



NORTH CAROLINA
State Board of Education
Department of Public Instruction

Report to the North Carolina General Assembly

Study for Students with Extraordinary Costs
SL 2023-134, sec. 7.49

Date Due: January 15, 2025
DPI Chronological Schedule, 2024-2025

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LEGISLATIVE REQUIREMENT

STUDY FOR STUDENTS WITH EXTRAORDINARY COSTS

SECTION 7.49. As used in this section, "Approved School" means a private school with approved nonpublic education programs providing special education for students with intensive needs. The Department of Public Instruction shall study the following and report any legislative recommendations based on the outcomes of the study to the House Appropriations Committee on Education, the Senate Appropriations Committee on Education/Higher Education, and the Joint Legislative Education Oversight Committee by January 15, 2024:

(1) A method of improving options for children with disabilities with intensive needs which require private placement in an Approved School consistent with the student's individualized education program (IEP).

(2) A method of determining that placement in an Approved School is the means that most appropriately suits the child's individual needs.

(3) Extraordinary costs incurred by the public school unit by student placement in Approved Schools.

(4) Methods of creating a network of Approved Schools into which a child with disabilities with intensive needs may be placed consistent with the student's IEP.

(5) A method of prioritizing dispersal of funds to public school units to assist with the cost associated with enrolling in an Approved School in early grades to incentivize public school units to enroll students in the Approved Schools at the earliest appropriate age.

(6) Recommendations on the proportion of a student's extraordinary cost to be paid from local, State, and federal sources, respectively, and to identify existing funds at each level that may be available for the purposes studied pursuant to this section.

(7) A method to monitor overidentification of children with disabilities with intensive needs.

(8) Methods to allow for Medicaid reimbursement for additional services, such as transportation, and expanding the eligible age range to receive reimbursement for services.

(9) An estimated range of costs associated with implementing the studied methods.

(10) The advisability of one or more pilot programs with one or more Approved Schools.

METHOD OF IMPROVING OPTIONS CONSISTENT WITH IEP

Currently, the individualized education program (IEP) team must consider the least restrictive environment necessary to meet the student's unique needs resulting from the student's disability under the Individuals with Disabilities Education Act (IDEA).

"Approved School", as defined by this legislative study, is a private school with an approved nonpublic education program providing special education for students with intensive needs. The Office of Exceptional Children (OEC) currently has a mechanism in place to approve non-public schools who voluntarily seek to have its exceptional children program approved to provide services to students with disabilities. The process has been in place for over ten years. Non-public schools with approved programs for exceptional children are added to a directory maintained on the OEC website. Over time, non-public schools seeking approval has decreased.

Four non-public schools are currently listed in the directory and are located in Buncombe, Craven, Durham, and Mecklenburg counties.

METHOD OF DETERMINING PLACEMENT

Currently, the individualized education program (IEP) team must consider the least restrictive environment necessary to meet the student's unique needs resulting from the student's disability under the Individuals with Disabilities Education Act (IDEA).

If a private school is an "approved school" and listed in the directory posted to the NCDPI OEC website, the public school unit (PSU) may contract with the private school to provide services if determined appropriate by the student's IEP Team.

For private schools not listed in the NCDPI OEC directory as an "approved school", the PSU may contract with the private school to provide services if determined appropriate by the student's IEP Team. However, in this case the PSU assumes the burden of ensuring that the private school can make a free, appropriate public education available to the student as specified in the IEP.

EXTRAORDINARY COSTS INCURRED BY PUBLIC SCHOOL UNITS

Currently, General Statute 115C-250.3 provides a definition for extraordinary costs associated with transportation. Specifically, extraordinary costs for the transportation of high-needs students with disabilities is determined by considering the "total prior-year transportation expenditures for high-needs students with disabilities including expenditures from local funds and all other funding sources, as a proportion of total expenditures."

To determine what might reasonably be defined as "extraordinary costs" for providing special education and related services to students with disabilities, the OEC reviewed existing grant applications across special programs to determine an average per pupil funding allotment for students with disabilities with unique circumstances and needs.

It is important to reiterate that the special grant programs included in this report are available for unique student circumstances PSUs encounter during a school year and are not considered a part of the base state or base federal funding allotments for all students with disabilities. Because these grants are pursued by PSUs under unique and unexpected circumstances, the award amounts are most relevant when defining extraordinary costs.

Special Grant Program #1: Community Residential Centers (Special State Reserve)¹

Community Residential Centers (CRC) provides services to students with multiple disabilities, severe or profound disabilities, and/or medically fragile conditions ages 3 through 21. Placement in a CRC is approved by an area Local Management Entity (LME) or Managed Care Organization (MCO).

The OEC administers CRC state funds through a grant application process with a rolling 10-month award that can cross fiscal years. Approved applications award funds for ten months of special education and related services includes a per child amount for educational supplies,

¹ [Source: NCDPI State and Federal Allotment Policy Manuals](#)

materials, and equipment. A per child allocation for two months of extended school year services is available for students that qualify.

Community Residential Centers (Special State Reserve)		
School Year	Approved Students	Total Funds Allotted
2021-2022	119	\$2,118,492.00
2022-2023	127	\$2,194,686.00
2023-2024	131	\$2,540,922.00

Special Grant Program #2: Developmental Day Centers (State Funds)²

Developmental Day Centers (DDC) offer specialized developmental day services to students who are diagnosed with developmental delays or disabilities; or have been identified with a diagnosed physical or mental condition that has a high probability of resulting in a developmental delay. [10A NCAC 09 .2901](#) DDCs may be operated within the community or a public school unit.

The OEC administers DDC state funds through a grant application for students with disabilities identified under the Individuals with Disabilities Education Act ages 3-5. Approved applications are funded at \$1,350 per month for a maximum of 10 months of service per year. This program is available to assist in providing special education and related services to eligible students placed in licensed DDCs by PSU. Because this funding is available to assist PSUs in securing services through licensed DDCs, the following funding allotments should be reviewed with caution as not all actual costs may be covered by the per month rate. Because of this limitation, additional data are being gathered in collaboration with community-based DDCs and will be incorporated in the March 15, 2025, *Report to the NC General Assembly: Developmental Day Centers Awarded Grants* to determine the full costs of providing services per student in DDCs.

The following chart documents the number of students with disabilities ages 3-5 receiving services in DDCs for which applications were approved in the last five years.

Developmental Day Centers (State Funds)		
School Year	Approved Students	Total Funds Allotted
2019-2020	2247	\$18,472,596.00
2020-2021	2121	\$16,806,629.00
2021-2022	2016	\$12,010,535.00
2022-2023	2146	\$19,237,110.00
2023-2024	3225	\$27,753,350.00 ¹

¹Between July 1, 2023, and January 1, 2024

Approved Students = 2732

DDC State Funds Allocated = \$23,745,150.00

Between January 2, 2024, and June 30, 2024

Approved Students = 493

Special State Reserve Funds Allocated = \$4,008,200.00

² [Source: NCDPI State and Federal Allotment Policy Manuals](#)

Special Grant Program #3: Out-of-District Placement (Federal Funds)³

The Out-of-District (OOD) Program accepts applications from PSUs to assist with the excess costs of placing an eligible student with a disability in an alternative special education program not operated by the PSU. Approved applications will fund up to 50% of the total costs of the placement, including residential and extended school year services.

Out-of-District Placement (Federal Funds)		
School Year	Approved Students	Total Funds Allotted
2021-2022	9	\$349,496.00
2022-2023	7	\$287,271.00
2023-2024	21	\$934,374.00

Special Grant Program #4: Risk Pool (Federal High-Cost Fund)⁴

North Carolina's federal IDEA fiscal award establishes a maximum amount permitted for establishing a high-cost fund. These federal dollars are allotted through PRC 0114 IDEA Risk Pool for approved applications. This program is for eligible "high need" students with disabilities who were enrolled in the PSU in the previous school year. "High need" is defined as any special education and/or related service(s) that is three times the per pupil expenditure and has a fiscal impact that limits or inhibits the PSU's ability to provide special education and related services. An eligible student with high needs may receive risk pool funding annually via an approved annual PSU application for up to five cumulative years if the level of services continue to meet the definition of "high need".

Risk Pool (Federal High-Cost Fund)		
School Year	Approved Students	Total Funds Allotted
2021-2022	229	\$8,859,513.00
2022-2023	214	\$8,378,617.00
2023-2024	124	\$4,745,015.00

Special Grant Program #5: Behavioral Support (State Funds)⁵

Behavioral support grants provide funding for assaulting and violent students programs which make appropriate educational services available to students up to age 22 who have emotional, mental, or neurological disabilities accompanied by extreme behaviors.

This Willie M. class action lawsuit is the origin of this grant. As a result, state funds are appropriated to ensure that students with disabilities displaying significant behavioral challenges have access to specially designed instruction, supplemental aids and supports, and related services as appropriate.

³ [Source: NCDPI State and Federal Allotment Policy Manuals](#)

⁴ [Source: NCDPI State and Federal Allotment Policy Manuals](#)

⁵ [Source: NCDPI State and Federal Allotment Policy Manuals](#)

Behavioral Support (State Funds)		
School Year	Students Supported	Total Funds Allotted
2021-2022	2606	\$13,822,689.00
2022-2023	2856	\$14,569,534.00
2023-2024	2767	\$15,067,904.00

Special Grant Program #6: Special State Reserve⁶

These funds have been set aside for use when all available state, federal, and local resources have been exhausted. The funds are to be used for emergency, such as high costs for students with intensive unique needs resulting from their disability or extraordinary transportation costs. Applications are submitted on behalf of individual students by the PSU, reviewed and approved by the OEC.

Special State Reserve (State Funds)		
School Year	Approved Students	Total Funds Allotted
2021-2022	57	\$2,049,411.00
2022-2023	40	\$1,478,389.00
2023-2024	43	\$1,546,515.00

Special Grant Program #6: Special State Reserve – Special Circumstances⁷

These funds have been set aside for use when all available state, federal, and local resources have been exhausted. The funds are to be used for emergency, such as high costs for students with intensive unique needs resulting from their disability or extraordinary transportation costs. Applications are submitted on behalf of individual students by the PSU, reviewed and approved by the OEC. The special circumstances application was implemented prior to the beginning of the 2023-2024 school year to begin tracking students eligible for Risk Pool funds when federal funds were exhausted, and Special State Reserve funds were accessed.

Special State Reserve – Special Circumstances		
School Year	Approved Students	Total Funds Allotted
2021-2022	-	-
2022-2023	-	-
2023-2024	115	\$4,710,550.00

⁶ [Source: NCDPI State and Federal Allotment Policy Manuals](#)

⁷ [Source: NCDPI State and Federal Allotment Policy Manuals](#)

Extraordinary Costs per Student

Upon review of the preceding special grant programs, the number of students funded, and the total funds allotted for each grant, the average cost per student for the 2023-2024 school year was calculated and is documented in the table below.

Special Grant Program	Average Grant per Student 2023-2024 SY
Community Residential Centers	\$19,396.00
Developmental Day Centers	\$8,606.00 ⁸
Out-of-District Placement	\$44,494.00 ⁹
Risk Pool	\$38,266.00
Behavioral Support	\$5,446.00
Special State Reserve	\$35,965.00
Special State Reserve – Special Circumstances	\$40,961.00

Lastly, a sample of costs was collected from PSUs currently contracting with an Approved School with EC Program Approval and listed in the directory on the OEC Website.

Student	Contracted Costs for Private Placement
A	\$158,340.00
B	\$94,897.00
C	\$94,897.00
D	\$94,897.00
E	\$94,897.00
F	\$94,897.00
G	\$80,201.00
H	\$47,488.00

Given the two data sets, funded grant applications and the sample of actual contracted costs, the extraordinary costs for providing services for students placed in Approved Schools is most comparable to the Out-of-District Placement grant program if funded at a 100% reimbursement rate. Therefore, the average extraordinary costs per student in out-of-district placements are estimated to be between \$88,988.00 and \$95,064.00.

METHODS OF CREATING A NETWORK OF APPROVED SCHOOLS

“Approved School” is a private school with an approved nonpublic education program providing special education for students with intensive needs. The OEC currently has a mechanism in place to approve non-public schools who voluntarily seek to have its exceptional children program approved to provide services to students with disabilities. The last revision to the process has been in place for approximately ten years. Non-public schools with approved

⁸ This average is based on \$1,350 per month for 1-10 months of service. This does not represent actual total costs per student.

⁹ Applications for Out-Of-District Placements are currently funded on a reimbursement schedule of 50% of total costs for the placement, including residential and extended school year services. Therefore, the average total costs (100%) for students placed out of district is \$88,988.00. The reimbursement does not include transportation costs.

programs for exceptional children are added to a directory maintained on the OEC website. Over time, non-public schools seeking approval has decreased.

Four non-public schools are currently listed in the directory and are in Buncombe, Craven, Durham, and Mecklenburg counties.

The following challenges exist when expanding a network of Approved Schools:

- Private schools are not required to seek EC Program Approval.
- If a private school is not listed in the directory of Approved Schools on the OEC website, the burden of ensuring the program can provide a free, appropriate, public education to students with disabilities through a contracted placement becomes the responsibility of the PSU.
- Private schools with alternative programming options for students with disabilities may not be available or easily accessible statewide.

The current process for [Non-Public Schools Exceptional Children Program Approval Process](#) is posted on the OEC website.

METHOD OF PRIORITIZING DISPERSAL OF FUNDS

This variable requires a method of prioritizing the dispersal of funds to PSUs to assist with the costs associated with enrolling in an Approved School in early grades to incentivize PSUs to enroll students in the Approved Schools at the earliest appropriate age.

Incentivizing placement in Approved Schools at the earliest appropriate age is a study variable that is inconsistent with the IDEA federal regulations mandate that services be provided in the least restrictive environment.

300.114 LRE requirements.

(a) **General.**

(1) Except as provided in [§ 300.324\(d\)\(2\)](#) (regarding children with disabilities in adult prisons), the State must have in effect policies and procedures to ensure that public agencies in the State meet the LRE requirements of this section and [§§ 300.115](#) through [300.120](#).

(2) Each public agency must ensure that—

- (i) To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled; and
- (ii) Special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.

(b) **Additional requirement—State funding mechanism —**

(1) **General.**

- (i) A State funding mechanism must not result in placements that violate the requirements of [paragraph \(a\)](#) of this section; and
- (ii) A State must not use a funding mechanism by which the State distributes funds on the basis of the type of setting in which a child is served that will result in the failure to provide a child with a disability FAPE according to the unique needs of the child, as described in the child's IEP.

(2) **Assurance.** If the State does not have policies and procedures to ensure compliance with [paragraph \(b\)\(1\)](#) of this section, the State must provide the Secretary an assurance that the State

will revise the funding mechanism as soon as feasible to ensure that the mechanism does not result in placements that violate that paragraph.

(Approved by the Office of Management and Budget under control number 1820–0030)

(Authority: [20 U.S.C. 1412\(a\)\(5\)](#))

However, it may be possible to incentivize private schools to seek EC Program Approval and be listed in the directory as an “Approved School” on the OEC website by leveraging the proportion of costs that can be reimbursed to the PSU. This option will be discussed further in the next section of the report.

RECOMMENDATIONS ON PROPORTION OF COSTS

This study requirement was established to provide recommendations on the proportion of a student's extraordinary cost to be paid from local, State, and federal sources, respectively, and to identify existing funds at each level that may be available for the purposes studied pursuant to this section.

To determine the most appropriate recommendation, the following options were considered.

OPTION 1		
Funding Source	Funding Type	Percentage of Total Costs
PRC 114: High-Cost Fund	Federal IDEA Risk Pool	50%
PRC 089: Special State Reserve – Special Circumstances	State Appropriations	50%
TOTAL		100%

Option 1: Application Process

- The current application process would remain the same.
- PSUs could apply to both funding sources on behalf of an individual student.
- Revisions to the approval process would be necessary to allow for the application and awarding of funds on behalf of the same student from multiple funding sources (i.e., PRC 114: High-Cost Fund and PRC 089: Special State Reserve – Special Circumstances).

Option 1: Benefits

- PRC 114: High-Cost Fund maintains its current federal reimbursement rate of 50%. This will allow the OEC to continue to budget its federal funds consistent with the percentage allowed to be set aside for this purpose while funding more applications statewide.
- The risk to PSUs for maintaining effort is minimized due to the equal use of state and federal dollars to support contracted costs for students placed in Approved Schools.
- Currently, a student may be funded by only one application to a special grant program. This option allows PSUs to access more than one application to mitigate the extraordinary costs of providing services to individual students.

Option 1: Limitations/Challenges

- This option does not explicitly condition the approval of a grant application for use with private schools listed in the OEC directory as an Approved School.

- This option addresses contracted services; however, does not include extraordinary costs for transportation.
- The criteria for the applications named in Option 1 would need to be amended to allow for access to multiple special funding sources on behalf of individual students.
- This option would generate a request of matching state funds comparable to the amount allocated for approved Out-of-District applications during the 2023-2024 school year (\$934,374.00) for each year of the 2025-2027 biennium.

OPTION 2		
Funding Source	Funding Type	Percentage of Total Costs
PRC 060: Out-of-District Program	Federal IDEA Funds	50%
PRC 089: Special State Reserve – Special Circumstances	State Appropriations	50%
PRC 089: Special State Reserves	State Appropriations – Extraordinary Transportation Costs	TBD
TOTAL		100%

Option 2: Application Process

- Same as Option 1.
- Application and award of Special State Reserves could be conditioned upon use at an Approved School listed in the directory on the OEC website.
 - Example: *For applications made on behalf of students with out-of-district placements, PSUs may access the maximum special state reserve funds available if the student was served at an Approved School. Students served in private schools that do not meet the definition of Approved School will be funded at half the maximum rate.*

Option 2: Benefits

- Same as Option 1.
- Includes indirect incentive for private schools to seek an Approved School status to gain contracts with PSUs.
- Provides PSUs the opportunity to apply for and be awarded extraordinary transportation costs associated with the out-of-district placement using the Special State Reserve fund in addition to the contracted costs for educational services.

Option 2: Limitations/Challenges

- This option would generate a request of matching state funds comparable to the amount allocated for approved Out-of-District applications during the 2023-2024 school year (\$934,374.00) for each year of the 2025-2027 biennium.
- The criteria for the applications named in Option 2 would need to be amended to allow for access to multiple special funding sources on behalf of individual students.

OPTION 3		
Funding Source	Funding Type	Percentage of Total Costs
PRC 060: Out-of-District Program	Federal IDEA Funds	50%
PRC 089: Special State Reserve – Special Circumstances	State Appropriations	30%
PRC 089: Special State Reserve	State Appropriations – Extraordinary Transportation Costs	TBD
Education Student Accounts Program (ESA+)	State Appropriations	20%
TOTAL		100%

Option 3: Application Process

- Same as Option 1 and 2.
- The application and awards from the Education Student Accounts Program could be conditioned upon use at an Approved School listed in the directory on the OEC website.

Option 3: Benefits

- Same as Option 1 and 2.
- The incentive for private schools meeting the definition of Approved School expands to two.
 - Increases potential for PSU contracting as PSUs are eligible for a higher rate of reimbursement if the private school has an approved EC Program.
 - Presents the opportunity for private schools to advertise Approved School status to provide EC services to students with disabilities who are parentally-placed private school students awarded ESA+ funds.
- The use of ESA+ funds for mitigating extraordinary costs associated with placing students in private Approved Schools is consistent for the purpose for which the program was established. Specifically, “North Carolina’s Education Student Accounts (ESA+) program is available to meet the needs of students with disabilities. Funds may be used to pay tuition and fees for eligible private schools, and for expenses such as speech therapy, tutoring services, and educational technology.” [\[Source: NCSEAA Website\]](#)

Option 3: Limitations/Challenges

- The ESA+ application will require revisions to permit PSUs to make an application for funds on behalf of public school students placed in private schools identified as Approved Schools for the purposes of providing special education.
- This activity will require a strong partnership between the North Carolina State Education Assistance Authority and the NCDPI to monitor the applications made by PSUs on behalf of public school students placed in private approved schools.
- This option would generate a request of state funds comparable to 30% of the per student average (\$280,312.00) allocated for approved Out-of-District applications for each year of the 2025-2027 biennium.

OPTION 4		
Funding Source	Funding Type	Percentage of Total Costs
PRC 060: Out-of-District Program	Federal IDEA Funds	50%
PRC 089: Special State Reserve – Special Circumstances	State Appropriations	25%
Weighted Funding Model for EC Students: Level III	State Funds/Local Allotments	25%
PRC 089: Special State Reserve	State Appropriations – Extraordinary Transportation Costs	TBD
TOTAL		100%

Option 4: Application Process

- Same as Option 1.
- Application for Special State Reserves could be conditioned upon use at an Approved School listed in the directory on the OEC website.
 - Example: *For applications made on behalf of students with out-of-district placements, PSUs may access the maximum special state reserve funds available if the student was served at an Approved School. Students served in private schools that do not meet the definition of Approved School will be funded at half the maximum rate.*

Option 4: Benefits

- Same as Option 1 and 2.
- The proposed Weighted Funding Model includes the placement of students with disabilities in separate settings with an estimated per student funding rate of \$25,000. This amount is comparable to approximately 25% of costs associated with Out-of-District Placements and introduces a local responsibility for a portion of these costs.
- The option only requires the oversight of one state agency (NCDPI) when compared to Option 3.

Option 4: Limitations

- Requires legislative action to approve and fully fund the EC Weighted Funding Model outlined in the [March 7, 2024, Report to the General Assembly: Weighted Funding Model for EC Students](#).

METHOD OF MONITORING OVERIDENTIFICATION

The IDEA federal regulations, cited below, established the requirement to monitor the placement of students with disabilities. Monitoring data is also reported in the State Performance Plan and Annual Performance Report (SPP/APR). Specifically, there are indicators for educational environments, suspension and expulsion, and disproportionate representation. These data are reported annually to the Office of Special Education Programs (OSEP) and the North Carolina General Assembly (NCGA). The most recent report to NCGA,

[Educational Performance of Children with Disabilities and Implementation of Policies to Improve Outcomes for Students with Disabilities](#) was submitted on October 15, 2024.

§ 300.120 Monitoring activities.

- (a) The SEA must carry out activities to ensure that [§ 300.114](#) is implemented by each public agency.
- (b) If there is evidence that a public agency makes placements that are inconsistent with [§ 300.114](#), the SEA must—
- (1) Review the public agency's justification for its actions; and
 - (2) Assist in planning and implementing any necessary corrective action.

(Approved by the Office of Management and Budget under control number 1820–0030)

(Authority: [20 U.S.C. 1412\(a\)\(5\)](#))

METHODS TO ALLOW FOR MEDICAID REIMBURSEMENT

The NC Medicaid Outpatient Specialized Therapies [Clinical Coverage Policy Number 10C](#) for Local Education Agencies was last amended on April 1, 2023.

Medically necessary evaluations and treatments provided to an NC Medicaid-eligible beneficiary are covered when,

- a. *The service(s) are documented on the beneficiary's Individualized Education Program (IEP), Individual Family Service Plan (IFSP), Individual Health Plan (IHP), Behavior Intervention Plan (BIP) or 504 Plan according to 34 C.F.R. 104.36; and*
- b. *Provided by school staff or contracted personnel.*

Medicaid shall cover audiology, counseling, nursing, occupational therapy, physical therapy, and speech/language therapy services that are medically necessary and documented on any one of the following: IEP; IFSP; IHP; BIP; or 504 Plan.

Students with disabilities, placed in Approved Schools, may have medical and health services (i.e., evaluation, approved therapies) included in the individualized education program that may be reimbursed by Medicaid when provided to Medicaid beneficiaries and all other policy requirements are met. PSUs would need to have practices, policies, and procedures in place to seek Medicaid reimbursement.

While school based transportation is not currently included in Clinical Coverage Policy, a proposal was submitted to the NCGA on May 1, 2022, in the [Student Transportation Support Legislative Report Proposal](#) as required by S.L. 2021-180 s 7.70(c). Should this clinical coverage policy be expanded to include transportation, consideration should also be given to allow:

- PSUs to claim services for students covered by NC Health Choice as all other policy types are permitted.
- Ensuring equivalent reimbursement rates for nursing and therapeutic evaluation and services, commensurate with evaluation and service rates paid for other Medicaid policy types (i.e., Home Health). For example, currently, reimbursement rates for nursing in PSUs are 21% of the reimbursement paid for the same services in Home Health. Evaluation reimbursements for physical therapy are only 56% of the Home Health policy (Policy 3A) rates.
- Remove the requirement of a physician's order or expand to allow occupational therapists, physical therapists, and speech-language pathologists (who are employed in public schools and serve as IEP Team members) to provide orders for school-based

services. Orders from a physician do not add any additional safeguard but do add additional administrative burden to PSUs.

- Reimbursements for tasks delegated to teaching assistants by occupational therapists, physical therapists, and speech-language pathologists (currently only nurses may delegate)
- Reinstate telehealth reimbursements for all therapies (currently only Speech Language Therapy)

The disparity in reimbursement rates is a key factor that discourages PSUs from pursuing Medicaid reimbursement for any school-based service. The size of the PSU and types of plan types and services allowable for reimbursement combined with administrative time required for claiming may not make the process cost effective, putting it out of reach for Charter Schools and smaller PSUs

ESTIMATED COSTS TO IMPLEMENT STUDY METHODS

The cost to conduct the study necessary to yield the data contained within this report are currently limited to the time and effort of staff in the OEC within the North Carolina Department of Public Instruction (NCDPI).

The methods necessary to monitor overidentification, prioritize the dispersal of funds, and creating a network of Approved Schools, already exist within the General Supervision activities required by the Individuals with Disabilities Education Act (i.e., fiscal management, integrated monitoring, implementation of policies, practices, and procedures, etc.) and conducted by staff in the NCDPI OEC.

ADVISABILITY OF PILOT PROGRAMS

For the purposes of this study, it is advised that a pilot program be defined by the option selected to proportion the costs across federal, state, and local resources.

The NCDPI recommends Option 4 as the Method of Proportioning the Costs to be implemented over the next biennium.

OPTION 4		
Funding Source	Funding Type	Percentage of Total Costs
PRC 060: Out-of-District Program	Federal IDEA Funds	50%
PRC 089: Special State Reserve – Special Circumstances	State Appropriations	25%
Weighted Funding Model for EC Students: Level III	State Funds/Local Allotments	25%
PRC 089: Special State Reserve	State Appropriations – Extraordinary Transportation Costs	TBD
TOTAL		100%

RATIONALE:

- Maintenance of effort requirements will be met on behalf of PSUs through the equal contribution of federal and state dollars for the reimbursement of extraordinary costs associated with out-of-district students.
- PSUs may apply to multiple funding sources on behalf of individual students to maximize the use of existing state and federal funds for extraordinary costs possibly resulting in expanding contracting options previously limited by access to funding. This factor may indirectly incentivize private schools to engage in the process to become an Approved School.
- Includes a metric to incentivize contracting with Approved Schools by awarding state dollars at the full reimbursement rate.
- PSUs are not excluded from applying for extraordinary transportation costs in addition to the identified funding sources using this option.
- The weights in the EC funding model already account for students served on homebound/hospital or modified day placements and can adjust to Level III funding on a case-by-case basis should students require a change in placement through contracted services at an Approved School.
 - As of September 23, 2024, the number of students served on homebound/hospital or modified school day with behavior as a relevant factor documented on the IEP are:
 - Homebound/Hospital = 273¹⁰
 - Modified School Day = 1,250³

CAUTION: USE OF STUDY DATA

Should these data be utilized to inform further action, caution should be exercised because of the following study limitations.

- Each special grant program utilized for comparison in this study has unique application criteria that may include a maximum funding rate, number of months available for funding, the inability to combine with other special grant programs, and may be limited to fund special education and related services not including costs for transportation. Therefore, actual costs for students eligible for special grants is likely to exceed those reported by this study.
- Special Grant Program #3: Out-of-District Placement was utilized as the funding source most comparable to extraordinary costs for providing services for students placed in Approved Schools. Currently, this grant only reimburses 50% of total costs for special education and related services. These costs do not include transportation. Over the three years represented in the following table, the total per student costs (100%) increased by \$11,324.00.

¹⁰ Out of the total EC Child Count data collected December 2023 (213,211 students with disabilities), Homebound/Hospital and Modified Day placements represent less than 1% of the total child count.

Special Grant Program	Average Grant per Student 2021-2022 SY	Average Grant per Student 2022-2023 SY	Average Grant per Student 2023-2024 SY
Out-of-District Placement: <i>Reimbursement of 50% Total Costs¹¹ (current)</i>	\$38,832.00 ¹¹	\$41,038.00 ¹¹	\$44,494.00 ¹¹
Out-of-District Placement: <i>Reimbursement of 100% Total Costs (proposed)</i>	\$77,664.00	\$82,076.00	\$88,988.00

- Public Separate Schools - The costs for educating students with disabilities in public separate schools were not included in this study as these schools are not funded via special grant programs. However, consideration could be given to the potential of these settings as examples of in-district extraordinary costs.
- Schools for the Deaf and Blind - The costs for educating students with disabilities attending the Schools for the Deaf and Blind were not included in this study. These schools would represent extraordinary costs for out-of-district special education, related services, and transportation. However, the per pupil costs for these schools are not managed via special grant programs as specific state appropriations and approved IDEA federal grant applications provide the funding source. The annual per pupil cost for students attending these special schools is likely to be comparable to the contracted costs for private placement for Student A (\$158,340.00).
- Out-of-State Private Schools - The costs for educating students with disabilities attending the out-of-state private schools were not included in this study as a subset of the Out-of-District Placement Special Grant Program. Therefore, while out-of-state private schools were likely included in the Out-of-District Special Grant per student calculations, transportation costs and other unique costs for contracting out-of-state services are likely to be underrepresented due to the limitations placed on the application for the reimbursement of special education and related services.

For the reasons noted above, extraordinary costs, defined as \$88,988.00 - \$95,064.00 based on the Special Grant Program: Out-of-District Placement and Contracted Costs for Private Placement at Approved Schools used for analysis in this study, are likely to be a conservative estimate per pupil for supporting students with disabilities requiring unique special placements.

¹¹ Applications for Out-Of-District Placements are currently funded on a reimbursement schedule of 50% of total costs for the placement, including residential and extended school year services. Therefore, the average total costs (100%) for students placed out of district is \$88,988.00. The reimbursement does not include transportation costs.