



WISCONSIN POLICY FORUM

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Rising Special Education Costs Strain Local School Budgets, WPF Report Finds

Shortfall in State, Federal Special Ed Aids Forced Districts to Use \$1B That Could Have Served All Students

MILWAUKEE – Rising costs and lagging state and federal special education aids are straining school district budgets throughout Wisconsin, according to the latest issue of *The Wisconsin Taxpayer* from the nonpartisan, independent Wisconsin Policy Forum.

The Taxpayer report, “Special Education Funding in Wisconsin: How it Works and Why It Matters,” found that between the 2007-08 and 2017-18 school years, special education costs eligible for state aid rose 18.3%, to about \$1.4 billion. Meanwhile, the state’s primary funding source to help pay those costs has remained flat for almost a decade at \$368.9 million annually.

According to WPF, the gap between state and federal aids and aid-eligible district costs meant that in 2015-16, the last year for which full figures are available, Wisconsin school districts spent more than \$1.0 billion on special education from their general local and state education funds that otherwise could have served all students.

“For two-thirds of Wisconsin school districts, this equates to 10% or more of resources available under their state-imposed per pupil revenue limits,” the report concludes. “These diversions appear to be especially prevalent in school districts serving high poverty, high minority schools, which raises equity concerns.”

Federal and state laws mandate that students with disabilities enrolled in public schools receive a “free and appropriate public education” regardless of cost, the report notes. A child may qualify for special education or related services for a variety of disabilities or health conditions. Supports they may receive include speech-language pathology, physical therapy, classroom aids, modified curriculum, transportation, and other services.

In 2017-18, students with disabilities comprised 13.8% of total public school enrollment in Wisconsin, roughly on par with national figures. Their share has declined by roughly 4.5% since 2007-08, although the state projects a slight increase over the next two years.

The relative size and concentration of special education students varies widely among districts, ranging from 0.1% to 40% of overall enrollment. In just over half of Wisconsin's public school, students with disabilities represent between 10% and 15% of the total student body.

The WPF report breaks down so-called excess costs, which are the added costs districts incur for providing special education services to students with disabilities. These costs totaled \$1.66 billion statewide in 2016-17 and have risen by about 10.5% since 2007-08 despite a decline in the number of special education students (likely caused by increased efforts to address lower-cost, more common needs and growth in the number of students with more severe, costly needs).

Several specific federal and state funding streams that were created to help pay for these costs have not kept pace with spending needs. For example, federal aid for special education has been largely flat in recent years except for a one-time increase in 2008-09, when stimulus funds effectively doubled the payment to Wisconsin. The state received \$186.3 million in federal special education money in 2017-18.

The state's primary special education aid program effectively has been frozen at \$368.9 million annually since 2008-09. Consequently, the share of special education costs financed by dedicated state special education aids has dropped from a peak of 70% in 1973 to an estimated 24.5% in 2018-19.

The report notes Wisconsin is one of only a handful of states that reimburses districts for a share of their special education costs rather than distributing the aid through the state's general school funding formula. Among those states, Wisconsin's reimbursement rate is the lowest.

This decline has increased pressure on school districts, which operate under state-imposed per pupil spending limits. Because of these limits, as special education costs increase, spending on other programs must decrease correspondingly.

"The need to finance special education costs with resources that are subject to tight revenue limits and that are intended to serve all students presents challenges to the majority of school districts across the state," the report notes. "This need appears to be especially pressing in school districts serving vulnerable students."

The WPF report also examines the Special Needs Scholarship Program, which provides funding to private schools that accept students with disabilities who receive state-sponsored vouchers. The report notes that the number of students participating in this program rose from 235 in 2016-17 to 692 in 2018-19. For participating students in the 2018-19 school year, schools will have the option of receiving the state voucher or up to 90% reimbursement of actual documented costs.

"The fiscal conflict between special and regular education puts adequate funding for every student at risk," the WPF report concludes. "The more the state invests in special education, the more resources will be available for schools to spend on purposes that serve all students."

A copy of the full *Wisconsin Taxpayer*, "Special Education Funding in Wisconsin: How it Works and Why It Matters," can be found [here](#).