming out of their pockets through the state aid deduction. If districts (and community schools and JVSs) feel like this is now “their” money they might be more motivated to submit a reimbursement claim as compared to the prior method when \$40 million of the roughly \$45 million in funding for catastrophic costs came directly from the state and the reimbursement percentage was fairly low (not to mention that the lag in reimbursement is nearly a year after the costs have been incurred).

Ohio’s current approach to funding Threshold Cost reimbursement is logical in the sense that larger school districts with more special education students will contribute more to the Threshold Cost reimbursement pot, as would districts that educate a higher proportion of students with more costly disabilities. However, because this approach is based on *10% of the state aid* to be directed to special education students, it also means that lower wealth school districts in which the state share of school funding is higher will also contribute more to the Threshold Cost reimbursement pot than would wealthier school districts of a similar size and student mix in which the state share of school funding is lower.

Table 23 shows the sources of Threshold cost funding for FY24. Table 23 shows that state source revenues for Threshold Cost reimbursement were \$96.5 million in FY24 while \$6.0 million in Federal funding was also used.

Table 23: FY24 Threshold Cost Reimbursement Pool

Source	FY24 Threshold Cost Deduction
Traditional K-12 Districts	\$76.9 Million
Community Schools	\$14.7 Million
JVSDs	\$4.8 Million
<i>State Source Subtotal</i>	<i>\$96.5 Million</i>
Federal Funds	\$6.0 Million
Total Funding	\$102.5 Million

Source: DEW

Table 24 provides analysis of Threshold Cost deductions and reimbursements by school district typology category.

Table 24: Threshold Cost Reimbursed vs. Deduction Amount, By Typology Group

Typology Group	FY24 Threshold Cost Deduction	FY23 Threshold Cost Reimbursement	Gain or Loss?
1. Poor Rural	-\$8,190,109	\$6,704,117	(\$1,485,991)
2. Rural	-\$4,696,670	\$4,310,165	(\$386,506)
3. Small Town	-\$6,144,136	\$8,263,787	\$2,119,651
4. Poor Small Town	-\$10,870,230	\$9,873,338	(\$996,892)
5. Suburban	-\$9,468,134	\$23,989,926	\$14,521,792
6. Wealthy Suburban	-\$5,102,026	\$19,453,815	\$14,351,789
7. Urban	-\$16,275,837	\$18,171,732	\$1,895,896
8. Major Urban	-\$16,146,636	\$10,383,890	(\$5,762,746)
0. Outliers	-\$3,402	\$36,140	\$32,738
Total	-\$76,897,180	\$101,186,911	\$24,289,732

The first thing that is evident from Table 24 is that the traditional K-12 school districts contributed \$76.9 million to the Threshold Cost funding pool in FY24 while receiving over \$101 million in FY23 reimbursements. This result was made possible both by the \$6 million in federal funding and also because Ohio’s JVSDs and community schools

contributed much more to the Threshold Cost pool than they received back in reimbursements. While not shown in Table 24, JVSs contributed nearly \$5 million to the Threshold Cost pool in FY24 and received \$0 in FY23 reimbursements, while community schools contribute nearly \$15 million and only received \$1.4 million in reimbursements.

Table 24 also shows that the poor rural, rural, poor small town and major urban school districts all collectively contributed more to the Threshold Cost funding pot in FY24 than they received back in FY23 reimbursements. At the same time, small town, urban, suburban and wealthy suburban school districts all received more in aggregate in Threshold Cost reimbursements than they contributed to the Threshold Cost pool. ***In essence, districts in the lower wealth typology groups are, in aggregate, effectively subsidizing the Threshold Cost payments received by districts in the wealthier typology groups.*** (Note of course that not all districts in the lower wealth typology groups receive less in Threshold Cost reimbursement than they contributed, while not all districts in the wealthier typology groups receive more in reimbursement than their contributions).

As a final note, Table 2 on page 11 of this report showed that the special education weights were never funded at 100% since their inception in FY02. From FY04 through FY11 the weights were only funded at 90%, and this ratio was carried over when the weights were converted to per pupil amounts in FY14. Thus, part of the logic for creating the 10% set aside for Threshold Costs in FY22 was that by finally increasing funding of the weights (even though they were long outdated) to 100%, this additional funding could be used to increase funding for Threshold Costs while theoretically not reducing the weighted funding districts were receiving (which had its historical basis in the 90% ratio).

While this approach was a practical way to increase funding for Threshold costs in the short run, it is not a sound way to fund this important aspect of special education in the long run. This is because funding the excess costs of the relatively small subset of students with disabilities whose conditions demand extraordinarily high levels of service should be the sole responsibility of the state and not come from a reduction in weighted funding. *It is also imperative to understand that once the AIR weights are implemented and special education in Ohio is based on a current assessment of the costs of educating students with disabilities, there should be relatively less need for threshold reimbursement funding because the vast majority of students will be receiving adequate funding through the weights.*

Section Seven

Conclusion: Key Policy Takeaways

The findings in this report, *Ohio Special Education Cost Analysis*, clearly demonstrate that Ohio's current system for funding services to students with disabilities is out of date, underfunded and too heavily reliant on local revenue. In FY24 the state was only responsible for 29.0% of the \$3.040 billion of traditional school district expenditures on K-12 special education students. Implementing the weights and revised funding categories recommended in the AIR special education cost study and revising the state's approach to threshold costs for unusually expensive students would be major steps towards assuring that Ohio's public schools have the necessary resources to adequately serve state's more than 250,000 students with disabilities.

This report reveals three fundamental financial findings as follows:

1. **The Adequacy of Ohio's Special Education System Design.** Ohio's current model of funding special education is, from a design perspective, structurally sound. It is a system that is part of Ohio's primary school funding model; it has six weights that serve as multipliers of per pupil base cost funding; and it has a threshold cost reimbursement component (formerly referred to as catastrophic aid) that serves to help fund the exceedingly costly needs of low incidence students with disabilities who have highly complex needs and related service costs that far exceed the average costs that the weighted funding model is built upon. Additionally, this system design aligns well with the special education model used in most states and in so doing it is minimally compliant with applicable state and federal special education laws and regulations.
2. **The Cost of Fully Funding Ohio's Special Education Funding System.** The problem with Ohio's model is not, then, in the adequacy of its design, but in the inadequacy of its funding. This reality was underscored repeatedly through perspectives from the special education field. For instance, practitioners repeatedly told the authors of this report that there are major problems related to special education staff shortages and to the inadequacy of funding particularly related to high cost, low-incidence students with disabilities, such as students with autism.

Ohio, however, is moving to address these and other funding insufficiencies by implementing its inputs-based Ohio Fair School Funding Plan. This plan includes a proposed six year phase-in, which is currently in year four, that is increasing per pupil base cost funding and better equalizing local funding by using a calculation of local wealth that includes both property and income wealth. Importantly, the base

cost increase has the benefit of increasing special education funding because the weights serve as multipliers of this base aid.

As this study has shown, if the Fair School Funding Plan was fully operationalized, it would have produced (in FY24 dollars) \$926 million in special education funding for traditional K-12 school districts. This compares to the \$775 million that Ohio's 609 school districts actually received for special education funding in FY24 (note that \$77.5 million of this \$775 million figure was redirected to the Threshold Cost reimbursement fund).

With an average state share of special education funding of 44.99% in FY 24, this means that the 55.01% aggregate local share implied by Ohio's funding formula would be \$1.132 billion. When the \$926 million in state funding (assuming no phase-in provisions) is added to this number it totals \$2.058 billion; however, K-12 school districts actually spent \$3.040 billion on special education in FY24, leaving a funding gap – minus \$450 million in net federal IDEA funds and an estimated \$106 million in state funding for transportation of K-12 students with disabilities – of \$426 million. But with actual state aid after the phase-in provisions of the formula were applied only at \$775 million, this statewide aggregate funding gap for Ohio's K-12 school districts is actually even larger at \$577 million.

If the \$577 million funding gap was filled with the same percentage split between state and local funds, it would require an increase in state special education funding of \$260 million. If this increase was combined with the \$151 million funding increase produced by a fully phased-in Fair School Funding Plan model, the total increase in state aid for K-12 school districts in FY24 would be \$411 million. (Note: This hypothetical gap-filling state/local funding split is not included in the Table 20 figures listed below.)

Of course, the full cost of a special education model would also include the cost of updating special education funding estimates for both pre-school special education and for community (charter) school related funding for participating students with disabilities. These additional costs are as follows:

- **Preschool Special Education Costs:** State funding for preschool students with disabilities was \$141 million in FY23 and \$147.5 million in FY24. Had this funding component not been capped, however, the state funding levels would have been \$142 million in FY23 and \$165 million in FY24.
- **Community School Costs:** Community schools in Ohio are fully state funded as they have no local property tax authority. Community

schools received \$125 million in FY23 and \$146 million in FY24 for students with disabilities. Had the phase-in provisions of the Fair School Funding Plan not been in place community schools would have received \$145 million in FY23 and \$174 million in FY24 for special education services.

Despite the exclusion of a formal update in the weights, and because Ohio's current model is meeting all relevant state and federal legal requirements, this approach moves Ohio's special education funding model to a minimal level of adequacy; however, it leaves unresolved a problem with how the state's threshold reimbursement is funded. Instead of providing a separate appropriation, the Fair School Funding Plan earmarks 10% of total weighted special education funding for the purpose of financing threshold reimbursements, which must be applied for by each local education agency on an annual basis. In FY24 this earmark reduced special education funding for Ohio's traditional K-12 school districts by \$77.5 million, for community schools by \$14.6 million, and for joint vocational school districts by \$4.7 million.

While a reasonable interim step, the main problem with this earmarking policy is that it is unsound as a long-term approach to this issue. This is because a cost-based weighted system of special education cannot, without clear logic that extends beyond state cost savings, be cut by ten percent without having the obvious effect of reducing state aid and, in the process, undermining the special education funding formula and forcing school districts and other LEAs to address the state funding loss by raising taxes and/or reducing the cost of other educational services.

Fixing this funding flaw is possible. It requires a review of where cost thresholds begin under an enhanced funding formula and then, over time, fully funding the identified cost. *Importantly, an adequately funded Ohio special education model with more state special education funding will mean that there should be relatively less need for threshold reimbursement funding because the funding gap has been narrowed.*

Finally, it bears repeating that these steps toward a minimally adequate special education funding model do not include the ultimately essential element of formally updating the weights. Without this action, a fully adequate funding model cannot be assured.

- 3. The Additional (Personnel-Only) Cost of Funding AIR's Best Practice Special Education Funding Model.** The differential between the cost of funding a fully funded version of Ohio's current special education funding model and the cost of funding the AIR cost study is the difference between the full cost of each model. The

Ohio Department of Education and Workforce school finance payment reports (SFPRs) show that a fully funded version of Ohio's current weighted funding model for students with disabilities would have cost \$80.1 million more in FY23 and \$151 million more in FY24.

On the other hand, the AIR study attempts to cost-out an evidence-based best practice version of special education. The analysis created best practice constructs – assumptions about a broad array of special education service levels, including intervention specialist and related service personnel ratios to students served. These assumptions were shaped by professional judgment panels populated by Ohio special education practitioners. These panelists had experience in best practice special education local education agencies as identified through the empirical evidence produced by the “beating the odds (BTO) methodology. This process was based on the premise that Ohio does have best practice schools but that these practices are not being provided in every school district.

This means that the additional state cost of funding the AIR study policy implications equates to the cost – over and above a fully and adequately funded Ohio model – of buying a best practice model of special education service and funding for all public school students with disabilities in Ohio. Importantly, the AIR estimate was limited to personnel costs due to data and related restrictions. AIR considers this limitation to make their cost estimates conservative in nature.

This report's analysis of the AIR cost study estimates the total (state + local) cost of implementing the AIR weights and recommended revision to Ohio's 6 special education funding categories in FY24 to be \$3.983 billion for K-12 school districts in Ohio. This estimated cost is \$943 million (31%) higher than school districts spent in FY24. This report estimates that if the AIR cost model was implemented in FY24 the state share of special education funding (prior to any formula phase-in) would have increased from \$926 million to \$1.792 billion, an increase of \$866 million (93.5%).

Bottom line, as is outlined in Table 20, state special education funding levels can be estimated as follows for three scenarios: Current law that includes a partially phased-in Fair School Funding Plan; current law with the assumption that the Fair School Funding Plan is fully phased-in; and the cost of the AIR best practice-based special education funding model. In reviewing these aggregate figures (below), it is important to note that they are for K-12 public school students attending traditional public schools, pre-K programs and community schools. And in the case of the AIR analysis, the cost estimates are exclusively for personnel costs and do not include separate calculations for special education services provided by pre-schools or

community schools. These numbers do *not* reflect a 10% deduction for threshold reimbursement funding.

FY 23 Aggregate State Special Education Funding Estimates:

- Current Law (phased in): \$930 million
- Fully Funded (no phase-in): \$1.031 billion (+\$101 million)
- AIR Funding Model: \$2.110 billion (+\$1.079 billion)

FY 24 Aggregate State Special Education Funding Estimates:

- Current Law (phased in): \$1.069 billion
- Fully Funded (no phase-in): \$1.265 billion (+\$196 million)
- AIR Funding Model: \$2.393 billion (+\$1.128 billion)

Importantly, it should be noted that increases in state aid will translate into decreases in the percentage of total special education funding provided, in aggregate, by local school districts. As this study has noted, in FY24 with a partially phased-in Fair School Funding Plan, state special education funding only amounted to 29.0% of aggregate school district expenditures on students with disabilities. Additionally, in part because of this imbalance, it is estimated that local school districts will, in aggregate, have the necessary local resources necessary to pay their current share of an expanded, best practice-based state special education funding model as outlined in the AIR cost report.

A last word regarding the funding figures is in order: As is often the case, this analysis has been somewhat constrained by data limitations; however, these limitations have not materially hindered the effort to quantify the vast majority of special education funding needs and costs in Ohio.

Issues For Further Consideration

As with school funding in general, ongoing efforts need to be made to update and re-evaluate special education needs, costs and related funding assumptions. In addition to previously referenced cost analyses, other examples of near-term policy questions that deserve further consideration include the following:

- What are Ohio’s key special education related staffing shortages and how are these shortages being addressed, including with regard to the training of new intervention specialists and related service personnel? How should the special education funding formula change to better address these shortages and related costs?

- How often should special education weights be updated?
- What are non-personnel related special education funding costs and how are these costs being financed?
- What IEP-required educational technologies are in place and how is the cost of these technologies being funded?
- How are the Medicaid in the Schools Program related financial reimbursements used and how does this impact broader special education funding issues?
- Assuming that a transition to a cost-based special education funding takes place, what are the best ways to evaluate the success of this new model?
- Should joint vocational school districts have a distinct formula for funding students with disabilities? They currently (FY24) receive \$47.4 million in state funding and serve roughly 9,200 special education students. 84% of these students are Category 2.

Conceptually consistent with the state’s phase-in of its Fair School Funding Plan, it makes practical sense due to the costly nature of the necessary enhancements of special education funding to implement a new model in steps. In doing so, it seems reasonable to suggest a 4 year phase-in. If this phase-in began with the FY 26-27 biennium, it would mean that it would take a full eight years for demonstrable special education funding problems to be addressed fully and adequately by the state of Ohio. But no matter when the implementation begins, it is essential that it begin with a commitment to fully fund special education services so that Ohio’s over 262,000 students with disabilities receive the assessment-based services outlined in their Individual Education Plans and required by state and federal law.

In sum, Ohio’s special education funding model attempts to facilitate the delivery of a legally adequate level of special education services. As this study has revealed, the major problem with the current approach is not its design, but its failure to fully fund this design. This shortcoming relates to six problems:

- The special education weights have not been updated;
- The state has not fully phased-in its inputs-based Fair School Funding Plan based on the most recently available funding data;
- Even if the current outdated formula was fully phased-in there would have been an estimated \$426 million gap (FY24) between what the

state/local/federal funding model is paying for and what local school districts are actually spending to deliver special education services; a situation that amounts to a significant unfunded state mandate;

- The AIR analysis revealed that several disability categories should be moved into different special education funding categories that better align with their actual costs with behavioral health being a leading example;
- The threshold reimbursement cost mechanism needs to be revised and updated and funded separately and not through a 10% earmark of the weighted funding; and
- A revised funding model needs to reflect the cost of inflation. The FY24 estimates in this report reflect a 3.0% inflation adjustment from FY23 to FY24. Continued adjustments would be required to implement the AIR report findings in future years.

Each of these system problems is within reach of being fully addressed. Even without updating the special education weights, given the fact that Ohio has a mainstream special education funding model that is meeting all state and federal legal requirements, it seems reasonable to assume that if all the other system improvements were made that Ohio would have at least a minimally adequate special education funding model.

But, still, this adequacy is paid for with an unsustainable overreliance on local resources that pulls local funds away from other essential educational needs. Additionally, what an enhanced version of the status quo – a circumstance that, again, is not based on a fully updated cost analysis – does not provide is the preferable funding model spelled out convincingly by the AIR cost study: a fully funded, cost and best practice-based special education system. The additional state resources needed to pay for this enhanced model will buy best practices, additional staffing and related results – and, as this study has shown, this can happen without requiring additional local special education expenditures. Unfortunately, the last point is true because, as of FY24, school districts were paying approximately 56 percent of all special education costs, with Federal funds paying 15%, and state funds responsible for only 29%. If the AIR weights were implemented in FY24, the state share of Special education funding for K-12 students in traditional school districts would have increased to 47.6%.

In order to begin the process of updating the Ohio's system of funding students with disabilities to address the issue described above it is imperative that the state begin during the upcoming FY26-27 biennium. Beginning a phase-in of the AIR weights and beginning a phaseout of the current threshold cost funding mechanism are both changes that would

ideally occur in the next state budget. While current indications suggest that state resources will be at a premium in the next biennium, the state can still establish a foothold for updating special education funding by taking one or both of these steps, even if these steps cannot begin until the FY27 fiscal year.