

Understanding State Funding Models for Special Education

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States play a central role in financing special education services for students with disabilities. While the federal government provides targeted funding through the Individuals with Disabilities Education Act (IDEA), these dollars cover only a fraction of the total cost. As a result, states have developed their own funding systems to supplement local resources and ensure that students with disabilities receive the supports and services required under federal law.

This brief provides an overview of how states structure and allocate funding for special education. It begins with a summary of the federal requirements that govern state funding under IDEA. It then examines the diverse approaches states use to determine their funding obligations and calculate state aid amounts, highlighting how differences in policy design can influence local decisions around identifying and serving students with disabilities.

Key Takeaways

- All states provide some form of supplemental funding to pay for the excess cost of providing special education services for students with disabilities. Each state, however, uses a different approach to determining funding levels and how they provide funding to local school districts.
- Most states incorporate multipliers, or weights, in their overall funding formula that provide school districts with additional funding for special education. Weights can be applied to a common base spending amount or different base amounts, which can vary among school districts statewide. The second most frequent strategy is for states to provide either a single or flat grant amount per student receiving special education.
- The majority of states also operate a high-cost student program that provides localities with additional funding, above and beyond what is allocated using the state's special education funding formula, for the extraordinary costs associated with serving high-needs students. These programs reimburse localities for all or some portion of the extra expense, depending on the program requirements and whether states fully fund their program each year.
- There is no evidence that shows enrollment caps improve the rate by which students are appropriately identified for special education. However, there is evidence to suggest that enrollment caps may introduce other types of inequity into the state's funding system by penalizing districts that have larger shares of their student population eligible for special education due to a higher incidence of children with disabilities in the communities that they serve.

- There is a small body of evidence indicating that state funding for special education may create incentives and disincentives for identifying students for special education; however, most of this research evaluates state policies that allocate funding using a census block grant mechanism. There is no evidence to suggest that weighted special education funding formulas create incentives or disincentives for identifying students for special education.
- A more recent body of research suggests that the overall level of funding available for educating *all* students in a state or LEA impacts decisions to identify students for special education and that increases in general education funding—particularly for previously underfunded school districts—translate into gains in the percentage of students identified for special education.

Federal Requirements for State Funding

Special education operates according to a unique set of obligations and constraints. Unlike general education, special education is largely framed by federal law and regulations. The 14th Amendment to the Constitution, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act (ADA) of 1990, and the Individuals with Disabilities Education Act (IDEA, as reauthorized in 2004) all require state and local education agencies to provide students with disabilities educational opportunities that are comparable to those offered to children without disabilities.

Of these laws, IDEA (reauthorized in 2004) is the most prescriptive with respect to the educational experiences of school-age children with disabilities. Part B of IDEA stipulates the requirements that states and local education agencies must follow to receive federal funding for special education and related services provided to children and youth (ages 3-21) with disabilities. As such, IDEA can be thought of as a federal “funding statute” (Mead, 2017, p. 21). That is, IDEA Part B provides federal funding to pay a portion of the costs incurred by state and local education agencies providing special education and related services to school-age children with disabilities. In exchange for this federal funding, states must ensure that local educators comply with the law’s detailed procedural requirements for implementing special education programs.

From IDEA’s inception, there was no expectation that federal funding would cover the full cost of special education; state and local education budgets have always been expected to provide the balance of funding. When IDEA was enacted, the federal government promised to pay 40% of the excess cost of special education.¹ However, federal appropriations have never reached this level and typically fall between 10% and 20% of the estimated excess cost of special education nationwide. During federal FY2021, federal special education grants to states (IDEA Part B Section 611) comprised just about 13% of the estimated additional cost of providing supports and services for students with IEPs (Zembar, 2021).

¹ IDEA defines the excess cost of special education as those costs that are more than the average per pupil expenditure in an LEA during the preceding school year for an elementary school or secondary school student, after deducting amounts received under Part B of the Act, Part A of Title I of ESEA, and Part A of Title III of ESEA (34 CFR 300.16). When IDEA was first enacted, it was assumed that educating a child with a disability cost approximately twice as much as educating a child with no special needs (e.g., Rossmiller et al., 1970).

A limited federal role in paying for special education programs places states in the position of deciding whether and to what extent they will step in to help pay for the remaining cost of providing special education and related services to students with disabilities. Absent state funding, the risk is that localities cannot, and possibly will not, meet their obligations under IDEA Part B to ensure a free appropriate public education (FAPE) for children with disabilities. In response, all states provide localities with some form of supplemental funding for special education.

That said, not all states are similarly generous when it comes to paying for special education. At opposite ends of the continuum, for example, Wyoming reimburses districts for nearly all of their special education costs, while Arkansas pays for only a portion of the services provided to the most-costly children with disabilities (Parker, 2019). Historically, Vermont's special education funding formula has paid for about 60% of local special education spending (Bouchey et al., 2018), while California's block grant formula covers, on average, about 31% of local special education costs (Bouchey et al., 2018; Hill et al., 2016).

Although IDEA Part B does not require a state contribution toward local special education spending, the law includes two important conditions for states that provide funding: (1) a Maintenance of State Financial Support (MFS) and (2) a restriction on distributing funds based on the type of setting in which a child receives services in a way that undermines their access to a FAPE.

Maintenance of State Financial Support

Once a state provides funding, it is obligated to maintain financial support for special education at a level at least equivalent to its prior-year obligations. Specifically, the MFS requirement stipulates that:

A State must not reduce the amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year (34 CFR §300.163(a)).

MFS is an important part of IDEA's regulations that govern state behavior. By requiring stability in state financial support, the federal government seeks to protect local education agencies from sudden cuts in state funding that could impact their ability to provide existing levels of services and supports for children with disabilities (Center for IDEA Fiscal Reporting, n.d.). Federal MFS requirements, however, do not stipulate how states distribute aid among local education agencies. Instead, states are bound to maintain an aggregate level of financial support across all entities in state, inclusive of school districts and other health and human services agencies. As a result, *states have considerably more flexibility in modifying how state aid is distributed among local education agencies than they have in altering the total amount of state spending on special education and related services.*

Limitations of Distributing State Funds Based on Where Child Is Served

State funding mechanisms also “shall not” result in special education placements that violate federal requirements for serving children with disabilities in the “least restrictive environment” (§ 1412 (a)(5)(B)(i) of U.S. Code Title 20). As a result, states cannot put in place a funding mechanism where they distribute funds based on the type of setting in which a child is served if this results in a failure to provide the child with a FAPE according to the child’s unique needs as described in their IEP.

State Special Education Funding Policies

Over time, states have developed very different special education funding policies. That said, even though each state policy is unique, state policies share common attributes, particularly with respect to (a) how state funding obligations are determined and (b) the basis and mechanisms used to allocate funding to local education agencies.

Determining State Funding Obligations

States determine their funding obligations in one of two ways: (1) by building up from individual components in a formula or (2) by establishing a top-down appropriation amount and then distributing this aid to localities using a formula.

In the first instance, state funding obligations are determined *using a formula that calculates a total state aid amount based on different factors*, including counts of children with and without disabilities, the types of disabilities that students have, or some other measure of their need for services.

By contrast, with a top-down approach, *state policymakers determine how much they wish to spend*, typically based on past years’ spending levels or some other approximation of special education costs. The *stipulated amount* is then distributed to localities using a formula. Most states determine their funding obligations from the “bottom up.”

A handful of states do not operate separate categorical aid programs for special education and, instead, incorporate funding for students with disabilities (or, more generally, students with special needs) into their general education aid calculation (e.g., Connecticut). Where this occurs, school districts receive an overall allotment of state funding to offset the costs of their general and special education programs. Whereas localities typically have broad discretion in determining how dollars are spent, they are still compelled by law to ensure FAPE for students with disabilities.

Basis and Mechanisms Used to Distribute Aid to Localities

States also differ in how they determine the amount of state aid provided to an LEA for special education. In fact, the existing policy landscape is comprised of 50 distinct state-specific approaches; see Appendix A for an overview of each state’s funding formula.

Despite operational differences, state funding formulae typically consist of two parts: (1) a basis on which funding is calculated and (2) the mechanisms that determine the amounts of the funds

generated by the formula (Exhibit 1). In addition, many states operate a high-cost student fund that reimburses localities for the extraordinary cost of educating high-need students.

Exhibit 1. Component Parts of State Aid Formulae for Special Education

Basis for Funding	Mechanisms for Determining State Aid
Student count (All students vs. students with disabilities)	Pupil weights or fixed dollar grants (per student) (Single or multiple)
Resource ratios (Student-to-staff ratios and other input prices)	Fixed dollar grants (Per instructional unit)
Expenditures (Eligible spending)	Cost reimbursement (As a percentage of spending)

Basis for Funding

The amount of aid provided to a LEA is tied to some basis, or primary unit, that is used as the starting point for the state’s calculations. State aid programs can be broadly categorized according to one of three factors that serve as the basis for funding: (1) student count, (2) resource ratios, or (3) special education spending (Hartman, 1980, 1992; Kolbe, 2019).

Student count

Most states determine the amount of funding that an LEA receives based on a count of eligible students. Generally, states use one of two approaches to counting students:

1. Total head count of students (i.e., those with and those without disabilities) who are enrolled in or attend a LEA or for whom a LEA has jurisdictional responsibility, or
2. The number of students in a LEA who are eligible for special education services.

Formulae that tie funding to the *total head count of students* can be further differentiated according to whether funding is determined using a *census* (i.e., all students, with or without disabilities) or as a *stipulated percentage* of the total head count (this is often measured using average daily membership, or ADM). For a census, the allocation is per capita (i.e., some amount of funding for each counted student with or without a disability). Alternatively, the state may provide funding for a set percentage of a district’s total head count (e.g., 15% of total enrollment), where the stipulated percentage is a proxy for the expected share of students eligible for special education in school districts statewide. Both approaches are commonly referred to as census-based formulae because they are independent of the actual counts of students with disabilities and are based on the total student headcount (Parrish et al., 2015).

Whether the amount of state aid received by an LEA is calculated using a count of all students or a set percentage of students, formulae that distribute funding in this manner are *designed to provide the same amount of state aid to districts with identical enrollments, regardless of the number of students*

identified for special education, students’ disabilities, level of services and supports required, or how or where students receive services.

Alternatively, states may tie state aid to the number of students in an LEA who are eligible for special education. The number may simply be the count of students identified for special education or further differentiated according to other student attributes, such as the number of students within specific disability or need-based categories, grade levels, or placements.

Some states take an additional step of enforcing a *cap* on the percentage of students receiving special education that are eligible for state funding (Exhibit 2). Specifically, funding (or enrollment) sets a threshold for the percentage of students receiving special education in a district, and districts that fall above that cap do not receive funding for the difference between their actual percentage of students receiving special education and the threshold percentage. Districts are still obligated to provide special education services to all students identified for special education, even if the district-wide percentage exceeds the state’s funding threshold. Exhibit 2 identifies states that incorporate an enrollment cap in their special education funding policy.²

Exhibit 2. States That Incorporate Enrollment Caps in Their Special Education Funding Formula

State	Enrollment Cap
Maine	15%
Nevada	13%
New Jersey	15.40%
North Carolina	12.75%
Oregon	11%
Utah	12.18%

Enrollment caps are thought to be used by states as a tool for limiting their funding obligations for special education (Parker, 2019). However, there are long-standing concerns about whether enrollment caps may disincentivize school districts from identifying students with disabilities for special education, who would otherwise qualify for services, to minimize the district’s financial burden. This is problematic because regardless of the cap, districts are still required by federal and state law to provide special education services to all students with a qualifying disability. Although those in favor of enrollment caps argue that this policy curtails overidentification of students needing special education services by districts, there is no evidence that shows that enrollment caps improve the rate by which students are appropriately identified for special education services.

² States may also use a census-based enrollment cap, which assumes that a statewide percentage of students require special education regardless of the actual demographic make-up of a district or school, and then the state provides each district in the state funding for that stipulated percentage of students. For instance, Alabama assumes that 5% of all students in the state require special education services and then applies a multiplier of 2.5 to 5% of each district’s total enrollment to determine state aid for special education.

There is also evidence to suggest that enrollment caps may introduce other types of inequity into the state's funding system (Needham & Houck, 2019; Needham, 2023). On average, districts with higher-need student populations also have more students with disabilities who need special education services and fewer local resources to fill the funding gap that is created when they do not receive state funding for students who are identified above the cap. This exacerbates inequity in the funding system as states are pressured to create differential funding mechanisms to meet the varying needs of students with disabilities, making it harder for lower-income districts than for their wealthier LEA peers to offset the financial impacts of a funded enrollment cap.

Resource Ratios

States may provide funding based on some unit of instruction—typically a ratio or count of staff. For instance, states may base funding on the number of special education teachers, instructional assistants, or related services personnel who work in schools.

The categories of staff and the ratio of students to staff vary tremendously across states. For example, Illinois assigns a student-to-staff ratio of 141 to 1 for special education core teachers and instructional assistants, and 1,000 to 1 for psychologists. Delaware calculates aid using student-teacher ratios; however, the staffing ratios used to identify the number of state-funded positions vary according to both grade level and student need (e.g., basic special education, intensive special education, and complex special education) (Education Commission of the States, 2021). The number of funded personnel in an LEA is typically determined using student-to-staffing ratios that are established in state statute or regulations.

Special Education Spending

States may also base funding on what districts spend to provide special education and related services to students with disabilities and administer their special education programs. State regulations establish rules for what types and amounts of local special education-related spending are eligible for state reimbursement.

Mechanisms Used by States to Calculate and Distribute State Aid for Special Education

State special education formulae use different mechanisms to determine the amounts of state aid that a locality receives for its special education program. Broadly, these mechanisms fall into three categories: (1) pupil weights, (2) fixed-dollar grants, and (3) cost reimbursement. Exhibit 3 provides an overview of which states incorporate the different mechanisms into their funding formula.

Exhibit 3. Mechanisms Used by States to Calculate and Distribute State Aid for Special Education

Funding Mechanisms and Components	States With Approach/Component	Number of States
Pupil Weights - Single Weight	AL, AK, LA, MD, ME, MO, ND, NY, OR	9
Pupil Weights - Multiple Weights	AZ, DC, FL, GA, IA, KY, NM, NV, OH, OK, PA, SC, TX, WA	14
Single Fixed-Dollar Grant	CA, IL, MA, MO, MT, NH, NJ, NC, UT, VA, VT, WV	12
Tiered/Fixed-Dollar Grants	CO, DE, ID, IN, MS, MT, SD, TN	8
Cost Reimbursement	KS, MI, NE, WI, WY	5
Hybrid	HI, MN	2

Pupil Weights

Pupil weights are the most common approach used by states to determine the amount of special education funding that an LEA receives. Weights are applied to a count of students with disabilities, and the amount of state aid is determined by multiplying the weighted count by some base per-pupil funding amount. State funding formulae can include a single weight that is applied to an overall count of students with disabilities or multiple weights that are tied to different counts of students with disabilities.

Nine states use a single weight to calculate a district's funding amount (Exhibit 4). Single weights operate like a flat grant amount per student and do not account for differences in the cost of educating students with varying disabilities or needs. This may result in an inefficient and inequitable distribution of funding among districts in a state. For instance, districts where, on average, students with disabilities require less costly services and support may receive disproportionately more state funding per student receiving special education. Conversely, districts where, on average, students have higher levels of need may receive disproportionately less state funding per student receiving special education.

Exhibit 4. States That Incorporate a Single Weight in Their Special Education Funding Formula

State	Basis for Funding	Weight
Alabama	Student count (Stipulated percentage)	1.5
Louisiana	Student count (Actual SWD)	1.5
Maine	Student count (Actual SWD with cap)	1.5 and 0.38 for students above threshold
Maryland	Student count (SWD)	.92 (2023/24), increasing to .99 (2024/25)
Missouri	Student count (SWD with minimum)	0.75
New York	Student count (Actual SWD)	1.41
North Dakota	Student count (Census; All students)	0.88
Oregon	Student count (SWD with cap)	1.0

Alternatively, 14 states assign different multipliers according to other characteristics, such as student disability category, tiers of student need or disability category groupings, student age or grade, and where students with disabilities are served. Exhibit 5 describes the criteria used by states to assign multiple weights in the special education funding formula. Washington is the only state with a formula that includes a multiplier that is explicitly tied to the percentage of time a student spends in a regular education classroom. Other states consider where students receive services, but in combination with other criteria or indicators of student need (e.g., Washington DC; Georgia; and Iowa).

The values states assign to the various multipliers differ among states and the criteria that are used to assign the weights.

Exhibit 5. Description of Criteria Used by States to Assign Multiple Weights in Their Special Education Funding Formula

State	Weighting Criteria				Description for How Multiple Weights Are Applied
	Disability Category	Student Groupings Based on Need	Age or Grade Band	Placement	
AZ	Yes	No	Yes	No	Students are assigned to 11 different categories based on their specific disabilities. The multipliers range from 1.024 to 8.947, depending on the disability, and are applied to a per-student base amount that has already been adjusted for the district’s size, enrollment in different grade levels, and degree of geographic isolation.

State	Weighting Criteria				Description for How Multiple Weights Are Applied
	Disability Category	Student Groupings Based on Need	Age or Grade Band	Placement	
DC	No	Yes	No	No	Students are assigned to one of four support levels, ranging from students receiving fewer than 8 hours per school week of specialized services to those receiving more than 24 hours per week of specialized services. The multipliers ranged from 1.97 to 4.49.
FL	No	Yes	No	No	Students are categorized into five support levels, ranging from students with a low need for specialized supports (Level 1) to those receiving continuous and intense assistance, multiple services, or substantial modifications to learning activities (Level 5). Students in Levels 4 and 5 are funded at the per-student base amount multiplied by 3.644 and 5.462, respectively. Students in the first three support levels do not receive supplemental funding on a per-student basis. However, a block grant called the Exceptional Student Education (ESE) Guaranteed Allocation is given to all districts; this grant is primarily intended to fund the provision of services to students below Level 4.
GA	No	Yes	No	No	Assigned either to one of four weighted categories based on their disability and the proportion of the school day during which they receive services for those disabilities or to a fifth category for students receiving services in the general education setting
IA	No	Yes	No	No	Three different categories based on their disabilities and the settings in which they receive special education services
KY	No	Yes	No	No	Applies different multipliers to the per-student base amount for students based on three categories: low-incidence disabilities, moderate-incidence disabilities, and high-incidence disabilities. The multipliers are 3.35, 2.17, and 1.24, respectively.
NM	No	Yes	No	No	Students are assigned to four different categories based on the services they receive. The multipliers range from 1.7 to 3.0, depending on the degree of modification to the general education program that the student requires.
NV	No	No	No	Yes	Students are assigned to two different categories based on the concentrations of students with disabilities in their districts.

State	Weighting Criteria				Description for How Multiple Weights Are Applied
	Disability Category	Student Groupings Based on Need	Age or Grade Band	Placement	
OH	No	Yes	No	No	Students are assigned to six different categories based on their specific disabilities. The multipliers range from 1.2535 for students in Category 1, whose primary or only identified disability is a speech and language disability, to 4.9554 for students in Category 6, which includes students with autism, traumatic brain injuries, or both visual and hearing impairments.
OK	Yes	No	No	No	Students are assigned to 13 different categories based on their specific disabilities. The multipliers range from 1.05 to 4.80, depending on a student's primary disability. Students may also be assigned to a secondary disability category, and secondary disabilities generate the same amount of supplemental funds as primary disabilities but do not include the base funding, so weights range from 0.05 to 3.80.
PA	No	Yes	No	No	The state applies different multipliers for special education students based on the cost of educating them, as reported by the district annually. A multiplier of 1.51 is applied to the count of special education students who are estimated to cost between \$1 and \$24,999 to educate; a multiplier of 3.77 to the count of special education students who are estimated to cost between \$25,000 and \$49,999 to educate; and a multiplier of 7.46 to the count of special education students who are estimated to cost \$50,000 or more to educate. The state also adjusts the level of special education funding that districts receive based on district sparsity and size, property wealth and income, and property tax rates.
SC	No	Yes	No	No	Students are assigned to one of nine categories based on their disabilities, or to a 10th category for homebound students. The multipliers for non-homebound students with disabilities range from 1.74 to 2.57, depending on the specifics of the student's diagnosis and education plan. Homebound students with disabilities are funded at a base amount. State law requires districts to expend 85% of the amount generated for a particular disability category on that category of students.
TX	Yes	Yes	No	No	Students are assigned 12 categories based on their educational placements and the services they receive. The multipliers for these categories range from 1.15 to 5.0. For small and mid-sized districts, these weights are applied to an inflated base amount. A 13th multiplier, equal to 1.1, is applied to students receiving services for dyslexia or a related disorder.

State	Weighting Criteria				Description for How Multiple Weights Are Applied
	Disability Category	Student Groupings Based on Need	Age or Grade Band	Placement	
WA	No	No	No	Yes	Students are assigned according to the time spent in the general education setting. The Tier 1 weight applies to students who spend at least 80% of their day in regular education classrooms and the Tier 2 weight applies to students who spend less than 80% of their day in a regular education classroom.

Data source: EdBuild (n.d.). *FundEd: State policy analysis*. <http://funded.edbuild.org/state>

The weights (single and multiple) incorporated into state special education funding formulae can generate different dollar amounts of additional funding, depending on the base amount to which the multiplier is applied. For instance, in two states with different base funding amounts, a weight of 1.9 will generate a different dollar amount of additional funding. Additionally, states may apply weights either before or after the base spending amount has been adjusted for other cost factors, such as grade level, school size, or geographic location.

Weights can also generate different amounts of funding for districts *within a state* when there is no common foundation or base funding amount for all districts. This occurs when either (a) the foundation amount varies from district to district; or (b) the state uses a resource-based formula for its general education funding, which allows the base funding amount to vary according to different resource needs.

Exhibit 6 identifies states that have variable base funding amounts. For instance, Arizona, California, Colorado, Massachusetts, Michigan, Montana, Nebraska, and Nevada use a *modified foundation formula* where, for different reasons, the base funding amount varies across districts within the state. Other states use a resource-based formula to determine a district's base state funding amount. These states include Alabama, Delaware, Idaho, Maine, North Carolina, Ohio, South Dakota, Virginia, West Virginia, and Wyoming. In these states, when common multipliers are applied to a different foundation or resource-based amount, it will generate different amounts of state special education funding for each district.³

³ States also may determine base funding using a resource ratio (usually according to teacher allocations) or dollar funding per student. Resource-based formulae allocate funding for education staff as well as other costs to districts based on total enrollment. Typically, in these cases, special education funding is distributed using resource ratios and does not use weights. States that use dollar funding per student formulae, where districts receive a flat grant amount per student, typically put into legislation an additional fixed grant amount that is provided per student identified for special education.

Exhibit 6. States That Have Variable Base Funding Amounts (FY2020/21)

State	Base Funding		Special Education Funding Mechanism
	Base Formula	Approach to Calculating Base Funding Amount	
Alabama	Resource-based allocation	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Resource-based
Arizona	Modified student-based foundation	Base amount is weighted for grade level before calculating state aid for special education.	Multiple weights
California	Modified student-based foundation	Base amount differs by grade level.	Fixed grant amount per student identified for special education, which varies according to the total enrollment in each Special Education Local Plan Area (SELPA)
Colorado	Modified student-based foundation	Base amount is weighted for size and sparsity before calculating state aid for special education.	Tiered grant
Delaware	Resource-based allocation	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Resource-based
Idaho	Resource-based allocation	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Tiered grant
Illinois	Resource-based allocation	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Fixed dollar grant
Maine	Resource-based allocation	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so, and divides that cost by the district's enrollment to determine a per-student cost.	Single weight
Massachusetts	Uses several base funding amounts that are associated with different categories of students.	Assigns costs to the education of students in certain categories, derived from the resource costs associated with educating students in a particular category.	Fixed dollar grant
Michigan	Modified student-based foundation	For most districts in the state, there is a uniform base. However, there are a handful of districts that have a different base, which was grandfathered in when the funding formula was last revised.	Cost reimbursement

State	Base Funding		Special Education Funding Mechanism
	Base Formula	Approach to Calculating Base Funding Amount	
Montana	Modified student-based foundation	State provides both a per-student amount and a per-district amount, which varies based on district enrollment size and grade levels served.	Hybrid/Flat grant
Nebraska	Modified student-based foundation	Base varies from district to district according to student enrollment numbers.	Cost reimbursement
Nevada	Modified student-based foundation	Base varies from district to district according to student enrollment numbers.	Multiple weights
North Carolina	Resource-based	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Fixed dollar grant
Ohio	Resource-based	Each district's base cost is calculated considering the cost of providing five different types of resources.	Multiple weights
South Dakota	Resource-based	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Tiered grants
Virginia	Resource-based	Determines the cost of delivering education to a student with no special needs or services based on costs associated with the programs and resources mandated through the state's statutory standards of quality.	Fixed dollar grants
Washington	Resource-based	Determines the cost of delivering education in a district based on the cost of the resources/staff salaries, which vary according to grade level, size, and characteristics of the students who attend school.	Multiple weights
West Virginia	Resource-based	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Single weight/partial reimbursement
Wisconsin	Program-based and flat per pupil aid amount	A district's base funding is tied to the cost of providing certain programs in a district. In addition, districts receive a flat amount per pupil (~\$742).	Cost reimbursement
Wyoming	Resource-based	Determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so.	Cost reimbursement

Note. Generally, states use one of three base funding approaches: (1) resource-based funding, which is calculated based on the cost of resources and inputs; (2) student-based funding, which represents the cost of educating a student with no special needs or disadvantages before further adjustments are made; or (3) program-based funding, which provides limited-use funding for certain programs. Student-based base funding amounts can be the same for all districts in a state or modified so that the base funding amount varies across districts according to other characteristics.

Fixed Dollar Grants

Fixed dollar grants provide districts with a specific dollar amount per fundable unit. The fundable unit depends on the basis used in the state aid calculation, but it typically is either allocated on a per student or per instructional unit basis (e.g., staff ratio). A fixed dollar grant generates additional funds in a manner like weights. However, instead of applying a weight to the count of students and then multiplying the weighted count with a per-pupil base to determine the funding level, the grant is an exact dollar amount (like a single weight) or multiple dollar amounts (like multiple weights) that correspond to different disability, need, or placement categories.

Like weights, the level of funding generated using a fixed dollar grant varies according to the student count to which it is applied. However, unlike weights, fixed dollar grants are not tied to a base per pupil funding amount, which may vary year to year or even district to district if the state does not use a common base funding amount for all districts. Fixed grant amounts are also typically established in statute and require legislative action to adjust for changes in education costs over time.

Fixed dollar grants that calculate the amount of funding a district receives using resource ratios are typically a set amount of funding per personnel unit (e.g., teacher, school psychologist) and are typically intended to be equivalent to some average level of compensation for a particular full-time-equivalent position.

Cost Reimbursement

States that use special education spending as a basis for providing aid typically reimburse districts for some percentage of the actual amount spent on special education services (e.g., 28.61% in Michigan).

High-Cost Student Programs

Most states also operate contingency funding mechanisms that provide districts with additional funding to offset the extraordinary cost of educating high-cost or high-need students with disabilities (Exhibit 7). This funding is in addition to other state special education funding allocated through the state's primary formula for determining special education aid.

Over time, two general policy models for high-cost student funds have emerged: the state pays for a percentage of additional costs above a set spending threshold either (1) with a cap on the total reimbursement amount or (2) without a cap on reimbursement.

States differ in how districts qualify for reimbursement from their high-cost student funds. Twelve states use a per student dollar spending threshold, where districts must spend over a specified amount to qualify and then are reimbursed for some or all their spending above the threshold (Exhibit 7). For instance, in New Jersey, a district must spend at least \$40,000 on a student to qualify for reimbursement from the state's high-cost student fund, and the threshold is \$30,000 in Oregon and Wisconsin.

Nineteen other states apply a multiplier to the state’s average per pupil spending amount or base amount for state funding (Exhibit 7). In most states, the multiplier is between 3 and 4 times the average per pupil spending amount. For instance, in Arizona, districts are eligible for reimbursement after they spend three times the prior year’s statewide average per pupil spending amount for a student’s special education services. In New Hampshire, the threshold is based on 3.5 times the estimated state average expenditure per pupil for the school year preceding the year of distribution, up to 10 times the estimated state average expenditure per pupil.

Some states also take an additional step to limit the total funds available for high-cost student reimbursement by stipulating an appropriation amount. In these states, when demand exceeds available funding, districts may receive a pro-rated reimbursement, or funds are allocated on a first-come, first-served basis and, as a result, not all districts receive funding.

Exhibit 7. Eligibility for Reimbursement From States’ High-Cost Student Programs

Eligibility Criteria	States
States that operate high-cost student reimbursement program	AL, AK, AR, AZ, CA, CT, CO, DE, GA, IA, KS, LA, ME, MA, MN, MO, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SD, TN, TX, VA, VT, WA, WV, WI
Uses dollar/spending threshold for eligibility	AR, CA, CO, MA, NJ, OH, OK, OR, PA, VT, WV, WI
Uses per pupil spending multiplier for eligibility	AL, AK, AZ, CT, GA, IL, IA, KS, LA, ME, MO, NH, NM, NC, ND, NY, RI, TN, TX

State Funding Mechanisms and Motivational Effects

As a matter of policy and practice, states rely heavily on local educators’ professional qualifications and judgment to ensure a FAPE for students with disabilities. Local educators implement IDEA’s child find requirements; assess struggling students for possible disabilities; and develop IEPs that enumerate the supports, services, and placements for students who qualify for special education. Districts and schools also make decisions about the level of resources available to educate all students as well as design and implement broader systems of support for students with and without disabilities.

Since IDEA’s inception, educators and disability rights advocates have called attention to the financial burden placed on localities and the potential for this burden to affect local decision-making. The demand for funding by special education programs may motivate local educators to (1) maximize revenues available from federal and state sources and (2) minimize the local cost burden. For instance, local educators may engage in revenue-maximizing behaviors and identify students for special education when supplemental revenues are contingent on the number of identified students (Cullen, 2003; Kolbe & Killeen, 2017).

Conversely, in the face of resource constraints, educators may fail to identify students with less-extreme disabilities, particularly those from economically disadvantaged backgrounds or who are

English language learners (ELLs) (Setren, 2021). Similarly, the incentives to minimize costs may be amplified in lower-wealth districts or low-spending districts that have less capacity to raise additional revenues through local taxes (Conlin & Jalilevand, 2018) as well as in localities that have larger shares of students with disabilities among the population of students they serve (Baker & Ramsey, 2010).

Concerns about the potential motivational effects of state funding policies are supported by a small body of empirical research that examines how state education funding impacts both whether students are identified for special education and the level of services they might receive (Parrish et al., 2015)⁴ (Exhibit 8). For example, Cullen (2003) found that about 40% of the growth in Texas' special education enrollment between 1992 and 1997 was due to changes in fiscal incentives in state funding formulas. Kwak (2010) found similar findings in California. Dhuey and Lipscomb (2011, 2013) conducted a national study of census-based funding formulas and found that disability rates within states fell during periods of head-count reforms, primarily in terms of subjective diagnosed categories. Stock and Carriere (2021) found a similar pattern, with states switching to census-based funding systems seeing a decrease in special education enrollment and increased turnover among special education teachers. Kolbe and Killeen (2017) found that Vermont's long-standing cost reimbursement formula may have incentivized some local educators to identify struggling students for special education.

Recent evaluations of North Carolina's funding policy—particularly the state's funding cap—found that the state's policies reinforce existing financial inequities and create new ones across school districts. The state's single flat grant does not adjust for differences in student needs across districts (Needham, 2023), and capping per student funding at 12.75% of a district's enrollment disproportionately penalizes districts that serve larger shares of economically disadvantaged and minoritized students (Needham & Houck, 2019). It also is the case that places that received fewer state dollars per student receiving special education relied more heavily on local revenues to make up the funding gap, potentially “encroaching” on funding available for its general education program (Needham, 2023).

Despite longstanding concerns about categorical aid for special education incentivizing or disincentivizing local decisions to identify students for special education, emerging research suggests that the total funding available for educating all students in district may also have an impact on these decisions. In other words, there is a risk that the level of unrestricted funding available to educate all students may affect local decisions to identify students with disabilities since, when faced with insufficient resources to meet the needs of all students, local educators may seek to constrain costs by limiting the number of students found eligible for special education (Parrish et al., 2015). For instance, some research suggests that average levels of per pupil spending in a state or school district are positively associated with overall identification rates (Kolbe & Dhuey, 2020) as well as with

⁴ Federal policymakers also have expressed concerns about how the funding that states receive from IDEA may impact decisions regarding the identification of students for special education. During IDEA's 1997 reauthorization, the basis used to calculate state aid was changed from a state's share of students eligible for special education to a population-based calculation. This change severed the link between the special education child count and a state's federal grant amount (House Committee on Education and the Workforce, 1997; 20 USC 1400(c)(12)).

identification rates for students with autism spectrum disorder (Barton et al., 2015; Kolbe & Dhuey, 2021; Mandell & Palmer, 2005; Palmer et al., 2005).

The financial burden associated with using non-special education funding to pay for special education expenditures is greater in places that have less wealth, and access to funding, generally, may create incentives for places to identify or not identify students depending on available funding (Conlin & Jalilevand, 2018). Access to unrestricted (non-special education) funding may also affect the composition of a district's special education population; places with more funding are more likely to identify more students in high-incidence and low-cost disability categories (Conlin & Jalilevand, 2015).

Additionally, there is evidence to suggest that increases in overall levels of state funding for districts' educational programs are associated with a positive change in the percentage of students identified for special education, particularly in places that see the largest increases in funding (Dhuey & Kolbe, 2022; Kolbe & Dhuey, 2022). However, at the same time, recent evidence suggests that increasing overall levels of funding available to a district or school may translate into higher levels of overall achievement for students with disabilities (Cruz et al., 2020).

Exhibit 8. Key Findings From Studies Examining the Motivational Effects of State Funding Policies on Identification for Special Education

Study	State/National	Key Findings
Conlin & Jalilevand (2015)	Michigan	The composition of special education students (according to disability category) within a district varies significantly based on the district's wealth, and this composition is likely to change with changes in district wealth.
Conlin & Jalilevand (2018)	Michigan	- The financial burden associated with using unrestricted (non-special education) funds for special education expenditures is greater for the poorest districts due to the larger fraction of students needing special education services. - Students receiving special education services vary with district wealth, and this variation is likely attributable to both compositional differences of special-need students and financial incentives that create differences in special education identification and services.
Cullen (2003)	Texas	- A 10% increase in supplemental revenues generated by a student with a disability translated into a 2% increase in the fraction of students identified for special education. - The response to additional supplemental revenues was larger for identifying students in high-incidence, low-cost disability categories (e.g., specific learning disabilities, speech disorders, or communication disorders). - The response to supplemental funding was smaller in larger districts and districts where student enrollment is less concentrated across schools. - Fiscally constrained districts were more likely to respond to financial incentives (or disincentives).

Study	State/National	Key Findings
Dhuey & Lipscomb (2011 & 2013)	National	Nationally, special education identification rates fell in states that introduced census-based funding systems, particularly for less severe disabilities and in more subjectively diagnosed disability categories.
Kwak (2010)	California	California's change to a census-based funding formula generated a reduction in special education identification rates.
Kolbe & Killeen (2017)	Vermont	The state's reimbursement-based funding system incentivized districts to identify struggling students for special education to gain access to more funding and instructional services.
Needham (2023)	North Carolina	A flat grant-funding mechanism drives inequities in special education revenues among the state's districts, and the funding cap exacerbates these imbalances. Districts with larger percentages of students with disabilities, especially those with higher needs, spend a greater share of the unrestricted funding available for all students' educational programs on special education services for students with disabilities.
Needham & Houck (2019)	North Carolina	Funding caps in North Carolina created large systematic disparities in funding resources among school districts.
Stock & Carriere (2021)	National	A state's shift to a census-based funding system was related to a decline in special education enrollment and increased special education teacher turnover.

Policy Design Considerations for State Special Education Funding Formulas

Designing a state funding formula for special education involves balancing competing goals: ensuring adequate support for students with disabilities, maintaining fiscal efficiency, and promoting equitable access to services across districts. Effective formulas reflect deliberate policy choices about how states define their financial role, distribute funds, and align funding with service delivery goals. Three key design considerations emerge from state approaches nationwide.

1. Align funding mechanisms with policy goals for service delivery

Funding systems should reinforce, rather than undermine, state goals for how and where students with disabilities receive services. Well-aligned formulas minimize incentives that might influence identification or placement decisions and instead support inclusive service delivery in the least restrictive environment. Because most students with disabilities spend most of their time in general education settings, special education and general education funding systems must be coordinated. When these systems are misaligned—for example, if one rewards separate placements or caps eligibility while the other promotes inclusion—the result can be conflicting incentives and fragmented supports. Distribution mechanisms should therefore encourage collaboration across programs and funding streams to ensure coherence and shared responsibility for serving all students.

2. Funding should be based on the cost of providing appropriate special education services

A strong funding formula begins with a clear understanding of what it costs to provide the

services and supports that enable students with disabilities to meet grade-level expectations and state standards. This means estimating the resources necessary to implement individualized education programs (IEPs) consistent with evidence-based best practices—not simply replicating what districts currently spend. Current expenditures may reflect historical underfunding or local fiscal constraints rather than the actual cost of delivering appropriate special education services.

Once those costs are understood, states can design funding levels and distribution formulas that reflect them. The mechanisms used to allocate funds—such as weights, grants, or reimbursement models—may vary, but the total amount of aid provided should be empirically grounded in what it takes to deliver effective instruction and related services. Establishing funding levels that are grounded in the actual cost of providing evidence-based services is the only reliable way to ensure that special education is both adequate and equitable. When special education funding is determined without regard to these underlying costs—or is disconnected from the general education base used in the broader funding system—the result can be inequitable and inconsistent support across districts.

3. Promote efficiency and fairness in distributing funds to districts

State funding should be distributed using predictable and transparent formulas that allow districts to plan, budget, and sustain special education programs over time. Predictable funding promotes stability in staffing and service delivery, while transparency helps ensure that local education agencies understand how funding levels are determined and can anticipate how future changes in enrollment, student need, or state appropriations will affect their allocations.

Funding formulas also must be equitable, accounting both for differences in student need and cost and for variation in local financial capacity. Districts serving higher proportions of students with disabilities, or students with more intensive service needs, should receive commensurate support. Likewise, funding systems should recognize that districts differ in their ability to raise local revenues—due to differences in property wealth, income levels, or tax effort—and adjust state aid accordingly. Equitable and transparent formulas ensure that all districts, regardless of local wealth, have the resources needed to provide a free appropriate public education (FAPE) and deliver evidence-based, high-quality services to students with disabilities.

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Appendix A. Overview of State Special Education Funding Policies (FY2021)

State	Basis	Mechanism	Funding Cap
Alabama	Stipulated %	Single weight	None
Alaska	Census	Single weight	None
Arizona	SWD	Multiple weights	None
Arkansas	Embedded	N/A	None
California	Census	Fixed dollar grant	None
Colorado	SWD	Tiered grant	None
Connecticut	Embedded	N/A	None
Delaware	Resource/SWD	Tiered grants	None
DC	SWD	Multiple weights	None
Florida	SWD	Multiple weights	None
Georgia	SWD	Multiple weights	None
Hawaii	Hybrid	N/A	None
Idaho	Stipulated %	Tiered grants	None
Illinois	Resource/Census	Fixed dollar grant	None
Indiana	SWD	Tiered grants	None
Iowa	SWD	Multiple weights	None
Kansas	Expenditures	Cost reimbursement	None
Kentucky	SWD	Multiple weights	None
Louisiana	SWD	Single weight	None
Maine	SWD/Capped	Single weight	15%
Maryland	SWD	Single weight	None
Massachusetts	Stipulated %	Fixed dollar grant	None
Michigan	Expenditures	Cost reimbursement	None
Minnesota	Hybrid	N/A	None
Mississippi	Resource/SWD	Fixed dollar grant	None
Missouri	SWD/Capped	Single weight	None

State	Basis	Mechanism	Funding Cap
Montana	Hybrid	Fixed dollar grant	None
Nebraska	Expenditures	Cost reimbursement	None
Nevada	SWD/Capped	Multiple weights	13%
New Hampshire	SWD	Fixed dollar grant	None
New Jersey	Stipulated %	Fixed dollar grant	15.40%
New Mexico	SWD	Multiple weights	None
New York	SWD	Single weight	None
North Carolina	SWD/Capped	Fixed dollar grant	12.75%
North Dakota	Census	Single weight	None
Ohio	SWD	Multiple weights	None
Oklahoma	SWD	Multiple weights	None
Oregon	SWD/Capped	Single weight	11%
Pennsylvania	SWD	Multiple weights	None
Rhode Island	Embedded	N/A	None
South Carolina	SWD	Multiple weights	None
South Dakota	Hybrid	Tiered grants	None
Tennessee	Resource/SWD	Tiered grant	None
Texas	SWD	Multiple weights	None
Utah	SWD/Capped	Fixed dollar grant	12.18%
Vermont	Census	Fixed dollar grant	None
Virginia	Resource/SWD	Fixed dollar grant	None
Washington	SWD/Capped	Multiple weights	None
West Virginia	Resource	Fixed dollar grant	None
Wisconsin	Expenditures	Cost reimbursement	None
Wyoming	Expenditures	Cost reimbursement	None

Note. N/A = not applicable; SWD = students with disabilities.