BY SHELDON H. BERMAN AND DAVID K. URION

The Misdiagnosis of Special Education Costs

Local school districts nationwide are experiencing increases in special education costs. In states that are placing a high priority on education reform, the special education cost increases are rapidly compromising the ability of districts to effectively fund the implementation of these reforms. However, in searching for a way to address rising costs, policymakers often err in their diagnosis of the problem.

Policymakers point to two major causes of the increase in costs. First, they claim schools are funneling too many children into special education to ease the burden on the classroom teacher of addressing behavioral and learning problems. Second, they point to the increased advocacy on the part of parents and physicians.

Based on these assumptions, policymakers tend to recommend that states impose financial disincentives for increases in special education populations. They believe these disincentives will force school districts to apply more rigorously the eligibility requirements, leading to smaller special education enrollment and less special education spending.

District practices have no bearing, but medical and social factors accelerate spending

Primary Factors

Although these two factors may play a minor role in the increase in special education enrollments, far more significant causes generally have been ignored. In a case study of cost increases in Massachusetts, we determined that the increases were not caused by school district policy and practice. In fact, just the opposite was the case.

School district policy and practice was effective in containing and even reducing the percentage of children who required special education services. We found that cost increases were primarily due to the increased number of children with more significant special needs who require more costly services.

The root causes of these increases were factors beyond the control of schools, such as advances in medical technology, the deinstitutionalization of children with special needs and privatization of services. Also contributing were economic and social factors, such as the rising number of children in poverty and the number of families experiencing social and economic stress.

Because the increase in special education enrollments reflects real increases in the needs of children in the overall population, the solutions recommended by policymakers only exascerbate the problem by making funding to serve these children more difficult to access. This produces a no-win situation for both regular education children and special education children whose interests too often are pitted against each other in funding debates.

These findings emerged from a study of special education cost increases in Massachusetts completed by a task force of the Massachusetts Association of School Superintendents. Although the results of the study draw from data in one state, the national data on special education suggest these factors may be

influencing the increased number of special education children nationally.

The Cost Reality

The special education components of the school funding formula for education reform in Massachusetts were built on the assumption that school districts did not effectively contain costs and identified more children than necessary as having special needs. Specific elements of the formula were designed as disincentives to these practices. For example, in all areas other than special education, actual enrollment within a district is used to calculate state aid. Additional allocations are provided for the actual number of students who are from low-income families or who are in bilingual or vocational programs.

In contrast, allocations for special education are based on a preset percentage of children in special education, set at a rate lower than the state average. In addition, the cost allocations for providing services are set at levels well below the actual costs. These disincentives were designed to cause districts to be more rigorous in their use of the eligibility standards and to encourage more cost-effective placement of students.

Our analysis of the data for Massachusetts school districts, not including regional vocational schools, shows that these assumptions are not accurate. In fact, schools have done a good job containing costs. They rigorously have applied eligibility standards and provided regular education and inclusive programming for children as an alternative to special education services. The percentage of children enrolled in special education in Massachusetts reached a high in 1991-92 of 17.4 percent but declined to 16.3 percent in 2000-2001.

In spite of the districts' best efforts, costs have continued to increase as districts have enrolled a greater number of children with more serious needs. We found that between 1989-90 and 2000-01 per-pupil expenditures in special education escalated from $6,675 to $12,416, while they increased by only one-third as much in regular education from $4,103 to $6,177. This represents an increase of 86 percent in per-pupil special education expenditures in contrast to a 50.5 percent increase in per-pupil regular education expenditures.

The difference is even more significant when adjusted for inflation. In terms of 1990 dollars, per-pupil regular education expenditures grew by only $405 or 9.9 percent while per- pupil special education expenditures grew by $2,386 or 35.7 percent.

The impact statewide of these increases has been dramatic. As a percentage of total school expenditures, special education spending rose from 17.2 percent in 1989-90 to 20.2 percent in 2000-01—a $202 million increase in special education costs for the 2000-01 year alone. Special education has continued

Sheldon Berman is superintendent of Hudson, Mass., School District.

to consume an ever-larger percentage of school district budgets throughout the past decade, while expenditures on regular education declined from 52.3 percent to 47.7 percent of total expenditures. Increased special education expenditures consumed the equivalent of 42 percent of all new state aid provided to school districts since the Education Reform Act was passed in 1993.

During the 1990s, expenditures for special education increased at a greater rate than expenditures for regular education in 88 percent of the school districts in Massachusetts. The impact on education reform is significant. The increase in special education costs exceeded the amount received in new state aid for 88 of the state's 300 school districts, and 56 percent of the districts statewide spent more than 50 percent of their new state aid on special education.

Some examples:

● Brookline, a highly urbanized suburb of Boston, enrolls almost 6,000 students. During the 1990s, Brookline's total budget grew by 38 percent, while special education costs rocketed 108 percent. Although the state's education reform program brought the district an additional $2.2 million in aid between 1993 and 1999, special education costs increased $3.9 million during the same six years. The additional state aid, meant primarily to boost student achievement districtwide, instead offset a portion of the increased special education costs.

● East Longmeadow, a rural community in western Massachusetts with nearly 2,600 students, experienced a 138 percent increase in special education expenses during the last decade while regular school expenditures gained only 41 percent. Special education represented 16 percent of East Longmeadow's total budget in 1990, 24 percent by 1999. As in Brookline, increases in the costs of special education exceeded all new state aid to the district.

● Hudson, an industrial community in central Massachusetts with about 2,800 students, watched special education expenditures shoot up 99 percent during the 1990s, while regular education expenditures increased by 40 percent. The special education cost increases commanded 87 percent of Hudson's state aid increase.

● Needham, an upper-middle-income suburb on the outskirts of Boston with 4,300 students, saw special education expenditures increase by 111 percent compared to 37 percent for regular education. Needham received $1.5 million in new aid during a six-year period, but special education expenditures grew by $2.2 million during that time.

In addition, many school districts have experienced significant increases in the number of medically involved students who require nursing and other health-related care. Some of these children are not necessarily classified as special education students, although they often receive extensive services. Some are classified under federal "504" plans for which the Massachusetts Department of Education does not collect data. However, in analyzing the data on statewide health expenditures for school districts, we found that costs increased by 148 percent between the 1989-90 and 2000-01 school years—more than twice the growth in regular education spending during that period.

What is clear from our research is that special education now consumes a significantly higher percentage of most districts' budgets and a disproportionate share of new funds allocated to public education. Yet the increases aren't attributable to school district policies and practice, but rather medical, economic and social factors.

Medical Advances

Primary among these causes are changes in medical practice. Medical technology has advanced to such a degree that children who would not have otherwise survived due to prematurity or disability now live well beyond their school years. In addition, those whose disabilities would previously have placed them in institutional settings now can enter public schools or private special education schools.

In addition, the medical profession has become better aware of disabilities and how to diagnose them at an earlier age. At age 3 the responsibility for providing special education services is referred to the school district.

Neonatology, the specialty of newborn medicine, has triumphed to the point where premature infants survive at ever-lower birth weights. While this development is laudable, studies have shown a close correlation between prematurity, low birth weight and lifelong developmental and neurological problems.

Of infants born at weights under 3.3 pounds, approximately 10 percent will develop classic cerebral palsy with seizures, severe spastic motor deficits and mental retardation. All will have multiple medical issues significant to the school day. Fifty percent of children born weighing less than 3.3 pounds will have significant cognitive difficulties without spastic motor problems. Half of these will have measured intelligence in the borderline to mentally retarded range. The other half will have significant to severe learning disabilities.

In Massachusetts we have seen this trend in the enrollment data for early intervention and preschool programs. In 1992, 9,809 children were served by early intervention with 59 percent considered to have moderate or severe delays. By 2002, the number of children being served had increased by 169 percent to 26,339. However, in a more ominous trend, the number of these children with moderate or severe delays nearly quadru-

pled during those years from 5,818 to 22,661.

Special education preschool enrollment in Massachusetts increased by almost four times the rate of growth of the general population during the 1990s. At the national level, the 23rd Annual Report to Congress by the U.S. Department of Education indicated that the increase for 3- to 5-year-olds in special education during the past decade increased by 63 percent while the increase for 6- to 21-year-olds was 36 percent.

These trends have been confirmed in recent studies in California, which experienced an especially skyrocketing hike in cases of autism. The concern led the state legislature to commission a study by the University of California to examine factors behind the 273 percent increase between 1987 and 1998. The findings of this study confirmed that this was a real increase in autism among the population. The Autism Epidemiology Study did not find evidence that the rise in autism cases could be attributed to artificial factors, such as loosening of the diagnostic criteria for autism; more misclassification of autism cases as mentally retarded in the past; or an increase in inmigration of children with autism to California.

Twenty years ago roughly 2 percent of the school-age population had a medical diagnosis that affected their ability to function in school, both from a cognitive and a physical standpoint. Currently, conservative estimates suggest that 7.5 percent of the school-age population cannot be expected to prosper in school without significant academic and medical assistance.

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

Deinstitutionalization

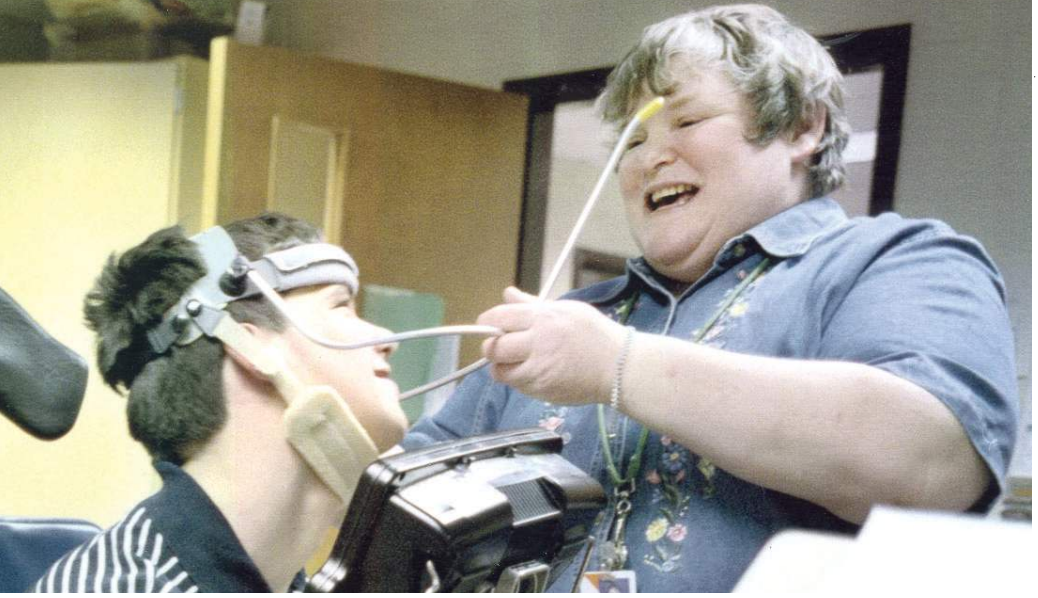
A second impact on costs has been the deinstitutionalization of special-needs children and the privatization of special education services over the past decade. The best example in Massachusetts is the history of the Bureau of Institutional Schools, which ran state institutions for special-needs children. Primarily the state institutions served children with mental retardation and children with psychiatric or medical problems.

The number of children served today by the bureau's successor, Educational Services in Institutional Settings, has increased slightly. However, the population is dramatically different from those served in 1974. Children with mental retardation are served through local school district funds either in programs within the district or in private or residential placements. The state agency's primary caseload now is incarcerated youth, leaving local districts with the financial and educational responsibility for educating most of those who had been in state-run programs.

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

Economic and Social Factors

A third cause of special education cost increases has been a higher percentage of children living in poverty. The correlation between poverty and special needs has been documented by researchers. Throughout the 1980s and early '90s, the number of children living in poverty increased sharply, widening the economic gap between rich and poor



families. In Massachusetts between 17 and 19 percent of elementary school children live in poverty. Nationally the poverty rate for children under 6 has stayed above 20 percent through the late '90s.

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

According to the Massachusetts Department of Social Services, reports of child maltreatment were more than 2½ times higher in 1999 than in 1983, as was the number of cases of confirmed maltreatment through supported investigations.

A Long-Term Solution

Policymakers need to be realistic about the rising costs of special education. The increases in the severity of disabilities in the population in general and the increase in the number of young children with moderate and severe disabilities will require greater expenditures in special education in the future.

Cleveland State University

1/3 square

Black and white

.5 point rule on base negative FPO

Even though school districts are making their best efforts to provide regular education programs and services as an alternative to substantially separate special-needs programs, these regular education programs and services require additional resources. Learning disabilities do not disappear just because a child is not classified as a special education student. These are realities policymakers need to face.

Our nation faces a dilemma. Children are entering school systems with significantly greater special needs and these needs are often identified at an early age. The increased cost for special education services is seriously compromising regular education programs and the goals of school reform.

We need a solution that addresses the financial crisis emerging in many districts while at the same time meeting the real and substantial needs of these children. In addition, we need a solution that does not blame the children or those working with these children and does not pit regular education against special education.

For the majority of school districts in Massachusetts and elsewhere, increases in special education spending have meant that little of the new funding allocated to education have been available for improving regular education. The long-term interest of children with disabilities will not be served by pulling resources from regular education classrooms.

The long-term solution lies in addressing the underlying causes of the special needs increases—the medical, social and economic issues that cause children to require special education. We need to invest in medical research directed toward the prevention of disabilities in premature infants and children with other severe neurological disorders. We need to invest in reweaving the social and economic support systems for families. These are difficult problems, but we need to work toward long-term solutions rather than seeking the simple solution of financial disincentives. In the interim, additional federal and state aid is necessary to ensure education reform moves forward. ■

Sheldon Berman is superintendent of the Hudson Public Schools, 155 Apsley St., Hudson, MA 01749. E-mail: shelley@concord.org. He chaired the Massachusetts Association of School Superintendents' Special Education Task Force. David Urion, a clinical child neurologist, is director of the Learning Disabilities Program at Children's Hospital in Boston.

PHOTO BY JUANA ARIAS/© BY *THE WASHINGTON POST*, WASHINGTON, D.C.