



**NORTH CAROLINA**  
State Board of Education  
Department of Public Instruction

---

# Report to the North Carolina General Assembly

---

Weighted Funding for Exceptional Children  
Students

*SL 2023-134, Section 7.7*

---

**Date Due: January 15, 2024 – Updated March 7, 2024**  
DPI Chronological Schedule, 2023-2024

## STATE BOARD OF EDUCATION

STATE BOARD OF EDUCATION VISION: Every public school student in North Carolina will be empowered to accept academic challenges, prepared to pursue their chosen path after graduating high school, and encouraged to become lifelong learners with the capacity to engage in a globally collaborative society.

STATE BOARD OF EDUCATION MISSION: The mission of the North Carolina State Board of Education is to use its constitutional authority to guard and maintain the right of a sound, basic education for every child in North Carolina Public Schools.

**ERIC DAVIS**

Chair: Charlotte – At-Large

**JILL CAMNITZ**

Greenville – Northeast Region

**JOHN BLACKBURN**

Linville – Northwest Region

**ALAN DUNCAN**

Vice Chair: Greensboro – Piedmont-Triad Region

**REGINALD KENAN**

Rose Hill – Southeast Region

**DONNA TIPTON-ROGERS**

Brasstown – Western Region

**MARK ROBINSON**

Lieutenant Governor: High Point – Ex Officio

**VACANT**

North Central Region

**J. WENDELL HALL**

Ahoskie – At-Large

**DALE FOLWELL**

State Treasurer: Raleigh – Ex Officio

**OLIVIA OXENDINE**

Pinehurst – Sandhills Region

**CATTY MOORE**

Monroe - At-Large

**CATHERINE TRUITT**

Superintendent & Secretary to the Board: Cary

**VACANT**

Southwest Region

## NC DEPARTMENT OF PUBLIC INSTRUCTION

**Catherine Truitt, State Superintendent: 301 N. Wilmington Street: Raleigh, North Carolina 27601-2825**

In compliance with federal law, the NC Department of Public Instruction administers all state-operated educational programs, employment activities and admissions without discrimination because of race, religion, national or ethnic origin, color, age, military service, disability, or gender, except where exemption is appropriate and allowed by law.

**Inquiries or complaints regarding discrimination issues should be directed to:**

Thomas Tomberlin, Senior Director, Educator Preparation, Licensure, and Performance, NCDPI  
6301 Mail Service Center, Raleigh, NC 27699-6301 / Phone: (984) 236-2114 / Fax: (984) 236-2099

**Visit us on the Web: [www.dpi.nc.gov](http://www.dpi.nc.gov)**

# Table of Contents

<b>Date Due: January 15, 2024 – Updated March 7,2024.....</b>	<b>1</b>
<b>STATE BOARD OF EDUCATION.....</b>	<b>2</b>
<b>NC DEPARTMENT OF PUBLIC INSTRUCTION .....</b>	<b>2</b>
<b>LEGISLATIVE REQUIREMENT .....</b>	<b>4</b>
WEIGHTED FUNDING FOR EC STUDENTS .....	4
<b>CURRENT FUNDING MODEL.....</b>	<b>4</b>
GS 115C-111.05 FUNDING FOR CHILDREN WITH DISABILITIES.....	4
<b>PROPOSED FUNDING MODEL.....</b>	<b>5</b>
RTI STUDY – August 12, 2022.....	5
PROPOSED FUNDING MODEL VARIABLES .....	7
STAKEHOLDER ACTIVITIES.....	8
<b>COMPARISON OF CURRENT AND PROPOSED FUNDING MODEL .....</b>	<b>11</b>
<b>CURRENT FUNDING MODEL.....</b>	<b>11</b>
<b>PROPOSED FUNDING MODEL.....</b>	<b>12</b>
A. <i>Student Data .....</i>	12
B. <i>Base of state funding within the model.....</i>	12
a) <i>Maintenance of Effort Considerations .....</i>	13
C. <i>The Service Categories: Student Settings (Environment) and Intensity of Services (Course of Study) .....</i>	13
D. <i>Staffing Component: Teachers, Related Services and Paraprofessional Supports .....</i>	14
<b>D.1 Proposed Model Crosswalk of Data Elements.....</b>	<b>15</b>
E. <i>Maintenance of Effort (MOE) Stabilization Funds .....</i>	16
F. <i>Summary of the Proposed Model.....</i>	17
G. <i>Summary of the Proposed Model’s Funding Requirements.....</i>	18
<b>NEXT STEPS.....</b>	<b>19</b>
<b>RECOMMENDATION.....</b>	<b>19</b>
<b>Appendix A: Funding Compare by PSU of Proposed Model vs. Current State funding .....</b>	<b>20</b>

## **LEGISLATIVE REQUIREMENT**

### **WEIGHTED FUNDING FOR EC STUDENTS**

**SL 2023-134, SECTION 7.7.** The Department of Public Instruction shall develop a model, based on the study conducted pursuant to Section 7.44 of S.L. 2021-180, for funding children with disabilities services on the basis of the reported cost of the services provided. The Department shall report to the Joint Legislative Education Oversight Committee by January 15, 2024, on the model of funding developed pursuant to this section and a comparison by public school unit of funds provided under the existing model and the model developed pursuant to this section.

## **CURRENT FUNDING MODEL**

### **GS 115C-111.05 FUNDING FOR CHILDREN WITH DISABILITIES**

**SL 2023-134, SECTION 7.1** codified the current funding model: Part 1F of Article 9 of Chapter 115C of the General Statutes is amended by adding a new section to read:

“§ 115C-111.05. Funding for children with disabilities.

To the extent funds are made available for this purpose, the State Board shall allocate funds for children with disabilities to each local school administrative unit on a per child basis. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) thirteen percent (13%) of its allocated average daily membership in the local school administrative unit for the current school year.”

## **PROPOSED FUNDING MODEL**

### **RTI STUDY – August 12, 2022**

Per Session Law 2021-189, the North Carolina Department of Public Instruction (DPI) contracted with RTI International to examine different options for allocating funding for special education and to make recommendations. Specifically, RTI investigated the following areas of interest:

1. The percentage of students with disabilities and the funding provided per student in North Carolina.
2. How other states provide funding for students with disabilities with particular emphasis on states that differentiate funding by student need.
3. The potential benefit of allocating funding for students with disabilities based on disability category as opposed to allocating funding based on service level.
4. How to determine appropriate funding levels for each category recommended
5. Recommendations for using Medicaid reimbursements at the school level RTI analyzed North Carolina special education data, conducted a literature and landscape scan, interviewed special education practitioners and experts from other states, and surveyed exceptional children and local finance directors at Public School Units (PSUs) in North Carolina.

RTI recommendations included:

1. North Carolina should pursue a funding model based on service level.
2. To avoid unintended consequences and to monitor the implementation of a funding model based on service level, RTI recommends that DPI use data from the from The Every Child Accountability & Tracking System (ECATS) to monitor special education implementation at the local level to ensure that students are not being over-identified or placed in service-intensive, high-costs funding tiers. This monitoring system could also monitor spending across PSUs to ensure that the system is equitable. Additionally, training on best practices for placing students in the least restrictive environments would help to ensure appropriate identification and eligibility determination.
3. To determine appropriate funding levels for the various categories, RTI recommends that DPI review and update the matrix. The current matrix is based on the costs for providing services to individual students in educational settings. DPI should revisit the matrix to ensure that it accurately reflects costs at the overall district level. Additionally, the state may want to adjust based on the realities of the overall funding available for special education services.
4. To ensure that the funding model is feasible, RTI recommends that DPI pilot test a revised version of the matrix using a representative sample of PSUs. This would allow the state to identify any logistical difficulties or gaps before implementing the funding

approach on a larger scale.

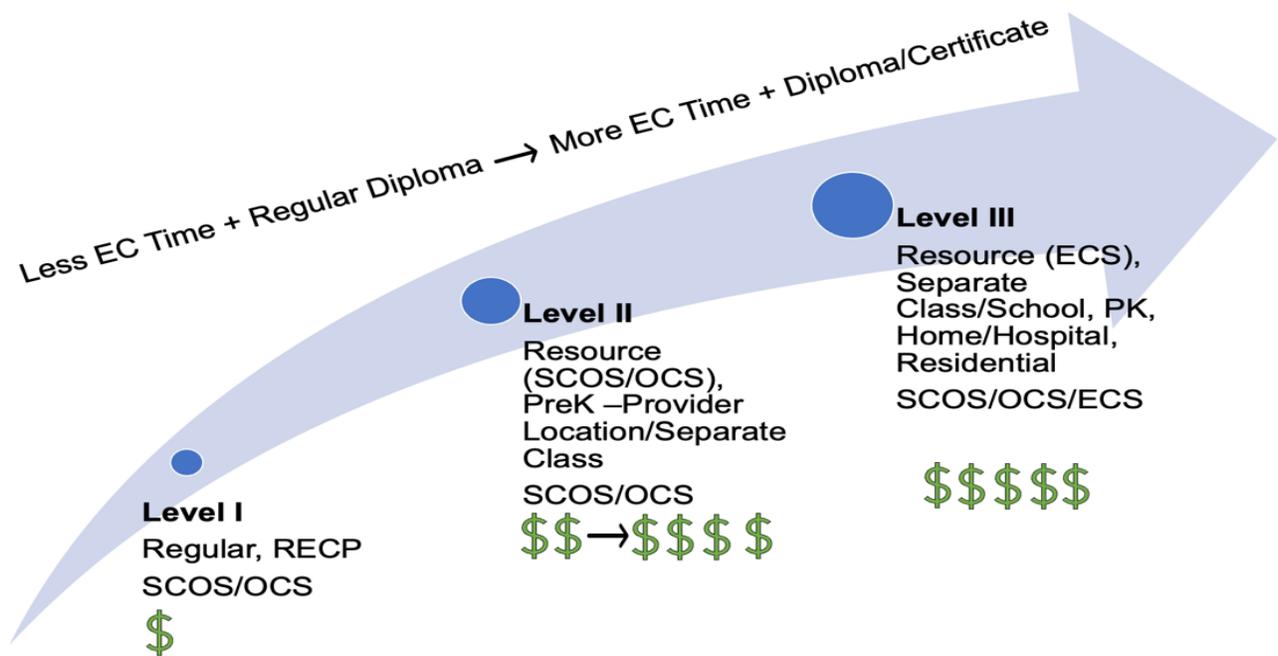
5. To increase the use of Medicaid reimbursements, RTI recommends that DPI continue to collaborate with the North Carolina Medicaid Division of Health Benefits to explore ways of allowing reimbursement for additional services—such as transportation—and expanding the eligible age range.
6. To support targeted technical assistance and training, RTI recommends that DPI and the North Carolina Medicaid Division of Health Benefits continue to collaborate to share data on the utilization of Medicaid reimbursements at the PSU level.
7. To provide additional support to charter schools, RTI recommends that DPI continue to provide targeted support and training to help charter schools develop a process for reimbursement and ways of collaborating to share costs involved in billing.

## PROPOSED FUNDING MODEL VARIABLES

The proposed EC Service Delivery model considers the *frequency, intensity, and duration* of special education and related services. The more frequent and intense services are, the more human and fiscal resources are required. This proposed funding model more closely aligns our investment of those resources with the requirements of the individualized education program (IEP).

The proposed funding model consists of variables that are unique to the federal designation of least restrictive educational environments (regular, resource, and separate); the level of services and supports as defined by the class size policy for students with disabilities; exceptional children personnel providing services; specialized services (i.e., 1:1 staffing); and a base factor for materials, supplies, equipment, contracted services, etc.

As illustrated below, students with disabilities served in regular educational environments<sup>1</sup> generally require fewer intensive services and fewer service providers. Conversely, students with disabilities served in separate educational environment generally require more intensive services, more services providers, and greater provider to student ratios.



<sup>1</sup> Regular, resource, and separate are federal reporting categories documented the amounts of time students with disabilities are educated away from their typical peers as is calculated automatically in Every Child Accountability Tracking System (ECATS). These categories are not the names of special education classrooms as those vary across the state in level of intensity and staffing.

## STAKEHOLDER ACTIVITIES

### ORIENTATION TO THE PROPOSED ORIGINAL MODEL

The NCDPI Senior Directors for School Business Services and the Office of Exceptional Children (OEC) provided an orientation to the draft beta model and extended an invitation to evaluate the model during the following events:

- PSU Finance Officer Annual Conference – July 2023
- Superintendents Committee: Sandhills RESA – September 2023
- Superintendents Quarterly: NCDPI AIM Conference – October 2023
- Directors Institute: OEC Annual Conference – October 2023
- Superintendents Quarterly: January 2024

### BETA TESTING RESULTS

PSU staff choosing to evaluate the initial proposed funding model participated in a more detailed orientation regarding the variables within the matrix and how to evaluate the variables according to actual local circumstances. Representatives from the following PSUs participated in the additional orientation session and/or provided feedback on the initial proposed model:

Anson County Schools	Asheville City Schools	Bertie County Schools
Bladen County Schools	Buncombe County Schools	Cleveland County Schools
Columbus County Schools	Cumberland County Schools	Falls Lake Charter School
Granville County Schools	Guilford County Schools	Harnett County Schools
Haywood County Schools	IC Imagine Charter School	Jackson County Public Schools
Johnston County Schools	Lee County Schools	Lincoln Charter School
Lincoln County Schools	Mt. Airy City Schools	Moore County Schools
Nash County Schools	Pamlico County Schools	Person County Schools
Polk County Schools	Public Schools of Robeson County	Randolph County Schools
Richmond County Schools	Roanoke Rapids Graded School System	Rowan Salisbury County Schools
Sampson County Schools	Scotland County Schools	TMSA Public Charter Schools
Tyrrell County Schools	Union County Schools	Whiteville City Schools

NCDPI staff requested the following after the initial testing:

1. Positive Feedback
2. Concerns
3. Consider Strengthening
4. Materials: Are there unique materials and costs associated with each group organized in the matrix? If so, please provide examples with estimated costs.
5. Comments

The following information summarizes the initial model feedback to date:

#### Positive Feedback

- The model considers the individual needs of students, streamlines the process, and appears to consider equity for funding public school units with smaller exceptional children child counts.
- Appreciate the effort to look at a model that is not based on either a flat dollars per pupil.
- Appreciate the effort to look at a model that is not based on a singular weighted funding factor such as 1.x which equates to another flat dollars per pupil and would perpetuate the funding not being aligned with student service needs.

#### Concerns

- Consider how to mitigate a potential risk to local maintenance of effort requirements.
- Weighted variables may need to include adjustments to contracted costs, materials/supplies, additional technical training/certifications for staff, special transportation, and a broader range to account for cost differences according to related service types.
- Initial weighted variables too many and may be too difficult to control or weight annually for a stabilized funding model. Consider simplifying.

#### Consider Strengthening

- Calculations for contracted costs with consideration given to staffing vacancies beyond related services.
- Adding variables to consider recruitment, retention, and administrative costs with consideration given to hard to fill or chronically vacant positions.
- Variable groupings with a greater 1:1 correspondence to ECATS reports may support more precise feedback and projections.

Materials: Are there unique materials and costs associated with each group organized in the matrix? If so, please provide examples with estimated costs.

- Adapted equipment, specialized curriculum, assistive technology, brailing, are examples of unique materials and supplies that are challenging to equate to a per pupil calculation. These items also vary from low-tech to high-tech which introduces a wider range of potential costs.

## Comments

- Efforts to transition to a service-based model are appreciated.
- More practice is needed with proposed variables to provide more concise feedback.
- Simplified variables should be considered to lessen complexity.
- Variables should help ensure sustainability for the model.

## ADDITIONAL SURVEY RESULTS

We have also solicited additional quantitative information from the BETA units to help inform how their current budgets and staffing models are designed or implemented at the district/school sites. The questions asked were related to their current staffing caseloads by position types as well as the % of those position types that were typically contracted.

Based on that feedback we are seeing that most districts are staffing caseloads well below the recommended national averages in the areas of Resource, Speech Language, and other related service areas such as OT/PT.

<b>Position Type</b>	<b>Caseload Range</b>	<b>Average Caseload</b>	<b>National Avg</b>
Resource Teachers	10 to 20	1:15	1:25
Speech Language	10 to 40	1:20	1:45
OT/PT	5 to 35	1:10	1:45
Psychologists	2 to 20	1:5	1:45
Other Related Services	Less than 10	Less than 10	

Staffing will be the largest part of the budget for the districts and the staffing caseloads will make the largest impact on the funding required in any model to support those district staffing decisions.

## COMPARISON OF CURRENT AND PROPOSED FUNDING MODEL

*The following outlines the current state funding model for children with disabilities and then outlines the proposed funding model that will generate funding by service delivery requirements and distribute the funding to closer align with where students are being served in the PSUs.*

### CURRENT FUNDING MODEL

The current state funding model to support EC services for school districts has three basic portions: State Base Funding, State Supplementary Funding, and State Special Reserves.

**State Base Funding:** This is provided because of these students being part of the overall average daily membership in the school district. Funding categories that are generated bases on ADM provide supports for EC students as well as other general education population. That averages to \$1,270 per pupil. The categories included are:

- Classroom and Enhancement Teachers (PRC 001/004) (*EC separate classroom settings = 2% of these positions*)
- Health Services & Instructional Support (PRC 006/007)
- Assistant Principals (PRC 005)
- Teacher Assistants (PRC 027) (*EC K-3 = 12%*)
- Disadvantaged Student Supplemental Funds (DSSF) (PRC 024)
- At Risk Supplemental Funds (PRC 069)
- Classroom Supplies & Materials and Textbooks (PRC 061, PRC 130/131)

**State Supplemental Funding for Exceptional Children (PRC 032):** This is the separate funding reference earlier that provides funding per pupil based on the headcount data for exceptional children, FY 2023-24 is set at \$5,309.31 per pupil and it is also capped at 13% of a PSUs allotted ADM (average daily membership).

**Total current funding allocated for FY 2023-24 is \$ 1,050,368,801**

**Special State Reserves for Exceptional Children:** This is reserve funding used to ensure that there are state funds available for unexpected costs and needs related to exceptional children that may occur during the year. Developmental Day center funding, Behavioral Support needs, high-cost needs, student movements or new high-cost need students.

It is recommended that these funds remain available for these uses. This would allow the state to continue to mitigate these high-cost needs and ensure services for those students.

**Total current funding available in this budget area for FY 2023-24 is \$ 51,680,596**

## PROPOSED FUNDING MODEL

The proposed model after our beta feedback has been simplified to consider sustained annual implementation, consideration for student environment and student service needs. It also considers the state's obligation for maintenance of effort based on current funding to provide stability for the PSUs as we transition to a service delivery model.

Below provides an outline of the various components in the updated proposed model:

### A. Student Data

The proposed funding model is grounded in the ECATS data that supports the documented service needs for the students. To provide data to inform the funding for the State budget cycle and to also provide continuity the proposed model would use the December 1<sup>st</sup> ECATS Headcount data used for Federal funding allocations. It would provide data for the state budget cycle (by February) and would allow us to use the federal metrics. It also aligns with the potential move to a funding in arrears model overall for state funds. The special state reserve would then allow for any unusual growth elements annually. The proposal would also eliminate the need for any separate state headcount data in April<sup>2</sup>. The model is using December 2023 ECATS data.

The current ECATS data provides sufficient information to align with the basic service delivery definitions that align with Federal reporting requirements. This data is also student specific and contains PII (personally identifiable information), so we are ensuring that our model can be set-up to use that detailed information, while maintaining our PII responsibilities related to the data.

The ECATS data and system also provides this data and reports to the PSUs so they can also see the exact information used by the state for the model and use that same data to create their service delivery programming.

### B. Base of state funding within the model

We are proposing a level of base state funding within the model to allow for a foundation for all the PSUs. This would be grounded in the current funding methodology used for Federal Title VI-B as that is grounded in federally approved logic/research and we are using the same period of headcount data (December 1<sup>st</sup>). *We have set the percentage for this base at 20% of the Federal VI-B funding level for the PSU in the current reiteration of the model being presented at this time.* The Federal VI-B funding in Program Report Code (PRC) 060 will be set at the prior fiscal year level for the model. For FY 24-25 allocation we would set the Federal VI-B funding as the level funded as of December 1, 2023, to match the headcount data timeline. This will ensure we have

---

<sup>2</sup> April 1 headcount is in current SBE allotment policy for base funding. In our analysis and consideration of the funding model it was shown that there are no statistically significant changes between the December headcount to the April headcount that would impact the funding allocations under the proposed model. The average change in FY23 was less than 0.6% for the EC Headcount and less than 0.08% of overall students being funded.

stable funding for the state budget timeline. The intention of having a level of state base funding within the model will help provide a stable source of funding to cover the various costs related to contracted services, technical training and supports, supplies and materials, etc. This base simplifies the various metrics that added to the complexity in the beta test model for these elements.

#### a) **Maintenance of Effort Considerations**

We are examining how to provide assurances related to the Federal Maintenance of Effort requirements. To that end we are recommending an initial level of base funding within the formula that mirrors the base funding provided in Federal IDEA VI-B (PRC 060). That would help ensure the State and the PSUs are meeting that minimum effort.

The service delivery aspects are then factored on-top of that base funding level. This would help mitigate some of the initial implementation concerns and would provide that known base funding annually.

In addition, we have added MOE Stabilization funding to ensure PSUs that have a larger shift in funding due to student population and service delivery needs as applied in the model.

The IDEA funding model is grounded in research-based information, and it is designed to be related to student service delivery. This would follow the intent of the legislation, and this proposed new funding viewpoint.

### **C. The Service Categories: Student Settings (Environment) and Intensity of Services (Course of Study)**

The proposed model will base the weighted factors on the student environmental settings and the intensity of services for those students. Both data sets are readily available in the ECATS database.

- Placement codes for the students to set the Environment and,
- Course of Study codes for the level of intensity services required for those students.

These factors will be combined to create three (3) service level grouping that will have the weighted factors applied:

- Category I: Regular
- Category II: Resource
- Category III: Separate

You can see the various combinations for those factors in the table provided at the end of this section.

## D. Staffing Component: Teachers, Related Services<sup>3</sup> and Paraprofessional Supports

Staffing is the largest financial burden for the PSUs and most important aspect of the program's service delivery. The proposed model centers the bulk of the funding calculations on this aspect of service delivery for each of the service level categories. To simplify the process we are using Teachers, Related Services and Paraprofessionals as the main categories of staffing. Each service delivery area will then have a combined staffing ratio and percentage (%) applied as the weighting.

The are estimated FTE for the staffing areas are grounded in current class size policies related to exceptional children. The revised version of the model is using the following weights:

Service Level 1: 1:30 ratio (Teachers and Related Services)

Service Level 2: 1:20 ratio (Teachers, Related Services and Paraprofessional)

Service Level 3: 1:9 ratio (Teachers, Related Services) and a 2:9 ratio for Paraprofessionals.

There are then weights applied to the estimated salary costs generated from the staffing ratios to align with expected expenditures more closely in those areas. These are currently displayed in the crosswalk table on the next page. It is important to be reminded that FTE covered by contracted staff and those extra costs are included in the BASE funding factor in the model. This helps to simplify the model.

The model is using the average salary and benefits costs used to build the overall state budget and provided to Office of State Budget and Management (OSBM) and Fiscal Research during that annual process (Jan/Feb). This is based on the sixth pay period average salary of the current year. For a fair comparison in the model for this first year we have adjusted to include the legislative salary and benefit increases for FY 23-2024. By having an element in the model that is tied to average salaries the model would receive a proportionate share of any annual legislative salary increases for the staffing components. This should help the model continue to meet costs for sustaining the programs.

---

<sup>3</sup> federal definition.....**§ 300.34 Related services.**

(a) *General. Related services* means transportation and such developmental, corrective, and other supportive services as are required to assist a child with a disability to benefit from special education, and includes speech-language pathology and audiology services, interpreting services, psychological services, physical and occupational therapy, recreation, including therapeutic recreation, early identification and assessment of disabilities in children, counseling services, including rehabilitation counseling, orientation and mobility services, and medical services for diagnostic or evaluation purposes. Related services also include school health services and school nurse services, social work services in schools, and parent counseling and training.

## D.1 Proposed Model Crosswalk of Data Elements

		ECATS Data - Case Mgmt Data		Weighting for Staff: Caseload ratio and applied weighted percentage based on expenditure data			
Educational Environment Coding	Service Level Category	Placement Code**	Course of Study (Intensity of Service)	Staff Weights for Est FTE	Teachers % Weight	Related Svcs % Weight	Paraprofessional % Weight
PK - RECP 1	1	RECP1	Blank F O	30	100%	50%	
PK - RECP 2	1	RECP2	Blank F O	30	100%	50%	
PK - RECP 3	1	RECP3	Blank F O	30	100%	50%	
PK - RECP 4	1	RECP4	Blank F O	30	100%	50%	
Regular	1	REG	Blank F	30	100%	50%	
CF	2	CF	Blank F O	20	100%	60%	50%
PK - Provider Location	2	PKPL	Blank F O	20	100%	60%	50%
PK - Separate Class	2	PKSC	Blank F O	20	100%	60%	50%
PPP	2	PPP	Blank F O	20	100%	60%	50%
Resource	2	RES	Blank F O	20	100%	60%	50%
CF	3	CF		9	100%	70%	200%
Home/Hospital	3	HOM	Blank F O E	9	100%	70%	200%
Residential	3	HOM	Blank F O E	9	100%	70%	200%
PK Home	3	PKHM	Blank F O E	9	100%	70%	200%
PK - Provider Location	3	PKPL		9	100%	70%	200%
PK - Residential	3	PKRS	Blank F O E	9	100%	70%	200%
PK - Separate Class	3	PKSC		9	100%	70%	200%
PK - Separate School	3	PKSS	Blank	9	100%	70%	200%
PPP	3	PPP		9	100%	70%	200%
Residential Facility	3	REF	Blank F O E	9	100%	70%	200%
Resource	3	RES		9	100%	70%	200%
Separate Class	3	SEP	Blank F O E	9	100%	70%	200%
Separate School	3	SPS	Blank F O E	9	100%	70%	200%

## **E. Maintenance of Effort (MOE) Stabilization Funds**

There are federal requirements to ensure that the State's funding efforts for the PSUs remains stable over time to ensure continuity of services. As such the proposed model includes a section to establish MOE Stabilization funding for the PSUs centered on current year FY 2023-2024 state exceptional children funding allotted in program report code 032. This will help PSUs move to the new funding model while helping ensure all are meeting federal MOE requirements.

Currently relief for the PSUs on MOE requirements center on these elements:

a) 300.204 Exceptions to Maintenance of Effort

In general, a public school system may reduce the level of expenditures for the education of SWD in the public school system under IDEA Part V of the Act below the level of those expenditures for the preceding fiscal year if the reduction is attributable to any of the following:

- Voluntary departure of staff,
- Termination of the obligation for a particular student due to the student moving, aging out, or no longer requires the services,
- Termination of costly expenditures that could be one-time, non-recurring, construction, facilities,
- Decrease in enrollment of students, and
- Costs covered by the high-cost fund (Risk Pool, PRC 114) for high-cost needs (300.704).

b) 300.205 Adjustment to local fiscal efforts in certain fiscal years.

For any fiscal year for which the allocation received by a public school system, under IDEA, exceeds the amount received for the previous fiscal year, the public school system may reduce the level of expenditures, otherwise required by IDEA by not more than 50% of the amount of that excess.

DPI staff continue to examine any potential implications for the State, related to federal regulations, with such as substantial change in how funding for students with disabilities (SWD) may be funded. We are also examining any relief of these requirements due to the recommendation of such as notable change in State funding.

## F. Summary of the Proposed Model

The proposed model a different funding model that generates a pool of funds for the PSUs to serve EC students.

The proposed model will:

- Generate those funds based on service level required for the student instead of distributing the funding based on a fixed amount per student.
- Weight the funding generated based on the service delivery categories allowing more funding to be generated per student per those required services.
- Create a measure of recurring funding considerations using staffing costs that will be provided legislative salary and benefit increase funding (LI) as well as any increased funding provided by the Title VI-B base.
- Ensure stabilization funding for meeting MOE by PSU based on current funding levels.
- Funding changes appear to track as expected towards shifting resources to those PSUs that have higher students in the Category II and Category III areas.
- Use all students without any state funding cap (currently at 13%).
  - We currently have 54% of LEAs over the funding cap.
  - We currently have 15% of IPSs over the funding cap.
- Funding changes appear to track as expected towards providing increased funding to those PSUs currently over the funding cap of 13%.
- Generate funding for those students that have more intensive needs.
- Funding will rescale annually to match student movement and needs over time.

The proposed model is:

- Not a reimbursement model.
- Not directing the PSUs on how to use the funds.
- Not determining specific students required services.
- Not requiring the PSU to expend a specific amount for a student.
- Not a model that would transfer funding with student movement during the school year.

The proposed model a different funding model from what is currently legislated. Any new model will require legislative action before it or an alternative model could be implemented.

## G. Summary of the Proposed Model’s Funding Requirements

The proposed model will require a significant investment of additional state resources to fully fund how it is currently configured with the weighting proposed.

### Summary of Funding Requirements using Weighted Funding Model

Proposed Model Total Funding Required	\$1,630,716,910
<i>Less: Federal Title VI-B Base Funding</i>	<i>\$357,299,966</i>
<hr/>	
Net Proposed Funding Required for Model	\$1,273,416,944
<i>Less: Current State Funding Budgeted (PRC 032)</i>	<i>\$1,050,368,801</i>
<hr/>	
<b>Net Proposed Increase (Decrease) in Funding Required</b>	<b>\$223,048,143</b>

It should be noted that the model and funding generated does appear to track with current expenditures across the funding sources that the PSUs are expending for children with disabilities. The funding generated in the model is estimated to cover over 95% of overall costs based on current expenditure data.

The table below shows a view of the total funding generated by the model by each funding category. It reflects the shift of funding to more closely align with the expected costs and services required for the students.

Proposed Funding by Model Categories	ECATS Student by Category	% of Total ECATS Students	Total Funding Generated	% of Total Funding	Est \$ per Pupil
Base Funding			\$ 71,459,993	4.4%	\$ 337
Category I - Regular	147,884	70%	\$ 595,538,730	36.5%	\$ 4,027
Category II - Resource	39,036	18%	\$ 310,106,282	19.0%	\$ 7,944
Category III - Separate	24,984	12%	\$ 631,816,136	38.7%	\$ 25,289
MOE Stabilization Funds			\$ 21,795,770	1.3%	\$ 103
<b>Totals</b>	<b>211,904</b>	<b>100%</b>	<b>\$ 1,630,716,910</b>	<b>100.0%</b>	<b>\$ 7,696</b>

As would be expected, we see a shift of the funding to track to those PSUs with higher concentration of students in the higher Category II and Category III levels. As such we note that approximately 92 PSUs (28%) will receive some level of MOE Stabilization funds (MOESF) which is estimated at \$21,795,770. Of that, 27 are LEAs and they would account for 69% or \$15,119,178 of the MOESF funding.

## **NEXT STEPS**

DPI's staff's work related to the model will not end with this report submission and recommendation. Our continued work will consist of the following:

- a) Build how the model would be reflected within the current State budget build process.
- b) Create the model in a public platform to allow PSUs to see how the funding could be generated should this model be implemented.
  - Consideration to PII information and elements
  - Ease of use and confidentiality of PSU data
- c) Examining how the model and federal Maintenance of Effort may or may not be impacted.
  - We intend to gather additional information from USED on how the state changing its overall funding methodology could impact MOE for PSUs and the overall State's MOE obligations.
- d) Continue to run the model against actual expenditure data to see how it fairs in covering real and projected costs.
- e) Gain additional feedback from the PSUs and work with the PSUs to compare the model with their overall budgets and program design. Also ensuring ECATS data and other elements are consistently applied across the state.

## **RECOMMENDATION**

It is recommended that the General Assembly consider the proposed funding model to better align resources dedicated to serving students with disabilities. The model aligns with the tenants of multiple studies over the years to help align funding to those students with the greatest level of service delivery needs.

## **Appendix A: Funding Compare by PSU of Proposed Model vs. Current State Funding**

The following table provides the required compare of total funding changes under the proposed model compared to the current state allocation in program report code (PRC) 032. This does not represent any funding the PSUs may receive from special state reserves.

It is on the following pages as an attached PDF Table.

*Please be aware that until there is legislative action or authority these funding values are only a reflection of the proposed model and how that compares to current state funding in PRC 032 only. This is not a reflection of any authorized additional funding.*