

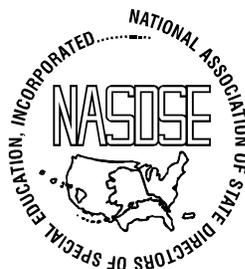
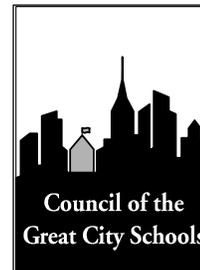
# IDEA Funding: Time for Congress to Live Up to the Commitment

## Mandatory Funding Proposal March, 2006

Produced by the IDEA Funding Coalition:



*American Association of School Administrators*



## **IDEA Funding: Time for Congress to Live Up to the Commitment**

In 1975, our country took a major step forward in promoting the inclusion and equality of one of our most disenfranchised groups of citizens. Passage of the Education for All Handicapped Children Act (now known as the Individuals with Disabilities Education Act), assured that all children with disabilities receive a free, appropriate public education.<sup>1</sup> Millions of children with disabilities are no longer limited by their families' ability to afford private education; they are no longer forced to attend costly state institutions, or worse, stay home and miss out entirely on the benefits of an education. IDEA ensures that children with disabilities may attend public schools alongside their peers. There is no question about it: students, schools, and communities are enriched when all children have a right to a free, appropriate public education.

Despite all that has been accomplished on behalf of children with disabilities, much more remains to be done. When IDEA passed in 1975, Congress understood that it was creating a law that would have increased financial impact at the state and local level. They agreed to pay for the excess costs of educating a child with a disability compared to a general education student. Over several years, that promise was translated into 40 percent of the National Average per Pupil Expenditure (APPE) for every child enrolled in special education.

In the 31 year history of the Individuals with Disabilities Education Act, the federal contribution has always fallen far short of the congressional commitment to fully fund IDEA. Local and state budgets have been forced to absorb the shortfall.<sup>2</sup> In the last several years Congress has made significant progress, but IDEA appropriations still need a 130 percent increase before IDEA is fully funded.<sup>3</sup> After 31 years, the magnitude of that shortfall demands a new approach. It is time to make special education funding mandatory and deliver on a long overdue promise.

### **Basics of the Proposal:**

- Make new IDEA funding mandatory while keeping the base discretionary.
- Increase the federal contribution from 17.73 percent to 40 percent.
- Accomplish full funding by 2012, meeting the commitment of the 2004 IDEA Reauthorization.
- Require states to maintain their level of financial support for special education.
- Encourage schools to intervene early in a child's life and provide developmentally appropriate programs and services. Developmentally appropriate intervention during the early years would dramatically reduce later

referrals to special education and eventually help curb the costs of special education.

### **What is full funding of IDEA?**

Part B of IDEA originally authorized Congress to contribute up to 40 percent of the national average per pupil expenditure (APPE) for each special education student.<sup>4</sup> In 2006, the national average per pupil expenditure is expected to be \$8,668. With 6,878,000 students served under IDEA, schools are qualified to receive \$23.8 billion in federal funds. Unfortunately, school districts are only receiving \$10.6 billion. In other words, states and school districts are currently receiving roughly 17.73 percent rather than the federal commitment of 40 percent of APPE<sup>6</sup>. Although the federal contribution is a significant sum, states and localities will spend more than \$113.3 billion on those students in the same year<sup>7</sup>. Congress is paying half of what it promised which is less than half of what it takes to educate students with disabilities. In addition, there are different programs within IDEA that are funded individually and serve specific purposes. For example, Part C of IDEA is designed to meet the developmental needs of infants and toddlers and their families in order to address disabilities when they first become evident because early intervention can prevent more severe disabilities from developing. Funding for these other parts have been cut and are under funded given the increasing need to provide interventions at a younger age.

### **How close is the federal government to fully funding IDEA?**

Federal funding is \$13.2 billion short of full funding this year and would need a 130 percent increase to be fully funded.<sup>8</sup>

### **How does the federal shortfall hurt school districts and students?**

While much attention has been paid to rising federal expenditures for special education over the past few years, new federal funding has not kept pace with increasing costs at the local level. In fact, special education costs for local school districts are rising substantially faster than new federal funding. Even with recent increases in federal special education funding over the past few years, the local financial burden has increased from 39 percent of total spending to 45 percent during the same time period.<sup>9</sup>

The federal government is shortchanging states and local school districts with an unfunded liability of more than \$13.2 billion (22.17 percent) in FY 2006 alone. If IDEA had been fully funded for the last 31 years, state and local governments would have had \$381.8 billion available to enhance teacher quality and compensation, increase student achievement, provide additional related services or to purchase new computers and up-to-date textbooks. According to the US Department of Education, "Historically, local educational agencies have struggled with meeting the minimal education needs of a growing population of children with disabilities".<sup>10</sup>

### **Why should the program be funded through mandatory spending instead of discretionary funds?**

IDEA services are required by federal statute and people with disabilities, including children, are a protected class; accordingly, the funding should be mandatory. For 31 years Congress has promised to fully fund IDEA at 40% of APPE, yet funding is roughly 17.73 percent. Even with annual increases of \$1 billion plus inflation (2.5 percent), Congress would not fully fund IDEA until FY 2035.<sup>11</sup> School children cannot wait another 28 years. In addition, Congress went on the record during the 2004 reauthorization of IDEA and committed to fully fund IDEA by 2011 through the discretionary appropriations process. But, in actuality, Congress has taken a step back in its commitment to special education and funding has now dropped from 18.51 percent down to 17.73 percent. Even President Bush's FY 2007 budget proposal would reduce the federal commitment to IDEA to just 17 percent. We must work now to reverse this trend. The only way to ensure that Congress fulfills its promise is through funding increases on the mandatory side of the budget.

### **How will the proposal for mandatory expenditures solve the problem?**

The proposal would gradually increase federal spending over the next six years through annual mandatory increases that match the authorization levels in the 2004 IDEA reauthorization. Funding for the IDEA increases would be moved out of the discretionary portion of the budget and into mandatory spending, while the \$10.5 billion base would remain under the control of the appropriators with instructions to level fund IDEA, Part B.

### **Would mandatory funding relieve the funding burden on state and local governments?**

The recently reauthorized IDEA allows school districts flexibility to the local maintenance of effort, supplement not supplant and excess cost requirements of IDEA. Specifically, the law states that school districts can reduce their local maintenance of effort by up to 50 percent of the federal commitment provided that the dollars are spent for purposes allowed under the Elementary and Secondary Education Act and the school district is in compliance with IDEA. However, the cost of IDEA is increasing so rapidly that most districts are not able to take advantage of the flexibility. When IDEA funding nears the 40 percent commitment, schools will finally be able to free up local resources for other educational purposes. Under the 2004 IDEA Reauthorization, these freed up local funds must specifically be spent on activities authorized on the Elementary and Secondary Education Act.

**How would the shift from discretionary funding to mandatory funding affect other education programs and improve services for all students?**

The shift from discretionary to mandatory funding is not intended to negatively impact the availability of funds for other education programs. Mandatory funding for IDEA would simply guarantee new funding each year independent of discretionary spending constraints, moving the program toward its statutory full funding total. It would free up crucial dollars, which would allow more dollars to be spent on programs that will benefit all students, including students with disabilities, in the school district. The IDEA Funding Coalition believes that it is important to increase funding in all areas of education to meet growing demands.

**What is the approximate cost of the full funding proposal?**

For FY 2007 the federal share of Part B of IDEA is \$16.9 billion. With full funding, the federal investment would then increase to an estimated \$29.1 billion a year by 2012.<sup>13</sup> Fully funding IDEA by FY 2012 would cost approximately \$137 billion over the next six years.<sup>14</sup> If IDEA funding were frozen at current spending levels, federal funding over the next six years would amount to \$63 billion in expenditures.

**Who supports mandatory full funding of IDEA?**

In addition to the education groups that are part of this coalition, mandatory full funding for IDEA enjoys broad bipartisan support. In addition to our organizations, more than 55 national organizations, including the National Conference on State Legislatures, the National Association of Counties, and the National League of Cities strongly support guaranteed full funding.

**This year offers the best opportunity to help IDEA.**

There is no issue more fundamental to a successful reauthorization of IDEA than guaranteed full funding. The failure of Congress to provide full funding for the past 31 years has adversely impacted the ability of local schools to provide quality educational services for all children. With the recent slide in the federal contribution to IDEA, it is clear that Congress cannot fulfill its promise through the traditional discretionary funding route. In the meantime, school districts and states are faced with an extremely large cost burden to fill the federal shortfall.

Now, more than ever, it is imperative for Congress to meet this commitment. Students with disabilities have a right to the same educational opportunities as all other students, and the federal government has an obligation to pay for part of it. It's past time to remove IDEA from the annual funding showdown and make good on a 31-year-old promise.

<sup>1</sup> See Education for All Handicapped Children Act of 1975, 20 U.S.C. § 1400 et seq.

<sup>2</sup> Based on a 2002 study by the Special Education Expenditure Project, Chambers, Parrish, et al, educating a special education student costs an average of 1.9 times as much as a regular education student. As indicated in Appendix I, FY2003 APPE is an estimated \$7,402. Therefore, the excess cost created by the average special education student is 1.9 times APPE, or \$6,662. With 6,580,000 children served by IDEA, each costing an average excess \$9,369, approximately \$43 billion was spent on excess special education costs in FY 2003. The federal share of \$8.8 billion is only 18 percent of the excess cost of special education.

<sup>3</sup> Current funding for IDEA is \$10.6 billion. The FY2006 IDEA authorization level was \$23.8 billion (see appendix I). Therefore, the program is \$13.2 billion short of full funding this year. A 130 percent increase is needed to fully fund IDEA.

<sup>4</sup> 20 U.S.C. § 1411(a).

<sup>5</sup> See Appendix I.

<sup>6</sup> To calculate percentage of APPE funded by current law: (current funding)/ (APPE\*Enrollment) or (\$10.6 billion)/ (\$8,668\*6,878,000) = 17.73 percent.

<sup>7</sup> Based on a 2002 study by the Special Education Expenditure Project, Chambers, Parrish, et al, educating a special education student costs an average of 1.9 times as much as a regular education student, or \$16,469 per pupil. With 6,878,000 students, that amounts to approximately \$113.3 billion.

<sup>8</sup> See Appendix I for difference between FY2004 Appropriation and FY2004 Authorization.

<sup>9</sup> Parish, T. B. (2001). Who's paying the rising costs of special education? *Journal of Special Education Leadership*, Vol. 11 (1). Council of Administrators of Special Education.

<sup>10</sup> Department of Education, Fiscal Year 2002 Justifications of Appropriation Estimates to Congress, Volume 1.

<sup>11</sup> Using conservative estimates, CRS has APPE inflationary growth at 2.5percent per year and the disabled child count at 1percent growth. Based on a CRS report prepared by Senate request in winter, 2002.

<sup>12</sup> 20 U.S.C. § 1413(a) (2) (C); 34 C.F.R. §300.233 (1999).

<sup>13</sup> See Appendix I.

<sup>14</sup> Current funding is \$10.6 billion. To reach full funding of \$29.1 billion in six years, \$137 billion will be spent on IDEA during that period. (See Appendix 1)

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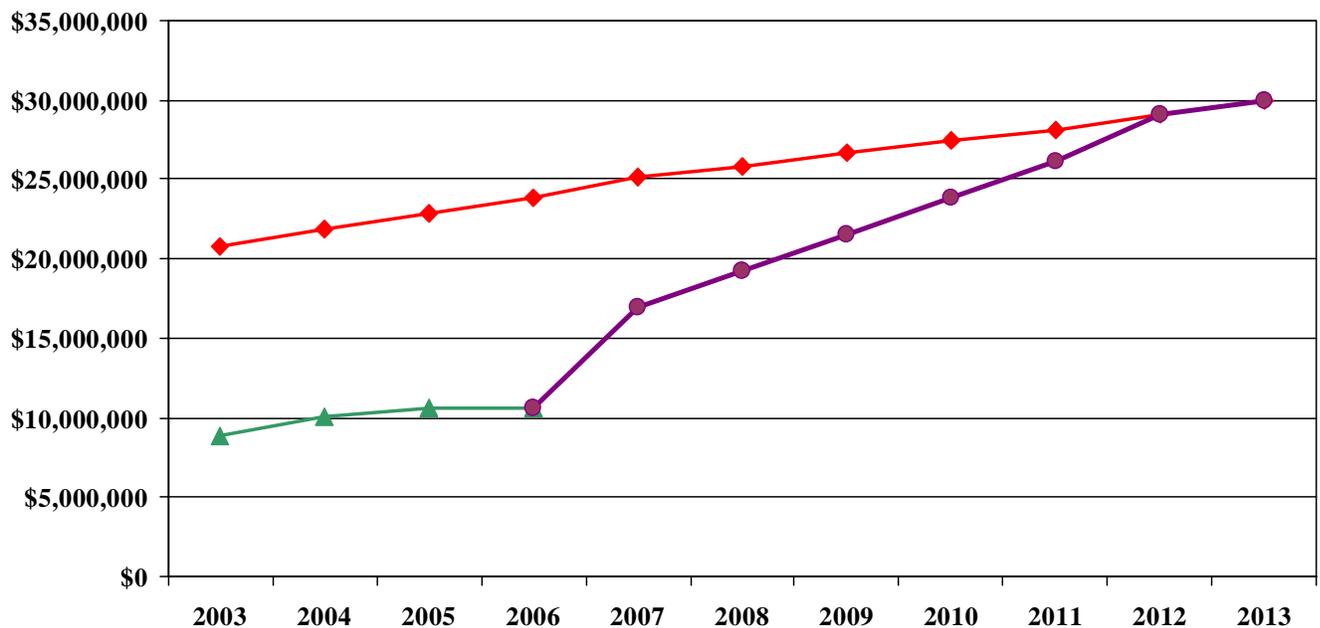
### Appendix I: IDEA Authorization Estimates

Fiscal Year	National APPE	# of Special Ed Students	Part B Authorization	Part B Appropriations	IDEA Full Funding Levels Approved in 2004 Reauthorization & HR 3145/ S 2185	% of National APPE
1993	\$5,108	4,896,000	\$10,003,507,200	\$2,050,000,000		8.10%
1994	\$5,206	5,101,000	\$10,732,504,000	\$2,150,000,000		8.00%
1995	\$5,429	5,467,000	\$11,872,137,200	\$2,320,000,000		7.80%
1996	\$5,640	5,629,000	\$12,699,024,000	\$2,323,837,000		7.32%
1997	\$5,796	5,806,000	\$13,460,630,400	\$3,107,522,000		9.23%
1998	\$6,046	5,978,000	\$14,457,195,200	\$3,801,000,000		10.52%
1999	\$6,296	6,133,000	\$15,445,347,200	\$4,310,000,000		11.14%
2000	\$6,631	6,274,000	\$16,641,157,600	\$4,989,000,000		11.96%
2001	\$7,006	6,381,000	\$17,882,114,400	\$6,323,685,000		14.15%
2002	\$7,499	6,483,000	\$19,446,406,800	\$7,512,533,000		15.45%
2003	\$7,839	6,611,000	\$20,740,029,200	\$8,858,398,000		17.09%
2004	\$8,148	6,723,000	\$21,911,601,600	\$10,052,106,000		18.35%
2005	\$8,400	6,803,000	\$22,858,080,000	\$10,579,746,000	<i>(\$12,358,376,571)</i>	18.51%
2006	\$8,668	6,878,000	\$23,847,401,600	\$10,567,961,000	<i>(\$14,648,647,143)</i>	17.73%
2007	\$9,045	6,947,000	\$25,134,246,000		\$16,938,917,714	26.96%
2008	\$9,204	7,010,000	\$25,808,016,000		\$19,229,188,286	29.80%
2009	\$9,426	7,066,000	\$26,641,646,400		\$21,519,458,857	32.31%
2010	\$9,653	7,115,000	\$27,472,438,000		\$23,809,729,429	34.67%
2011	\$9,885	7,158,000	\$28,132,710,000		\$26,100,000,000	37.11%
2012	\$10,121	7,194,000	\$29,124,189,600		\$29,124,189,600	40.00%
2013	\$10,371	7,223,000	\$29,963,893,200		\$29,963,893,200	40.00%

The data displayed in this chart is a product of the most recent data available from the Department of Education Budget Service. Current as of November, 2005.

**IDEA Full Funding Levels Approved in 2004 Reauthorization & HR 3145/ S 2185:** This column illustrates the authorization glide path approved in the 2004 IDEA Reauthorization. This path is also used in S 2185, the mandatory full funding bill by Sens. Hagel (R- NE) and Harkin (D-IA) and HR 3145, the mandatory full funding bill by Reps. Bass (R-NH), Simmons (R-CT) and Ferguson (R-NJ).

# The Path to Full Funding



- ◆ Estimated "full funding" (Based on Education Budget Service)
- ▲ Appropriations Funding Level
- Full Funding by 2011 Based on IDEA Reauthorization

## IDEA Funding Coalition Membership

The IDEA Funding Coalition is a working group of nine non-profit education associations sharing an interest in special education finance. The coalition is dedicated to ensuring the Congress fulfills its commitment to full funding the Individuals with Disabilities Education Act by using mandatory resources. For more information, please contact any of the following:

- American Association of School Administrators - Mary Kusler, (703) 875-0733
- American Federation of Teachers - Jennifer Luciano, (202) 393-7487
- American Speech-Language-Hearing Association - Neil Snyder, (202) 624-7750
- Council for Exceptional Children - Deborah Ziegler, (703) 264-9406
- Council of the Great City Schools - Jeff Simering, (202) 393-2427
- National Association of Elementary School Principals - Sally McConnell, (703) 518-6263
- National Association of Secondary School Principals - Steve DeWitt, (703) 860-7338
- National Association of State Directors of Special Education - Nancy Reader, (703) 519-3800
- National Education Association - Kim Anderson, (202) 822-7241
- National League of Cities - Jennifer McGee, (202) 626-3173
- National PTA - Todd Haiken, (202) 289-6790
- National School Boards Association - Deborah Rigsby, (703) 838-6208