

SPECIAL EDUCATION FUNDING

A Critical Investment

School districts in Washington are legally required to serve all students with disabilities, regardless of the cost. However, districts lack sufficient resources to fully meet this mandate. Despite recent funding enhancements, the gap between district expenditures for special education services and state funding remains substantial—and continues to grow.

How is Special Education Funded?

The state funds special education for students with disabilities using an excess cost formula. This formula multiplies a district's base per-student allocation by an "excess cost multiplier," a rate set in statute, to provide additional funding for students receiving special education services. Excess cost allocations, however, are capped at 16 percent of a district's total full-time student enrollment. Districts with more than 16 percent of students needing special education services receive no additional state funding for those students, creating significant shortfalls. As a result, these districts must rely heavily on local funding sources to provide the mandated services and supports.

Prior to the 2019–20 school year, there was a single multiplier for enrolled special education students. However, beginning in the 2020–21 school year, in an effort to increase the inclusion of special education students in general education settings, tiered multipliers were adopted and then increased beginning in the 2023–24 school year, as follows:

- ✓ **Tier 1:** The multiplier for K–12 students receiving special education who spend 80 percent or more of their school day in general education settings is currently set at: 1.12
- ✓ **Tier 2:** The multiplier for K–12 students receiving special education who spend less than 80 percent of their school day in general education settings is currently set at: 1.06
- ✓ **Pre-Kindergarten Students:** Eligible special education students, ages 3 through 5 and not enrolled in kindergarten, receive a multiplier currently set at: 1.2

The Challenge

Despite recent legislative efforts, state funding continues to fall short of covering actual costs. Districts routinely use local levy funds to bridge the gap, which diverts resources from other critical priorities. The result is a system where the quality of special education services can vary depending on a district's local revenue capacity.

THE PROPOSED SOLUTION:

Increase the Special Education Tiered Multipliers to Eliminate the Funding Gap

While the Legislature has provided additional enhancements in special education funding in the last six years, a significant gap between state funding and school district expenditures continues. The Legislature must take bold action to close the funding gap by significantly increasing the special education tiered multipliers. Doing so will:

- ✓ Provide districts with funding that more accurately reflects the true costs of service delivery.
- ✓ Reduce reliance on local levies, ensuring equitable access to services statewide.
- ✓ Support compliance with federal and state mandates to provide students with disabilities the services they need to thrive.

Washington's commitment to equity demands sufficient funding for all students with disabilities. By adjusting the tiered multipliers, the Legislature can ensure that every district has the resources to meet its obligations and provide high-quality services to students with disabilities.

PUPIL TRANSPORTATION FUNDING

Addressing an Opaque and Inadequate System

Washington's current pupil transportation funding formula—the Student Transportation Allocation Reporting System (STARS)—is complex, unpredictable, and fails to adequately cover school districts' actual transportation costs. This funding shortfall places a significant strain on district budgets and creates inequities across the state.

How is Pupil Transportation Funded?

The STARS funding model was introduced in 2010 and fully implemented by the Office of Superintendent of Public Instruction (OSPI) during the 2015–16 school year.

STARS uses a complicated, statistical “expected costs” formula based on statewide data to allocate transportation funding to school districts. In simple terms, the model uses statewide data for district characteristics (such as district land area and non-high district status) and workload (including number of students transported and average miles traveled). Once this data is collected, STARS uses a “regression analysis” to calculate each district's expected cost of providing school transportation services.

After districts' expected costs are calculated, state funding is based on the lessor of the calculated expected cost, or the district's prior year expenditures. A recent OFM study found that districts typically get less money to cover their expenditures than they need; historically, the system funds districts about 94 percent of prior year expenditures. Additionally, the OFM study determined that the current methodology causes some districts to fare worse than others, with some districts consistently being allocated 90 percent or less of their costs.

An additional complication is that OSPI runs the allocation model after school districts submit their winter ridership and destination counts to OSPI. This results in a final allocation in February, which complicates budget decisions and cash flow for school districts.

How are Special Passengers Considered?

The formula includes transportation for “special passengers,” defined as:

- ✓ Special education students requiring transportation as a related service in their Individualized Education Program (IEP);
- ✓ Homeless students under the federal McKinney-Vento Act; and
- ✓ Foster students under the Every Student Succeeds Act (ESSA).

While these unique transportation needs are included in the formula, state funding falls short of covering the actual costs of serving special passengers, adding further financial strain.

THE PROPOSED SOLUTION:

Overhaul the STARS Funding Model

- ✓ **Reflect Actual Costs:** Base funding on actual district expenditures rather than a statistical model that consistently underestimates needs.
- ✓ **Ensure Transparency and Predictability:** Provide districts with clear, timely, and consistent funding allocations to support effective budgeting.
- ✓ **Support Special Passengers:** Fully fund transportation for students with unique needs, including special education, homeless, and foster students.

By addressing the flaws in the current formula, the Legislature can create a pupil transportation funding system that is fair, transparent, and aligned with the actual costs districts face. Reliable and equitable transportation is essential to ensuring every student can access the education they deserve.

MATERIALS, SUPPLIES, AND OPERATING COSTS (MSOC)

K–12 Operating Costs Outpace State Funding

The costs required for school districts to operate schools and support students have skyrocketed, but state funding has not kept pace. Nearly everything is more expensive—whether it's heating and cooling buildings, purchasing technology and licenses, buying basic curriculum, or paying insurance premiums.

While staffing represents the largest expense for school districts, other essential operating costs, like supplies, utilities, insurance, technology, and more are also critical to keep running. These costs are not optional, and most are market-driven.

How Are These Costs Currently Funded?

The state Legislature funds the basic operating costs for school districts through a “Student Full-Time Equivalent” (FTE) allocation, which falls under a section of the state operating budget referred to as Materials, Supplies, and Operating Costs (MSOC). MSOC funding helps cover the essentials, such as:

- ✓ Insurance
- ✓ Curriculum and Textbooks
- ✓ Instructional Professional Development for Staff
- ✓ Utilities
- ✓ Other Supplies
- ✓ Facilities Maintenance
- ✓ Technology
- ✓ Library Materials
- ✓ Security and Central Office Support

Didn't the Legislature Add Funding for MSOC Last Year?

Yes, however, the increase provided was \$21 per student whereas actual expenses are underfunded by nearly \$500 per student. As a result, school districts are forced to rely on local levy funding to cover costs that should be funded by the state as part of basic education.

THE PROPOSED SOLUTION:

Close the Funding Gap and Connect Future MSOC to Inflation

To ensure the financial stability of all 295 school districts, the Legislature must close the gap between actual operational costs districts face and what the state allocates for these expenses.

Additionally, future MSOC funding needs to be adjusted for inflation by linking it to the Consumer Price Index (CPI). Rebasng the MSOC formula every four years is also necessary to keep up with cost increases that are beyond a district's control.

ACCOUNTABILITY

MSOC Spending is Protected and Transparent

MSOC funding is one of the most transparent and protected categories in the state budget. Since the 2017–19 biennium, “accountability” language, requiring specific disclosure, has been embedded in the operating budget, ensuring legislators and taxpayers can see how MSOC funds are allocated and spent.

For example, the language from 2023–25 Washington State Operating Budget, ESSB 5950 in Section 504 (8) (ii) states: For the 2023–24 school year and 2024–25 school year, as part of the budget development, hearing, and review process required by chapter 28A.505 RCW, each school district must disclose:

1. *The amount of state funding to be received by the district under (a) and (d) of this subsection (8);*
2. *The amount the district proposes to spend for materials, supplies, and operating costs;*
3. *The difference between these two amounts; and*
4. *If (a) (ii) (A) of this subsection (8) exceeds (a) (ii) (B) of this subsection (8), any proposed use of this difference and how this use will improve student achievement.*

This information is publicly available, and any legislator could ask school districts or OSPI for a breakdown. Districts have little flexibility to spend MSOC revenue on non-MSOC expenses and would welcome greater legislative guidance and/or “fences” around bargaining if that remains a legislative concern.