

School Funding and Special Education

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Introduction

One of public education's main purposes is to "promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access."¹ Meaning, regardless of their race, gender, ethnicity, or *disability*. To meet the various needs of students around the state, special programs, and Individual Education Programs (also known as IEPs) are put into place to ensure that students' unique needs are met at school. Beyond the core services set in place in our public schools, many students with special needs and IEPs require additional resources and instruction. These resources are critical, but they are often costly, and due to low levels of state funding, largely fall to local property taxes to support.

In New Hampshire, during the 2021-2022 school year, 29,715 (19.06%) students received special education services (ADM/R)². With almost 1/5 of students receiving special education services in schools and little upfront help from the state, many schools and towns struggle to meet the complex funding needs of their students. Even though special education is included as part of the State of New Hampshire's adequate education funding formula, only 18.6% of the actual costs are covered by the state and federal governments. This results in the bulk of the cost of special education services, just like most other public education costs, downshifted onto local property taxpayers.

This report seeks to understand how New Hampshire's communities and students are impacted by New Hampshire's inequitable funding structure as it pertains to special education.

Key Findings:

- State and Federal Governments paid 18.6% of special education expenditures in 2022.
- 26 New Hampshire Public School Districts spent over 25% of the total expenditures on special education.
- Winchester School District spent 42% of its total expenditures on special education in 2022, the highest proportion in the State.
- The average **additional** cost to educate one special education student in New Hampshire was \$28,361 in 2022.
- The average cost to educate one student without an IEP in New Hampshire was \$16,127 in 2022.
- Special education Average Daily Membership (ADM) is constantly changing, causing volatile costs.

¹ DoE Mission Statement

² Average Daily Membership in Residence

- The State contributes, on average, \$3,136 additional per student receiving special education services, which is only 11% of the actual additional cost.
- Catastrophic Aid is only 3.7% of the total funding for Special Education.

How is Special Education Funded Now?

The total operating cost of the public schools in New Hampshire was \$3,356,028,469 in 2021-22. In the same year, special education costs reached \$842,738,088, 25% of the total cost of education in public schools. Like the rest of NH public schools, special education is funded largely by local property taxes.

According to data published by the Department of Revenue Administration (DRA) and Department of Education (DoE), on average, 70% of all revenues funding New Hampshire's public schools come from local property taxes (including SWEPT). The other 30% of the revenues comes from the State and the Federal Governments.

The average cost to educate one student for the 2021-2022 academic year in New Hampshire was \$21,534, including transportation. However, this figure does not show the reality for all students, especially those who require additional services, as they are included in the average.

The formula used by the State to determine the grants to schools and communities is based on the Average Daily Membership in Residence (ADM-R) of each community. The State contributed a base grant of \$3,786 for every public school student. The State adds \$1,893.32, for students eligible for free and reduced-priced meals (FRL), an additional \$2,037 for students with IEPs, an additional \$740.87 for students who are English language learners, and an additional \$740.87 for students below proficiency in 3rd grade reading. On average, the state pays 25% of the total cost to educate one student yearly (about \$4,900). The rest of the costs are picked up by other state grants, federal monies, and local property tax bills.

The most recent year's average cost per pupil is an often-cited statistic. For 2021-22 it was \$21,534, including transportation. Once special education costs are removed from school district spending, the average cost per pupil drops to \$16,127. As shown in Table 1, special education adds an average additional cost of \$28,361 per identified student.

In Table 1, the costs of education per pupil are displayed. The DoE adequacy grant calculation spreadsheet for 2021-22 noted that 29,715 students received special education services (ADM/R). On average, the cost per pupil for students receiving special education services was \$44,488. This is ***\$28,361 more per student than students not receiving special education services***. It is important to note that this number hides a huge range. Some special education students require only a few hundred dollars of special services while others require special placements that may cost more than \$100,000 per year.

Table 1

		Segregated Costs	
		Special Education	No Special Education
	as Calculated by DoE		
Total operating costs	\$3,356,028,469	\$842,738,008	\$2,513,290,461
Pupils	155,847	29,715	155,847
Cost/pupil	\$21,534	\$28,361	\$16,127

Breaking Down the Costs

The DoE annually prepares and publishes a table of revenue sources and distribution of expenditures for all school districts combined. The 2021-22 report indicates that “Special Programs” cost \$666,188,820, 19.2% of all expenditures. This does not mean that 19.2% of all school district costs are for special education.

“Special Programs” contains some expenses that are not related to special education. As the DoE accounting handbook states, “Special Education Programs are for students with disabilities, Special Programs is a broader category which also includes non-special education programs.” Those include costs for “culturally deprived”, bilingual, and gifted and talented programs of schools that might have them. Also importantly, “Special Programs” does not include other important extra costs associated with students who have IEPs. The accounting handbook also states that it does “not include expenditures for psychological services, speech and audiology, occupational therapy, and transportation services. These are reported as student support services and transportation services.”

For 2021-22, the DoE report stated that total special education costs were **\$842,738,008**. This is \$176 million more than “Special Programs.” Table 2 displays the breakdown of total Special Education costs.

Table 2

Function	Amount
Instruction	\$611,339,248
Related Services	\$146,990,016
Administration	\$30,709,414
Legal	\$1,446,783
Transportation	\$52,252,547
TOTAL	\$842,738,008

How do we pay for it?

Federal regulations around special education and students with disabilities, like the Individuals with Disabilities Education Act (IDEA), ensure free and appropriate education to all children with disabilities. New Hampshire school districts receive aid from the Federal government as well as the State government to support their special education programs. The table below displays the monies received by school districts that are not local revenues.

Every year, the DoE collects a DOE-25 spreadsheet from each district. The DOE-25 shows the total received and expended from government sources for 2021-22.

Table 3

Source	Amount
State Special Education Aid	\$31,791,289
Federal Disabilities Programs	\$48,002,145
Medicaid Distributions	\$15,767,653
Adequacy Special Education	\$61,422,152
TOTAL	\$156,983,239

The remainder of special education costs, **\$685,754,769**, were paid by the local school tax in each NH municipality. The federal and state governments together paid only 18.6% of the total costs, most of which is a result of federal or state-mandated services. Local property taxpayers must pick up the remaining 81.4%. On average, the State paid \$3,136 per special education pupil, just 7% of the total average cost.

These costs, however, are not evenly distributed among the districts and towns of the state. More than half of New Hampshire's municipalities have below-average property tax bases. This means more than half of New Hampshire's communities have a difficult time raising new revenues from their property taxes. Furthermore, individual IEP costs are volatile and hard to predict. For communities with tighter budgets, adjusting for these costs can be difficult.

Additionally, "State Special Education Aid," also known as Catastrophic Aid, is reimbursed to schools for each student that costs 3.5 times the state average of \$21,534 (\$75,369), or more. Local school districts must meet the immediate needs of these students with no additional help from the state until the following year. Moreover, the \$31,791,289, outlined in Table 3, has remained stagnant and does not meet the needs of all students who need services totaling more than \$75,369 each year. Catastrophic aid accounts for only 3.7% of special education funding.

Special Education Enrollment and Cost Volatility

Every community in New Hampshire has students with special education needs and IEPs. Every year, not only will the number of students with special needs change, but the scope of additional

services can change as well. Whether students graduate, move, or are diagnosed, the total cost of special education changes yearly.

Just in the past 5 years, many school districts in the state have seen their Special Education Expenditures rise or fall millions of dollars in one academic year. The dramatic and unpredictable changes in spending and enrollment are demonstrated in Tables 4-7 below.

In Table 4, Winchester School District's total budget in the last five academic years is compared to their Special Education Expenditures. As seen in Winchester, the total spending for Special Education jumped over \$2 million, Winchester spent the highest percentage of its budget on Special Education, as well as having some of the highest average additional costs in the state. Even though Winchester had 3 fewer students with IEPs in 2022 than in 2017, the varying needs and costs of services are unpredictable. As seen, the total costs at Winchester grew 19.61% while special education expenditures grew 63.79%.

Table 4

Winchester	Total Expenditures	Total Special Education Expenditures	Special Education as a % of total Expenditures	Special Ed ADM	Average Additional Spending Per Special Education Student
2017	\$10,116,879.81	\$3,374,308.98	33.35%	133	\$25,370.74
2018	\$10,916,519.74	\$3,499,033.75	32.05%	133	\$26,308.52
2019	\$11,203,611.98	\$3,788,311.68	33.81%	149	\$25,424.91
2020	\$11,562,125.31	\$4,408,646.43	38.13%	144	\$30,615.60
2021	\$11,081,902.64	\$4,504,456.13	40.65%	135	\$33,366.34
2022	\$12,100,571.78	\$5,526,871.09	45.67%	130	\$42,514.39
5-Year Percentage Change	19.61%	63.79%	36.94%	-2.26%	67.57%

Across the state, Wakefield School District experiences some of the same difficulties. Like Winchester, Wakefield is a rather small district with roughly 500 to 600 students each year. As seen in Table 5 below, Wakefield's Special Education expenditures increased by over \$1 million between 2021 and 2022, causing special education costs to jump 11 percentage points up to 32% of the total budget. Moreover, between 2017 and 2022, special education expenditures increased 107%, much more than the total budget, which increased by only 29% in the same time frame.

Table 5

Wakefield	Total Expenditures	Total Special Education Expenditures	Special Education as a % of total Expenditures	Special Ed ADM	Average Additional Spending Per Special Education Student
2017	\$9,058,005.92	\$1,847,118.00	20.39%	66	\$27,986.64
2018	\$9,678,766.17	\$2,112,679.73	21.83%	111	\$19,033.15
2019	\$10,000,552.28	\$2,549,037.31	25.49%	116	\$21,974.46
2020	\$10,248,750.74	\$2,605,625.68	25.42%	115	\$22,657.61
2021	\$11,092,096.00	\$2,590,868.00	23.36%	113	\$22,928.04
2022	\$11,683,006.00	\$3,825,016.00	32.74%	115	\$33,261.01
5-Year Percentage Change	28.98%	107.08%	60.55%	74.24%	18.85%

While small and rural schools have a difficult time predicting their costs, larger urban schools can get hit hard by changing special education costs as well. However, economies of scale create lower costs per pupil and less likelihood for dramatic shifts in expenditures. For example, one student with an IEP moving to Concord will have a smaller impact on the budget than one student moving to Winchester.

In Tables 6 and 7 the same data points are pulled for Concord School District and Manchester School District. In Concord, the number of Special Education students has dropped, but special education costs have risen. In just 5 years, the average additional cost to educate one special education student jumped \$8,000 and the percentage of total expenditures increased by 3%. Furthermore, for Concord, Special Education expenditures increased by 27% while Concord's total expenditures increased by just 17%.

Table 6

Concord	Total Expenditures	Total Special Education Expenditures	Special Education as a % of total Expenditures	Special Ed ADM	Average Additional Spending Per Special Education Student
2017	\$77,087,041.96	\$19,229,955.94	24.95%	701	\$27,432.18
2018	\$76,421,827.95	\$19,530,915.12	25.56%	675	\$28,934.69
2019	\$77,989,326.76	\$20,232,968.24	25.94%	677	\$29,886.22
2020	\$79,121,256.55	\$20,950,058.92	26.48%	695	\$30,143.97
2021	\$83,284,555.43	\$22,192,931.36	26.65%	663	\$33,473.50
2022	\$90,436,105.94	\$24,519,613.67	27.11%	683	\$35,899.87
5-Year Percentage Change	17.32%	27.51%	8.69%	-2.57%	30.87%

On the other hand, In Table 7, Manchester School District saw Special Education ADM change up to 175 students in a couple of years. However, in 2018, Manchester spent the highest percentage of its total expenditures on special education (27%). Unlike in Winchester, Concord, and Wakefield, special education costs in Manchester did not prove to be as volatile during the last five years.

Table 7

Manchester	Total Expenditures	Total Special Education Expenditures	Special Education as % of Total Expenditures	Special Education ADM	Average Additional Spending per Special Education Student
2017	\$175,532,609.16	\$46,634,141.41	26.57%	2341	\$19,920.61
2018	\$178,967,895.69	\$48,565,713.66	27.14%	2343	\$20,728.00
2019	\$181,515,866.72	\$48,997,790.95	26.99%	2427	\$20,188.62
2020	\$179,928,880.10	\$47,447,931.68	26.37%	2521	\$18,821.08
2021	\$187,389,301.87	\$47,666,163.13	25.44%	2461	\$19,368.62
2022	\$207,352,199.61	\$54,334,755.11	26.20%	2473	\$21,971.19
5-Year Percentage Change	18.13%	16.51%	-1.37%	5.64%	10.29%

Who Spent the Most?

In 2022, the most recent year that data is available, 26 of the 162 public school districts in New Hampshire had Special Education Expenditures that exceeded 25% of their total budget, after Adequacy grants were accounted for. What Table 8 makes clear is that Special Education Adequacy Grants are woefully insufficient. In most instances, they cover less than 5% of special education expenditures in most districts.

Of the districts with the highest percentages of Special Education spending, small schools, regional schools, cooperative schools, and larger city schools are represented. No matter the size, region, or enrollment, special education costs can be a large percentage of overall spending in a school district.

The full list of NH School Districts and their percentage of spending on Special Education will be available for download on our website.

Table 8

District Name	2022 SPED Costs	2022 SPED Adequacy Grants	SPED COSTS (-) ADEQUACY	Total Operating Costs	SPED as % of TOTAL (-) ADEQUACY
Winchester	\$5,526,871.09	\$241,631.19	\$5,285,239.90	\$12,100,571.78	43.68%
Mascoma Valley Regional	\$11,848,579.53	\$504,115.47	\$11,344,464.06	\$27,956,466.70	40.58%
Benton	\$283,041.00	\$16,296.88	\$266,744.12	\$661,758.00	40.31%
Marlow	\$832,327.59	\$36,974.55	\$795,353.04	\$2,046,215.54	38.87%
Brookline	\$3,782,810.42	\$385,461.55	\$3,397,348.87	\$10,165,348.38	33.42%
Wakefield	\$3,825,016.00	\$228,935.72	\$3,596,080.28	\$11,683,006.00	30.78%
Ellsworth	\$82,781.11	\$4,074.22	\$78,706.89	\$258,124.51	30.49%
Candia	\$2,899,657.61	\$147,426.87	\$2,752,230.74	\$9,205,700.82	29.90%
Monadnock Regional	\$10,695,463.53	\$581,515.05	\$10,113,948.48	\$34,376,664.87	29.42%
Stratham	\$4,085,931.22	\$320,324.34	\$3,765,606.88	\$12,928,546.03	29.13%
Goffstown	\$14,002,098.48	\$894,090.23	\$13,108,008.25	\$45,691,501.69	28.69%
Gorham Randolph Shelburne Coop	\$2,622,881.98	\$158,943.47	\$2,463,938.51	\$8,864,816.14	27.79%
Hooksett	\$10,305,844.23	\$652,205.62	\$9,653,638.61	\$34,881,620.56	27.68%
Milton	\$3,428,363.94	\$241,117.43	\$3,187,246.51	\$11,626,879.29	27.41%
Exeter	\$6,766,163.89	\$693,797.91	\$6,072,365.98	\$22,189,597.13	27.37%
Wentworth	\$560,334.05	\$44,816.42	\$515,517.63	\$1,886,322.65	27.33%
Amherst	\$8,965,984.06	\$591,222.08	\$8,374,761.98	\$30,651,022.62	27.32%
Jaffrey-Rindge Cooperative	\$7,506,098.23	\$464,570.48	\$7,041,527.75	\$25,824,786.05	27.27%
Hampstead	\$8,210,007.30	\$465,926.17	\$7,744,081.13	\$28,466,023.57	27.20%
Merrimack Valley	\$12,748,717.00	\$1,008,776.67	\$11,739,940.33	\$43,625,179.00	26.91%
Stoddard	\$918,648.83	\$73,072.15	\$845,576.68	\$3,144,424.76	26.89%
Epsom	\$3,416,800.57	\$205,817.17	\$3,210,983.40	\$12,011,569.09	26.73%
Somersworth	\$8,175,845.03	\$618,397.95	\$7,557,447.08	\$28,710,857.32	26.32%
Deerfield	\$4,146,174.14	\$289,087.91	\$3,857,086.23	\$14,684,066.36	26.27%
Wilton-Lyndeborough Cooperative	\$3,403,820.32	\$211,719.08	\$3,192,101.24	\$12,204,558.33	26.15%
Newport	\$5,387,966.00	\$408,197.94	\$4,979,768.06	\$19,057,269.00	26.13%

Conclusions

Students with special needs and disabilities have a federally protected right to public education. These students also deserve to not be seen as a financial burden to their local communities. While special education services and their costs have wide ranges, so does the ability of communities to pay for such services. As seen throughout this report, planning budgets around an ever-changing and unpredictable student population creates deep inequities for students and taxpayers alike.

With State and Federal governments covering less than 20% of special education costs, local school districts and towns are tasked with not only making sure students have the proper resources but that those resources are paid for. Each of New Hampshire's communities has vastly different abilities to raise revenues for their schools and students. The state's downshifting of responsibility to the local property taxpayer puts a strain on local communities and creates inequitable funding models and outcomes for students.

Equitable public education funding in New Hampshire would provide not only stability for districts but equal opportunity for our students with disabilities. The different costs associated with providing each student with the resources they are entitled to are volatile and ever-changing. Exploring ways of shifting the **\$685,754,769** in Special Education costs currently shouldered by local property taxes back to the State could ensure all special education students are equally and equitably provided for.

Source Documents

1) *State Summary Revenue and Expenditures of School Districts 2021-2022*

<https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/summary-of-rev-exp-fy2022.pdf>

2) *New Hampshire Financial Accounting Handbook for Local Education Agencies*, revised 2001.

<https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/nh-financial-accounting-handbook-for-local-education-agencies.pdf>

3) Costs as Reported on the DoE-25 Excel spreadsheet, page 21.

DOE-25_Aggregate_12-28-22.xlsx, cells A519-L-546

4) FY 2022 Adequacy Aid spreadsheet

<https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/adequacy-fy-22-muni-summary.pdf>

5) FY 2021-22 State Average Cost Per Pupil

https://thf_media.s3.amazonaws.com/2022/2022_TheCriticalClassroom_FINAL_WEB.pdf