

SENATE BILL REPORT

ESHB 1436

As of March 15, 2023

Title: An act relating to special education funding.

Brief Description: Funding special education.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Pollet, Berry, Simmons, Farivar, Orwall, Street, Caldier, Alvarado, Ryu, Reeves, Ortiz-Self, Christian, Kloba, Duerr, Stonier, Bateman, Lekanoff, Berg, Riccelli, Fosse, Macri, Bergquist, Reed, Doglio and Chopp; by request of Superintendent of Public Instruction).

Brief History: Passed House: 3/2/23, 94-2.

Committee Activity: Early Learning & K-12 Education: 3/15/23.

Brief Summary of Bill

- Increases the special education excess cost multipliers for K to 12 students over four school years.
- Increases the funded enrollment limit for special education funding over several years until the 2027-28 school year, when the limit is removed.
- Reduces the threshold for high-need individuals to access the special education safety net from 2.3 to 2.2 times the average per-pupil expenditure.
- Requires the Office of the Superintendent of Public Instruction to review data for disproportionate identification of students and provide technical assistance and professional development opportunities to local education agencies.
- Beginning July 2025, requires up to 50 percent of a special education student's base education allocation to be used for special education if district special education expenditures exceeded revenues in the previous school year.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

- Requires the Joint Legislative Audit and Review Committee and the State Auditor to conduct a performance audit of the state's special education system.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Staff: Alexandra Fairfortune (786-7416)

Background: Special Education Funding. The state allocates funding for a program of special education for students with disabilities. Special education is funded on an excess cost formula for up to 13.5 percent of a district's K to 12 students. This formula multiplies the district's base allocation for students enrolled in K to 12 special education by an excess cost multiplier of either:

- 1.0075 for students receiving special education and reported to be in the general education setting for 80 percent or more of the school day; or
- 0.995 for students receiving special education and reported to be in the general education setting for less than 80 percent of the school day.

Pre-K students receiving special education services, including three-, four-, and five-year-olds not yet enrolled in kindergarten, are funded based on a multiplier of 1.15 percent. These students are excluded from the 13.5 percent funded enrollment limit.

Safety Net Funding. Beyond these allocations, the Safety Net Oversight Committee, appointed by the Superintendent of Public Instruction, may award safety net funding if a district can convincingly demonstrate that all legitimate expenditures for special education exceed all available revenues from state funding formulas, and it is maximizing its eligibility for all related state and federal revenues. Differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards.

The committee may award safety net funding to applicants for high-need individuals and for community characteristics that draw a large number of students eligible for special education. For high-need individual awards, the school district's expenditures for the student must exceed an expenditure threshold of 2.3 times the statewide average per-pupil expenditure (APPE), which equals \$37,599 in the 2022-23 school year.

Summary of Bill: Special Education Excess Costs. Excess cost multipliers for special education are increased as follows:

- for K to 21 students spending 80 percent or more of the school day in a general education setting:
 1. for the 2023-24 school year, 1.035;
 2. for the 2024-25 school year, 1.04;

- 3. for the 2025-26 school year, 1.043; and
- 4. beginning in the 2026-27 school year, 1.059; and
- for K to 21 students spending less than 80 percent of the school day in a general education setting:
 - 1. for the 2023-24 school year, 1.02;
 - 2. for the 2024-25 school year, 1.025;
 - 3. for the 2025-26 school year, 1.028; and
 - 4. beginning in the 2026-27 school year, 1.043.

The 13.5 percent funded enrollment limit is gradually increased and eventually removed, as follows:

- 14 percent in the 2023-24 school year;
- 14.5 percent in the 2024-25 school year;
- 15 percent in the 2025-26 and 2026-27 school years; and
- beginning in the 2027-28 school year, the funded enrollment limit is removed.

Special Education Safety Net. The threshold for high-need individuals to access the special education safety net is reduced from 2.3 to 2.2 times the APPE.

Basic Education Allocations. Beginning July 1, 2025, the Office of the Superintendent of Public Instruction (OSPI) must maintain a method of accounting that shifts a portion of a school district's general apportionment revenue for students eligible for special education to the school district's special education program. This portion must reflect a percentage of the district's base allocation based on a student's time served in the special education setting, up to 50 percent if a district's state special education expenditures in the previous year exceeded state funding provided.

Disproportionate Impact. OSPI is required to annually review data from local education agencies, including the percentage of students receiving special education services, to ensure there is not a disproportionate identification of students. OSPI must also provide technical assistance to school districts and professional development opportunities to local education agencies and community partners to promote inclusionary practices and help safeguard against overidentification and other issues related to disproportionality.

Report and Audit Requirement. The Joint Legislative Audit and Review Committee (JLARC) and the state auditor must conduct a performance audit of the state's special education system. JLARC and the state auditor may contract with qualified third-party researchers or higher education institutions to perform any aspect of the report and audit, and must consult with the following entities:

- OSPI;
- the Office of the Education Ombuds;
- organizations representing and serving students with disabilities;
- the Washington State Special Education Advisory Council; and
- labor organizations representing educators providing educational services to students

with disabilities.

JLARC and the state auditor may conduct the audit at a sample of school districts as needed.

State and local agencies are required to provide education records within four months of a request to JLARC and state auditor and must notify the requestor within 21 days if the request does not comply with federal privacy laws. By December 31, 2023, JLARC and the state auditor are required to identify a lead agency for each component of the audit and any aspects of the work being performed by contractors, and provide these designations to the Governor and Legislature. The study's findings and recommendations must be reported to the Governor and the committees of the Legislature with jurisdiction over fiscal matters and special education by November 30, 2024.

The report and audit must address the following topics:

- the prevalence of disabilities and whether the provisions and funding for evaluating students and providing services reflects the prevalence of disabilities, including whether any populations are disparately under-evaluated or underserved;
- the degree to which changes in funding formulas intended to encourage inclusion are successful and whether the state and districts are utilizing best practices to improve inclusion;
- whether the changes in evaluation timelines or increases in the funded enrollment limit have resulted in funding for students who do not have disabilities or in excess of districts' costs;
- whether districts are appropriately accounting for and reporting use of basic education allocations for students with disabilities;
- the amount of funding from levies or other local sources that school districts continue to utilize under current accounting methodologies to meet obligations, the degree to which funding shortfalls will continue following planned funding changes, and options for additional funding changes; and
- how the state may improve recruitment and retention of certificated educators, instructional aides, or paraeducators and professionals serving students with disabilities.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: The enrollment funding cap is both

unconscionable and unconstitutional. Students receiving special education services are served no matter what, so districts still must find funding to serve these students. Districts usually rely on levies to accomplish this, which is not equitable or fiscally responsible, and it removes money for other needy students.

CON: This bill doesn't do enough as quickly as is needed. The Senate policy represents real money for districts but the House bill falls short of meeting the state's paramount duty. This will continue district reliance on local funds to serve special education students. While the increases are helpful, it doesn't immediately address ongoing civil rights violations or the reality for students.

OTHER: Districts are seeing more and more students with exceptional needs, and are already reaching the enrollment cap. As drafted, this bill would take years to improve the funding changes that are needed now. However, there are positive aspects of the bill like eliminating the cap, offering tools to reduce disproportionality, and supporting inclusionary practices. The language about redirecting general education funding to special education programs is concerning, and there is a preference for the accounting methodology in the Senate bill.

Persons Testifying: PRO: Representative Gerry Pollet, Prime Sponsor; Amy Miller; Deiman Abdi, Washington multicultural services link.

CON: Clifford Traisman, Seattle, Bellevue, Highline Public School Districts; Superintendent, Patrick Murphy, Olympia School District; Dan Steele, WA Assn of School Admin & WA Assn of School Business Officials; Tania May, Office of Superintendent of Public Instruction; Jen Chong Jewell, Special Education Advisory Council for OSPI.

OTHER: Jeff Snell, Vancouver School Districts; Julie Salvi, Washington Education Association; Ramona Hattendorf, The Arc of King County; Mitch Denning, WA Assn of Maintenance & Operation Administrators; Samantha Fogg, Seattle Council PTSA; Tori Emerson, Washington State PTA; Cherylynne Crowther, Seattle Special Education PTSA, President; Melissa Spiker, Seattle Special Education PTSA; Michelle Whitehead; Robert Cruickshank, Washington's Paramount Duty; Jim Kowalkowski, Rural Education Center.

Persons Signed In To Testify But Not Testifying: No one.