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Special Education Funding

School districts receive state and federal funds to support special education services for children who have exceptional education needs as a result of disabilities. In fiscal year (FY) 1997-98, 113,221 students, or 12.8 percent of all elementary and secondary public school students in Wisconsin, were enrolled in special education programs. State categorical aid for special education was \$275.5 million, and federal aid to school districts was \$42.4 million. This funding partially supported \$863.5 million in special education costs.

Between FY 1992-93 and FY 1997-98, school district costs for special education services increased 36.9 percent, while categorical aids increased 6.3 percent and federal aid increased 30.1 percent. As a result, school districts have increasingly relied on state general aids, which also support regular education, to fund special education.

Costs Have Increased in Response to Increasing Enrollments

Since FY 1992-93, special education enrollments increased 19.1 percent, compared to a 6.3 percent increase for all public school students. As a result, school districts added nearly 1,600 teacher aides and 1,264 special education teachers from FY 1992-93 through FY 1997-98. Salary and fringe benefit costs for these staff accounted for most of the increase in special education costs. In FY 1997-98, instructional costs were \$681.6 million, an increase of 38.9 percent since FY 1992-93.

There is no consensus within the education community about the cause of growth in special education enrollments. Improved identification methods are likely to account for some growth, but some education officials also believe school districts may be over-identifying students for special education services. They note that the number of special education students in Wisconsin has increased at a rate that is seventh-highest in the nation. Others believe that not all children who need special education services have been identified and note that Wisconsin's overall identification rate of 12.5 percent is slightly below the national average for FY 1996-97, the most recent year for which national comparisons are available.

Total State Funding Has Increased, but All Districts Have Not Benefited Equally

Because state categorical aid and federal aid have increased more slowly than special education costs, and because of the State's decision to provide approximately two-thirds of school revenues, equalization aids have become the largest single funding source for special education. Total state funding for special education—including categorical aids, general aids, and the benefits derived from the school tax levy credit—increased \$231.2 million, or 54.8 percent, from FY 1992-93 through FY 1997-98, to a total of \$653.4 million. Total state funding accounted for 75.7 percent of special education funding in FY 1997-98, compared to 66.3 percent in FY 1992-93.

However, because most of the increase in state funding for special education has been distributed under the equalization aids formula, not all school districts have benefited equally. State funding became a larger percentage of total funding for 377 districts, but a smaller share in 35 school districts. For FY 1997-98, state general aids provided 40 percent or more of special education funding for 245 school districts, but less than 20 percent of funding to 45 school districts.

There Is No Consensus About the Best Method for Funding Special Education

Because the shift from categorical aid to general equalization aids has occurred since the State established revenue limits that control the growth in total education spending, some school officials assert that districts must reduce their

regular education spending in order to fund special education costs that are increasing at a more rapid rate. As a result, there is increasing tension and competition for funding between regular education and special education in some districts.

Over 70 percent of the school district administrators we surveyed were dissatisfied with the State's current method of funding special education, and 68 percent believe it should be changed. However, there was no consensus among those responding to our survey about the best method of funding special education.

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