



Current Contents of House Bill 704 (65 co-sponsors) & Senate Bill 940 (15 co-sponsors)
(as introduced, as adopted 22-3 and amended in the House Education Committee, and reflecting a negotiated agreement between Governor Rendell and the bill sponsors)

SUMMARY – The updated provisions of the legislation for state reform of the special education funding and accountability systems make the following improvements:

- Increase the accuracy of the special education formula by using three weights;
- Establish an open oversight/regulatory process to set the final formula weights;
- Hold spending at 2008-09 levels for the next year;
- Delay the 6-year phase in to adequate funding levels, set to start in 2011-12;
- Streamline and strengthen school district accountability, applied when new funding occurs in 2011; and
- Strengthen the Contingency Fund and make it more accountable and transparent.

(1) The formula for calculating/distributing state funding for special education will include:

- The formula remains an independent line item in the state budget, separate from basic education.
- The formula is based on a costing-out process that first calculates the adequacy target for each school district based on the needs of students and schools and then calculates the state share of meeting this target based on district wealth, tax effort, and local costs.
- New state funding under the formula will be phased in to reach adequacy targets for each district over a six-year period, starting in 2011-12 and being completed by 2016-17. The original terms of the bill would phase in about \$30 million per year in additional state funding.
- State funding will remain at 2008-09 levels for 2009-10 and possibly for 2010-11.
- Overall, the formula will pay school districts the funding above the “base cost” needed for students to perform with proficiency under state academic standards.
- The formula will include a performance variable that pays districts additional funding for meeting both inclusion and achievement targets, to be determined through the regulatory process.
- New state funding must be utilized by districts for research-based programs and supports that benefit eligible students educated in the least restrictive environment, contribute to achievement of performance indicators, and involve curricula adaptation, co-teaching, assistive technology, school-wide positive behavior supports, supplementary aids and services, professional development, reading specialist services and supports, reducing caseloads for special education teachers and related services personnel, and/or placing eligible students in regular classrooms with supports in accordance with their IEP.

- The final form of the variables in the formula will be determined through a super-regulatory process. PDE and the State Board of Education are required to share information, consult with advocacy groups, work with PDE's Task Force and the Advisory Panel, and hold at least three regional public hearings. Legislative committees may also hold hearings. The full, year-long regulatory process will take place after draft regulations have been vetted in this manner.
- The formula may include three multipliers and weights, rather than a single variable, a single student count, and a single weight (1.3). Using three "cost categories" will allow the formula to more accurately distribute resources. The definitions for the categories and the weights will be determined through the regulatory process.
- An actual student count will be used in the highest cost category.
- A statewide average of eligible students will be used in the two lower cost categories, to avoid over-identification, and will be determined through the regulatory process.

(2) The Contingency Fund for extraordinarily costly students is maintained, increased by 50%, and made more accountable with PDE reports to the General Assembly. An amendment in the House Education Committee removed the proposed Fund priorities for poor districts and model programs. This section takes effect in 2011-12.

(3) The accountability system for special education is streamlined and strengthened to require districts to include in their special education plans (for use of new funding) a budget, timeline, benchmarks for implementation, and provisions to address the academic and developmental challenges for eligible students (such as federal performance indicators, graduation rates, and IEP implementation). The plans must be written in a manner that is easy for parents to understand and shall be made available to the public. PDE will more closely review the plans, will provide technical assistance to improve the plans, and will reject plans that do not meet state and federal standards. PDE will monitor plan implementation to ensure progress pursuant to federal performance indicators and shall identify districts failing to adequately implement their plans. PDE must withhold partial funding when district plans are rejected or when districts are not implementing their plans. PSBA and PSEA reviewed and approved these provisions prior to the vote in the House Education Committee. To cut costs over time, school district plans must describe programs and strategies targeting K-3 early intervention and also policies to ensure that students who no longer qualify for special education services are transitioned out. This section takes effect in 2011-12.

(4) To further prevent over-identification, PDE will monitor and report on identification rates in districts, conduct a thorough review of districts increasing the ratio of eligible students to all students more than 10% in one year or 5% per year over any five-year period, and shall withhold partial funding from districts with unjustified increases.

(5) PDE must provide public notice of the decisions and actions it takes pursuant to this law, as well as an annual report to the General Assembly.