

Review of Oregon's Special Education Spending and Funding

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Contents

Introduction	1
Context for Analyses	1
Special Education Funding for School Districts.....	10
Key Takeaways	10
Total Special Education Funding.....	11
Funding Per Student Receiving Special Education.....	13
Differences Among Districts in Special Education Funding	14
Special Education Spending	24
Key Takeaways	24
Statewide Special Education Spending.....	25
Differences Among Districts in Special Education Spending	26
Comparison Between Special Education Spending and Funding	30
Key Takeaways	30
Differences Between Special Education Funding and Spending	30
Conclusion.....	33
References	35
Appendix A. Data Used in Analyses	1

Exhibits

Exhibit 1. Number of Oregon School Districts Receiving SSF Special Education Funding Cap Waivers, School Year 2022–23	5
Exhibit 2. Percentages of Students Receiving Special Education Included in Districts’ ADMw, FY 2022–23.....	5
Exhibit 3. Percentage of Eligible Expenses Reimbursed by the HCDF, FYs 2018–19 to 2022–23	7
Exhibit 4. Percentage of Students Statewide Receiving Special Education, Overall and by Disability Cost Categories, School Years 2018–19 to 2022–23.....	8
Exhibit 5. Percentage of Oregon School Districts with Students Receiving Special Education, SYs 2018–19 to 2022–23.....	9
Exhibit 6. Special Education Revenues from Federal IDEA Part B Section 611 and State Sources, FYs 2018–19 to 2022–23	12
Exhibit 7. Special Education Funding from Federal IDEA Part B and State Sources Per Student Receiving Special Education, FYs 2018–19 to 2022–23	13
Exhibit 8. Average Special Education Revenues from High-Cost Disability Fund Per Eligible Student, FYs 2018–19 to 2022–23	14
Exhibit 9. Differences Among Districts in State Special Education Funding Per Student Receiving Special Education, FY 2022–23.....	15
Exhibit 10. Differences In Total State Special Education Funding Per Student Receiving Special Education, FY 2022–23	16
Exhibit 11. Differences Among Districts in the General-Purpose Grant Per ADMw, FY 2022–23	17
Exhibit 12. Differences In Percent of Students Included in District Funding Cap Waiver, FY 2022–23.....	19
Exhibit 13. Regression-Predicted Percentage of Students Receiving Special Education Above a District’s Cap That Were Funded with a Waiver at the 10th and 90th Percentiles of Various Cost Factors, FY 2022–23	19
% of students receiving special education above a district’s cap that were funded with a waiver.....	19
Exhibit 14. Variation Among Districts in HCDF Funding Per IEP, FYs 2018–19 to 2022–23	20

Exhibit 15. Variation Among Districts in HCDF Funding Per Eligible Student, FYs 2018–19 to 2022–23	21
Exhibit 16. Differences in HCDF Amounts Per Student Eligible to Receive HCDF, by Local Education Agency Characteristics, FY 2022–23	22
Exhibit 17. Variation Among Districts with Funding from Education Service Districts Per Student Receiving Special Education, FYs 2018–19 to 2022–23	23
Exhibit 18. Differences in Districts with Funding from Education Service Districts Per Student Receiving Special Education, by Local Education Agencies Characteristics, FY 2022–23	24
Exhibit 19. Total Statewide Special Education Spending, FYs 2018–19 to 2022–23	25
Exhibit 20. Special Education Spending Per Student Receiving Special Education, FYs 2018–19 to 2022–23	26
Exhibit 21. Variation Among District Spending Per Student Receiving Special Education, FYs 2018–19 to 2022–23.....	27
Exhibit 22. Average District Special Education Expenditures Per Student with an Individualized Education Program, FY 2022–23	28
Exhibit 23. Regression-Predicted Special Education Spending Per Student Receiving Special Education at the 10th and 90th Percentiles of Various Cost Factors, FY 2022–23.....	29
Exhibit 24. Comparison Between Statewide Total Special Education Spending and Funding, FYs 2018–19 to 2022–23.....	31
Exhibit 25. Comparison Between Average Special Education Spending and Funding, Per Student Receiving Special Education, FYs 2018–19 to 2022–23	32

Introduction

In 2024, the Oregon State Legislature contracted with the American Institutes for Research® (AIR®) to conduct a comprehensive review of its Grades K–12 education funding system. This report presents findings from AIR’s review of Oregon’s special education funding system, including:

1. The current levels of federal and state special education funding and how funding amounts differ among Oregon’s school districts.
2. Estimates for how much Oregon school districts spend on their special education programs and the factors that explain differences in spending among school districts.
3. The extent to which state special education funding pays for district spending on special education.

In the next section, we provide context for our overall analyses, including a description of the federal requirements guiding state funding for special education, a description of the federal and state funding sources used to pay for special education expenditures, and a high-level description of the state's population of students receiving special education.

Context for Analyses

Federal Requirements for State Funding

District special education programs are guided by federal law and regulations and state-specific policies designed to ensure that students with disabilities receive a Free Appropriate Public Education (FAPE).¹ IDEA Part B provides federal funding to pay for 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 IDEA funding, states must ensure that local educators comply with the law’s detailed procedural requirements for implementing special education programs. This includes ensuring that students identified as having a disability and eligible for special education services are entitled to an individualized education program (IEP) that describes the services and supports the student is entitled to receive. The state and its school districts are obligated to provide these services at no cost to the students or their families.

¹ 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 with those offered to children without disabilities.

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 remaining balance of funding. When IDEA was enacted, the federal government promised to pay 40% of the excess costs of special education.² 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 fiscal year (FY) 2020/2021, federal special education grants to states (IDEA Part B, Section 611) comprised just about 13% of the estimated additional expense of providing supports and services for students with IEPs (Zembar, 2021).

The limited federal role in paying for special education programs places the impetus for paying for the remaining costs of providing special education and related services to students with disabilities on states, and 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 meeting the costs of providing special education services. 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 children with the highest cost disabilities (Parker, 2019). Historically, Vermont's special education funding formula paid for about 60% of local special education spending (Bouchev et al., 2018), while California's block grant formula covers, on average, about 31% of local special education costs (Bouchev 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: (a) a Maintenance of State Financial Support (MFS), and (b) 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))

² IDEA defines the excess cost of special education as those costs that are more than the average per pupil expenditure in a local education agency (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 costs approximately twice as much as educating a child with no special needs (e.g., Rossmiller et al., 1970).

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 LEAs 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 LEAs. Instead, states are bound to maintain an aggregate level of financial support across all entities in the 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 to LEAs 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 the 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 implement a funding mechanism in which 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.

Sources of Funding for Special Education in Oregon

Oregon’s public-school districts and Education Service Districts (ESDs)³ receive federal and state funding to pay for the expense of providing special education services to students with disabilities. School districts may also use local revenue sources to make up the difference between supplemental funding and actual expenditures.

Federal Funding

IDEA Part B provides federal funding to pay for the excess cost of providing special education for school-aged students, ages 3 to 21. IDEA Part B funds are distributed through two separate grants: Section 611 and Section 619. Section 611 grants offset state and local expenses for providing special education to school-aged children, ages 3 to 21. Section 619 authorizes additional preschool formula grants to states. In addition to IDEA funding, districts may also receive funding for special education from other federal programs, including Medicaid reimbursement and, in the wake of the COVID-19 pandemic, the U.S. Department of Education’s Education Stabilization Fund.

State Funding

Oregon operates three programs that provide supplemental state funding to public school districts for special education: (a) a special education weight that is part of the State School

³ Educational Service Districts (ESDs) in Oregon are regional units that provide educational programs and services to school districts across the state. ESDs coordinate programs and services across multiple districts, help to moderate costs, and link local public schools with state and national educational resources.

Fund (SSF); (b) grants from the High-Cost Disability Fund (HCDF); and (c) pass-through funding from the state's ESDs.

SSF—Special Education Weight

The SSF equalization formula is the primary mechanism for funding special education. The formula uses a system of weights to provide districts with additional funding to offset the differences in the cost of educating students who have special needs, including students who receive special education services. The formula allocates funding based on a district's weighted average daily membership (ADMw). District ADMw is the count of students included in a district's resident average daily membership (ADMr) that has been adjusted using a system of weights to reflect the differences in the cost of educating different types of students. The ADMw is then multiplied by a base per pupil amount to calculate a district's total funding; districts with a higher ADMw relative to their ADMr receive more funding per pupil (as measured by ADMr).

Students counted in a district's ADMr who also receive special education services receive an extra weight of 1.0 in the SSF; that is, students who receive special education services are counted as two students in a district's ADMw for the purposes of receiving SSF funding. However, the calculation caps the number of students receiving special education in a district that can receive the additional weight. The SSF special education weight is not applied to the count of additional students receiving special education above 11% of a district's ADMr. For example, if a school district has 1,000 students of which 150 receive special education services (15% of students), only 110 (11%) of the students receiving special education will be counted for the purposes of calculating the number of students receiving special education that is included in a district's ADMw.

Oregon statute allows the Oregon Department of Education (ODE) to grant waivers to SSF's special education funding cap for districts with counts of students receiving special education above the funding cap.⁴ ODE uses a formula that considers the extent of need for the students in the district who receive special education services and a district's overall special education spending to determine which districts qualify for a waiver.

For the 2022–23 school year, 167 (88%) of Oregon school districts exceeded the SSFs special education funding cap because more than 11% of their student population received special education services (Exhibit 1). Of these 167 school districts, 151 received waivers for an additional dollar fraction for their students receiving special education services. Another 16 districts that exceeded the cap did not receive waivers.

⁴ See ORS 327.013 for additional information on the special education funding cap and ODE's authority to waive these requirements for some districts.

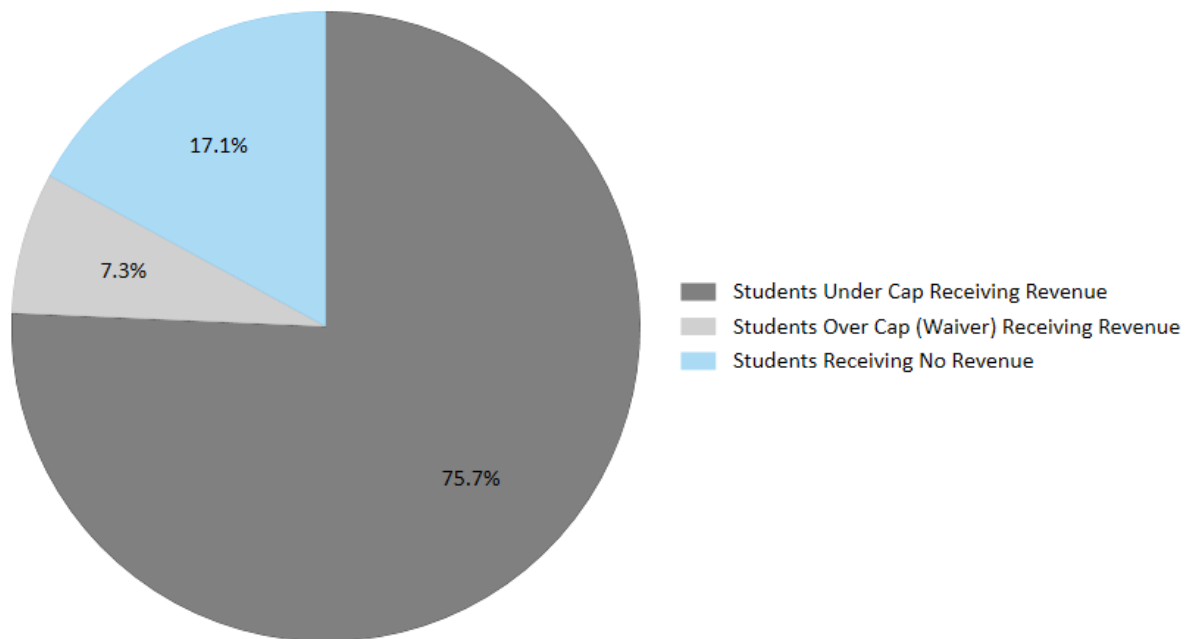
Exhibit 1. Number of Oregon School Districts Receiving SSF Special Education Funding Cap Waivers, School Year 2022–23

District data	Number of districts
Total districts	189
Number of districts under 11% cap	22
Number of districts above 11% cap but received no waiver	16
Number of districts above 11% and received waiver	151

Note. Data provided by Oregon Department of Education. SSF = State School Fund.

Receiving a waiver does not guarantee that all students receiving special education services above the 11% SSF special education cap are counted in the district’s ADMw. Instead, ODE exercises discretion in determining the number of additional students a district can apply to its SSF special education weight. When making decisions, ODE considers the number of students in a district with more severe disabilities and the district’s spending for those students. For FY 2022–23, the SSF special education weight applied to 75.7% of students statewide who received special education, and the state provided funding using a funding cap waiver for an additional 7.3% of the state’s students who received special education (Exhibit 2). The average district did not receive additional SSF funding for the remaining 17.1% of students who received special education services.

Exhibit 2. Percentages of Students Receiving Special Education Included in Districts’ ADMw, FY 2022–23



Note. Data provided by Oregon Department of Education.

High-Cost Disability Fund

Oregon operates an HCDF that provides districts with funding to pay for extraordinary spending for students who have high-cost disabilities and receive special education. HCDF is designed to help districts offset the financial burden of providing intensive services to a small number of students. Districts can apply for funding from the HCDF when the expense of providing special education services for a specific student exceeds \$30,000 in a school year.

Starting with FY 2020–21, the Oregon legislature increased annual appropriations for the HCDF to \$55 million.⁵ Even with increased funding, district applications for reimbursement from the HCDF have exceeded available funding. When there is a gap between available funding and district requests, ODE prorates district reimbursements for available funds. ODE provides districts with an initial reimbursement from the HCDF based on estimates of funding availability, and the grant is reconciled the following year based on eligible expenditures. In the first year following the increase in appropriations, the HCDF reimbursed districts for about 58% of their eligible expenditures; however, for FY 2022–23, the reimbursement rate fell to about 41% of eligible district expenditures (Exhibit 3).

Education Service Districts

Oregon’s ESDs are regional offices of education that centralize the delivery of services that may be too costly or otherwise difficult to implement within an individual district or schools, including general and specialized services for students with disabilities. The state allocates 5% of total SSF funding to Oregon’s ESDs in each funding biennium. A portion of this funding is passed through to school districts to pay for special education services, and a portion is used by ESDs to provide direct services to students with disabilities. The special education services provided by an ESD and the special education funding passed through by ESDs to districts varies among the state’s school districts.⁶

⁵ In FY 2020–21, Oregon’s Student Success Act provided an additional \$20 million to the appropriations for the HCDF, increasing the total funding to \$55 million for that year and each year thereafter. (https://www.oregonlegislature.gov/citizen_engagement/Reports/2020-ODE-Student%20Success%20Act-Progress%20Report-February.pdf?ID=2043).

⁶ We can identify ESD spending on special education using ODE financial records, which report when funds are used under Area of Responsibility Code 320: Special Education. ESDs use their funding to provide services for special education in two ways. First, they can directly offer services to students needing special education. Second, they can transfer funds to school districts to provide special education services. Both transactions provide supplemental state funding to school districts for special education.

Exhibit 3. Percentage of Eligible Expenses Reimbursed by the HCDF, FYs 2018–19 to 2022–23



Note. Data provided by Oregon Department of Education. HCDF = High-Cost Disability Fund.

Students Receiving Special Education Services

In the 2022–23 school year, 14.5% of Oregon students received special education services, a 5% increase from the 2018–19 school year (Exhibit 4). Statewide, the largest increases in students receiving special education were among students who on average require more expensive special education services. Between the 2018–19 and 2022–23 school years, there was a 27.6% increase in students with moderate- and high-cost disabilities (from 4.9% to 6.2%, respectively) of Oregon’s Grades K–12 student population. During the same period, the share of students with disabilities typically characterized as “low cost” decreased by 7.2 percentage points. This suggests that the overall increased rates of special education identification also reflect higher levels of need among the population of students receiving special education.

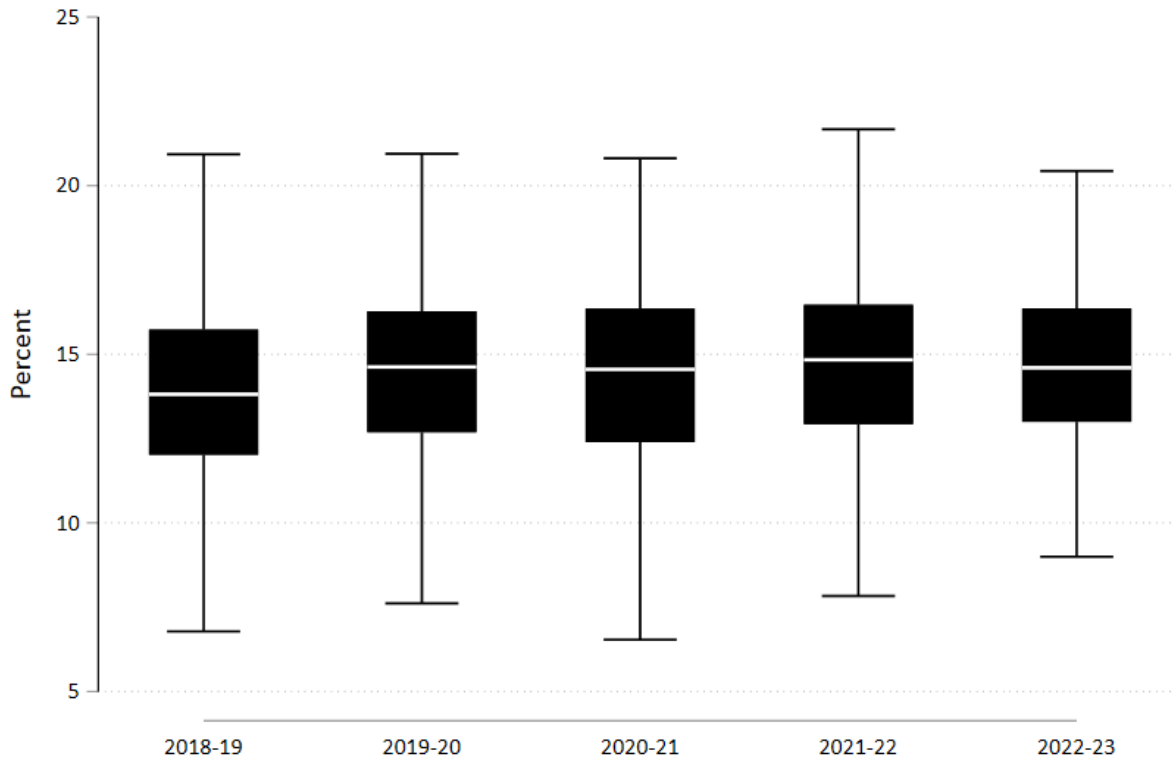
The percentage of students receiving special education was relatively unchanged from SY 2018–19 to SY 2022–23 (Exhibit 5).

Exhibit 4. Percentage of Students Statewide Receiving Special Education, Overall and by Disability Cost Categories, School Years 2018–19 to 2022–23

School year	Students receiving special education	Students with moderate- or high-cost disabilities	Students with low-cost disabilities
2018–19	13.8%	4.9%	8.9%
2019–20	14.2%	5.3%	8.9%
2020–21	14.2%	5.7%	8.5%
2021–22	14.5%	6.2%	8.4%
2022–23	14.5%	6.2%	8.3%
Percentage point change (2018–19 to 2022–23)	0.7%	1.4%	-0.6%
Relative % change (2018–19 to 2022–23)	5.0%	27.6%	-7.2%

Note. Data provided by Oregon Department of Education. The percentage of students receiving special education equals the statewide count of students receiving special education used by ODE to calculate districts’ ADMw divided by the statewide count of Grades K–12 enrollment. We categorize students with disabilities by cost category using information reported by the 1999–2000 Special Education Expenditure Project (Chambers et al., 2003). Low-cost disabilities include (a) specific learning disabilities, and (b) speech or language impairment. Moderate-cost disabilities include (a) developmental delay, (b) emotional disturbance, (c) intellectual disability, or (d) other health impairment. High-cost disabilities include (a) autism spectrum disorder, (b) deaf-blindness, (c) hearing impairment, (d) multiple disabilities, (e) orthopedic impairment, (f) traumatic brain injury, and (g) visual impairment.

Exhibit 5. Percentage of Oregon School Districts with Students Receiving Special Education, SYs 2018–19 to 2022–23



Note. Source. Data provided by Oregon Department of Education. The percentage of students receiving special education equals the statewide count of students receiving special education used by ODE to calculate districts’ ADMw divided by the statewide count of Grades K–12 enrollment. The box plot summarizes the distribution of the percentage of students receiving special education by districts in Oregon. The center line inside each box marks the median (50th percentile). The bottom edge of the box corresponds to the 25th percentile and the top edge represents the 75th percentile. The interquartile range (IQR) is the difference between these values (75th percentile minus 25th percentile). The “whiskers” extend beyond the box to show the range of typical values. The lower whisker, or “lower adjacent value,” is calculated as the 25th percentile minus 1.5 times the IQR. Similarly, the upper whisker, or “upper adjacent value,” is the 75th percentile plus 1.5 times the IQR. There are 19 districts above or below the whiskers in 2022-23. The larger the difference in spread between the values means there is a larger variation among districts in the percentages of students receiving special education.

Special Education Funding for School Districts

In the sections that follow, we first describe the total amount of federal and state special education funding that was allocated to Oregon’s school districts, statewide and per student receiving special education. We then examine the extent to which districts received different amounts of federal and state funding.

Key Takeaways

- Federal and state funding for special education grew 17.2% between FY 2018–19 and 2022–23; however, after accounting for inflation, the spending power of dollars districts received in FY 2022–23 was about the same as FY 2018–19.
- For FY 2022–23, districts received, on average, \$12,039 in federal IDEA Part B and state special education funding per student receiving special education. However, average funding per student receiving special education ranged from \$7,149 to \$100,637 between the districts receiving the most and least amount of funding.
- Districts received differing amounts of *state* special education funding per student receiving special education, with some districts receiving as little as \$6,068 and some as much as \$89,223. The differences in state funding were based on the waivers provided to the funding cap, the number of students eligible for HCDF in a district, and the amount of special education funding a district received from an ESD.
- Districts serving higher percentages of students moderate and high-cost disabilities, relative to districts received only slightly more funding per student than districts with smaller percentages of students who are more expensive to serve.
- Districts who exceeded the funding cap received on average \$2,885 for each student above the cap. This is \$5,309 less than what they received for each student counted below the cap.
- Even with substantial increases in state appropriations since FY 2020–21, HCDF funding per eligible high-cost student declined between FYs 2020–21 and 2022–23, from \$12,345 to \$11,338 per eligible student, due to an increasing number of students with special education expenditures of more than \$30,000 per school year. The number of eligible high-cost students increased from 4,982 (6.3% of all special education students) to 5,442 (6.9%) from during this period.
- Special education funding from the SSF’s allocation for ESDs mostly benefits the state’s small districts.

Total Special Education Funding

For FY 2022–23, Oregon school districts statewide received more than \$944 million in special education funding from federal and state sources (Exhibit 6 – top). State appropriations made up about 86% of this funding, with 68.6% of total funding coming from the SSF special education weight, 11.5% in SSF–ESD special education funding, and 5.9% from the HCDF. Federal revenues from IDEA Part B covered 14% of the state’s total special education funding.⁷ Total federal and state appropriations increased 17.2% between FYs 2018–19 and 2022–23. Most of this growth was attributable to increased appropriations for the SSF special education weight, which increased 23.9% over this period; federal revenues from IDEA Part B Section 611 increased about 9.8% over the same period.

After accounting for inflation, the spending power of the total FY 2022–23 special education funding districts received from federal and state sources was about the same as FY 2018–19 (Exhibit 6 - bottom). This was largely due to federal IDEA Part B funding failing to increase at the same rate of inflation. The purchasing power of federal IDEA Part B revenues decreased in real terms by 5.8%, from \$138 million in FY 2018–19 to \$130 million in FY 2022–23. At the same time, inflation-adjusted state funding from the SSF special education weight increased from \$677 million in FY 2018–19 to \$720 million in FY 2022–23, a 6.3% increase in real dollars.

⁷ Federal revenues described in this report include revenues from IDEA Part B, Section 611; we do not report funding that LEAs might receive from IDEA Part B, Section 619. School districts may also use other federal funding to pay for special education, including Medicaid reimbursement, funding from other parts of IDEA, and post–COVID-19 federal Educational Stabilization Funding.

Exhibit 6. Special Education Revenues from Federal IDEA Part B Section 611 and State Sources, FYs 2018–19 to 2022–23



Note. Data provided by Oregon Department of Education. In the bottom graph, all revenues were converted to 2022 real dollars using the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Funding Per Student Receiving Special Education

For FY 2022–23, statewide there was about \$12,039 in federal IDEA Part B and state special education funding per student receiving special education, a 16.6% increase from FY 2018–19 (Exhibit 7). After adjusting for inflation, however, the overall purchasing power of this funding was essentially unchanged from FY 2018–19.

Exhibit 7. Special Education Funding from Federal IDEA Part B and State Sources Per Student Receiving Special Education, FYs 2018–19 to 2022–23

Fiscal year	IDEA Part B (Section 611)	SSF		HCDF	Total funding per SpEd
		SpEd weight	ESD		
Actual dollars					
2018–19	\$1,526	\$6,950	\$1,397	\$453	\$10,325
2019–20	\$1,514	\$7,263	\$1,411	\$444	\$10,633
2020–21	\$1,539	\$7,526	\$1,541	\$700	\$11,306
2021–22	\$1,603	\$7,777	\$1,532	\$708	\$11,619
2022–23	\$1,677	\$8,194	\$1,456	\$712	\$12,039
Relative change (2018–19 to 2022–23)	9.9%	17.9%	4.2%	57.2%	16.6%
Inflation-adjusted 2022 dollars					
2018–19	\$1,778	\$8,100	\$1,628	\$528	\$12,034
2019–20	\$1,733	\$8,314	\$1,616	\$509	\$12,172
2020–21	\$1,740	\$8,510	\$1,742	\$792	\$12,785
2021–22	\$1,731	\$8,399	\$1,654	\$764	\$12,549
2022–23	\$1,677	\$8,194	\$1,456	\$712	\$12,039
Relative change (2018–19 to 2022–23)	-5.7%	1.2%	-10.6%	34.9%	0.0%

Note. Data provided by Oregon Department of Education. SSF = State School Fund; SpEd = special education; ESD = Education Service Districts; HCDF = High-Cost Disability Fund. Summary statistics weighted by total district enrollment. This means that the averages will reflect the funding distribution as experienced by the average student statewide. This approach gives more weight to larger districts, where more students are enrolled, and less to smaller districts. Inflation-adjusted revenues were converted to 2022 real dollars using the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Districts can apply for additional funding from the HCDF for students for whom they spend more than \$30,000 on special education and related services in a school year. For FY 2022–23, the HCDF provided \$11,338 in funding per eligible high-cost student on average (Exhibit 8).

Even with substantial increases in state appropriations, HCDF funding per eligible high-cost student declined between FYs 2020–21 and 2022–23, from \$12,395 to \$11,338, per eligible student, respectively. Since state appropriations for the HCDF have not changed since FY 2020–21, the decline in HCDF funding per student is due to an increasing number of eligible students with special education expenditures of more than \$30,000 per school year. The number of eligible high-cost students increased from 4,982 (6.3% of all special education students) to 5,442 (6.9%) from during this period.

Exhibit 8. Average Special Education Revenues from High-Cost Disability Fund Per Eligible Student, FYs 2018–19 to 2022–23

School year	Number of Eligible Students	Actual dollars	Inflation-adjusted dollars
2018–19	4,982	\$7,519	\$8,763
2019–20	5,292	\$7,288	\$8,342
2020–21	4,922	\$12,395	\$14,016
2021–22	5,049	\$12,020	\$12,982
2022–23	5,442	\$11,338	\$11,338

Note. Data provided by Oregon Department of Education. Summary statistics weighted by district enrollment counts. This means that these averages reflect the funding distribution as experienced by the average student statewide. This approach gives more weight to larger districts with more enrolled students and less to smaller districts with fewer enrolled students. Inflation-adjusted revenues were converted to 2022 real dollars using the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Differences Among Districts in Special Education Funding

Oregon school districts received differing amounts of additional federal and state funding for school districts to provide special education services to eligible students (Exhibit 9). For FY 2022–23, school districts received on average \$12,039 in total federal IDEA Part B Section 611 and state funding for each student for whom they provided special education services. However, some districts received as little as \$7,149 while other districts received as much as \$100,637; this is a difference of \$93,487 per student receiving special education.

ODE distributes federal IDEA Part B Section 611 funding using a federally defined formula that allocates specific amounts of funding to each district. For FY 2022–23, districts received on average \$1,677 in IDEA Part B funding per student receiving special education. That said, some

districts received as little as \$343 and some as much as \$11,346 for each student receiving special education services.

Oregon school districts also received differing amounts of state special education funding per student receiving special education (Exhibit 9).⁸ For FY 2022–23, districts received on average \$10,362 in state special education funding for each student receiving special education services; however, this amount varied considerably among districts, from as little as \$6,068 to as much \$89,291.

Exhibit 9. Differences Among Districts in State Special Education Funding Per Student Receiving Special Education, FY 2022–23

	Average district funding per SpEd	District Min	10 th Percentile	90 th Percentile	District Max	Max-Min
Total federal and state special education funding	\$12,039	\$7,149	\$10,039	\$13,953	\$100,637	\$93,487
Federal IDEA PART B funding	\$1,677	\$343	\$1,415	\$2,158	\$11,346	\$11,003
Total state special education funding	\$10,362	\$6,068	\$8,434	\$12,078	\$89,291	\$83,223
State School Fund (SSF) SpEd weight	\$8,194	\$3,491	\$7,439	\$9,185	\$10,088	\$6,596
SSF–Education Service Districts	\$1,456	\$6	\$293	\$2,632	\$79,203	\$79,197
High-Cost Disability Fund (HCDF)	\$712	\$0	\$84	\$1,379	\$2,515	\$2,515

Note. Data provided by Oregon Department of Education. SpEd = special education. Summary statistics are weighted for district enrollment counts and reflect the funding distribution experienced by the average student statewide. This approach gives more weight to districts with larger enrollments when calculating an average and less weight to districts with smaller enrollments.

⁸ State special education funding includes revenues from the SSF special education weight, the HCDF, and SSF ESD special education funding.

There were systematic differences in the characteristics of districts that received either more or less total state special education funding (Exhibit 10). On average:

- Districts with the largest enrollments received \$2,501 less in total state funding per student receiving special education than those with the smallest enrollments. Rural districts received \$811 less than urban districts.
- Districts with the largest percentages of students receiving special education received \$2,431 less per student than districts with the smallest percentages of students receiving special education.
- Districts with the largest and smallest percentages of students with moderate- or high-cost disabilities received comparable amounts of state funding.
- Districts with the highest percentages of students experiencing poverty received about the same amount of funding as districts with the lowest percentages of similar students.

Taken together, these findings suggest that differences in funding among districts do not so much reflect differences in student needs, but rather differences in district size and location.

In the sections below, we consider how each component of the state’s special education funding formula contributes to differences in the average amount of state funding that districts receive to pay for special education.

Exhibit 10. Differences In Total State Special Education Funding Per Student Receiving Special Education, FY 2022–23

Difference in Total State Special Education Funding	Q1 (lowest)	Q2	Q3	Q4 (highest)	Q4–Q1
Enrollment (full-time equivalent)	\$12,932	\$10,128	\$9,882	\$10,430	-\$2,501
% students receiving special education	\$12,009	\$10,497	\$9,723	\$9,578	-\$2,431
% students with moderate- or high-cost disabilities	\$9,663	\$10,350	\$10,867	\$10,320	\$657
% students experiencing poverty	\$10,824	\$10,333	\$9,646	\$10,294	-\$530
Locale	\$10,808 (City)	\$10,440 (Suburb)	\$9,991 (Town)	\$9,997 (Rural)	-\$811 (Rural-City)

Note. Data on revenue, percentage of students with low-cost disabilities, and student enrollment per district provided by Oregon Department of Education. Other information describing district characteristics from the Common Core of Data. Summary statistics are weighted for district enrollment counts and reflect the funding distribution experienced by the average student statewide. This approach gives more weight to districts with larger enrollments when calculating an average and less weight to districts with smaller enrollments. Enrollment is measured by the total district enrollment. Locale is broken into four categories: city, rural, suburban, and town.

Differences Among Districts in SSF Special Education Weight Funding

The SSF special education funding weight provides an additional 1.0 times a district’s general-purpose grant per ADMw for each student receiving special education. That said, even though the weight is the same for all students receiving special education, Oregon school districts received differing amounts from the SSF special education funding weight for two reasons: (1) differences in the dollar amount for the general-purpose grant per ADMw for each student receiving special education, to which the weight is applied; and (2) differences in the number of students receiving special education counted for additional funding when ODE grants waivers to districts exceeding the 11% funding cap.

Variation From Differences in General-Purpose Grant Amounts

Oregon school districts have differing general purpose grant amounts per ADMw; that is, the base funding amount to which the weight is applied for a student who receives special education. The average general-purpose grant amount for districts is \$9,619 per student; however, the base amount ranges from \$8,987 to \$10,911 per student (Exhibit 11).⁹ This translates to a difference of about \$1,924 for each student receiving special education (up to the 11% funding cap) between districts with the smallest and largest general-purpose grants.

Exhibit 11. Differences Among Districts in the General-Purpose Grant Per ADMw, FY 2022–23

District General-Purpose Grant	Statewide average	Standard deviation	District minimum	10 th Percentile	90 th Percentile	District maximum	Difference (90 th percentile–10 th percentile)
Amount per ADMw	\$9,619	\$218	\$8,987	\$9,443	\$9,761	\$10,911	\$318

Note. Data provided by Oregon Department of Education.

⁹ The ADMw varies across districts due to two factors: (1) the Teacher Experience Factor and (2) the balance ratio. Oregon’s funding formula is based on a baseline ADMw of \$4,500. This amount is first adjusted by the Teacher Experience Factor, which adjusts the \$4,500 baseline funding according to the average level of experience of teachers in each school district. The Teacher Experience Factor is calculated as \$25 per pupil, multiplied by the difference between a district’s average teacher experience and the statewide average teacher experience. This value can be either positive or negative. The Teacher Experience Factor is then added to the baseline \$4,500. Second, the Teacher-Experience-Factor-adjusted baseline funding amount is modified by the balance ratio in each funding period. While the SSF was originally designed with a \$4,500 per pupil base funding amount, current SSF funding exceeds what would be required to meet this base. Therefore, the balance ratio adjusts the baseline funding amount to match the level of funding appropriated to the SSF in each funding biennium. In the 2022-23 school year, the SSF was funded at a level of 2.138. Therefore, each district’s Teacher-Experience-Factor-adjusted ADMw is multiplied by 2.138 to generate the actual ADMw. The modifications due to teacher experience and the balance ratio affect the dollar value of base funding per student *and the dollar values of any additional weights*, including those for special education.

Variation Based on Differences in Counts of Students Included in Funding Cap Waivers

The SSF special education funding weight is applied to general-purpose grants per ADMw amount for the count of students receiving special education, up to 11% of a district's enrollment. ODE may grant waivers to districts to apply the weight to counts of students receiving special education above the funding cap. For FY 2022–23, ODE granted most school districts (88%) a waiver to the funding cap.

When granting a waiver, ODE determines how many additional students receiving special education above the cap are eligible for the SSF special education weight. The number of additional students included in the waiver is based on the extent of student need and the cost of providing services to students receiving special education in the district. Statewide, nearly one quarter (24.5%) of students receiving special education were eligible to be counted for additional funding under a waiver, with 15.6% receiving additional funding (see Exhibit 2). The remaining 8.9% were not included in any district's ADMw and were unweighted in the formula (i.e., districts did not receive additional funding).

On average, districts received funding for 16.5% of their count of students receiving special education who were above the 11% cap; the other 83.5% of students above the cap were unfunded (Exhibit 12). However, the percentage of students above the cap for whom districts received funding varied – ranging from 2.6% to 75.6% of the count of students above the cap.

Districts with the highest percentages of students receiving special education received waivers for larger shares of their student count above the cap than districts with the smallest percentages of students receiving special education – a 17 percentage point difference between districts at the 10th and 90th percentiles (Exhibit 13). However, districts with the largest percentages of students with moderate- or high-cost disabilities received waiver funding for a slightly smaller percentage of their student count over the cap (a 2.1 percentage point difference).

Statewide, districts received an average of 9.8% in additional funding from the cap waiver (Exhibit 12). This corresponded to an average of \$2,885 per student who was included in the count above the cap - \$5,309 less than what a district would have received on average for a student receiving special education who was included in the count below the cap.

Exhibit 12. Differences In Percent of Students Included in District Funding Cap Waiver, FY 2022–23

Students receiving special education	Statewide average	Standard deviation	District minimum	10 th Percentile	90 th Percentile	District maximum
% of students receiving special education <u>above a district’s cap</u> that were funded with a waiver	17.6%	6.5%	2.6%	7.0%	25.9%	75.6%
% of total SSF special education weight funding from cap waiver	10.6%	8.4%	0.1%	1.6%	25.2%	47.6%
SSF funding per student receiving special education above a district’s cap revenue	\$2,981	\$1,585	\$46	\$981	\$5,468	\$8,534

Note. Data provided by Oregon Department of Education. SSF = State School Fund.

Exhibit 13. Regression-Predicted Percentage of Students Receiving Special Education Above a District’s Cap That Were Funded with a Waiver at the 10th and 90th Percentiles of Various Cost Factors, FY 2022–23

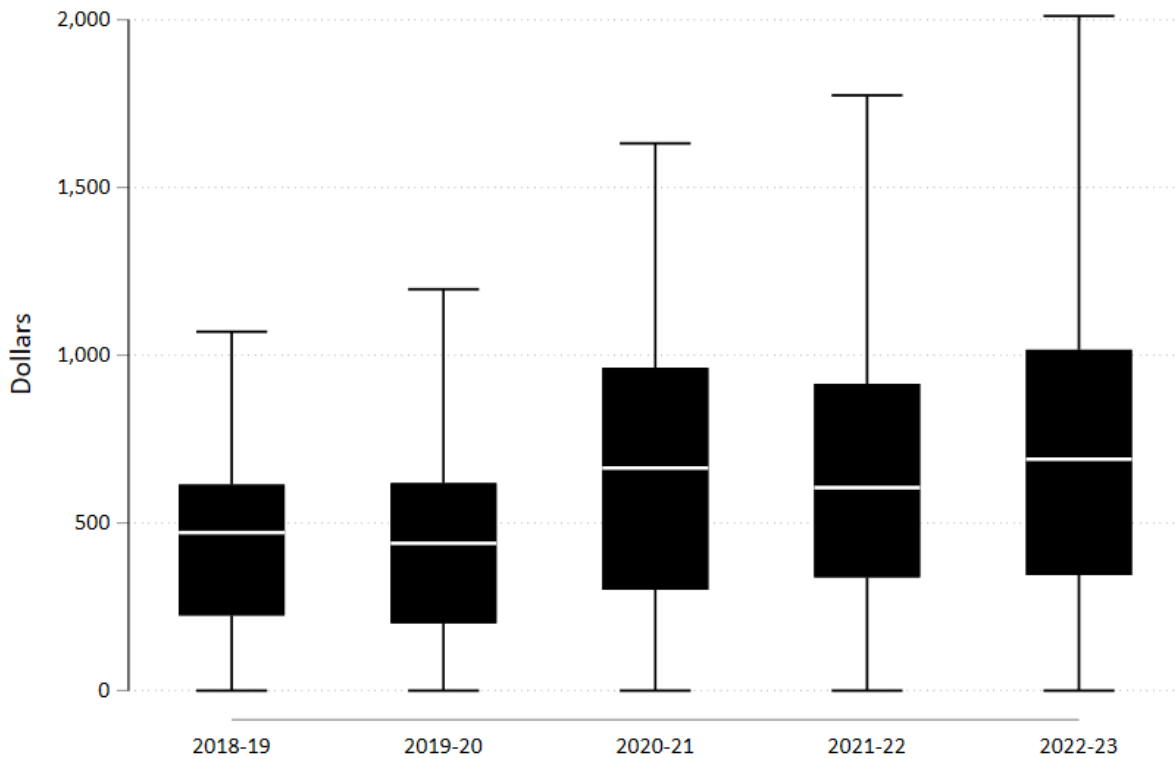
Variable	Percentile of variable used for prediction	Variable level at given percentile	Regression results		
			% of students receiving special education <u>above a district’s cap</u> that were funded with a waiver	Difference between predictions at the 90th and 10th percentiles	p-value of difference
% students experiencing poverty	10th	8.1%	17.0%	0.0	0.99
	90th	23.1%	17.0%		
Enrollment (full-time equivalent)	10th	207	18.2%	-0.5	0.05
	90th	7,120	17.7%		
% students receiving special education	10th	12.8%	11.5%	17.4	0.00
	90th	18.9%	28.9%		
% students with moderate- or high-cost disabilities	10th	29.5%	17.8%	-2.1	0.00
	90th	55.4%	15.7%		
Geographic cost (CWIFT)	10th	0.1%	17.0%	-0.1	0.95
	90th	0.2%	16.9%		
Locale	City		16.5%	-0.4	0.70
	Rural		16.0%		

Note. The percentage of students with low-cost disabilities and student enrollment per district was provided by ODE. Other district characteristics from the Common Core Data. CWIFT = Comparable Wage Index for Teachers. Enrollment is measured by the total district enrollment. Locale is city and rural

Differences Among Districts in High-cost Disability Fund (HCDF)

Districts also receive differing amounts of HCDF funding both as a share of the overall state funding available for their special education programs and per eligible student. For FY 2022–23, districts statewide received on average \$712 per student receiving special education from the HCDF; however, some districts received no additional funding while others received up to \$2,515 per student (Exhibit 14).

Exhibit 14. Variation Among Districts in HCDF Funding Per IEP, FYs 2018–19 to 2022–23



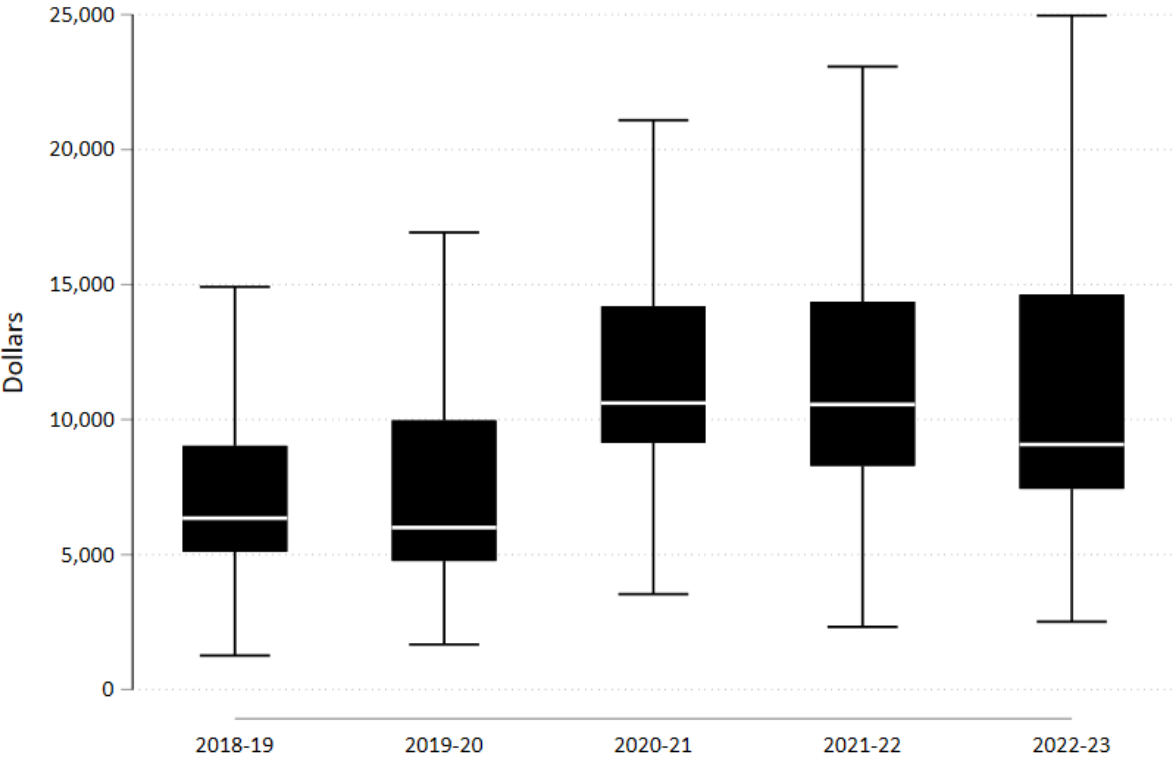
Note. Data provided by Oregon Department of Education. HCDF = High-Cost Disability Fund. Figure weighted by district enrollment counts. Each box represents the interquartile range (IQR), capturing the middle 50% of districts. The line inside each box marks the median revenue, while the “whiskers” indicate the range of typical values, excluding outliers. There are 12 outliers in FY2022-2023.

Districts received different grant amounts per student who is *eligible* for HCDF. For FY 2022–23, districts statewide received on average an additional \$11,338 per HCDF-eligible student; however, this amount ranged from \$2,513 to \$34,563 per eligible student in the districts receiving the least and the most funding, respectively (Exhibit 14).

There were systematic differences by district type in HCDF funding per *eligible* student (Exhibit 16). On average:

- The state’s smallest districts received \$1,638 more HCDF funding per eligible student than its largest districts.
- Rural districts received \$4,085 more in HCDF funding per eligible student than urban districts.
- Districts with the smallest percentages of students receiving special education received \$1,848 more per HCDF-eligible student than districts with the largest percentages of similar students.
- There was little difference between districts with larger and smaller concentrations of students with moderate- or high-cost disabilities in HCDF funding per eligible student (\$788).
- Districts that served larger percentages of students experiencing poverty received on average \$4,698 more HCDF funding per eligible student than districts with smaller percentages of students experiencing poverty.

Exhibit 15. Variation Among Districts in HCDF Funding Per Eligible Student, FYs 2018–19 to 2022–23



Note. Data provided by Oregon Department of Education. HCDF = High-Cost Disability Fund. Figure weighted by district enrollment counts. Each box represents the interquartile range (IQR), capturing the middle 50% of districts. The line inside each box marks the median revenue, while the “whiskers” indicate the range of typical values, excluding outliers. There are 82 outliers in FY2022-2023.

Exhibit 16. Differences in HCDF Amounts Per Student Eligible to Receive HCDF, by Local Education Agency Characteristics, FY 2022–23

Difference in HCDF amounts	Q1 (lowest)	Q2	Q3	Q4 (highest)	Q4–Q1
Enrollment (full-time equivalent)	\$13,104	\$9,836	\$10,743	\$11,466	-\$1,638
% students receiving special education	\$11,174	\$13,129	\$11,556	\$9,326	-\$1,848
% students with moderate- or high-cost disabilities	\$9,951	\$12,504	\$12,032	\$10,739	\$788
% students experiencing poverty	\$10,807	\$12,094	\$11,059	\$15,505	\$4,698
Locale	\$11,970 (City)	\$8,751 (Suburb)	\$11,166 (Town)	\$16,054 (Rural)	\$4,085 (Rural–City)

Note. Data on HCDF amounts, percentage of students with low-cost disabilities, and student enrollment per district provided by Oregon Department of Education. Other information describing district characteristics from the Common Core of Data. HCDF = High-Cost Disability Fund. Summary statistics are weighted for district enrollment counts and reflect the funding distribution experienced by the average student statewide. This approach gives more weight to districts with larger enrollments when calculating an average and less weight to districts with smaller enrollments. Enrollment is measured by the total district enrollment. Locale is broken into four categories: city, rural, suburban, and town. All figures are weighted by district enrollment counts.

Differences Among Districts in SSF–ESD Special Education Funding

ESDs use their funding to provide special education services to students in two ways. First, they can directly offer services to students. Second, they can transfer funds to school districts to provide special education services. We view both transactions as supplemental state funding to school districts for special education.

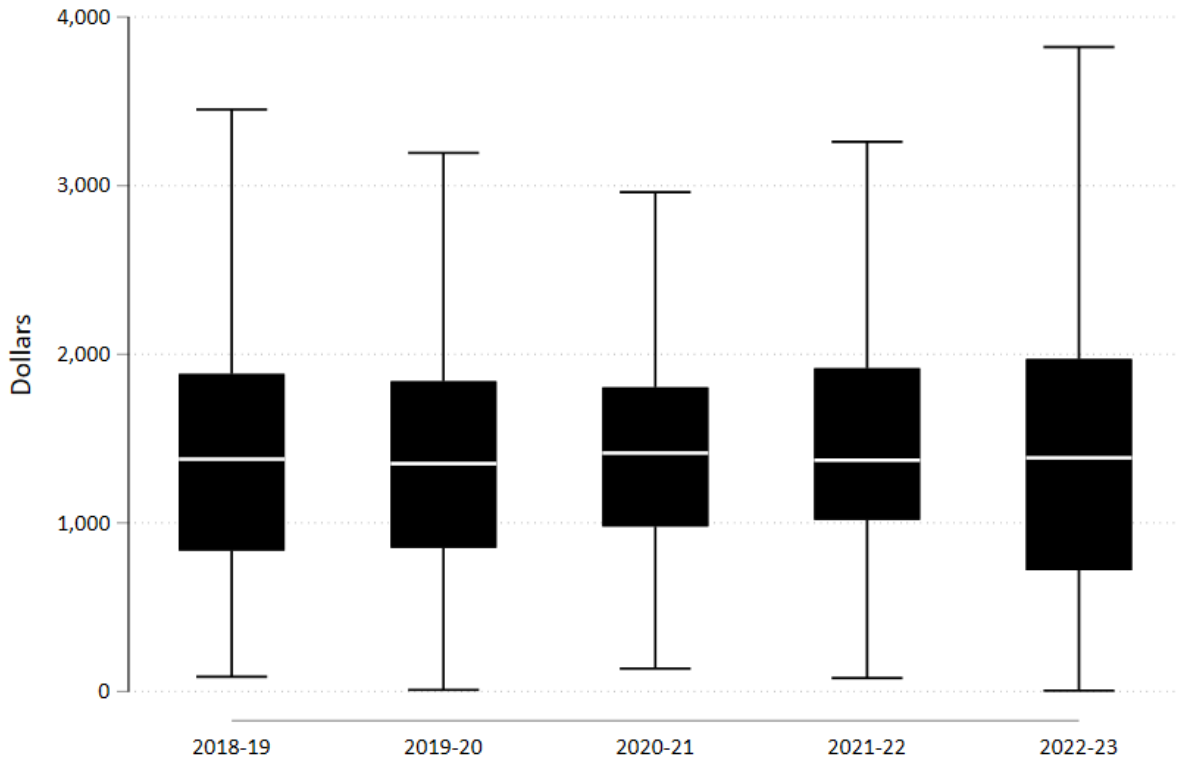
There is considerable variability in the amount of special education funding districts receive from ESDs (Exhibits 9 and 17). Districts statewide received on average \$1,456 per student receiving special education; however, this amount ranged from \$6 to \$79,203 per student, depending on the district. On average:

- Districts with the smallest enrollments of students receiving special education received \$3,364 more in SSF–ESD special education funding per student receiving special education than districts with the largest enrollments; however, rural districts received just \$183 per student receiving special education more than urban districts.
- Districts with the smallest percentage of students receiving special education services received \$432 more per student than districts with the largest percentages of similar

students. However, districts with larger percentages of students with a moderate- or high-cost disability received on average \$480 more than districts with the smallest percentages.

- Districts with larger shares of students experiencing poverty received \$788 more per student receiving special education than districts with the smallest shares of students experiencing poverty. (Exhibit 18).

Exhibit 17. Variation Among Districts with Funding from Education Service Districts Per Student Receiving Special Education, FYs 2018–19 to 2022–23



Note. Data provided by Oregon Department of Education. Figure is weighted by district enrollment counts. Each box represents the interquartile range (IQR), capturing the middle 50% of districts. The line inside each box marks the median revenue, while the “whiskers” indicate the range of typical values, excluding outliers. 40 districts lie outside of the whiskers.

Exhibit 18. Differences in Districts with Funding from Education Service Districts Per Student Receiving Special Education, by Local Education Agencies Characteristics, FY 2022–23

Characteristics	Q1 (lowest)	Q2	Q3	Q4 (highest)	Q4–Q1
Enrollment (full-time equivalent)	\$4,676	\$2,109	\$1,722	\$1,312	-\$3,364
% students receiving special education	\$1,722	\$1,620	\$1,249	\$1,289	-\$432
% students with moderate- or high-cost disabilities	\$894	\$1,421	\$1,998	\$1,374	\$480
% students experiencing poverty	\$1,302	\$1,773	\$1,309	\$2,090	\$788
Locale	\$1,462 (City)	\$1,196 (Suburb)	\$1,651 (Town)	\$1,645 (Rural)	\$183 (Rural–City)

Note. Data on funding amounts from the High-Cost Disability Fund, percentage of students with low-cost disabilities, and student enrollment per district provided by the Oregon Department of Education. Other information describing district characteristics came from the Common Core of Data. Enrollment is measured by the total district enrollment. Locale is broken into four categories: city, rural, suburban, and town. All figures are weighted by district enrollment counts.

Special Education Spending

In the sections that follow, we first describe the total amount Oregon school districts spend to operate their special education programs, statewide and per student receiving special education. We then examine the extent to which special education spending varies among Oregon’s school districts and the factors that contribute to spending differences.

Key Takeaways

- For FY 2022–23, the statewide average special education expenditure per student receiving special education was \$15,237, a 21.5% increase from FY 2019–20; however, after adjusting for inflation, the statewide average expenditure increased 4.3% over the same period.
- Average spending by districts per student receiving special education varies. Districts:
 - With the largest percentages of students with moderate- and high-cost students with disabilities spent on average \$1,194 more per student receiving special education than districts that had smallest percentages of high-need students receiving special education.

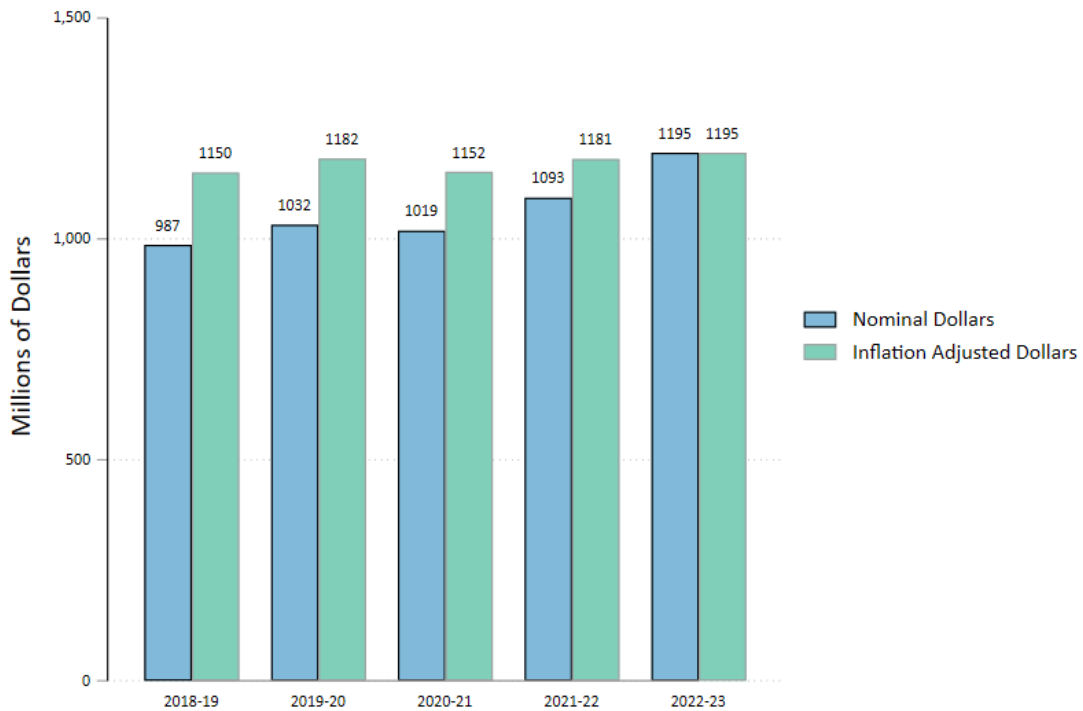
- Located in rural areas spend, on average, \$4,179 less per student receiving special education than districts in cities.
- Located in places with the highest labor costs in the state spent \$5,830 more per student receiving special education than districts with the lowest labor costs.

Statewide Special Education Spending

For FY 2022–23, Oregon school districts spent about \$1.2 billion to operate their special education programs, a 21.1% increase from FY 2018–19 (Exhibit 19). However, after accounting for inflation, total statewide spending for special education increased by just 3.9% during the same period.

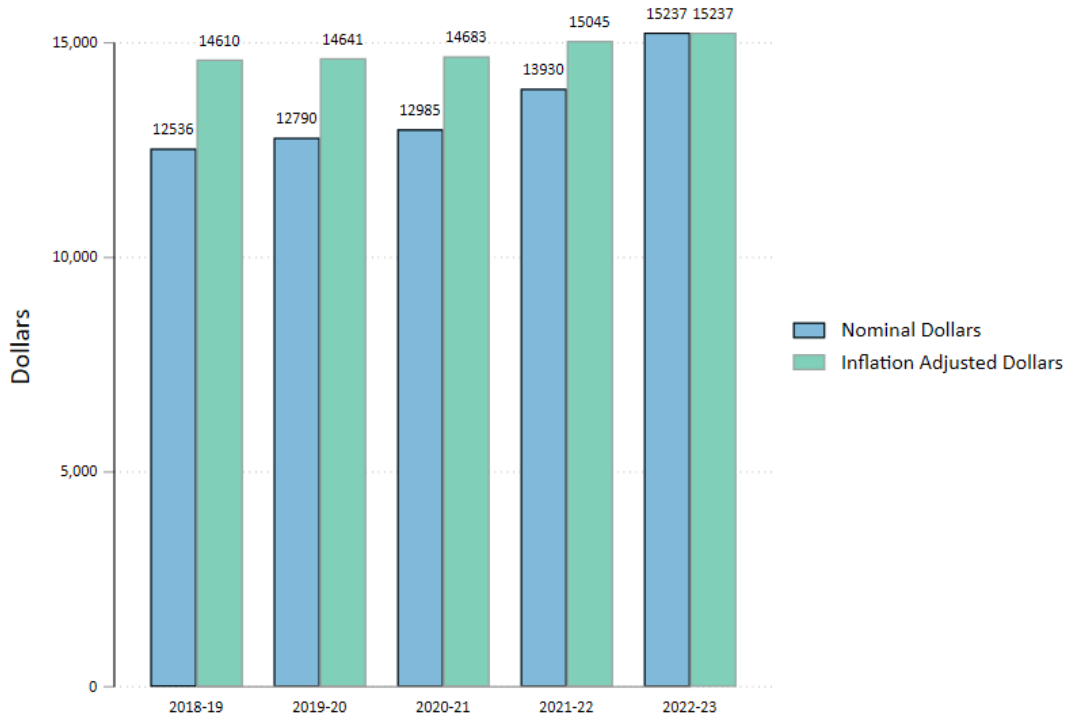
Total spending translates to a statewide average special education expenditure per student receiving special education of \$15,237, a 21.5% increase from FY 2018–19 (Exhibit 20). After adjusting for inflation, the statewide average expenditure per student receiving special education increased 4.3% over the same period.

Exhibit 19. Total Statewide Special Education Spending, FYs 2018–19 to 2022–23



Note. Annual expenditure data from the School Level Expenditure Report, Oregon Department of Education. Special education spending includes all expenditures identified in the statewide chart of accounts under Area of Responsibility Code 320. Inflation-adjusted expenditures were converted to 2022 real dollars using the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers.

Exhibit 20. Special Education Spending Per Student Receiving Special Education, FYs 2018–19 to 2022–23



Note. Annual expenditure data from the School Level Expenditure Report, Oregon Department of Education. Total special education expenditures include all expenditures under Area of Responsibility Code 320. Inflation-adjusted expenditures were converted to 2022 real dollars using the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers. Statistics are weighted for district enrollment counts and reflect the funding distribution experienced by the average student statewide. This approach gives more weight to districts with larger enrollments when calculating an average and less weight to districts with smaller enrollments.

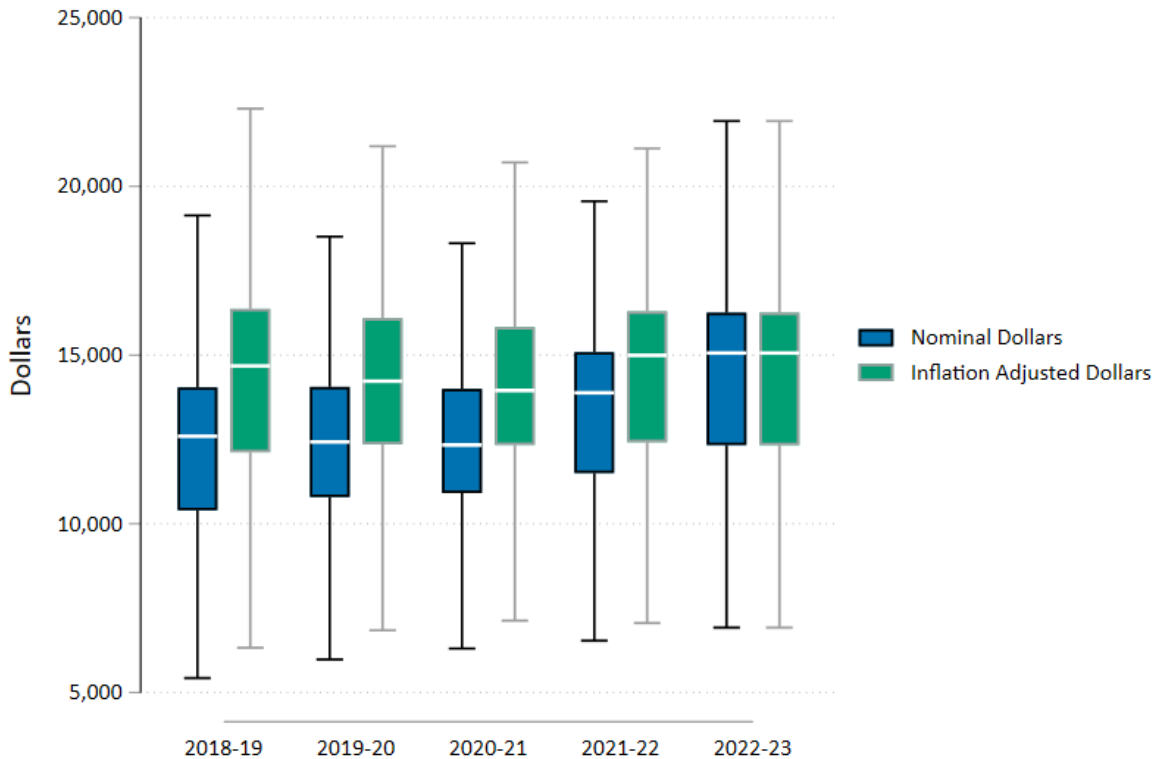
Differences Among Districts in Special Education Spending

Districts statewide have different average spending amounts per student receiving special education (Exhibit 21). For FY 2022–23, half of the students receiving special education in the state attended districts that spent on average between \$12,333 and \$16,253 per student receiving special education.

The amount of variation among districts in special education spending per student increased over time (Exhibit 21). The coefficient of variation (CV) is a standardized measure used in school finance research to quantify the amount of variation among districts in education spending.¹⁰ For FY 2018–19, the CV for average special education spending per student by districts was 32%, which grew to 40% by FY 2022–23.

¹⁰ The CV is the ratio of the *standard deviation* to the mean. The higher the CV, the greater the level of dispersion around the mean. The CV is generally expressed as a percentage.

Exhibit 21. Variation Among District Spending Per Student Receiving Special Education, FYs 2018–19 to 2022–23



Note. Annual expenditure data from the School Level Expenditure Report, Oregon Department of Education. Total special education expenditures include all expenditures under Area of Responsibility Code 320. Inflation-adjusted expenditures were converted to 2022 real dollars using the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers. Statistics are weighted for district enrollment counts and reflect the funding distribution experienced by the average student statewide. This approach gives more weight to districts with larger enrollments when calculating an average and less weight to districts with smaller enrollments.

There were systematic patterns among Oregon school districts in how much they spend per student receiving special education (Exhibit 22).

- School districts in *cities* with students receiving special education spent on average \$6,797 *more* than districts in *rural* areas with similar students (\$19,031 vs. \$12,234, respectively).
- Districts with the *largest percentages of students experiencing poverty* spend on average \$5,763 *less* per student who receives special education than districts with the *smallest percentages* of students experiencing poverty (\$16,630 vs. \$10,867, respectively).
- The *smallest districts* tend to spend \$7,684 *less* per student who receives special education than the *largest districts* (\$16,313 vs. \$8,629, respectively).
- Districts with *smaller percentages of students receiving special education* spent on average \$1,550 *more* per student than districts with *larger percentages*.

Exhibit 22. Average District Special Education Expenditures Per Student with an Individualized Education Program, FY 2022–23

Expenditures	Q1 (lowest)	Q2	Q3	Q4 (highest)	Q4–Q1
Enrollment (full-time equivalent)	\$8,629	\$11,179	\$11,797	\$16,313	\$7,684
% students receiving special education	\$15,290	\$16,524	\$15,194	\$13,740	-\$1,550
% students with moderate- or high-cost disabilities	\$16,421	\$13,533	\$15,562	\$15,752	-\$669
% students experiencing poverty	\$16,630	\$13,341	\$15,502	\$10,867	-\$5,763
Locale	\$19,031 (City)	\$15,912 (Suburb)	\$12,756 (Town)	\$12,234 (Rural)	-\$6,797 (Rural–City)

Note. Enrollment data from Oregon Department of Education; expenditure data from the Chart of Account (special education expenditures include all expenditures under Area of Responsibility Code 320). District characteristics from Common Core of Data.

We used regression analysis to isolate the relationships between specific district characteristics and their special education spending while controlling for other characteristics. The regression models included: (a) district enrollment, (b) percentage of students in a district who receive free or reduced-price lunch, a proxy measure for student economic disadvantage, (c) percentage of students with moderate- or high-cost disabilities, (d) percentage of special education students, and (d) district locale.

Exhibit 23 shows the differences in predicted special education spending between districts that are at the 10th or 90th percentiles for a particular characteristic and between districts in cities and rural areas. For FY 2022–23, we found that the districts:

- With the *highest percentages of students with moderate- and high-cost students with disabilities* spent on average \$1,194 *more* per student receiving special education than districts that had *lowest percentages of high-need students* receiving special education.
- Located in *rural* areas spend, on average, \$4,179 *less* per student receiving special education than districts in *cities*.
- Located in the bottom 10% of labor costs in the state spent \$5,830 *less* per student receiving special education than districts that are in the top 10%.

Exhibit 23. Regression-Predicted Special Education Spending Per Student Receiving Special Education at the 10th and 90th Percentiles of Various Cost Factors, FY 2022–23

Variable	Percentile of variable used for prediction	Variable level at given percentile	Regression results		
			Predicted special education spending at given variable percentile	Difference between predictions at the 90th and 10th percentiles	p-value of difference
% students experiencing poverty	10th	8.5%	\$12,825	\$2,957	0.44
	90th	24.5%	\$15,781		
Enrollment (full-time equivalent)	10th	122	\$13,179	\$165	0.59
	90th	6,795	\$13,343		
% students receiving special education	10th	9.8%	\$14,507	-\$1,848	0.33
	90th	18.5%	\$12,658		
% students with moderate- or high-cost disabilities	10th	29.0%	\$13,093	\$1,194	0.19
	90th	56.7%	\$14,287		
Geographic cost (CWIFT)	10th	0.1%	\$9,993	\$5,830	0.04
	90th	0.2%	\$15,823		
Locale	City		\$16,491	-\$4,179	0.03
	Rural		\$12,312		

Note. Annual expenditure data from the School Level Expenditure Report, Oregon Department of Education. The percentage of students with low-cost disabilities and student enrollment per district was provided by ODE. Other district characteristics from the Common Core Data. CWIFT = Comparable Wage Index for Teachers. Enrollment is measured by the total district enrollment. Locale is city and rural.

Comparison Between Special Education Spending and Funding

In this section, we compare total special education spending with special education funding from federal and state sources and examine special education expenditures and available funding.

Key Takeaways

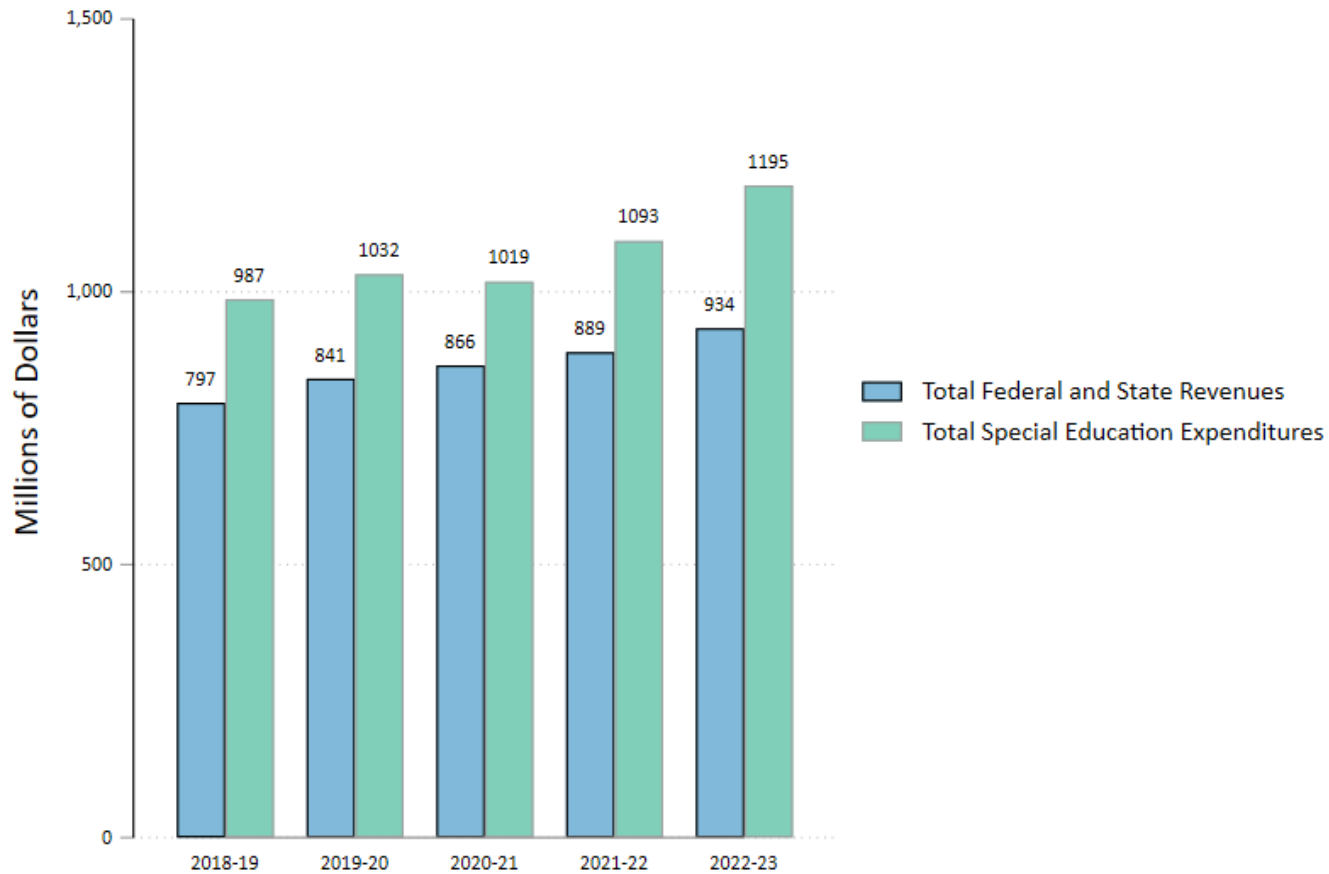
- Federal and state funding for special education paid for at least 88% of Oregon districts' special education expenditures (FY 2022-23).
- The statewide average difference between what was spent per student receiving special education and the combined federal and state funding was about \$3,288 (FY 2022-23).

Differences Between Special Education Funding and Spending

For FY 2022–23, total statewide spending on special education exceeded special education funding from federal IDEA Part B and state funding programs by about \$261 million (Exhibit 24). The gap between statewide spending for special education and federal IDEA Part B and state special education funding steadily increased from about 15.0% to 21.8% between FYs 2020–21 and 2022–23.

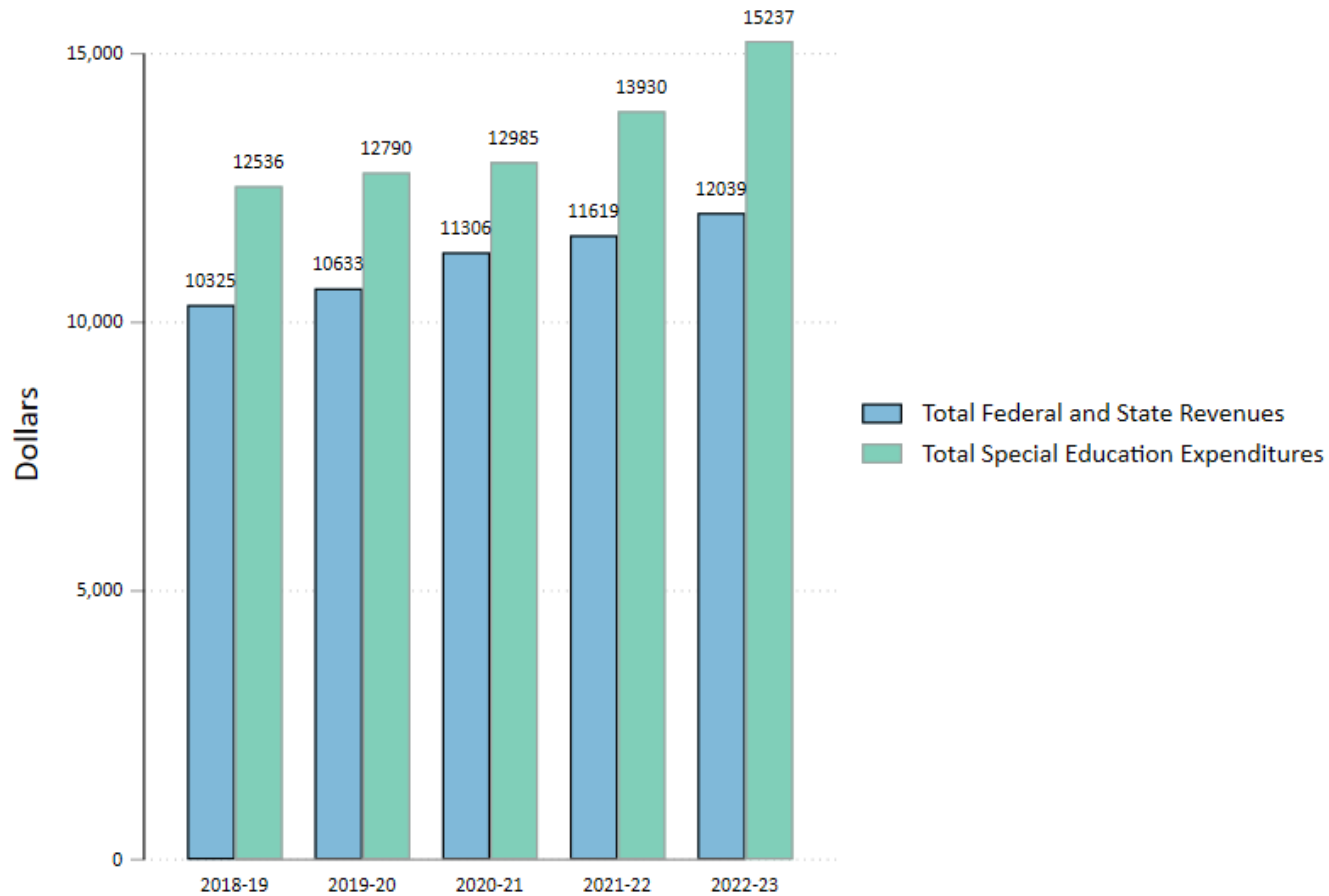
For FY 2022–23, the difference between the statewide average expenditure for special education and funding per student receiving special education was \$3,288 (Exhibit 25). This means that 21% of special education spending must be funded through other federal or state unrestricted revenues or local tax dollars.

Exhibit 24. Comparison Between Statewide Total Special Education Spending and Funding, FYs 2018–19 to 2022–23



Note. Revenue data and expenditure data from the School Level Expenditure Report collected by the ODE. Total federal and state revenues include IDEA Part B Section 611, State School Fund revenue, High-Cost Disability Grant revenue, and Education Service Districts revenue. Total special education expenditures include all expenditures under Area of Responsibility Code 320.

Exhibit 25. Comparison Between Average Special Education Spending and Funding, Per Student Receiving Special Education, FYs 2018–19 to 2022–23



Notes. Revenue and enrollment data and expenditure data gathered from the School Level Expenditure Report collected by the ODE. Total federal and state revenues include IDEA Part B Section 611, State School Fund revenue, High-Cost Disability Grant revenue, Education Service Districts revenue. Total special education expenditures include all expenditures under Area of Responsibility Code 320.

Conclusion

The percentage of Oregon’s Grades K–12 students who receive special education services has steadily increased over time (about 5% from SY 2018–19 to SY 2022–23). The statewide increase in the percentage of students receiving special education has largely been driven by a rise in the number of students with moderate- or high-cost disabilities; meanwhile, the overall percentage of students with low-cost disabilities has declined.

The increasing number of students with high-cost disabilities raises questions about whether the current SSF special education weight adequately adjusts for the increased expenses that districts face to serve this population. This study shows that districts that have larger shares of students with moderate- or high-cost disabilities spend on average \$1,194 more per student receiving special education than do districts with larger shares of students with low-cost special education needs. The single SSF weight for special education students does not reflect these cost differences.

At the same time, the shift toward serving more students with high-cost disabilities may contribute to the increased demand for reimbursements from the HCDF program. Even though the Oregon legislature recently increased funding for the HCDF, the appropriation amounts have been less than districts’ requests for reimbursement, and the percentage of districts’ reimbursable special education expenditures exceeding \$30,000 per student that were reimbursed by the HCDF has declined over time.

Nationally, about 17% of Grades K–12 students receive special education services; however, Oregon currently caps SSF special education funding at 11% of a district’s ADMr. In SY 2022–23, nearly all districts in the state exceeded 11% of students receiving special education. Most districts that exceeded the cap received a waiver from ODE and additional SSF special education funding for some portion of their students receiving special education above the cap. With the waiver, districts who exceeded the funding cap received on average \$2,885 for each student above the cap. However, this is \$5,309 less than what they received for each student counted below the cap.

However, differences in the number of students receiving special education included in a waiver translates to districts receiving differing amounts of funding for each student counted above the cap, creating further inequity among districts in the amount of state funding they receive per student receiving special education. Districts that received waivers that allowed a larger share of their students receiving special education above the cap to be counted in their ADMw received on average more funding for each student above the cap than districts that

received waivers that covered a smaller proportion of their count of students above the cap. This amount ranged from an additional \$46 to \$8,534 for each student counted above the cap.

SSF funding allocated to districts by ESDs primarily benefits the state's small and rural districts. These districts face challenges with operating special education programs at scale and regionalization in providing services. That said, there is still considerable variability in the amount of funding per student receiving special education provided by ESDs, which raises questions about the extent to which differences in ESD funding solely reflect differences among districts in scales of operation or if, in some instances, ESDs are serving higher need students.

Taken together, the findings presented in this report raise several considerations for policymakers in Oregon as they evaluate the state's special education funding program. Specifically, policymakers might:

1. Revise the existing SSF special education funding weight to:
 - a. recalibrate the current single weight used in the SSF calculation to reflect the change in average additional expense of providing special education services, or
 - b. establish multiple weights that provide more funding for students with increasingly higher levels of need.
2. Eliminate the state's funding cap because most districts receive waivers from the cap. Since the waivers account for differences in share of moderate- and high-cost students served by a district, it would be more efficient and potentially more equitable for the state to allocate funding using multiple weights that account for differences in costs of serving students with disabilities of varying levels of need. This approach would also be more predictable for both state and district budgeting.
3. Consider additional appropriations to meet the need for additional funding from the HCDF. Alternatively, if the state established a system of multiple weights, larger weights could be used to provide additional funding for moderate- and high-need students. This might allow Oregon to increase the threshold spending amount for the HCDF so that the state provides HCDF reimbursements for only those students with extraordinary special education expenses.

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Appendix A. Data Used in Analyses

Multiple data sources and methods were used to identify special education funding from federal and state sources, estimate district-level special education spending, and determine the extent to which existing federal and state revenues pay for district-level special education spending.

Federal and State Funding for Special Education

AIR identified the total amount of special education funding that Oregon school districts received from federal and state programs, including federal funding from Part B Section 611 of the Individuals with Disabilities Education Act (IDEA; as discussed in the report) and state special education funding from one of the state’s three programs: (a) the State School Fund (SSF) special education weight; (b) grants from the High-Cost Disability Fund (HCDF), and (c) SSF pass-through funding to Education Service Districts (ESD). We calculated total special education funding, overall and by source, and average total special education funding per student who received special education statewide and for each public school district.¹¹ We also examined the extent to which districts received an equivalent level of funding from both federal and state sources per student who received special education services. Both federal and state funding formulas allocate funding in ways that might result in some districts receiving higher amounts and other districts lower amounts of funding per student receiving special education services.

We used financial data collected by ODE for the analyses. Specifically, ODE provided district-level information on the special education funding districts receive, including the SSF special education weights, HCDF, and estimates for state special education funding passed through to districts by ESDs.¹² We augmented ODE data with information about school district characteristics from other publicly available sources, including the U.S. Department of Education’s Common Core of Data (CCD).

¹¹ We used the count of students receiving special education provided by the Oregon Department of Education to calculate the total revenues per student receiving special education.

¹² Our analyses include both direct expenditures for special education services provided to students and pass-through funding provided by ESDs to districts for special education

Special Education Spending

AIR developed estimates for what districts in Oregon spent to operate their special education programs, including for special education program administration and services provided to students who are eligible for special education. We estimated total special education spending, overall and by source, and average spending per student who received special education for public school districts and charter school districts, statewide and by district.

We also examined the extent to which districts spent on average similar amounts per student receiving special education services, and examined which factors explain differences in spending among districts. Our analyses considered whether spending differences are related to differences in the average needs of students receiving special education, district location, and the characteristics of a district's students.

We used financial data collected by ODE for the analyses. Specifically, special education expenditures were measured by combining all the spending reported in the Oregon Chart of Accounts for the expenditure Area of Responsibility 320, which is for special education.¹³ This includes all special education spending that is subject to federal maintenance of effort requirements but may not include all spending on special education and can be considered a lower-bound estimate. We augmented ODE data with information about school district characteristics from other publicly available sources, including the CCD.

Comparing Special Education Revenues and Spending

We compared total special education revenues to the study's special education spending estimates—overall and per student receiving special education—to quantify the difference between the special education funding districts receive and how much they spend on their special education programs.

¹³ We include the resources provided by ESDs to districts to create a full understanding of the resources available to students. However, only direct expenditures, and not ESD transfers of funds to districts, were included in our calculation of district-level spending, as the transferred funds should appear as separate expenditures in the district's finances. Including this spending would result in double counting.

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