
Opportunities to Better Manage
the Costs of Special Education in
Portland Public Schools

A report by the District Performance Auditor
August 2011

**PORTLAND PUBLIC SCHOOLS
PORTLAND, OREGON**



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Richard C. Tracy
District Performance Auditor

MEMORANDUM

To: Board of Education
From: Richard C. Tracy, District Performance Auditor
Date: August 2011
Re: **Special Education** - Performance Audit

Attached is my audit report on the financial management of Special Education at the Portland Public School district. I performed this audit in response to the 2010 Performance Audit Plan approved by the School Board.

I would like to thank the District management and staff for their assistance and cooperation in conducting this audit.

I look forward to meeting with you at upcoming Board and committee meetings to more fully discuss the report's findings and recommendations. Thank you for your ongoing support of performance auditing.

cc:
Carole Smith
Zeke Smith
Jollee Patterson
Carla Randall
Robert Ford

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SUMMARY

Portland Public Schools (PPS) educates over 6400 students with disabilities,

Financial management weaknesses at PPS

y analysis of SPED financial management at PPS shows that the district has not managed program finances effectively. Over the past several years, weak controls have allowed growth in staffing levels without sufficient management review, federal funding was not always used wisely, and technical errors in the budget development for 2010-11 required modifications to the adopted budget. The district also missed opportunities to better manage the growth in special education costs by appropriately controlling the maintenance of effort spending base. In addition, the district used short-term increases in federal funding to staff on-going services causing a significant funding cliff in 2011-12 as federal recovery resources end. Finally, compliance problems due to the disproportionate referrals of African American male students for long-term discipline restricted the use of approximately \$3 million in federal funds the past two years and precluded the district from taking advantage of opportunities to lower maintenance of effort spending levels.

Beginning this past year, the district has made significant efforts to improve SPED financial management through the development of improved internal control systems. Specifically, the district created an independent budget analyst for the special education program, improved budget monitoring processes and financial manage crea.1(ii)5.2(nd(2011proces9.0605n

district to improve student achievement for all students while also meeting special education legal requirements.

Strategies to better manage SPED costs

ased on my review of SPED operations at PPS, there may be a number of strategies to better manage the costs of SPED and to improve the effectiveness of services to students with disabilities. The district is actively pursuing some of these ideas and others are still in the discussion phase. Some of the most promising strategies for improving the cost-effectiveness of special education are as follows:

More integration with general education - Recent studies demonstrate that more involvement of special education students in the general education environments can help improve their achievement and control the growth of costly separate, self-contained classrooms. While self-contained classes are needed for those students that cannot fully

cannot provide the same quality of instruction as licensed teachers. Some research has shown that overuse of paraprofessionals may isolate special education students from general education academic experiences and increase dependency rather than improving student independence.

Search for transportation efficiencies - PPS Transportation spending per special education student on an IEP is approximately \$1683, higher than the average of \$957 for other large districts in Oregon. While PPS efforts this past year began to control transportation cost growth, further efficiencies may be possible by increasing the number of students on routed bus lines and controlling the use of cabs to transport students.

Reduce costs of substitutes - The costs to replace absent special education teachers and paraprofessionals has grown from \$1.4 million in 06-07 to over \$2.7 million in 2009-10, an 93 percent increase. More supervisory effort to control absence rates may produce savings that can be re-programmed for other SPED services.

Increase Medicaid reimbursement efforts - Significant opportunities exist to obtain additional revenue for certain special education costs (i.e. psychologists, communication therapists) that are eligible for reimbursement through the federal Medicaid program. Estimates of recovery potential exceed \$1 million annually.

Recommendations

To improve special education financial management and to address opportunities to improve the cost effectiveness of special education at PPS, I make a number of recommendations on page 53 of this report. In brief, these recommendations call for a more deliberate and systematic management of the costs of special education to ensure PPS is using available resources in the most cost effective manner possible.

INTRODUCTION

Special Education is one of the largest programs within the Portland Public School district - serving over 6400 students with disabilities at a total annual cost of approximately \$83 million in 2009-10. Special Education students receive a broad array of specifically designed instruction intended to address various disabilities that affect a child's educational performance. This audit focuses on the financial management of the SPED program to identify opportunities to improve planning, budgeting, and spending controls and to evaluate strategies to better manage the costs of special education.

Special Education: Statutory and regulatory framework

The *Education for All Handicapped Children Act* passed by the federal government in 1975 is the landmark legislation establishing special education in public schools throughout the country. The law requires public schools to provide students with disabilities with a free and appropriate public education in the least restrictive environment with a preference for including special education students in general education classrooms. Congress renamed the law the *Individuals with Disabilities Education Act* (IDEA) and reauthorized it several times, mostly recently in 2004.

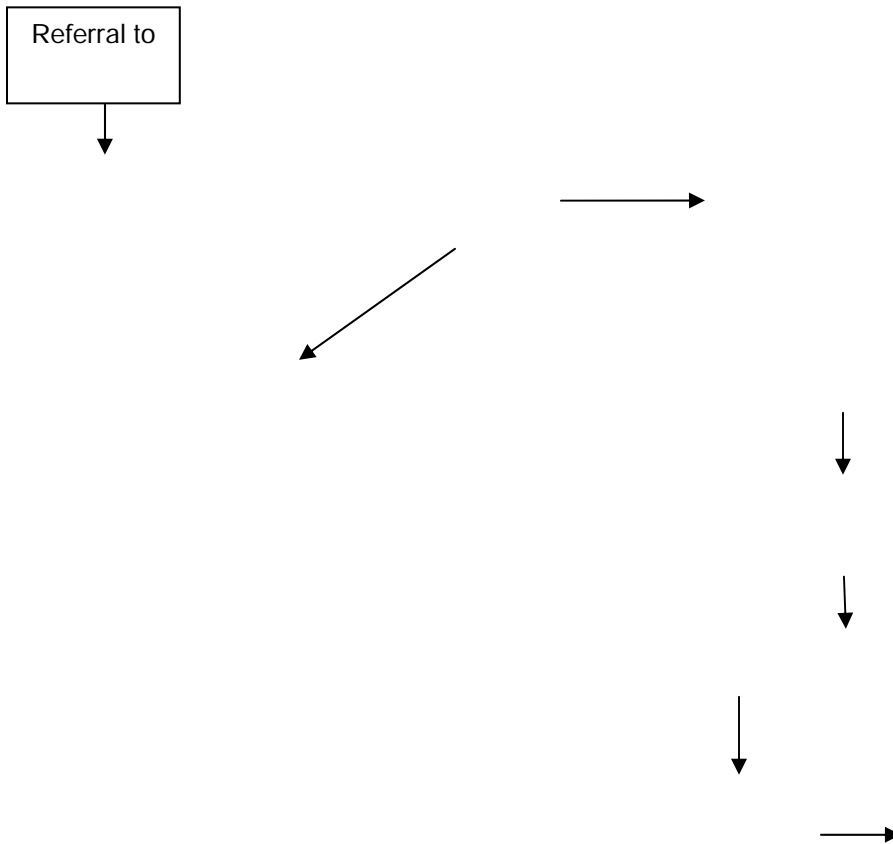
IDEA governs how states, school districts, and other public agencies provide services to children with special needs. Infants and toddlers with disabilities (birth to age 2) receive early intervention services under Part C of IDEA and children and youth (ages 3 to 21) receive special education and other related services under Part B of IDEA. IDEA is implemented in coordination with two other federal laws: the Rehabilitation Act of 1973 (Section 504) and the Elementary and Secondary Childhood Education Act (formerly the No Child Left Behind Act - NCLB.) Section 504 precludes programs that receive Federal financial assistance from discriminating against children because of their disability. NCLB established performance and accountability standards with the goal of improving overall student and subgroup academic achievement.

In order to be eligible for special education under IDEA, a child must have one of 13 recognized disabilities and that disability must affect the child's educational performance.¹ Eligible students can receive a range of different services and educational accommodations including speech and language therapy, physical and occupational therapy, psychological services, counseling and assessment, and orientation and mobility services.

Progress review and evaluation - PPS annually reviews student progress in achieving IEP goals and meeting grade level content standards. Depending on progress, students may exit special education, receive new accommodations or services, or receive a different placement. The student may also be reevaluated for eligibility.

Exit from special education - Students may leave the special education program when they no longer need specially designed instruction to make progress in the general education curriculum, graduate from high school, reach maximum age for eligibility, or when they leave the district or drop out of school.

Figure 3 Special Education Process for referral, assessment, eligibility determination, placement, and exit



Source: Adapted from PPS Special Education Policies and Procedures

CONTINUUM OF PLACEMENT

Based on their IEP, special education students are placed in various learning environments depending on their specific disability and the least restrictive environment which will best meet their academic, behavioral, and life-skills needs. Beginning in FY2010-11, PPS initiated a new Continuum of Placement Options based on

education students receive additional instruction in "learning centers" that are located at each school. Other students receive only speech related services. In addition, some

Figure 5 SPED population in self-contained classes, by placement

	'09-10	'10-11
BEHAVIORAL		
Students	275	316
Classes	28	30
Schools	22	22
Average class size	9.8	10.5
COMMUNICATION-BEHAVIORAL		
Students	108	174
Classes	11	15
Schools	9	12
Average class size	9.8	11.6
LIFE/INTENSIVE SKILLS		
Students	339	382
Classes	34	34
Schools	25	24
Average class size	10	11.2
INDEPENDENT LIVING*		
Students	24	-
Classes	2	-
Schools	2	-
Average class size	12	-

Source: Auditor analysis of SPED program data. * Included in Life/Intensive in 2010-11

Special Schools. PPS operates several types of special schools for students that have various specific needs. Pioneer School programs are for students with significant ongoing social and emotional skill deficits that require more intensive supports than can be provided in a regular school setting. In FY2010-11, Pioneer programs included therapeutic classrooms, intensive behavior classrooms, functional intensive skill centers, and day treatment programs. Over 140 students attended Pioneer programs in 2010-11. In addition, PPS served approximately 170 students ages 18 to 21 that have graduated from high school with a GED or modified diploma at a Community Transition program that helps students transition to life after high school. PPS also provides an interim classroom for students that have been removed from school for disciplinary problems. Finally, several alternative schools, private schools, regional service districts, and home/hospital placements also serve students with disabilities.

Special education enrollment and achievement trends

The number of students enrolled in special education has increased slightly over the past five years, growing from 6,244 in 2005-06 to an estimated 6,523 in 2010-11, a 4 percent increase. As a percent of total PPS enrollment, the proportion of students identified as disabled has ranged from 13 to 14 percent. Special education enrollment has started to increase in 2009-10 and 2010-11, mirroring increases in total district enrollment.

Figure 6 PPS Special Education and total enrollment: 2005-06 to 2010-11

	'05-06	'06-07	'07-08	'08-09	'09-10	est. '10-11
SPED Child Count	6,244	6,157	6,199	6,205	6,383	6,523
change from prior year	168	-87	42	6	178	140
% change from prior year	3%	-1%	1%	<1%	3%	2%
PPS fall enrollment	47,008	46,348	46,088	46,046	46,596	46,803
change from prior year	-648	-660	-260	-42	550	207
% change from prior year	-1%	-1%	-1%	-1%	1%	0%
SPED % of total enrollment	13%	13%	14%	14%	14%	14%

Source: Auditor analysis of Multi-Year Database, excluding students in long-term care and treatment

The percent of special education students by grade level has remained relatively constant over the past five years. Approximately 47 percent of disabled students are in elementary school, 25 percent are in middle school, and 28 percent are in high school. However, in 2009-10, there are fewer special education students in high school and more in middle school.

Figure 7 PPS Special Education enrollment by grade level: 2005-06 to 2009-10

	'05-06	'06-07	'07-08	'08-09	'09-10	'09-10 % of total	change from '05-06
Elementary	2,939	2,900	2,911	2,957	3,006	48%	2%
Middle	1,535	1,510	1,553	1,521	1,829	24%	19%
High	1,770	1,747	1,735	1,727	1,548	28%	-12%
TOTAL	6,244	6,157	6,199	6,205	6,383	100%	2%

Source: Auditor analysis of Multi-Year Database, excluding students in long-term care and treatment

On average, there are two times as many male students identified as needing special education than female. As shown, the number of male students at PPS needing special education has grown slightly over five years, increasing 6 percent from 2005-06 to 2009-10. The number and percent of female special education students over this same period has declined about 4 percent.

Figure 8 PPS Special Education population by gender: 2005-06 to 2009-10

	'05-06	'06-07	'07-08	'08-09	'09-10	'09-10 % of total	change from '05-06
Female	2,163	2,132	2,121	2,078	2,074	32%	-4%
Male	4,081	4,025	4,078	4,127	4,309	68%	6%
TOTAL	6,244	6,157	6,199	6,205	6,383	100%	2%

Source: Auditor analysis of Multi-Year Database, excluding students in long-term care and treatment

White students comprise the largest segment of special education students by race - 56 percent of the total special education population in 2009-10. African American students represent the second largest segment at 20 percent followed by Hispanic at 15 percent, Asian/Pacific Islander at 7 percent and Native American at 3 percent. Over the past five years, the number of Hispanic and Asian/Pacific Islander students in special education has increased by 28 percent and 25 percent respectively, while the number of African American and White students has decline by 6 percent and 1 percent respectively.

Figure 9 PPS Special Education population by race: 2005-06 to 2009-10

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Source: Auditor analysis of Multi-Year Database, excluding students in long-term care

Figure 10 PPS Special Education population by primary disability: 2005-06 to 2009-10

	'05-06	'06-07	'07-08	'08-09	'09-10	'09-10 % of total	change from '05-06
Autism	500	552	594	665	724	11%	45%

Source: Auditor analysis of Multi-Year Database, excluding students in long-term care and treatment

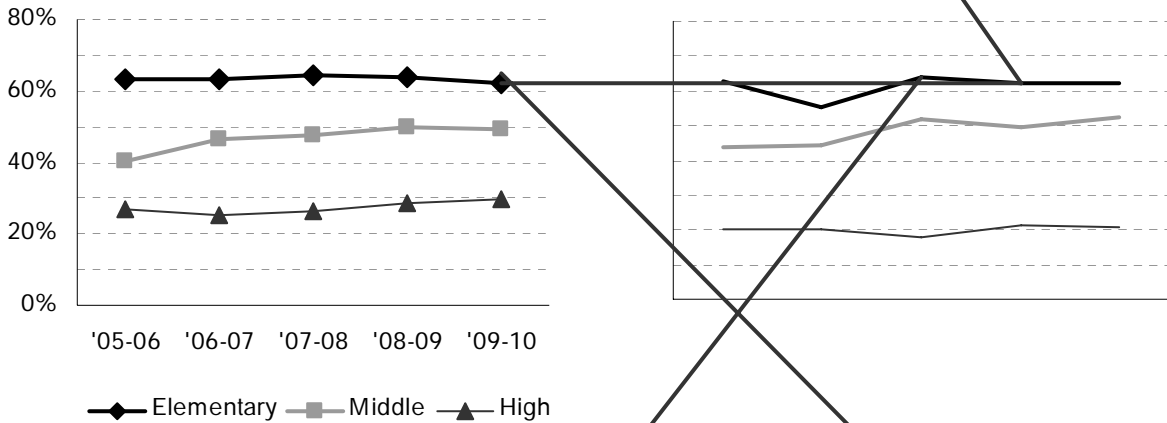
STUDENT ACHIEVEMENT

Over the past five years, PPS middle school students with disabilities have performed better on statewide achievement tests than students in elementary grades or high school. As shown below, the percent of special education students in middle school that met or exceeded Reading standards increased from 40.5 percent in 2005-06 to 49.1 percent in 2009-10, a 9 point increase. The percent of middle school special education students meeting or exceeding Math standards also increase by 9 points from 43.5 percent to 52.4 percent.

Elementary special education students remained largely unchanged - 61.9 percent met or exceeded Reading standards in 2009-10 compared to 63.1 percent in 2005-06. Similarly, the percent of elementary special education students meeting Math standards remained close to 62 percent over the five year period. High school special education

students improved slightly more than elementary school students - 29.4 percent met or exceeded Reading standards in 2009-10 compared to 26.6 percent four years earlier. However, but Math performance was relatively flat - 20.2 percent meeting or exceeding versus 21 percent four years earlier.

Figure 11 Percent PPS Special Education students meeting or exceeding standards: 2005-06 to 2009-10



Source: Auditor analysis of AYP Reports

However, there is a gap between special education students and all PPS students, especially at the higher grades. As shown below, when compared to the percent of all students that meet Reading and Math standards, the gap for special education students increases as the student progresses in grade level. While a lower percent of students in the district overall meet standard as they move from elementary and then to middle school and high school, the gap widens faster for students in special education. For example, the point difference between the percent of elementary special education students meeting or exceeding Reading standards and the percent of all elementary students meeting Reading standards is 21.7 percent. This point gap rises to 28.8 percent in middle school and 38.3 percent in high school. The trend is similar for Math achievement.

Special Education funding and maintenance of effort

Special Education receives funding support from several sources. As shown in the graphic below, the primary sources are Federal grants, State school fund support, and local general fund resources.

Figure 14 Special Education funding sources

about 50 percent of a full an ADM share. In addition, the state provides districts with an additional allocation for students whose special education services cost \$30,000 or more per year. This high cost disability allocation covers only a portion of the actual costs incurred for these services, about 16 percent.

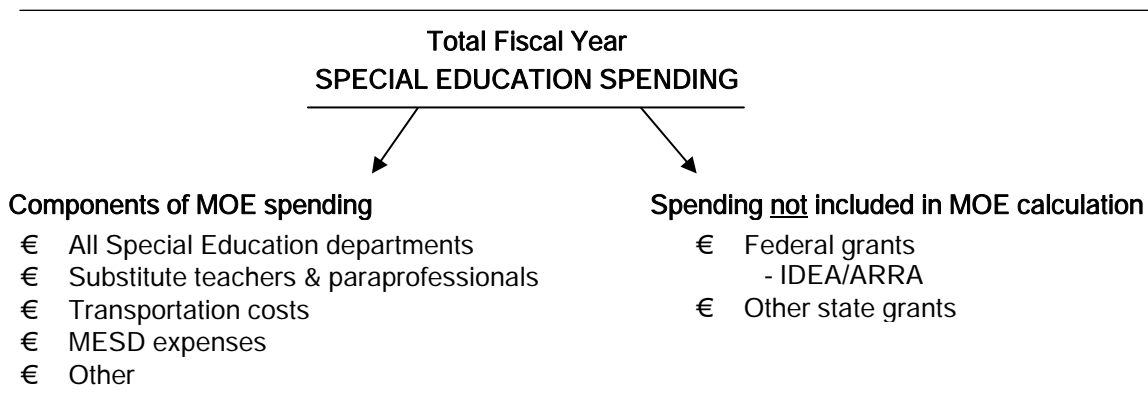
The State also reimburses districts for 70 percent of all Transportation costs for students including special education students. In addition, the State may also provide various grants to districts for special purposes including supporting IT enhancements

LOCAL DISTRICT MAINTENANCE OF EFFORT (MOE) REQUIREMENTS

Federal law does not allow local districts to use federal IDEA funds to supplant state and local funds committed to the same special education purposes. In brief, this requires school districts, at a minimum, to maintain the same level of spending effort for special education and related services each year. Maintenance effort can be met either by maintaining or increasing the total amount of local spending each year or by maintaining or increasing the spending per special education student. To ensure MOE rules are met, ODE requires annual MOE audits. The penalty for failure to meet MOE is repayment to ODE of the amount the district fell short of maintaining MOE from existing general or other funds.

The graphic below illustrates the components of spending that are included in the MOE calculation. As shown, MOE includes all Special Education department spending, transportation costs for special education students, the cost of substitutes to replace special education teachers and paraprofessionals, expenses for services provided by the Multnomah County Educational Services district, and other miscellaneous amounts.

Figure 16 Maintenance of Effort spending



Under federal and state law, local school districts may reduce the level of maintenance of level spending under various conditions:

- € Departure of experienced special education or related service personnel
- € Decrease in the enrollment of students with disabilities
- € Termination of the obligation to provide especially costly services to a particular student

- € Termination of costly long-term expenditures such as acquisition of equipment or construction of school facilities
- € Assumption of high costs by the state

In any fiscal year in which the federal IDEA allocation exceeds the amount received in the previous year, the local school district may also reduce MOE levels by 50 percent of the excess amount received. That is, if federal funding in one year exceeded the previous year by \$100, the district could reduce its MOE requirement by \$50. However,

Audit objectives, scope, and methods

his audit had one primary objective and two sub-objectives:

€ To evaluate the financial management of PPS's Special Education program in order to

1) identify opportunities to im

Regional programs. Although we reviewed controls over the planning, monitoring, and reporting of SPED finances, we did not evaluate compliance with federal or state requirements regarding the delivery of special education. We conducted a limited review of the processes for identifying students for special education but we did not perform sufficient work to reach conclusions on the effectiveness or efficiency of these procedures. We also did not review the effectiveness of SPED services in achieving IEP goals, improving student achievement, or in reducing the achievement gap between general education and special education students.

We believe the district could benefit from two additional performance audits on the following topics:

- € Design and Implementation of Special Education Referral, Eligibility, and Exit Processes
- € Performance in Delivering IEP Services and Achieving IEP Goals

This audit was performed in accordance with the 2010 Audit Plan approved by the PPS School Board. Fieldwork was performed from October 2010 through March 2011. Report writing and processing was conducted from April 2011 through June 2011. I was assisted on this audit by an independent performance audit consultant, Kathryn Nichols.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. I have implemented an internal quality control process to ensure standards are met but have not undergone an external quality review as required by standards.

AUDIT RESULTS

Over the past several years, the financial management of Special Education has not been effective. Staffing levels were not adequately controlled, planning and budgeting practices were weak, and federal funds were not used wisely. In addition, the special education maintenance of effort spending base increased by almost 12 percent, committing the district to a higher on-going general fund spending requirement. Due to sanctions related to racially disproportionate discipline referrals, the district also missed opportunities to use funds for program operations and to reduce general fund maintenance of effort spending levels. The program is faced with less revenue to support existing requirements in the coming year and staff reductions will be necessary.

The district has addressed some of the weaknesses in financial management by implementing a number of new controls and processes. Most significantly, a dedicated budget analyst for special education is now housed in the Budget Office rather than in the Special Education department. In addition, the creation and hiring of new special education staff positions must now undergo more review and approval from higher level management. Although additional information has improved planning and monitoring this year, special education managers and elected officials could still benefit from more comprehensive and useful management information on the special education program.

While these actions will help improve the financial management of Special Education, the program as a whole may not be financially sustainable. Increasing costs and declining state and federal support will place significant stress on the district to improve achievement for all students while also addressing special education mandates. PPS subsidizes special education with general education resources at a much higher rate than other large Oregon school districts. Actions are needed over the next several years to use available funding in a more cost effective manner. Various strategies exist to control special education costs and improve services to disabled students.

Special Education program financial management weaknesses

ur review of the financial management of the Special Education program revealed a number of weaknesses. Discussions with finance and program

intended. The Special Education director had responsibility for creating new positions without sufficient oversight and approval from the Chief Academic Officer and the Budget Office. Decisions about staffing levels were not subject to adequate review to ensure positions were approved, funds were available, and long-term funding requirements were considered.

Beginning in late fall of 2010-11, new staffing allocation formulas and position control processes were implemented that required specific approval for the hiring of new positions. Special Education program now must receive approval from the Chief Academic Officer and from the Budget Office before creating new positions and hiring new staff.

INADEQUATE PLANNING AND BUDGETING PRACTICES

During 2009 -10 the Special Education program was actively planning and developing the new "Continuum of Services" program design. Although this was a significant change in the delivery of special education services, we were unable to obtain any documents that provide a complete and clear analysis of the projected changes in classrooms or the potential impact of the changes on program costs. This change was also occurring at the same time that the district consolidated Special Education with the Student Services program to create Integrated Student Services (ISS) department.

Based on our discussion with budget analysts and program managers, these two events presented a significant challenge in obtaining accurate projections on staffing and program costs to help develop the 2010-11 budget. Compounding this challenge was turnover in critical financial analyst positions. According to budget managers, the uncertainty about staffing and resource requirements to address these program changes complicated the process of developing a reliable estimate on budget requirements for the Special Education program. A downward revision in available state resources in the late spring of 2010 also compromised the reliability of the consolidated ISS adopted 2010-11 budget.

A technical error in the budgeting process that overstated the amount of budget reductions required by Special Education in the adopted budget further complicated the budget process. This "under expenditure" created a \$3 million gap in the level needed to meet the legally required maintenance of effort spending base in 2010 -11. To ensure the district spent a sufficient amount to meet maintenance of effort spending targets, expenditures previously accounted for in federal grant accounts were accounted for in general fund accounts.

During the course of our audit work in 2010 -11, we had difficulty obtaining complete, timely, and consistent financial information. During much of the year, the budget was

under significant review and needed various revisions to ensure MOE targets were met. The district made a mid-year budget adjustment to reconcile actual and planned spending levels and to appropriately categorize expenses and revenues within general fund and grant fund accounts.

According to budget and special education program managers, many of the financial planning and budgeting problems experienced in the program over the past two years were caused by the lack of an experienced and independent budget analyst. Prior to 2010-11, the Special Education department employed its own analyst that reported to the department director but not to the PPS Budget Office. This separation from central budget office resulted in insufficient independent oversight to ensure planned spending was appropriate, reasonable, and controlled. The resignation of this analyst and the hiring of a temporary budget analyst unfamiliar with complex special education budgeting also contributed to errors and inconsistencies.

During the course of 2010-11, financial controls and management information gradually improved. The district assigned a dedicated analyst in the Budget Office and the Budget and Finance director became more integrally involved in the review and oversight of the special education financial management. Coordination between this

new teaching, paraprofessional, and other specialist positions. In the two year period from 2007-08 to 2009-10, special education staffing increased by over 150 positions. Finance records also show that during the past three years the Special Education department was using federal IDEA grant funding at a faster rate during the grant period than was prudent, creating cash-flow problems in the final months of the grant period. For example, in 2009-10 and 2010-11 the department spent an estimated 85 percent of the available grant during the first period of the grant carrying over only 15 percent for the next period.

Figure 18 Special Education Federal Grant spending: 2008(on Ft)2(ng-50 por)6[from 2001- por- 2001- 20

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Figure 20 Special Education MOE costs: 2006-07 to 2010-11

(in millions)						
	'06-07	'07-08	'08-09	'09-10	'10-11*	change from '06-07
SPED Department	\$52.0	\$56.3	\$56.6	\$56.7	\$57.3	+10%
Transportation	9.1	9.2	9.8	10.7	9.7	+7%
Substitutes	1.4	1.8	2.1	2.4	2.7	+93%
Other	.1	-	-	.1	.1	<i>na</i>
MESD	1.3	1	1.1	1.1	1.2	-7%
TOTAL	\$63.9	\$68.4	\$69.7	\$70.9	\$71.0	+11%
change from prior year		6.9%	1.9%	1.7%	0%	

* Estimate

Source: PPS Finance

Over the past five years, PPS is evaluating more students for special education and finding more students eligible. As shown below, the number of student evaluated increased by 93 percent and the number of students found eligible increased by 112 percent from 2005-06 through 2009-10.

**Figure 22 Number of students evaluated and found eligible for Special Education:
2005-06 to 2009-10**

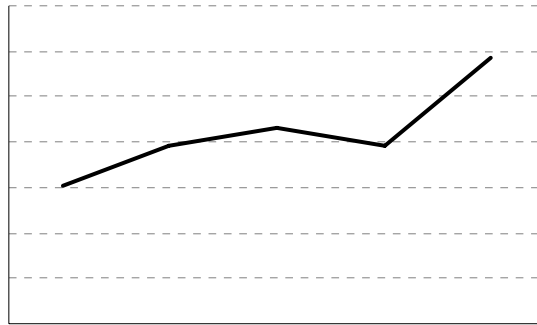


Figure 23 PPS Special Education enrollment growth by disability: 2005-06 to 2009-10

	'05-06	'06-07	'07-08	'08-09	'09-10	change from '05-06	average cost per
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Source: Disability statistics compiled by the Auditor from ODE's Multi-Year Database.

* Average cost per student calculated by the Auditor from SPED's High Cost Database for 2008-09, the most recent year available.

PPS PROVIDES SIGNIFICANT GENERAL FUNDS TO SUPPORT SPECIAL EDUCATION

PPS supports its Special Education program with additional general fund resources beyond the special education revenues provided by the state. As shown in the table below, dedicated revenues from the state are provided for special education students in several ways:

- € an additional share of per student funding for special education students capped at 11 percent of enrollment,

Figure 24 Special Education additional General Fund allocation: 2005-06 to 2009-10

(in millions)	'05-06	'06-07	'07-08	'08-09	'09-10
State School Fund grant (IEP students capped at 11% ADMr)	\$25.4	\$26.6	\$28.0	\$27.2	\$27.7
State School Fund grant (IEP students above 11% ADMr)	\$4.5	\$4.4	\$4.9	\$4.7	\$4.7
MESD Resolution Funds	\$0.8	\$1.3	\$1.1	\$1.1	\$1.1
High Cost Disability Grant	\$3.0	\$3.1	\$3.4	\$4.5	\$4.0
Transportation revenues	\$6.4	\$6.4	\$6.4	\$6.9	\$7.5
Total SPED-dedicated General Fund revenues	\$40.0	\$41.9	\$43.9	\$44.4	\$45.0
Additional GF allocation (computed)	\$23.4	\$22.1	\$24.5	\$25.3	\$26.4
Total SPED expenditures (General Fund/all depts.)	\$63.5	\$63.9	\$68.4	\$69.7	\$71.4
Additional GF allocation % of total SPED expenditures	37%	35%	36%	36%	36%

Source: Compiled by Auditor from State School

PPS GENERAL FUND SUBSIDY, SPENDING, AND IDENTIFICATION RATE HIGHER THAN OTHER DISTRICTS

PPS provides a higher level of discretionary general fund support to its special education program than other larger districts in Oregon. As shown below, the 36 percent general fund subsidy at PPS is the highest subsidy of any of the other 11 school districts and exceeds the 20 percent average by 16 points. In two districts, Medford and Tigard-Tualatin, special education students represent about 11 percent of their school enrollment and the general fund subsidy was very small, 3 percent and 0 percent, respectively. Consequently, these schools met special education program needs within the 11 percent cap established under state school funding rules and needed minimal additional general fund resources to address special education needs.

Figure 25 Special Education large district General Fund comparisons: 2009-10

	Discretionary GF as % of total expenditures	SPED count as % of ADM	GF spending per student
PORTLAND	36%	14.7%	\$11,175
Salem-Keizer	34%	14.9%	\$9,033
Reynolds	30%	16.4%	\$10,034
Hillsboro	24%	12.8%	\$9,565
Springfield	18%	15.7%	\$9,259
Eugene	17%	15.0%	\$8,728
Beaverton	16%	12.4%	\$8,649
Bend-LaPine	14%	15.0%	\$7,529
Gresham-Barlow	13%	11.1%	\$9,222
North Clackamas	12%	12.5%	\$8,207
Tigard-Tualatin	3%	11.3%	\$8,131
Medford	0%	11.2%	\$8,823
Average (excluding Portland)	20%	13.5%	\$8,831

Source: Compiled by auditor from ODE Final 2009-10 State School Fund Grant accounting reports. Excludes federal funds.

PPS also identifies a higher than average percent of their Average Daily Membership³ (ADM) for special education than other large Oregon districts and spends the highest amount per student. As shown in the table above, PPS identifies approximately 14.7 percent of its ADM for special education in 2009-10 compared to an average identification rate of 13.5 percent for the 11 other large Oregon districts. PPS spent approximately \$11,175 per special education student in 2009-10 compared to an average of \$8,831 for the other large districts in Oregon.

One factor contributing to the higher costs in PPS may be the number of high cost students enrolled at PPS. For example, in 2009-10, PPS had about 8.7 percent of the total special education enrollment but 17.6 percent of the high cost students (i.e. number of students with service expenses exceeding \$30,000 per student). Although actual expenses for these students exceeded \$21 million at PPS, the state high cost grant payment was approximately \$4 million in 2009-10, about 19 percent of the actual costs incurred to serve these students. On average the state high cost grant covers about 16 percent of the costs incurred at school districts in Oregon.

Figure 26 High Cost student grant support: 2009-10

	'09-10 child count	High Cost students	Actual costs for High Cost students	Grant payment
PORTLAND PUBLIC SCHOOLS	6,383	441	\$21.2 m	\$4.0 m
State	73,449	2,509	\$111.2 m	\$18 m
PPS as % of State	8.7%	17.6%	19.1%	22.2%

Source: ODE Report on High Cost Disability Grants prepared by Office of School Finance

Although it is difficult to obtain exactly comparable data, it also appears that compared to large urban school districts in Los Angeles, Oakland, SF, and Seattle, PPS has a higher identification rate - 13.5% compared to 13.5% for the 11 other large Oregon districts.

**Figure 27 Special Education Student Identification Rates:
Large Urban Districts, 2009-10**

Total enrollment	Number of SPED students	Identification rate
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Additional strategies to better manage Special Education costs

aced with growing costs and declining resources, PPS must pursue strategies that will provide a free and appropriate public education to disabled students while using available resources in the most cost effective manner possible.

Based on a review of recent academic literature and discussions with special education officials at PPS, other Oregon school districts, and the Oregon Department of Education, we have identified a number of strategies that may help improve the cost effectiveness of special education at PPS. PPS is actively pursuing some of these strategies and is considering others.

PPS has developed some valuable information on the special education population but existing information systems are cumbersome and costly, and complete information on IEP services, costs, and goals is hard to access and use. The eSIS software is not designed to support special education forms and processes and the department must employ manual data entry and other software tools to collect and report on student eligibility, caseload counts, high cost students, and other required information. Also, information about IEPs (e.g. type of services, goals, cost of services) is not available on a web-based, relational data base that can be viewed and shared by parties involved in the delivery and management of special education. Consequently, IEP teams rely on paper-generated documents, team communication and collaboration is difficult, and SPED cannot perform comprehensive analysis of the cost and performance of IEP services.

The Special Education department has realized for a number of years the inadequacy of existing information systems and the need for better management information. While efforts to develop a web-based IT system were not successful in the past, PPS purchased a web-based software system for special education at the end of 2010-11 using an ODE grant. This system will be in place next year and will permit staff to enter IEP information directly into a database that will interface well with other student information systems. According to managers, the software will significantly reduce manual data entry, improve sharing and review of IEP data, and permit on-going analysis of IEP services and costs. Training for staff will begin this spring and summer.

There are additional opportunities for special education to make greater use of existing information that the district collects and reports to ODE annually. Significant information is also available from the multi-year database that ODE provides to the district. Information from these sources is rich with detail on special education students

CONTROL USE OF PARAPROFESSIONALS

Over the past five years, while special education caseload increased about 5.9 percent, the number of paraprofessionals assigned to special education classrooms and students increased from 331 to 450, a 36 percent increase. The district assigns approximately 80 of these paraprofessionals to work “one-on-one” as aides to individual students at an average cost per student of about \$40,000. Paraprofessionals are valued members of the special education team and provide a variety of benefits to classroom teachers,

3. Continually searching for ways to share rides and reduce single student trips
4. Modifying expensive special transportation services to meet needs in a less costly way such as paying parents for transport in lieu of taxis
5. Expanding public transportation use and lowering costs through price discounts and the use of trip tickets rather than annual passes
6. Analyzing the balance between in-house bus drivers and contracted bus services to identify opportunities to shift routes to less costly contracted bus service
7. Evaluate new technologies that would improve efficiencies such as alternative

Figure 31 District substitutes for SPED teachers and paraprofessionals: 2009-10

	% of staff absent daily	Average annual absences	Total cost of substitutes
Special Ed teachers	10%	17	
Paraprofessionals	9.4%	12.1	
			\$ 2.7 m

Source: PPS HR Department

The percent of special education teachers and paraprofessionals that are absent on average each day is very comparable - 10 percent of the teachers and 9.4 percent of the paraprofessionals. However, teachers request more absences each year than paraprofessionals. On average, teachers request 17 absences annually and paraprofessionals request 12.1 absences. Part of this difference may be due to teachers having more absence requests for in service training and professional development than paraprofessionals.

The reasons for teacher and paraprofessional absences vary in several ways. Paraprofessionals are absent for illness at a higher rate than teachers - 53.7 percent of absences are due to illness versus only 36.4 percent for teachers. However, teachers are absent at a much higher rate than paraprofessionals due to in service training and professional development - 21.9 percent of teacher absences are due to training and professional development while only 2.7 percent of paraprofessionals are absent due to these reasons. Teachers and paraprofessionals are absent at similar rates for emergencies, personal days, and family illness.

Controlling the costs of absences is an effort that is not unique to special education teachers and paraprofessionals. The district as a whole could benefit from lower absence rates. However, given the significant increase in special education absence costs over the past five years, special education absence costs may warrant particular attention. Actions to lower absence costs may include more supervisory review and attention to the issue, improved work conditions, and more recognition and assistance during periods of high workload.

Figure 32 Absences by reason: 2009-10

Illness	Inservice	Emerg. / personal	Family illness	School
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RECOMMENDATIONS

In order to improve the financial management of special education, the Portland Public School district should pursue a number of strategies. While some of these actions are currently underway, I believe additional efforts are needed to meet the educational needs of students with disabilities while also ensuring that financial and human resources are used in the most cost effective manner possible. Declining federal and state funding coupled with continuing maintenance of effort requirements, place significant demands on the district to address both special education legal mandates and the broader mission of the district to improve student achievement for all students. In order to address these demands, I recommend that the Superintendent and the Chief Academic Officer take the following actions:

- 1. Manage and control the maintenance of effort spending base.** The district should more deliberately control the growth of the maintenance of effort spending requirement. While increases in the MOE should occur regularly as special education enrollments and caseloads grow, unjustified increases commit the district to higher spending levels that are difficult to reduce and increase draws on general education resources.
- 2. Continue to strengthen and improve information technology capacity.** District plans to implement new web-based software for special education should help address the long-standing inadequacies of existing information systems. Management should ensure that the system when implemented reduces the cost of data entry, improves the review and sharing of IEP information, and permits better management of IEP goals and costs. The system should also produce detailed information to support reimbursement of allowable service costs provided to Medicaid eligible students.
- 3. Improve management oversight and decision-making by producing and using better management information.** District special education managers should prepare and report regularly on the operations of special education. The department should consider reporting monthly or quarterly on special education caseloads, referral and eligibility trends, IEP goal achievement and service costs, and other critical information to improve monitoring and oversight. The district should also improve the amount and nature of special education information included in annual budget requests so that the school board can make more

informed resource allocation decisions. Finally, periodic annual reports on special education performance (effectiveness and efficiency indicators) should be available to parents and the community.

4. Manage and control special education caseloads by pursuing policies that

MANAGEMENT RESPONSE

Manage and control special education expenditures by pursuing policies that improve referral eligibility and placement decisions.

- Identify specific opportunities to reduce cost and increase revenues.

Many of these recommendations align with current work that is underway. Currently we are implementing the following actions:

Manage and control maintenance of effort spending base

Declining state and federal funding will continue to impact Portland Public Schools. I am committed to ensuring that current and future initiatives, as well as our overall goal of improving student achievement, is based upon fiscally sound decisions. We are addressing this issue in several ways:

review MOE spending patterns and trends

unforeseen expenses can be covered.

Special education will continue to utilize grant funding sources for professional development to

Continue to strengthen and improve information technology capacity.

Continuing on the use of technology is essential for our district to produce accurate reports, provide training and support for staff, and to improve our overall productivity. In order to meet this goal, we have recently purchased a web-based system with an ODE Enhancement Grant that will allow us to

in Medicaid billing.

Improve communication and coordination among staff by producing and using better management information.

At this time, the special education department is evaluating many of our policies and procedures that impact the day to day operations of special education. Right now, we are implementing:

self-contained classrooms.

The special education department will continue to monitor practices and operations

Creating learning modules for principals relating to managing special education services and

Manage and control special education expenditures by pursuing policies that improve referral eligibility and placement decisions

Portland Public Schools is currently ranked 10th in the state for the highest

percentages of special education students on the west coast. Our long term goal will be to service more students in their neighborhood schools (increasing natural separations of students with disabilities

in 12-14 neighborhood schools). Work on this initiative is currently in process

Building the capacity of individual school staff to address the specific behavioral challenges of students and working with students with autism.

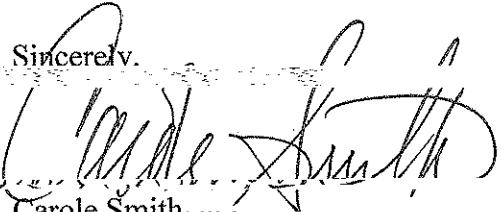
Collaboration between the SAC and P&L departments around the use of Instructional Specialists and behavioral programming.

Search for specific opportunities to reduce costs and increase revenues.

A critical challenge continues to be asked, it is vital that we seek funding opportunities and focus on providing excellent educational services with primary and secondary schools to the extent possible. We are committed to working in partnership with the state to support education and ensure that we are providing the best possible educational experience for all students.

The P&L leadership team agrees with the recommendations of the report and will continue to work towards the implementation of the recommendations. Special education services are essential for many students and families and increasing our ability to reduce costs through better management of resources and delivering services more efficiently is a significant starting point that will benefit all students within our district.

We appreciate the information you provided which will assist the school district in managing resources for students with special needs more efficiently and effectively.

Sincerely,

Carole Smith
Superintendent

- C: Carla Randall
- Zeke Smith
- Jollee Patterson
- Robert Ford

APPENDIX A

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Center for Special Education Finance - March 2004

SPED CLASSROOM PLACEMENT COSTS: 2008-09

SPED programs	Average cost per student	Average number students per class	Total cost per class	Total students in this placement	Total cost for placement
Learning Center	\$2,719	30	\$81,555	4,146	\$11,270,904
SLC-B (K-5)	\$13,386	12	\$160,633	150	\$2,007,908
SLC-B (6-8)	\$10,091	12	\$121,094	86	\$867,839
SLC-B (9-12)	\$8,073	15	\$121,094	101	\$815,365
SLC-CB Classroom	\$23,971	10	\$239,710	110	\$2,636,813
SLC-LS Classroom	\$16,681	12	\$200,171	311	\$5,187,776
SLC-LS With Nursing Classroom	\$20,017	10	\$200,171	36	\$720,617
Pioneer (Admin and Classroom)				274	

APPENDIX C

2009-10 SPED CASELOADS, REFERRALS AND ELIGIBILITY RATES by SCHOOL

Lent Elem	549	98	18%	26	5%	25	96%
Lewis Elem	374	60	16%	19	5%	17	89%
Llewellyn Elem	434	49	11%	32	7%	29	91%
Maplewood Elem	342	35	10%	15	4%	10	67%
Markham Elem	376	56	15%	20	5%	18	90%
Marysville Elem	435	69	16%	19	4%	17	89%
Ockley Green	299	43	14%	12	4%	10	83%
Peninsula Elem	375	81	22%	12	3%	8	67%
Richmond	569	24	4%	8	1%	5	63%
Rieke Elem	371	32	9%	10	3%	6	60%
Rigler Elem	596	84	14%	29	5%	27	93%
Rosa Parks Elem	463	76	16%	22	5%	17	77%
Roseway Heights	578	102	18%	13	2%	10	77%
Sabin Elem	348	41	12%	14	4%	14	100%
Scott Elem	563	79	14%	20	4%	20	100%
Sitton Elem	291	77	26%	16	5%	15	94%
Skyline Elem	294	37	13%	7	2%	7	100%
Stephenson Elem	335	35	10%	16	5%	16	100%
Sunnyside Environmental	585	58	10%	20	3%	19	95%
Vernon	397	42	11%	2	1%	1	50%
Vestal Elem	433	70	16%	15	3%	12	80%
Whitman Elem	372	52	14%	12	3%	12	100%
Winterhaven School	345	31	9%	6	2%	4	67%
Woodlawn Elem	449	66	15%	19	4%	18	95%
Woodmere Elem	397	61	15%	9	2%	8	89%
Woodstock Elem	433	47	11%	27	6%	25	93%
Total	25,629	3,496	14%	902	4%	779	86%

Middle schools

Beaumont Middle	450	63	14%	6	1%	5	83%
da Vinci Middle	456	43	9%	8	2%	6	75%
George Middle	388	90	23%	11	3%	9	82%
Gray Middle	419	65	16%	9	2%	7	78%
Hosford Middle	548	99	18%	5	1%	5	100%
Jackson Middle	651	102	16%	10	2%	6	60%
Lane Middle	397	82	21%	12	3%	11	92%
Mt Tabor Middle	559	60	11%	5	1%	3	60%
Sellwood Middle	480	58	12%	4	1%	3	75%
West Sylvan Middle	863	51	6%	4	0%	4	100%
Total	5,211	713	14%	74	1%	59	80%

High schools

ACT	273	61	22%	4	1%	3	75%
Benson Polytechnic High	1,100	95	9%	5	0%	3	60%
BIZ Tech	284	50	18%	1	0%	0	0%
Cleveland High	1,553	124	8%	14	1%	2	14%
Franklin High	1,032	144	14%	11	1%	6	55%
Grant High	1,610	137	9%	11	1%	10	91%
Jefferson High	617	138	22%	3	0%	3	100%
Lincoln High	1,395	58	4%	2	0%	2	100%
Madison High	860	160	19%	21	2%	15	71%