



A comparison of the perceptions of the percentage match and modified block grant special education funding systems in Montana
by Gail Davenport Gray

A thesis submitted in partial fulfillment of the requirements for the degree of Doctor of Education
Montana State University
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Abstract:

This study investigated the perceptions of school superintendents, school business officials and special education administrators on the current and former system of state special education funding. The current system has been in effect four years. The objective of this system review is to see whether the purposes of the funding change have been met and to gather information for decision making regarding possible changes.

Data was gathered from a survey on the current funding system and a survey on the former funding system. Twenty superintendents, 20 school business officials and 20 special education administrators representing four size categories of districts in Montana completed the survey on the current system. Twenty superintendents, 19 school business officials and 20 special education administrators representing four size categories of districts completed the survey on the former system. Each system was rated in the areas of flexibility, predictability, simplicity, equity and overall value. Data was taken from the ratings on the two surveys and compared to see which one was rated better and whether the difference was statistically significant.

Analyses using two-way ANOVA indicated that several differences and relationships were statistically significant. Survey respondents rated the current system higher, more positively, than the former one in the areas of simplicity, equity, predictability, flexibility, and the overall system. The difference between ratings in these five areas was statistically significant at $\alpha = .05$.

The two-way ANOVA tests indicated there was little difference in perception of simplicity, equity, predictability, flexibility and overall ratings of the funding systems by employment position of the respondent or the size of their school district. There were two exceptions to this. Superintendents rated the predictability of the current funding system significantly higher than that of the former system. School business officials and special education administrators did not rate one system significantly different from the other.

The second exception was that respondents from 1E/1H districts rated the equity of the current system significantly higher than that of the former system. The other three size categories of districts did not rate one system significantly different from the other.

The ratings for three individual questions were also analyzed. The difference in ratings by respondents was significantly higher for the current than the former system in allowing expenditures for prereferral activities and supporting placements of students in the least restrictive environment. The difference in ratings by respondents however, was significantly higher in preferring the former system to the current one in addressing the burden of extraordinary costs of providing special education.

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of the requirements for the degree

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APPROVAL

of a thesis submitted by

Gail Davenport Gray

This thesis has been read by each member of the graduate committee and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style, and consistency, and is ready for submission to the College of Graduate Studies.

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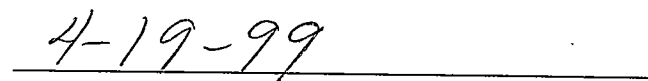
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ABSTRACT

This study investigated the perceptions of school superintendents, school business officials and special education administrators on the current and former system of state special education funding. The current system has been in effect four years. The objective of this system review is to see whether the purposes of the funding change have been met and to gather information for decision making regarding possible changes.

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CHAPTER 1

INTRODUCTION

School districts are ethically and legally required to provide special education services to students with disabilities. This was institutionalized in the passage of The Education for All Handicapped Children Act, P.L. 94-142, in 1975. In order to provide these services, a large scale increase in the available funds for special education was necessary (Hartman, 1980). States approached this funding need with multiple special education finance systems. After experiencing the effects on identification of and services provided to students with disabilities, states have reviewed consequences of their funding systems.

In response to complaints of complexity, inflexibility, unpredictability and inequity, the Montana special education funding system was restructured July 1, 1994. Much was said about the need for change, but there has been no systematic comparison between the former and the current system. The purpose of this study was to compare the opinions of school superintendents, special education administrators, and school business officials who worked with the former system to those who work with the current system. This was done through two surveys where school superintendents, special education administrators and school business officials rated either the former or current system on the basis of simplicity, flexibility, predictability and equity.

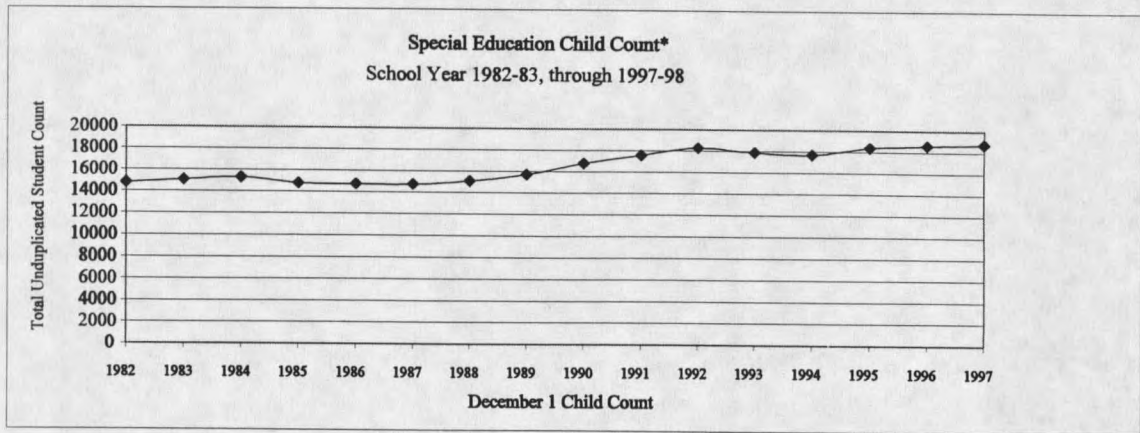
State financing of special education in Montana has long been an area of controversy (R. Runkel, personal communication, January 12, 1998). School personnel complain about the local cost of the program. Some question whether their district receives their fair share of the state appropriation. Parents of children with disabilities believe that more services are necessary for their children to receive the education necessary to achieve their potential. Legislators are concerned about the cost to the state budget and state education officials worry about the complexity, equity and difficulty of distributing the funding that is available. Due to multiple changes in special and regular education funding, reporting, and accounting systems from the 1970s to the late 1980s, it is difficult to get consistent figures on the total state and local costs of special education programs in Montana. Expenditure reports from school districts to the Office of Public Instruction show an increase in the state and local costs of special education from \$36,278,535 in the 1989-90 school year to \$42,791,999 in 1991-92 to \$57,028,741 in the 1996-97 school year.

In addition to increased costs of the special education program, school districts contributed different percentages of the local total special education budget to the local program. In FY 91, of the 301 school districts which received state special education funding, 66 contributed nothing while 44 contributed 1-9%, 65 contributed 10-19% 56 contributed 20-29% and 10 contributed 50-59% (Appendix A).

Between 1982 and 1991, an increase of 2,778 students, from 14,782 in 1982 to 17,560 in 1991, were identified for special education (see Figure 1). There was a

particularly large increase in the number of students in special education between December 1 of 1989 and 1991. During this three-year period, an additional 1,867 more students were served in special education, an increase of 11.9% (OPI child count databases). The total school enrollment, based on ANB¹, between 1989 and 1991 increased by 6.5%.

Figure 1. Special education child count, school year 1982-83 through 1997-98.*

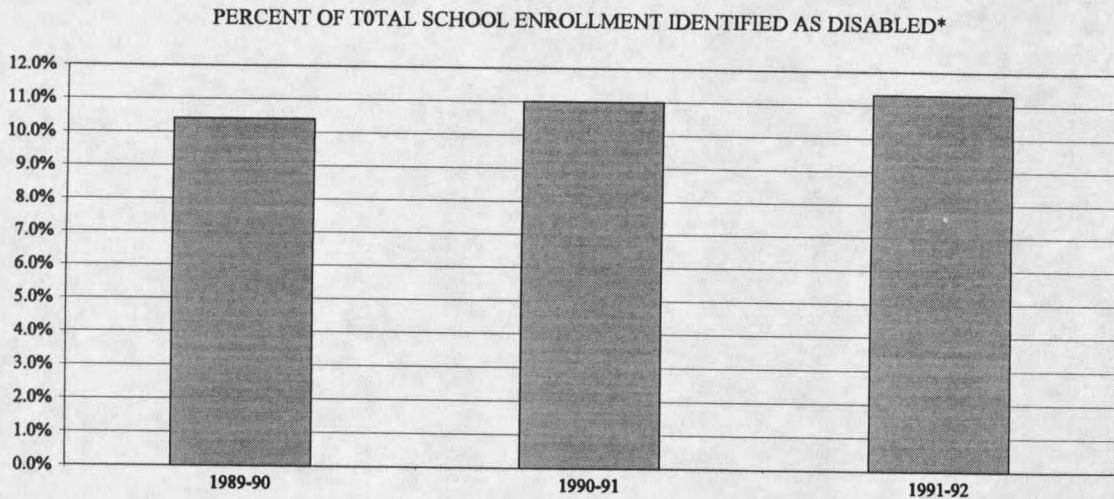


*(Source: Montana Office of Public Instruction)

From 1989 to 1991, the percentage of students who were identified as having a disability increased from 10.4% to 11.3% of the total ANB, enrollment, of Montana public schools (see Figure 2).

¹ ANB or average number belonging means the average number of regularly enrolled, full-time pupils. It is based on the average of student attendance and absence on October 1 and February 1 of each school year plus a slight adjustment for a maximum of seven pupil instruction related days.

Figure 2. Percent of K-12 students identified as disabled, school year 1989-90 through 1991-92.



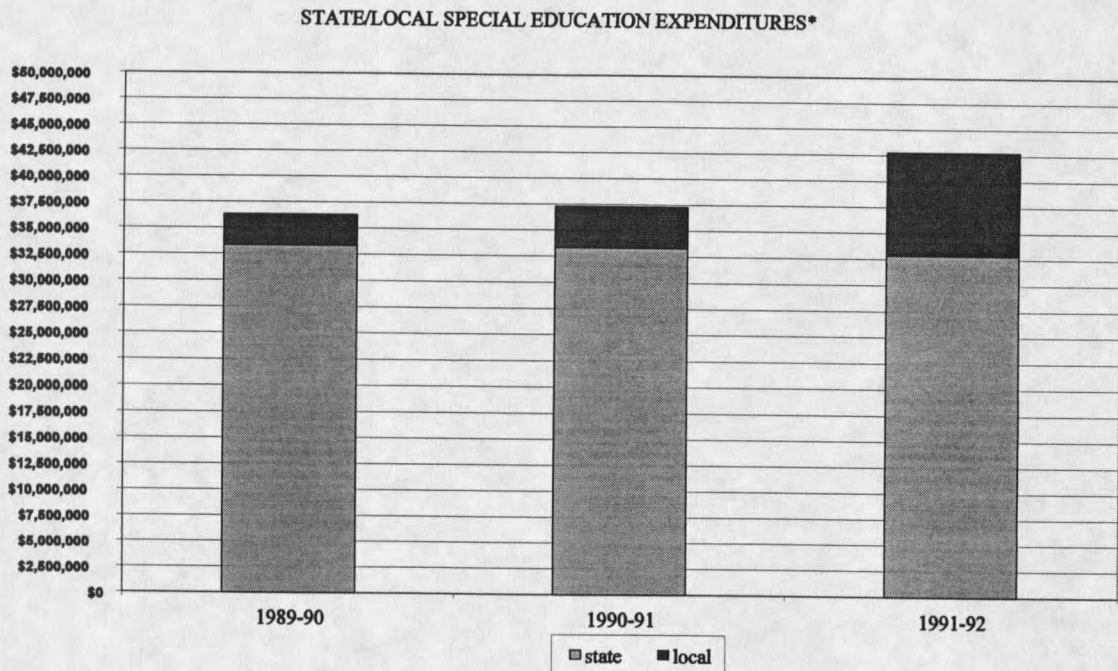
*(Source: Montana Office of Public Instruction)

Changes in the Education of the Handicapped Act in 1992 required schools to provide more special education and related services than they had previously. This act, now known as the Individuals with Disabilities Education Act or IDEA, also required that a state provide special education for all disabled children aged three to five in order for federal funding to be provided for any disabled students three to five. Prior to the reauthorization of IDEA, Montana gave districts the option of providing services to disabled students three to five but had no state-wide requirement.

The cost of special education and related services far exceeds state funding allocated to pay for them. The Montana Legislature did not increase the state appropriation for special education during the 1989-1992 time period. The state's

percentage share of school district special education expenditures declined from 92% in school year 89-90 to 76.8% in school year 91-92 (see figure 3).

Figure 3. State/local special education expenditures.



*(Source: Montana Office of Public Instruction)

Over time, there was a growing discrepancy between need for and availability of funding. In addition, many parents and some special education teachers and administrators insisted that students with disabilities be served in the regular classroom to a much greater degree than they had been. Hearing officers and the court system supported this position. The move to "inclusion" as it is commonly called, necessitated a change in staffing patterns and sometimes an increase in costs.

School districts and Office of Public Instruction (OPI) staff became extremely frustrated with the level of state special education funding and the statutory requirements for allocation. In 1991, OPI staff requested permission from Superintendent Nancy Keenan to formally begin a process to change the state special education funding system. The former system required state education agency staff to approve the annual \$33,000,000 appropriation on the basis of allowable special education costs. The OPI staff believed that administration of the system was archaic, time-consuming, complicated, and inflexible. It was also heavily dependent upon the subjective judgement of personnel within the Division of Special Education of the OPI. Allocations for ensuing fiscal years were often untimely, not occurring until May of the years when the Montana Legislature met. This was very late for overall district budget planning (Runkel, personal communication, January 12, 1998).

In September of 1991, Superintendent of Public Instruction Nancy Keenan appointed a Special Education Funding Commission to review the system and make recommendations for modifications or wholesale changes. Recommendations were to be cost neutral (Keenan, 1991). The twenty three-member commission was composed of school administrators, Montana Special Education Advisory Panel members, teachers, parents, school trustees and a legislator. They spent a year and a half studying options for change. Their final recommendation was to legislatively pursue a completely new system of allocating state special education funds (Montana special education funding commission report, 1992).

The new system was articulated in Senate Bill (SB) 248. The funding allocation mechanism was composed of three components: an instructional block grant, a related service block grant and an excess costs reimbursement part. In addition to the funding components, SB 248 allowed all students, including those defined as "full-time special education" students (in special education more than 50% of the school day) to be counted for ANB. ANB is the Average Number Belonging, a basic per student state funding factor. From 1980 until 1993 these students were not allocated state funds for indirect costs² of their education nor were they counted for ANB.

The bill further required that the State be divided so that all districts would be included in an area served by a special education cooperative. Participation in a cooperative was to be voluntary on the part of the district but the opportunity to belong was guaranteed. Prior to this law, local school districts could form cooperatives but they made the decision as to size and who could belong. This resulted in difficulty finding a cooperative to join for some school districts with high cost students or high rates of identification. The new funding system was intended to be simpler and more predictable. The block grants provided funding to the district based on the ANB of the district. If the district belonged to a special education cooperative, the district's share of the related services block grant was to be paid directly to the cooperative.

Commission members were concerned with the disparity among districts in local effort for funding special education services (Trustees report data bases, school years

² Indirect costs include such costs as the maintenance and operation of facilities and the appropriate proportional cost of regular education instruction and administration.

1988-89 and 1989-90). To address this, a provision was written into the bill that required school districts to provide a local match of one dollar for each three dollars of state block grant funding. Block grants were designed to give districts and cooperatives flexibility to staff programs and expend funds in the way they thought would best serve students.

Funding was to be used for specified allowable costs defined in statute. As with the former state funding system, the allowable costs included the costs of personnel, materials, equipment and contracted services for students with disabilities. In addition, the cost of activities associated with teacher assistance teams was added to allowable costs of the new funding system. These teams could now use state special education funds to provide pre-referral interventions before a student is referred for evaluation for identification as having a disability. It was the intent of the commission that this flexibility provide such timely services that for some students, identification as having a disability and placement in special education would be unnecessary.

Statement of the Problem

The problem of this study was to determine if the current system of state special education funding is perceived as more flexible, equitable, predictable, simpler to use and overall a better system than the former one, and to determine the relationships between district size, respondent's employment position and their perception of special education funding systems.

Need for the Study

The primary objective of providing an appropriate education to students with a disability is sometimes inadvertently affected or unintentionally impeded by a state's method of funding special education. Services may be limited by allowable costs or approval of only certain positions rather than the needs of students. Over-identification or under-identification of students with a disability can be encouraged by the way state special education funding is allocated. Excessive complexity in record keeping, reporting, and applications for funding take time from teachers and administrators that could better be spent on ensuring or providing services to students with a disability.

Montana has not been immune from the criticism of its special education finance system. School personnel and OPI staff believed that the Montana special education funding system, prior to 1994, was flawed and produced unintended adverse consequences. It was criticized as not meeting the needs of disabled students or the school staff that serve them.

One specific criticism of the funding model was that the more restrictive special education placements and programs were, the more state funding was allocated to the district. This is in direct conflict with the least restrictive environment (LRE) requirement of state and federal special education laws. The former system attempted to measure personnel needs based on "contact hours" with students. This rewarded placements in self-contained classrooms more than resource rooms and placements in resource rooms more than the regular classroom. The former funding system was seen as

a major obstacle to districts providing assistance to regular classroom teachers because the contact hours students with disabilities spent with special education personnel was reduced from what it was when students were placed in special education classrooms.

When the Special Education Funding Commission determined the philosophical basis for development of a funding system, they wanted the new system to be placement neutral. The Commission wanted decisions to be based on the student's individual needs and not affected by how the placement would be funded. The Commission developed a new system on the basis of these concepts.

The 1993 Montana Legislature, based on recommendations of the Special Education Funding Commission and staff at the Office of Public Instruction, approved a new method of allocating state special education funds. The intent of this new method was to:

1. Provide more flexibility to districts and cooperatives in determining how a limited amount of funds could best be expended to meet the needs of students,
2. Provide a more predictable system for school districts and cooperatives,
3. Provide a simpler system for districts, and
4. Adopt a more equitable method of allocating state special education funding.

The Special Education Funding Commission hoped that the primary method of allocating state special education funds, two block grants, would allow school districts

substantial flexibility in determining the best service delivery model (R. Runkel, personal communication, January 12, 1998). While the Commission studied other state funding models, they concentrated on the Wyoming and Vermont funding systems. After this review, the Commission decided they liked best the systems that allocated state special education funding on the basis of total school district enrollment of all children. They did not want to encourage over-identification of students as having a disability. The Commission also wanted a system that allowed school districts to spend state special education funds to provide preventive services. These services are given to students that are experiencing educational problems, without spending precious time and funding on comprehensive evaluations. The Commission hoped that this immediate service would result in a reduction of the number of students identified as having a disability who need special education.

Administrators felt that simplification and improved predictability of the system would reduce stress on their staff. In addition, time saved on funding justification and application would allow more time for program efforts by those responsible for administering and supervising special education. Commission members and state education agency staff believed that students would receive better, more individualized services in a less restrictive manner as a result of program changes stemming from these funding changes (R. Runkel, personal communication, January 12, 1998). Additionally, it was hoped that the distribution of the dollars would be more equitable. That is, similarly situated districts (relative size) would receive similar allocations of money. Differences

in funding levels between similar-sized districts under the former system created a perception of unfairness that eroded the credibility of the Office of Public Instruction and damaged the general sense of support for the whole special education program. This perception of unfairness was particularly true among administrators.

One need for and purpose of this study was to see whether the new system of allocating state special education funding was perceived as achieving these objectives. Without formal, statistically sound research, policy makers, including legislators, state education officials and local education agency personnel rely on minimal statewide data, anecdotal stories and unsubstantiated opinions.

Major systemic changes, such as that contained in SB 248, often need fine tuning to address unintended consequences. Modifications to improve services to students with disabilities could include:

1. Increase in number and types of services that can be purchased with state special education funds,
2. Addition of a contingency fund to pay for services that become necessary after the school district budgets are complete,
3. Change in method of funding residential placements,
4. Change in the date special education allocations are given to school districts and cooperatives,
5. Change in application or reporting procedures, and
6. Recommendations for areas of the formula in need of refinement.

Recommendations for modifications of the system should be made on the basis of sound data. It was the intent of this study to provide such data.

Definition of Terms

1. ANB: The average number belonging means the average number of regularly enrolled, full-time pupils attending the public schools of a district (20-1-101(2) MCA). ANB is based on the average of student attendance and absence on October 1 and February 1 of each school year plus a slight adjustment for a maximum of seven pupil instruction related days.
2. ARM: Administrative Rules of Montana, which are promulgated via requirements of the Montana Procedures Act and have the effect of law.
3. Child Count: Annual report to the Montana Office of Public Instruction and the U.S. Department of Education of children age three through twenty one, with disabilities, who receive special education and related services on December 1 of each year.
4. Child with disabilities: A child evaluated in accordance with the regulations of the Individuals with Disabilities Education Act as having cognitive delay; hearing impairment, including deafness; speech or language impairment; visual impairment, including blindness; emotional disturbance; orthopedic impairment; autism; traumatic brain injury; other health impairments; deaf-blindness; multiple disabilities; or specific learning disabilities and who because of those impairments

needs special education and related services. A child who is five years of age or younger may be identified as a child with disabilities without the specific disabilities being specified.

5. Cooperative: A special education cooperative is composed of a group of school districts that have contracted with each other to establish an organization to perform special education duties authorized by law. The cooperative contract must be authorized by the boards of trustees of the districts entering the contract. The state special education funds generated by the related service block grant are directly transferred to a special education cooperative for districts that are members of the cooperative.
6. Elementary School District: A state entity responsible for providing instructional programs for students in pre-kindergarten through grade 8.
7. General Fund 01: The fund where general maintenance and operational costs of a school district are reported, and state foundation program payments are deposited.
8. High School District: A state entity responsible for providing instructional programs for students in grade 9 through grade 12.
9. K-12 School District: A state entity responsible for providing instructional programs for students in pre-kindergarten through grade 12. To be a K-12 school district the geographical boundaries of the elementary and high school districts must be congruent.

10. Least restrictive environment: Education placement which ensures that to the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are nondisabled; and that special classes, separate schooling or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.
11. Modified block grant funding formula: Method of allocating state special education funding where the state provides a fixed sum of dollars for each ANB of the district for instruction and for related services. The block grant is modified by the addition of funding for extraordinary local district expenditures for special education. To qualify, expenditures must exceed 10% of the district block grant plus required match. This system of funding was implemented in Montana on July 1, 1994.
12. Montana school district categories by school district enrollment: The Office of Public Instruction uses the following school district categories for district data analysis and to develop district profiles. The following data is from the 1996-97 school year.

Table 1. Montana school districts by enrollment.*

ELEMENTARY ENROLLMENT				
Category		#District	Enroll	% of Total
1E	Elem > 2500	7	40,815	35.6%
2E	Elem 851 - 2500	20	25,304	22.1%
3E	Elem 401 - 850	23	12,927	11.3%
4E	Elem 151 - 400	62	15,414	13.5%
5E	Elem 41 - 150	73	6,372	5.6%
6E	Elem 40 or less	113	1,602	1.4%
1K	K-12 > 399	12	8,066	7.0%
2K	K-12 < 400	35	4,057	3.5%
	TOTAL	345	114,557	100%

HIGH SCHOOL ENROLLMENT				
Category		#District	H.S.	% of Total
1H	HS > 1250	7	21,732	43.5%
2H	HS 401 - 1250	17	10,093	20.2%
3H	HS 201 - 400	21	5,631	11.3%
4H	HS 76 - 200	40	5,059	10.1%
5H	HS 75 or less	33	1,582	3.2%
1K	K-12 > 399		3,753	7.5%
2K	K-12 < 400		2,057	4.1%
	TOTAL	118	49,907	100%

TOTAL ENROLLMENT							
Category		#Districts	Category		#Districts	Enroll	Overall
1E	Elem > 2500	7	1H	HS > 1250	7	62,547	38.0%
2E	Elem 851 - 2500	20	2H	HS 401 - 1250	17	35,397	21.5%
3E	Elem 401 - 850	23	3H	HS 201 - 400	21	18,558	11.3%
4E	Elem 151 - 400	62	4H	HS 76 - 200	40	20,473	12.4%
5E	Elem 41 - 150	73	5H	HS 75 or less	33	7,954	4.8%
6E	Elem 40 or less	113				1,602	1.0%
1K	K-12 > 399	12				11,819	7.2%
2K	K-12 < 400	35				6,114	3.7%
	TOTAL	345			118	164,464	100%

*(Source: Montana Office of Public Instruction)

13. Percentage cost funding formula: Method of allocating state special education funding where the state funds a percentage of state approved allowable costs. The allowable costs are defined in statute. If the total special education allowable costs, established through budgetary rather than expenditures review, exceed legislative appropriations available for special education, each district receives a pro rata share of the available appropriations. This system of funding was used by Montana between July 1, 1980 and July 1, 1994.
14. Pre-referral service: Benefits provided to students experiencing problems in school prior to the completion and submission of a referral to special education.
15. Preventive service: Activities associated with teacher assistance teams that provide prereferral intervention.
16. Regular class: Category on Part III, Table 2, of forms required by the U. S. Department of Education for reporting of the educational placement of children with disabilities. Children with disabilities who receive special education and related services outside the regular classroom for less than 21 percent of the school day are reported in this category.
17. Related services: Transportation and such developmental, corrective, and other supportive services as are required to assist a child with a disability to benefit from special education and includes speech pathology and audiology, psychological services, physical and occupational therapy, recreation, including therapeutic recreation, early identification and assessment of disabilities in children, counseling

services, including rehabilitation counseling, and medical services for diagnostic or evaluation purposes. The term also includes school health services, social work services in schools, and parent counseling and training (34 CFR 300.16(a)).

18. School business official: Employee hired by to perform duties associated with the fiscal responsibilities of the school district.
19. Special education: Specially designed instruction, given at no cost to the parents or guardians, to meet the unique needs of a child with disabilities, including but not limited to instruction conducted in a classroom, home, hospital, institution, or other setting and instruction in physical education (20-7-401(14) MCA).
20. Teacher assistance teams: Group of education personnel within a school who together make recommendations designed to assist students who are experiencing difficulties in their current education assignment.

Questions to be Answered

This study sought to answer the following questions through the perceptions of school superintendents, special education administrators and school business officials.

1. How do school superintendents, special education administrators and school business officials rate the distribution equity of the current funding system and the former one? Is there a significant difference between the distribution equity ratings of the two systems by people in different employment positions, i.e., superintendents, school business officials,

special education administrators? Do individuals employed by different size districts rate the distribution equity of the special education systems differently?

2. How do school superintendents, special education administrators and school business officials rate predictability of funding for the ensuing fiscal year when using the current and former funding systems? Is there a significant difference between the predictability rating of the two systems by people in different employment positions? Do individuals employed by different size categories of districts rate predictability of the special education systems differently?
3. How do school superintendents, special education administrators and school business officials rate flexibility in expenditure of state special education funds with the current and former funding systems? Is there a significant difference between the flexibility rating of the two systems by people in different employment positions? Do individuals employed by different size categories of districts rate flexibility of the special education systems differently?
4. How do school superintendents, special education administrators and school business officials rate the current and former finance systems on ease or simplicity of use? Is there a significant difference between the simplicity rating of the two systems by people in different employment positions? Do

individuals employed by different size categories of districts rate simplicity of the special education systems differently?

5. How do school superintendents, special education administrators and school business officials rate the overall current and former finance systems? Is there a significant difference between the overall rating of the two systems by people in different employment positions? Is there a significant difference between the overall rating of the two systems by respondents from different size categories of districts?
6. How do school superintendents, special education administrators and school business officials rate the current and former funding systems on allowing expenditures for prereferral activities?
7. How do school superintendents, special education administrators and school business officials rate the current and former funding systems on allowing expenditures that support placements of students in the least restrictive environment?
8. How do school superintendents, special education administrators and school business officials rate the current and former funding systems on addressing the burden of extraordinary costs of providing special education?

Review of Literature

This review of literature begins with the change and organization theory on which the funding model was built. These theories are included to provide a conceptual framework to the study. The second section is on the special education funding history and practice.

Change Theory

School improvement planning is an art form. One stroke of the improvement brush is meaningless by itself. Until you look at the work as a whole you cannot gain an understanding of its value. (Dryer as cited in National Study of School Evaluation, 1993)

The change process is an art form. It is one which is made up of multiple brush strokes, it does not occur by itself. Sergiovanni (1991) says "school improvement does not occur by happenstance." This study was about a change in the way state funds are allocated for special education in Montana. Members of the Montana Special Education Funding Commission believed that increased simplicity, flexibility, predictability and equity in the funding allocation system would allow local school personnel the power to change special education programming and process. They believed this would lead to improved services for children with disabilities.

Hall and Hord (1987) and Fullan (1991) identify critical or salient points discussed in this section. Facilitators of change must be concerned about these factors when

attempting to plan for and implement change.

The Concerns-Based Adoption Model (CBAM) developed by the Research and Development Center for Teacher Education at the University of Texas at Austin contains seven assumptions (Hall and Hord, 1987). These assumptions are as applicable to change in funding systems as to other areas of education. The first assumption is that understanding the point of view of the participants in the change process is critical. The commission members spent a year listening to perspectives of their colleagues regarding the funding of special education programs. Long discussions of concerns and approaches to meet them helped members understand each other's point of view. The second assumption is that change is a process, not an event. Effective change takes time, often 3 to 5 years. You can't hurry it. This is one reason for not beginning this study until four years after the new system was implemented. The third assumption is that it is possible to anticipate much that will occur during a change process. The commission and state education personnel expected implementation dips. They knew that there were stages of concern and levels of use in the change process. School personnel experienced the barriers and resistance to change cited in Hall and Hord (1987). These include: 1) understanding that people may not be as resistant to change as fearful of loss, 2) that we often fear the unknown and are comfortable with the status quo, 3) that change can be offensive when we perceive it occurring because we aren't doing well enough under the present system, and 4) assumption was that innovations come in all sizes and shapes.

Those reviewing the consequences of funding changes expected that some

districts would change the way they spent their state funds immediately and others would never change their expenditure habits. The fifth assumption is that innovation and implementation are two sides of the change process coin. The sixth assumption is that to change something, someone has to change first. Training was provided by the state education agency to clarify new flexibility for funding. Trainers could see that schools that had consensus about the visions and goals were more likely to incorporate new ideas. When administrators changed their construct on how funding could be used, they allowed more flexibility within their school units. This flexibility allowed the administrator and staff to change. The final assumption was that everyone can be a change facilitator. Although this researcher agrees with this statement, the study focuses on the perception of change from the perspective of three change agents, i.e., district superintendents, school business officials and special education administrators.

Those attempting to affect changes in special education funding promoted mutual adaptation rather than a fidelity perspective (Hall and Hord, 1987). Negotiation and flexibility by designers and implementers play an essential part of the construct of those attempting to improve special education through the way in which state funds are spent.

Systems organization also reflect whether a change will be successful. For special education improvement to occur as a result of increased flexibility in spending and services in the new special education funding system, systems need to be open. Open systems theory focuses on how organizations work not the theory as how they should work. Special education is significantly influenced by external forces, i.e., laws and

rules, parental involvement and specialized funding. The emphasis by Katz and Kahn (1966) of diagnosing an organization operation by examining input, throughput and output characteristics rather than organization formal goals seems to apply to special education programming (1966).

Special Education Funding

The special education funding conundrum is present, not only in Montana, but the nation as well. There are two parts to this puzzle. One part is to determine what it costs to fund special education and to find revenues to do so. The other part of the puzzle and the one, which this study addresses, is how to best allocate the funding that is available.

Montana education officials were not alone in their belief in 1991 that there must be a better way to allocate available resources. The "better" is administrative as well as programmatic. According to O'Reilly (1988), between 1982 and 1988, over half of the states in some way revised the way in which state funding was allocated for special education. Twenty seven states actually changed their system of special education funding. Many others developed legislative proposals, formed study commissions, task forces or contracted with outside sources to examine their special education funding process. O'Reilly reports that between 1982 and 1988 only eleven states did not take any action in this area.

Since O'Reilly's 1988 report, frenetic activity has continued regarding special education funding issues. Educational reform movements based on effective schools research call for improved performance and accountability in schools. This is coupled

with increased expectations of parents of students with disabilities. All expectations are articulated in the due process legal system and have done nothing to lessen the pressure put upon those who are responsible for the resources portion of service delivery.

Every funding system has unique features which reflect political, fiscal and programmatic forces within the state. An analysis of revenue allocation formulas was conducted by McQuain and Alexander (1984) for the Office of Special Education Programs of the U.S. Department of Education. In combination with the previous findings of colleagues at the national level, McCarthy and Sage (1982); Moore, Walker and Holland (1982); and Hartman (1980) five funding types used in the United States were identified. McQuain and Alexander then placed each state's system into one of the five. Several states had systems which had characteristics of more than one model. Classified by McQuain and Alexander (1984), the systems were characterized as the flat grant model, minimum foundation program, percentage equalizing formula, percentage matching formula, and full state funding of the excess costs of special education.

The flat grant system distributes a specific amount of special education funding to the local school system per identified unit. This unit might be students or classrooms. This system may be either weighted or unweighted on the basis of a disabling condition. Montana, in the early 1970s, funded special education on the basis of multiples of average number belonging (ANBs) which is a variant of this system. Data collection and reporting are easily completed using this system. It tends to encourage cost control by local districts as long as the flat grant does not exceed the actual cost of the service. It,

however, does not consider the fiscal capacity of the school; it is not an equalized system of funding.

The minimum foundation program supports a minimum level of service within each school district. It is generally incorporated into a unitary formula which includes vocational education, gifted education, etc. The state defines the level which is necessary (in the view of the state). The system then requires local districts to levy a uniform tax to contribute to the minimum program and once met, funds the difference necessary to pay for the minimum program. The system accounts for local district fiscal capacity. A minimum level of education is assured and the special education finance component is consistent with the rest of the education finance system.

The percentage equalizing formula, according to McQuain and Alexander (1984), is designed to provide equalization of educational opportunity through proportional level of state support while allowing local districts the freedom to establish their own level of expenditures. The state funds a percentage of the special education budget, adjusted for the local district's fiscal capacity. This model allows for differences in the need for and prices of special education services and accounts for local district fiscal capacity. Under this system, cost containment has been very difficult at the state level and has led some states to place limitations on allowable local expenditures.

The state lets the local district set the annual budget for special education under the percentage matching system of funding. The state pays a percentage of the expenditures with the district's budget being restricted only by the local entity's ability to

pay its share. Assuming the district has the fiscal capacity to fund their part, this system provides local districts maximum flexibility to establish programs specific to the needs of their district and students. It does not allow much consideration for the fiscal capacity of the local education agency. It can promote disequalization.

The final system is referred to as an excess cost formula. The state assumes responsibility for the cost of special education once the district has met its obligation as defined by the state. The full excess cost of special education is met by the state regardless of the fiscal capacity of the local district. Allowable expenses are defined. This system equalizes the cost of special education. There is little incentive for local agencies to control costs and may encourage over identification of students as having a disability.

As noted before, many states have systems that have components of one or more of these systems. Montana's new funding system includes a flat rate for instructional and related services, then adds a percentage match component for costs beyond a certain level of funding. As noted by McQuain and Alexander (1984), the selection of any one of the cited special education financing models is largely a function of a state's educational philosophy, political, and economic climate. They emphasize the importance of a state choosing a "good fit" with the general funding structure. In order to ascertain whether the Montana special education funding system implemented in July of 1994 is a "good fit" or at least better than the former one, both systems will be rated and the results compared. A review of the literature surrounding the history of special education funding in

Montana public schools is important to building the basis for this study.

Special Education Funding in Montana

The first state special education funding in Montana's public K-12 schools came in 1953 when the Thirty-Third Legislative Assembly allowed children with cerebral palsy, attending public school special classes, to be included in the funding block of state financial assistance, the Average Number Belonging (ANB) (*Montana Codes Annotated*, 1955). Two years later legislative action added ANB for students identified as "educable mentally handicapped" and "custodial mentally handicapped." This same session passed a "weighted ANB" funding formula which allowed two ANB for an educable mentally handicapped student and three ANB for a physically handicapped student (*Montana Codes Annotated*, 1955).

In 1959, students in both of these categories were reimbursed at the rate of three ANB. Two years later in 1961, the Montana Legislature permitted tuition payments for out-of-district students with disabilities. School districts were required to provide classes for the education of physically handicapped students when there were ten or more of these children residing in the district (*Montana Codes Annotated*, 1959).

In 1965, each district was required by legislative action to conduct a survey, at least every four years, to establish the number and needs of students with disabilities within the district. This legislative body increased the payment schedule to forty-five ANB for an Office of Public Instruction approved class and three ANB for each student receiving speech therapy or homebound/hospital instruction (*Montana Codes Annotated*,

1965).

The 1967 Legislature passed permissive legislation that allowed funding for classes of four or more students with disabilities. Fiscal incentives to school districts were substantial to encourage the establishment of special education programs.

Reimbursement was set at forty-five ANB for classes of seven or more. Classes of four through six were reimbursed at the rate of six ANB per student. Six ANB was allowed for each student receiving speech therapy. Preschool services were eligible for funding (*Montana Codes Annotated*, 1967).

Funding was continued during the Forty-First Legislative Session in 1969. In addition, out-of-state tuition payments were considered allowable from state special education funding (*Montana Codes Annotated*, 1969). In 1971, legislative action extended the upper age limit for services in the public schools to twenty-five. This service pattern did need approval of the superintendent of public instruction. Special education statutes were modified to require services when a district had seven or more trainable mentally retarded students. Statutory language was passed to add definitions of handicapped students and to define the duties of the superintendent of public instruction and the state supervisor of special education (*Montana Codes Annotated*, 1971).

Article X, Section 1 of the 1972 Montana Constitution stated that, "It is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state." (Montana Constitution, 1972). Pursuant to this constitutional

change, the Montana Board of Public Education issued a December 11, 1972 policy statement to require a "Planned and coordinated program of special education in the state." It further stated that, "The special education program operating in Montana shall provide opportunities for comprehensive services to handicapped children and youth." The program was to be supervised by the superintendent of public instruction and developed in cooperation with "school district personnel and others from the educational community." The program was to "incorporate young handicapped persons, whenever possible into the regular education program and eventually into the mainstream of society." The "program shall include measures to assure fiscal accountability of funds provided for the operation of special education" (Board of Public Education, 1972).

Hedblom completed a legislative interim study on special education in 1973. The study recommended "an allowable excess cost" method of funding, replacing the "weighted ANB" system in use at that time (Hedblom, 1973). This recommendation was implemented by the 1973 Montana Legislature.

In 1975, the Montana Legislature modified the definition of handicapped to include the educationally handicapped (learning disabled and emotionally disturbed). "The resulting HB 386 had the threefold purpose of expanding services, reducing costs and providing fiscal accountability" (*Montana Codes Annotated*, 1975).

The largest federal influence on special education programs occurred in 1975 when Public Law 94-142 was passed. This landmark legislation necessitated revisions in Montana statutes and administrative rules to ensure compliance with the new federal

statute. State special education law was changed in 1977 but the allowable cost system for special education funding was not modified (*Montana Codes Annotated*, 1977).

The 1977 Legislature, via House Joint Resolution 105, directed the Office of the Legislative Auditor to conduct an audit of selected special education programs in school districts throughout Montana. Chapter I of that report discussed the financing of special education programs. The report said "the use of the foundation program and maximum budget without a vote to provide financial support for special education in Montana has eliminated legislative fiscal control over state distributions to the school districts" (Montana Office of the Legislator Auditor (MOLA), 1978, p. 53). Funding for special education was paid from the earmarked revenue account of the state. A deficiency of funds in this account needed to support a legally specified level of education required the state to "impose a state-wide property tax levy on all taxable property. The Office of the Legislative Auditor was very concerned that uncontrolled costs of special education would cause the imposition of a deficiency levy. A deficiency levy of \$1,304,462 in 1977-78 was necessary and the Office of Public Instruction estimates that a deficiency levy of \$6,485,999 will be necessary during fiscal year 1978-79 for the foundation program. The higher special education budgets contributed substantially to this deficiency levy" (MOLA, 1978, p.59).

As indicated, the typical limitations of state funding imposed by the appropriation process did not exist for approval of special education budgets. The legislature did not set a limit. Whatever the Office of Public Instruction approved for special education

budgets was paid to districts. The report concluded: "The present state system of financing special education programs in the school districts has been conducive to establishment of special education for meeting the needs of handicapped children, but seemingly at the expense of effective fiscal control" (MOLA, 1978, p. 76).

This audit shocked many when it stated that the state costs for special education had reached \$28,339,899 for the 1978-79 school year. The increase in state costs for special education, coupled with concern by legislators that the allowable cost system had no cap on spending led to funding changes during the 1979 legislative session. During the first year of that biennium, costs associated with personnel retirement and unemployment i.e. social security, teacher and public employee retirement and unemployment compensation were eliminated from allowable costs which received state funding. During the second year of the biennium, so called indirect costs were eliminated. These costs included a share of utilities, maintenance, administration etc. in proportion to the number of classes, students and space occupied by special education (*Montana Codes Annotated*, 1979). The total reduction for the 1979-80 school year was \$4,480,401, approximately 18.4% of the total state contribution for the 1977-78 school year (*Montana Codes Annotated*, 1977).

Students who were considered full-time special education students meaning that they spent more than half their school day in special education services, did not generate ANB and the costs of providing non-special education services to them was transferred to the balance of the school budget. A limit, referred to as the cap, on state spending was

established. The appropriation for special education programs was reduced from \$29,740,740 in 1978-79 to \$25,250,262 in 1979-80 (*Montana Codes Annotated*, 1979). It is important to note that while this reduction occurred, the number of students in special education programs increased from 11,030 to 12,284 in 1979-80. A contingency fund of \$1,000,000 for the biennium was established to allow districts a funding option for emergencies. Approved funding requests exceeded the appropriation available and the Office of Public Instruction was forced to prorate approved allowable costs at 92% (R. Runkel, personal communication, March 1994).

The Forty-Seventh Legislature, in 1981, did not approve additional state special education funds. At the same time, additional children received special education services and the cost of providing those services increased. This exacerbated the difference between approved allowable costs and the appropriation to pay for them. The Office of Public Instruction chose to prorate allowable costs in two ways. The approved costs of teacher salaries, speech pathologists, school psychologists and out of district placements were prorated at a higher level than the costs of insurance, supplies, equipment, salaries for administrators and operating and maintenance costs of special education cooperatives. The consequence of this four year, 1979-1983, reduction in buying power for special education services was an increasing reliance on local tax money and a greater competition for resources with regular education.

In 1983, a slight increase in state funding, approximately \$850,000 or 3 percent, was appropriated. The number of students served in special education increased by 2

percent for the same period. A 4 percent increase in appropriations was made in 1984 with a coinciding increase of 2 percent in child count. During the 1985-86 school year, a mid-year 2 percent reduction in the state special education appropriation was made. This resulted in a 0.3% actual increase in state funding; the child count dropped by 0.6%.

Interviews with special education staff at the Office of Public Instruction indicated that the reported reduction in child count may have been the consequence of a revised data collection system. It was their collective and the researcher's opinion that the new system deleted the duplication of some students who had been reported on multiple child counts in the past. State revenue reductions continued to impact the state appropriations as a reduction exceeding \$600,000 was made during the 1986-87 school year.

The 1987 Montana Legislature, in response to federal conditions of receipt of federal special education funds, required that beginning in the 1990-91 school year, all Montana schools must service preschool children with a disability between the age of three and six, inclusive (*Montana Codes Annotated*, 1989).

In 1989, the Montana Legislature increased the special education appropriation by seven million dollars per year. This paid 91.96% of the allowable costs of special education for the 1989-90 school year (1989-90 Trustees Reports).

In September 1991, the Office of Public Instruction employed special education for the theme of the annual Superintendent's conference. Superintendent Nancy Keenan used her keynote address to discuss school administrator concerns that there was insufficient state special education funding available and problems with the current

method of allocating state special education funding. She said that she and her staff believed that there needed to be more simplicity, predictability, flexibility and equity in the way in which the state special education funds were allocated. To address this, Superintendent Keenan announced the formation of a state commission on special education funding. The commission was composed of one member appointed from each of the nine regional School Administrators of Montana (SAM) administrative groups, a county superintendent, an elementary and a high school principal, two teachers, two parents and two school board members. These members were appointed by their respective constituent organizations. Superintendent Keenan appointed Dr. Ray Peck, a member of the State Special Education Advisory Board and legislator as the chair of the commission.

In November of 1992, the Commission presented their final report to Superintendent Keenan. The Superintendent accepted the final recommendations. Robert Runkel, Dr. Eldora Nielson and Gail Gray drafted legislation to implement a new system of allocating the state special education appropriation. Representative Ray Peck made the bill draft request. Senator Mike Halligan served as Senate Bill 248's sponsor. The bill was overwhelmingly passed by both houses of the 1993 legislature and signed into law by Governor Mark Racicot. The new allocation system became effective July 1, 1994. SB 248 added eligibility for ANB for full-time special education students July 1, 1995.

CHAPTER 2

METHODOLOGY

Conceptual Framework

State financing of special education in Montana has been an area of controversy for over two decades. From 1979 until 1999, with the exception of 1989, the state has paid an ever-decreasing share of the costs of this state and federally mandated service (District trustee reports, Montana Office of Public Instruction). Local districts have had to contribute more and more local funds for this program. There was a heightened sensitivity to the fairness in distribution of limited resources by school administrators and school business officials. On July 1, 1994 a new funding system for special education services was implemented. The purpose of the system was to:

1. Simplify the funding process,
2. Improve equity of distribution,
3. Increase predictability of allocation, and
4. Provide more flexibility in use of state special education funds.

This study attempted to measure, through two surveys, the perceptions of school superintendents, special education administrators and school business officials regarding the flexibility, predictability, equity of allocating, simplicity of applying for and reporting

on state special education funds and overall satisfaction in the former and current special education funding systems. Results were analyzed to see if there are, and if so in what direction, significant differences exist between perceptions of the systems.

Population Description

There were two populations in this study. The first consisted of public school superintendents or designees, school business officials, and special education administrators in category 1E/1H, 2E/2H, 3E/3H, and 1K Montana school districts who have had at least three years of experience with the former method of allocating state special education funds (OPI ANB databases). The verification of three years experience with the former system was done from the *Directory of Montana Schools for 1990-91, 1991-92, 1992-93 and 1993-94*.

The second population consisted of public school superintendents or their designees, school business officials, and special educators in category 1E/1H, 2E/2H, 3E/3H, and 1K Montana school districts who have had at least three years' experience with the current method of allocating state special education funds. The *Directory of Montana Schools for 1994-95, 1995-96, 1996-97, 1997-98 and 1998-99* were used to determine if individuals selected had the required longevity in their position. The two populations were not mutually exclusive. Some superintendents, school business officials and special education administrators have worked with both special education funding systems for a three year period. Random samples were taken from all

superintendents, school business officials and special education administrators who worked a minimum of three years with each of the two systems studied. Some respondents received survey for each system. Table 2 shows the criteria used to determine a district size category for the purpose of this study.

Table 2. Montana school district size category criteria.

School District Category Criteria, ANB from the 1996-97 School Year*

	ANB Elem/HS	# of Districts Elem/HS	% MT Students in Public Schools
1E/1H	>2500/>1250	7/7	38%
2E/2H	851-2500/401-1250	20/17	21.5%
3E/3H	401-850/201-400	23/21	11.3%
1K (K-12)	> 399	12	7.2%
			Total 78%

*(Source: Montana Office of Public Instruction)

Those selected to complete the survey did not need to be in the same administrative or business position or in the same district between the 1991-92 school year and the 1997-98 school year. They must, however, have worked for a minimum of three consecutive years with the funding system they were asked to rate.

Sampling Plan

A sample was drawn from each population. Each sample consisted of 20 school district superintendents, 20 special education administrators and 20 school business officials for each special education funding system, current and former, being studied. The researcher expected to use surveys from 60 respondents in each sample for a total of 120. Respondents' names were randomly selected (using a Microsoft Excel random number program) from elementary and high school districts in each of the following four school district categories: 1E/1H, 2E/2H, 3E/3H and 1K. In order for the school system to be selected from the first three categories, both the elementary and high school district had to be included in the same school district category. For example, Browning elementary and high school districts are both category two districts and were included in the population from which the category 2E/2H is located. Colstrip elementary and high school districts were not considered, as the high school is a 2H district and the elementary is a 3E district. Districts which were included in the population from which the sample was drawn are highlighted in the list of districts in Appendix A. Special education cooperative administrators were assigned to the category of the largest K-12 district in the cooperative. If there was no K-12 district in the cooperative, they were assigned to the category of the largest school district in their cooperative. Two superintendents, special education administrators and school business officials were selected as alternates for each school district category.

Hypotheses

The null hypotheses for this study were:

1. The employment positions of the respondents and the funding system rated do not interact on the ratings of perception of satisfaction with simplicity, allocation equity, predictability or spending flexibility of the current and former Montana special education funding systems.
2. The district category of the respondents and the funding system rated do not interact on the ratings of perception of satisfaction with simplicity, allocation equity, predictability or spending flexibility of the current and former Montana special education funding systems.

In the absence of interaction the following main effects hypotheses were tested:

3. No statistical difference exists in respondent ratings on simplicity of use between those rating the current and those rating the former state special education funding systems.
4. No statistical difference exists in respondent ratings on equity of fund distribution between those rating the current and those rating the former state special education funding systems.
5. No statistical difference exists in respondent ratings on planning and predictability between those rating the current and those rating the former state special education funding systems.

6. No statistical difference exists in respondent ratings on flexibility in expenditures between those rating the current and those rating the former state special education funding systems.
7. No statistical difference exists in respondent ratings on the overall system between those rating the current and those rating the former special education funding systems.
8. No statistical difference exists in the ratings of simplicity in the former and current special education funding system made by respondents based on their employment positions.
9. No statistical difference exists in ratings based on employment position of the respondent regarding equity of fund distribution between those rating the current and those rating the former state special education funding systems.
10. No statistical difference exists in ratings based on employment position of the respondent regarding planning and predictability between those rating the current and those rating the former state special education funding systems.
11. No statistical difference exists in ratings based on employment position of the respondent regarding flexibility in expenditures between those rating the current and those rating the former state special education funding systems.

12. No statistical difference exists in ratings based on employment position of the respondent regarding the overall system between those rating the current and those rating the former special education funding systems.
13. No statistical difference exists in ratings based on the size category of the respondent's district regarding simplicity of use between those rating the current and those rating the former state special education funding systems.
14. No statistical difference exists in ratings based on the size category of the respondent's district regarding the equity of fund distribution between those rating the current and those rating the former state special education funding systems.
15. No statistical difference exists in ratings based on the size category of the respondent's district regarding planning and predictability between those rating the current and those rating the former state special education funding systems.
16. No statistical difference exists in ratings based on the size category of the respondent's district regarding flexibility in expenditures between those rating the current and those rating the former state special education funding systems.
17. No statistical difference exists in ratings based on the size category of the respondent's district regarding the overall system between those rating the

current and those rating the former special education funding systems.

18. No statistical difference exists in respondent ratings on the use of special education funding for prereferral activities between those rating the current and those rating the former state special education funding systems.
19. No statistical difference exists in respondent ratings on support of placements of students in the least restrictive environment (LRE) between those rating the current and those rating the former state special education funding systems.
20. No statistical difference exists in respondent ratings on payment of extraordinary costs of providing special education between those rating the current and those rating the former state special education funding systems.

Sources of Evidence and Authority

The dependent variables in this study were the average scores of perception in five general areas using a five-point Likert Scale. The points for all questions in a section were totaled. For example, if a person responded 3, 4, 3 for the three items, the score recorded would be a 10. If a person did not respond to one question, an average of the responses to the other questions was used to calculate the total score. If more than one question was not completed, the entire section of questions, i.e., simplicity was not used in the data analysis. The same process was used to address the problem

of incomplete responses for the areas of equity, predictability and flexibility. Appendix B contains the two surveys used in this study. One survey was used for perceptions of the current special education finance system and the other for the former funding system. The specific areas of the funding systems rated were:

1. **Simplicity and Ease of Use:** There were three questions in this section which asked the perception of the respondent on the process to complete the special education budget, the end of the year fiscal reporting and an overall simplicity rating.
2. **Equity of Fund Distribution:** There were six questions in this section which asked for the perception of the respondent regarding allocation equity for their specific district, districts, or cooperative; comparative fairness among districts; funding of a continuum of services; funding of residential placements; fairness of the system regardless of level of state support; and overall equity of distribution.
3. **Planning and Predictability:** There were seven questions in this section. They asked the respondent for perceptions regarding planning and predictability in timing of receipt of the special education allocation, assisting in planning for staffing in the ensuing year, assisting with extraordinary costs associated with individual students, objective criteria as a basis of allocation of funds, responsiveness of the funding system to changing needs, overall predictability of the amount of state funding

available for their school or cooperative and overall planning and predictability.

4. Flexibility in Expenditures: There were six questions in this section. They asked the respondent for perceptions regarding allowing expenditures for collaboration between regular and special educators, prereferral activities, reducing the incentive to identify children as disabled, for placement in the least restrictive environment, options for appropriate services for students with a disability and overall flexibility in the way state special education funds could be spent.
5. Overall Satisfaction: There was just one question in this section, which asked the respondent how they perceive the special education system as a whole.

The independent variables in this study were:

1. District category based on student enrollment:
 - 1E/1H
 - 2E/2H
 - 3E/3H
 - 1K
2. Positions of individuals answering the survey :
 - superintendents/designee
 - special education administrators

- school business officials completing the survey
3. Montana special education funding systems:
- former (allowable costs)
 - current (modified block grant)

Methods of Data Collection

Two survey instruments were developed by the researcher to collect data for this study. See Appendix B for a sample of each survey and the letter that accompanied it. One survey asked respondents to rate the current, implemented July 1, 1994, state special education funding system on 23 items. The 23 items were divided into the following five sections: simplicity, allocation equity, planning and predictability, spending flexibility and the total or overall system. The other survey asked respondents to rate, using the same questions and scale, the former special education funding system, in place prior to July 1, 1994. Survey items were developed using the following sources: (a) Montana Special Education Funding Commission funding system objectives, (b) review of studies of the Vermont special education funding system, and (c) interviews with Robert Runkel, OPI Director of Special Education.

A panel of experts reviewed the draft surveys for content validity. Recommendations from the panel were included in the final surveys. This panel also reviewed the proposed employment positions of respondents to determine whether they believed that the employment positions of the respondents would give them the

knowledge base to complete the survey. The names and qualifications of these five content experts are:

- Shirley DeVoe-Assistant Superintendent, Helena Public Schools, 24 years of experience with special education funding in Montana schools.
- Dr. William Hickey-Assistant Superintendent, Anaconda Public Schools, 30 years of experience with special education funding in Montana, his dissertation is titled A comparison of funding formulas for financing Montana special education for handicapped students in accordance with equal opportunity requirements.
- Dr. Eldora Nielson-Director of Measurement and Accountability at the Montana Office of Public Instruction (OPI), 12 years in that position, 20 years' in positions with local school districts, OPI, Office of Legislative Fiscal Analyst.
- Dr. Ray Peck-Chair, Montana Special Education Finance Commission which recommended the concepts for the 1994 special education funding system, former Assistant Superintendent Havre Public schools, school psychologist, current member of the Montana House of Representatives.
- Robert Runkel-Director of Special Education for Montana Office of Public Instruction 1987 to the present, coordinated efforts of Montana Special Education Finance Commission.

The surveys were evaluated for reliability or stability of the respondents' scores over time on each of the five sections (simplicity, equity, predictability, flexibility and

overall) of the survey. This was done using a test-retest method. Eighteen individuals, six superintendents, six school business officials and six special education administrators were selected. Although the selection was not by random sample, the researcher selected individuals from all four (1E/1H, 2E/2H, 3E/3H, 1K) size categories used in the study and included both district and cooperative special education administrators. Surveys were sent to respondents and returned to the researcher via mail or Fax communication. Eighteen individuals completed the test-retest of the survey on the current special education funding system. Seventeen individuals completed the survey on the former special education system. One individual did not feel comfortable completing the entire survey of perception of the former system. Two weeks after the initial survey completion, the same individuals completed another copy of the same survey.

The paired scores for each individual were correlated for each of the five sections of each survey. According to Kerlinger (1986), 0.8 or higher would be a necessary reliability coefficient for individual prediction but 0.6 to 0.7 is sufficient for prediction of groups. This study related to group perceptions; therefore, 0.7 was considered a sufficient reliability coefficient (1994). A minimum correlation coefficient of 0.7 was achieved in all sections. Table 3 shows the correlation coefficient for each section of questions on the two surveys.

Table 3. Reliability of special education funding system surveys.

Test/Retest Reliability on Special Education Funding Surveys					
Survey Type	Simplicity	Equity	Predictability	Flexibility	Overall
Current	0.79	0.86	0.83	0.85	0.83
Former	0.89	0.92	0.95	0.86	0.78

Data Collection

Final surveys on the current and former special education funding systems were each mailed to 20 superintendents, 20 school business officials and 20 special education administrators. Within each group of 20, five each were sent to education personnel representing 1E/1H, 2E/2H, 3E/3H and 1K districts. Two alternates for each group were also sent a survey in the event one of the original sample group did not return a completed survey. All but one group, the school business officials completing the survey on the former system from 1K districts, completed and returned a minimum of the five surveys desired for the final data analysis. Results from 119 surveys were used in the final data analysis. Surveys were numbered to assist in follow-up requests and to differentiate between those from the original random sample and the alternate respondents.

Data Analysis

For each area rated (simplicity, allocation equity, planning and predictability, spending flexibility and overall satisfaction) the null hypotheses were tested using a two-way ANOVA. One two-way ANOVA compared ratings by people categorized by district size on the former and current systems. Another two-way ANOVA compared ratings by people categorized by employment positions on the former and current system.

A test for interaction was made for each (total of 8) ANOVA (Hypothesis #1 and 2). If the null hypothesis regarding interaction was retained, the main effects were tested. If the null hypothesis on interaction was rejected, the results were interpreted and the simple effects tested. In such a situation, the main effects were not tested.

Results were considered significant at the 0.05 level of confidence. This level was selected to limit the reason for variance due to chance rather than the opinions of the sample subjects to 5%. This study examines perceptions of people regarding two funding systems. For this study, a Type I error was considered less detrimental than a stringent avoidance of a Type II error. A 5% error rate was tolerable. A 1% error rate might have eliminated from a status of statistical significance, opinions that are important for policy makers to have. A significance level of 0.05 was used throughout the study to maintain a balance between Type I and Type II errors.

Variance Controls

According to Kerlinger (1986), research design has two basic purposes. One is to "provide answers to research questions and the second is to control variance" (p. 280). To address the second purpose, Kerlinger (1986) postulates the maxmincon principle. He suggests that the researcher maximize the experimental variance of the independent variables of the research hypothesis as much as possible. Although this study does not have an experimental design, the independent variables are different from each other. One independent variable is the two types of special education funding systems. They are very different from each other. The former system provides for allocation of special education funding based on specific allowable costs named in law. The aggregate of all allowable costs in the state is prorated to keep final allocations equal to the state appropriations. The current system allocated most of the funding through instructional and related services block grants. The basis for the block grants is the total number of students in a school district. In addition, this system contains a provision to reimburse school districts for a portion of extraordinary special education costs.

The second independent variable is the size category of the school districts studied. The enrollment populations of school districts within each category studied are quite different.

District Size Categories	
1E > 2500	1H > 1250
2E 851-2500	2H 401-1259
3E 401-850	3H 201-400
1K > 399	

The third independent variable is the employment position with the school district. The school business official, superintendent, and special education administrator have very different roles with respect to the district special education program. The school business official is concerned with the fiscal matters of the district. The superintendent has broad district-wide program, legal, fiscal and public relations responsibilities. The special education administrator has special education program planning and individual student programming responsibilities.

The min portion of the maxmincon principle is related to minimizing error variance. This study attempted to do this through use of random sampling in selection of districts to study and random sampling of people to survey. In addition, the need to have a reliable instrument was addressed through the test-retest reliability determination process. The surveys would not have been utilized unless the test-retest procedure yielded a reliability coefficient of 0.7 or more.

The con portion of the maxmincon principle refers to the control of variance due to extraneous or unintended variables. The study attempted to control variance by

building into the design the independent variables of size of district and employment position of respondent and examining their possible effects on the dependent variables. The samples were selected by randomization. The elimination of the variable of lack of experience with either the former or current special education funding sample was addressed by limiting the respondents to individuals with a minimum of three years experience in their educational position with each system they were asked to rate.

Limitations and Delimitations

This study was limited in that:

1. Elementary school districts of 400 ANB or less, high school districts of 200 ANB or less, and K-12 school districts of 400 ANB or less were not included in the population from which the sample of superintendents/assistant superintendents, and business officials was taken. School superintendents and school business officials representing elementary districts with less than 401 students, high school districts with less than 201 and K-12 districts with less than 400 students are not included in the populations from which the sample was drawn. These limitations were imposed because many of these districts do not employ a superintendent and those that do often have significant administrative turnover. Districts of this size usually receive special education services from special education cooperatives.

2. Special education cooperative directors were included in both the sample of those surveyed for perceptions on the current special education funding system and those surveyed for perceptions on the former special education funding system.
3. The researcher had worked in special education administration for 12 years.

Delimitations of this study include:

1. The surveys were completed during the 1998-99 school year.
2. Survey respondents for the former special education funding system were asked to remember a system they have not worked with for four years. Survey respondents for the current special education funding system responded to a survey on a system under which they were still working.
3. Only administrators or designees and school business officials who have been continuously employed in the same or similar positions in Montana schools for a minimum of 3 years were surveyed. Respondents were included in the sample even though they have been in different administrative or school business position during the three-year minimum.

CHAPTER 3

FINDINGS AND INTERPRETATIONS

Introduction

The purpose of this study was to learn how school superintendents, school business officials and special education administrators rate the current and former systems of state funding of special education. This was done through a survey for each system with questions in the areas of simplicity, equity, predictability, flexibility and the overall system. The researcher then analyzed the results to see whether there was a significant difference in perception between the systems in each area rated. The researcher also examined whether there was a difference in perception of the factors rated based on the employment position of the survey respondent or the size of the respondent's district. The researcher was especially interested in the survey respondent's opinion in the use of funding for prereferral services, placement in the least restrictive environments and the value of the systems in dealing with extraordinary costs. Each of these areas was addressed by a specific question and respondent perceptions reported in these three questions were reviewed and analyzed separately. Each section of questions was followed by space for respondent comments. This chapter includes the statistical analysis of the data, tests of hypotheses and a narrative review of comments.

The chapter is arranged in the following order: respondent population, statistical analysis used, a statistical analysis for simplicity, equity, predictability, flexibility and overall respondent ratings and respondent comments.

Population and Sample

All people who comprised the population used in this study were Montana school district superintendents, school business officials, or special education administrators who had worked with the current or former state special education funding system for a minimum of three years. A random sample was selected of 60 superintendents, school business officials and special education administrators who rated the former special education system and 60 who rated the current system. Twenty-four alternates for each survey were selected by random sample for superintendents, school business officials, and special education administrators who did not return their surveys. Of the 119 surveys used in the data analysis, 34 people completed both surveys. A summary of the number of survey respondents by employment position and district size category who were selected for this study is listed as the first number in Table 4. The second number indicates how many surveys of the respondent sample or alternates in each category for the former system were used in the study. The third number indicates how many surveys of the respondent sample or alternates in each category for the current system were used in the study.

Table 4: Summary of respondent sample selected for receipt of former and current funding perception survey/returned former/returned current.

District Size Category	Superintendent	School Business Official	Special Ed Administrator	Total
1E/1H	5/5/5	5/5/5	5/5/5	15/15/15
2E/2H	5/5/5	5/5/5	5/5/5	15/15/15
3E/3H	5/5/5	5/5/5	5/5/5	15/15/15
1K	5/5/5	5/4/5	5/5/5	15/14/15
Total	20/20/20	20/19/20	20/20/20	60*/59/60

*60 surveys on current system, 60 surveys on former system

Responses

Eighty-four surveys on the former and 84 surveys on the current special education funding systems were sent to individuals selected (60) for the study and their alternates (24). Surveys returned by alternates were used if individuals originally selected for the sample did not return their surveys. Sixty-four or 76% of the surveys on the former system were returned. Seventy-two or 86% of the surveys on the current system were returned.

Fifty-nine surveys on the former special education funding system were used for the data analysis. Of these, 45 were completed by people from the original sample and 14 were completed by alternates. The researcher was unable to get, through the original sample or alternates, five completed surveys on the former funding system from the category of school business officials in K-12 school districts. Sixty surveys on the

current special education funding system were used for the data analysis. Of these 50 were completed by people from the original sample and 10 were completed by alternates.

Hypotheses

Hypothesis 1 stated that the employment positions of the respondents and the funding system did not interact on the ratings of perception of satisfaction with simplicity, equity, predictability, spending flexibility or overall system in the current and former Montana special education funding systems. Hypothesis 2 stated that the district size category of the respondents and the funding system did not interact on the ratings of perception of satisfaction with simplicity, equity, predictability, spending flexibility or the overall system in the current and former Montana special education funding systems. Hypotheses 3-7 stated that no statistical difference existed in respondent ratings on simplicity, equity, predictability, flexibility or overall satisfaction between those rating the current and those rating the former state special education funding systems. For Hypotheses 8-12, respondents were divided into groups by their employment position of superintendent, school business official or special education administrator. These hypotheses stated that no statistical difference existed in the ratings of simplicity, equity, predictability, flexibility or overall satisfaction in the former and current special education funding system made by respondents grouped by their employment positions. For Hypotheses 13-17, respondents were divided into 4 groups by the size of their school district. Hypotheses 13-17 stated that no statistical difference existed in the ratings of simplicity, equity, predictability, flexibility or overall satisfaction in the former and

current special education funding system made by respondents grouped by size of their school district. Appendix A contains a list by size category of all school districts in Montana. For the final three hypotheses, 18-20, respondents were grouped by the survey they completed. Hypotheses 18-20 stated that no statistical difference existed in respondent ratings on the use of special education funding for prereferral activities, the support of placements of students in the least restrictive environment and the payment of extraordinary costs of providing special education between those rating the current and those rating the former state special education funding system.

Descriptive Statistical Analysis

The hypotheses were tested using an analysis of variance statistical procedure (ANOVA) on the results of two surveys. One group was composed of those who rated the current state system of funding special education; the other was composed of those who rated the former state system of funding special education. Twenty one hypotheses were analyzed with the results presented in Tables 5 through 28. Results from tests of interaction are presented in Tables 6, 8, 10, 12, 15, 18, 20, 23, 25, and 27. A simple effects comparison was run for any interaction that was statistically significant. These results are presented in Tables 7, 16, and 21. Significant main effects findings are presented in Tables 6, 8, 10, 12, 15, 18, 20, 23, 25, through 30.

In all statistical analyses, an alpha level of .05 was used to determine rejection or retention of the null hypothesis. The P-value indicates the statistical probability of the

differences occurring by chance alone.

All scores used in the analysis of each hypothesis were derived from the use of the raw scores from respondent ratings of the applicable section of the surveys on perceptions of the current or former special education funding systems.

Simplicity

Employment Position

Table 5: Means for simplicity rating of current and former special education funding systems by employment position of respondents.

Employment Position	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
Superintendent	20	8	20	11.1	40	9.52
School Business Official	19	8.68	20	11.6	39	10.15
Special Ed. Administrator	20	8.2	20	11.1	40	9.63
Total	59	8.29	60	11.2	119	9.77

Table 6: Summary of analysis of variance comparing the effect of employment position and funding system on perception of simplicity of system.

Source	SS	df	MS	F-Statistic	P-Value
System	253.903	1	253.903	51.038	.000*
Position	7.902	2	3.951	.794	.454
System*Position	.246	2	.123	.025	.976
Error	562.155	113	4.975		

*significant at the .05 level

Analysis of variance statistics were calculated comparing the ratings of respondents on the simplicity of the former and current systems of special education funding. Table 5 displays the means of total scores for the three questions, which asked survey respondents to rate simplicity of each funding system. Table 6 shows the results of applying a two-way ANOVA to test:

1. the significance of interaction between funding systems and employment position of respondents,
2. the difference of respondent ratings on the simplicity of use between those rating the current and those rating the former state special education funding systems and
3. the difference in ratings made by respondents based on their employment positions regarding simplicity in the former and current special education funding systems.

Table 6 shows that there were no significant interactions between position and system with regard to perception of simplicity. Hypothesis 1 with regard to simplicity is retained.

Hypothesis 3 stated that there was no statistical difference in the rating of perception among survey respondents on the simplicity of use between those rating the current and those rating the former state special education funding systems. The higher the mean score, the more favorably the respondents rated the system on simplicity of use.

Table 5 shows that respondents rated the simplicity of the current system higher than that of the former system. The main effects of the columns in Table 6 show a statistically significant difference in ratings of respondents by system. The P-value of .000 meets the set $\alpha = .05$ by the researcher. Respondents rated the current system significantly higher, more positively than they did the former system of funding special education. Hypothesis 3 is rejected.

The results reported in Table 6 indicate that the null hypothesis for the dependent variable of simplicity of the funding systems as rated by respondents grouped by employment position was retained at $\alpha = .05$. The mean score for rating of simplicity by superintendents was 9.52, school business officials was 10.15 and special education administrators at 9.63. A P-value of .454 was generated. There was no statistically significant difference among these means. This analysis indicates that the difference in ratings by survey respondents from different employment positions was not statistically significant. Hypothesis 8 is therefore retained.

Size of District

Table 7: Means for simplicity rating of current and former special education funding systems by district size of respondents.

District Size Category	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
1E/1H	15	7.47	15	11.1	30	9.28
2E/2H	15	7.93	15	12.2	30	10.07
3E/3H	15	9	15	10.9	30	9.95
1K	14	8.79	15	10.7	29	9.75
Total	59	8.29	60	11.2	119	9.75

Table 8: Summary of analysis of variance comparing the effect of district size and funding system on perception of simplicity of system.

Source	SS	Df	MS	F-Statistic	P-Value
System	253.570	1	253.570	53.406	.000*
Size	11.023	3	3.674	.774	.511
System*Size	32.235	3	10.745	2.263	.085
Error	527.024	111	4.748		

* significant at the .05 level

Table 7 displays means of ratings by respondents grouped by size of their district. Table 8 displays the results of applying a two-way ANOVA to ratings on simplicity of the former and current special education funding systems. Table 8 has a P-value of .085 for system*size. This shows there were no significant interactions between the size of respondents' districts and the systems with regard to perception of simplicity. Hypothesis 2 with regard to simplicity is retained.

Table 7 shows that respondents rated the simplicity of the current system higher than that of the former system. The main effects of the columns in Table 8 show a statistically significant difference in ratings of respondents by system. The P-value of .000 meets the set $\alpha = .05$ by the researcher. Respondents rated the current system significantly higher, more positively than they did the former system of funding special education. Hypothesis 3 is rejected.

Table 8 also shows that the null hypothesis for the dependent variable of simplicity of the funding systems as measured by respondents, grouped by size of their

district, was retained at $\alpha = .05$. The mean score for rating of simplicity by district size of respondents was 9.28 for 1E/1H districts. It was 10.07 for 2E/2H districts, 9.95 for 3E/3H districts and 9.75 for 1K districts. In Table 8 the P-value for size of districts of respondents was not significant at .511. This analysis indicates that the difference in ratings on simplicity of the funding systems by survey respondents from different district sizes was not statistically significant. Hypothesis 13 is retained.

Equity

Employment Position

Table 9: Means for equity rating of current and former special education funding systems by employment position of respondents.

Employment Position	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
Superintendent	20	13.6	20	17.8	40	15.7
School Business Official	18	15.8	20	15.8	38	15.8
Special Ed. Administrator	20	16.1	20	17.2	40	16.65
Total	58	15.2	60	16.9	118	16.05

Table 10: Summary of analysis of variance comparing the effect of employment position and funding system on perception of equity of system.

Source	SS	df	MS	F-Statistic	P-Value
System	88.381	1	88.381	3.985	.048
Position	20.368	2	10.184	.459	.633
System*Position	95.728	2	47.864	2.158	.120
Error	2484.042	112	22.179		

Analysis of variance statistics were calculated comparing the ratings of respondents on the equity of the former and current systems of special education funding. Table 9 displays the means of total scores for the six questions, which asked survey respondents to rate equity of each funding system. Table 10 shows the results of applying a two-way ANOVA to test:

1. the significance of interaction between funding systems and employment position of respondents,
2. the significance of respondent ratings on the equity of use between those rating the current and those rating the former state special education funding systems and
3. the statistical difference in ratings made by respondents based on their employment positions regarding equity in the former and current special education funding systems.

Table 10 shows that there were no significant interactions between position and system with regard to perception of equity. Hypothesis 1 with regard to equity is retained.

Hypothesis 4 stated that there was no statistical difference in the rating of perception among survey respondents on the equity of fund allocation between those rating the current and those rating the former state special education funding systems.

The higher the mean score, the more favorably the respondents rated the system on simplicity of use. Table 9 shows that respondents rated the equity of the current system higher than that of the former system. Table 10 shows that the difference is significant at

the $\alpha = .05$. Hypothesis 4 is rejected.

Table 10 shows that the null hypothesis for the dependent variable of equity of the funding systems as rated by respondents grouped by employment position was retained at $\alpha = .05$. The mean score for rating of simplicity by superintendents was 15.7, school business officials was 15.8 and special education administrators was 16.65. There was no statistically significant difference among these means. This analysis indicates that the difference in ratings by survey respondents from different employment positions was not statistically significant. Hypothesis 9 is therefore retained.

Size of District

Table 11: Means for equity rating of current and former special education funding systems by district size of respondents.

District Size Category	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
1E/1H	15	12.5	15	18.3	30	15.4
2E/2H	15	15.5	15	16.5	30	16
3E/3H	15	15.6	15	16	30	15.8
1K	13	17.3	15	16.8	28	17.05
Total	58	15.2	60	16.9	118	16.05

Table 12: Summary of analysis of variance comparing the effect of district size and funding system on perception of equity of system.

Source	SS	df	MS	F-Statistic	P-Value
System	83.379	1	83.379	3.84	0.053
Size	41.275	3	13.758	0.634	0.595
System*Size	175.585	3	58.528	2.696	0.049
Error	2388.44	110	21.713		

Table 12 shows that interaction existed between the ratings based on the size category of the respondent's district regarding equity of fund distribution between those rating the current and those rating the former state special education funding systems. Hypothesis 2 with regard to equity is rejected. Figure 4 illustrates the interaction among ratings of equity by respondents categorized by district size.

Because of the interaction among ratings of equity in the former and current systems of special education funding by respondents divided by district size, Hypothesis 14 was not tested. The simple effects however, were tested. As shown in Table 13, only respondents from 1E/1H districts rated the current and former system significantly different. They rated the current system significantly higher than the former one.

Figure 4: Graph of mean scores of the former and current systems of special education funding by respondents categorized by district size.

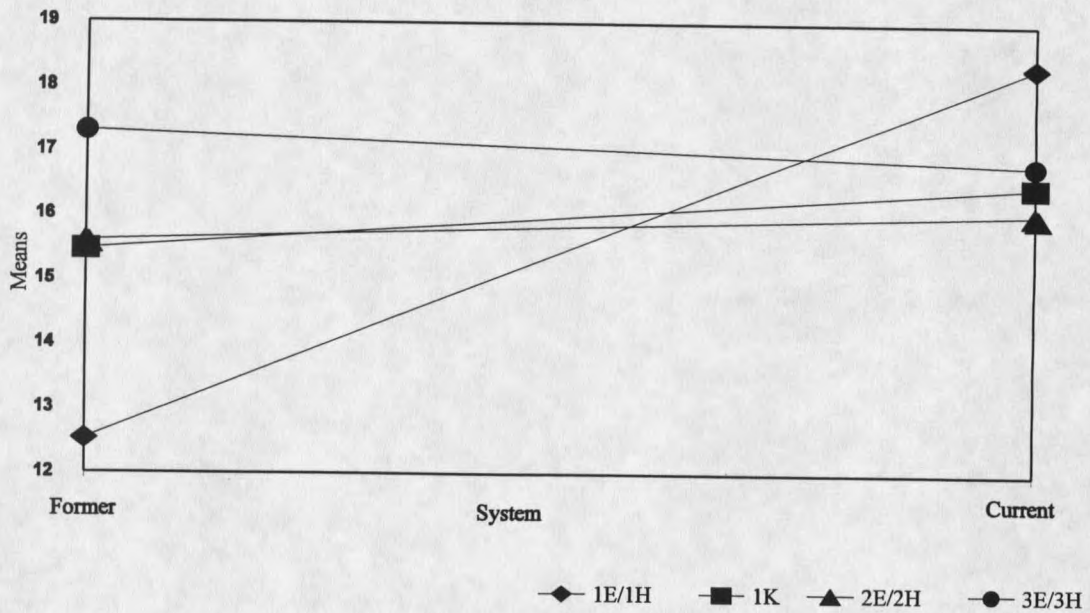


Table 13: Mean differences/ Equity by Size and System.

District Size	Means		P-Value*
	Former System	Current System	
1E/1H	12.53	18.33	.0000**
2E/2H	15.47	16.47	.5579
3E/3H	15.6	16.04	.7964
1K	17.31	16.8	.7727

*MSUSTAT

**significant at the .05 level

Predictability

Table 14: Means for predictability rating of current and former special education funding systems by employment position of respondents.

Employment Position	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
Superintendent	20	16.4	20	21.4	40	18.9
School Business Official	18	19.4	20	19.8	38	19.6
Special Ed. Administrator	19	19.4	20	19.9	39	19.65
Total	57	18.4	60	20.4	117	19.4

Table 15: Summary of analysis of variance comparing the effect of employment position and funding system on perception of predictability of system.

Source	SS	df	MS	F-Statistic	P-Value
System	110.557	1	110.557	5.498	.021*
Position	13.477	2	6.738	0.335	0.716
System*Position	138.079	2	69.039	3.433	.036*
Error	2232.215	111	20.11		

*significant at the .05 level

Analysis of variance statistics were calculated comparing the ratings of respondents on the predictability of the former and current systems of special education funding. Table

14 displays the means of total scores for the seven questions, which asked survey respondents to rate predictability of each funding system. Table 15 shows the results of applying a two-way ANOVA to test:

1. the significance of interaction between funding systems and employment position of respondents,
2. the difference in respondent ratings on the predictability of use between those rating the current and those rating the former state special education funding systems and
3. the difference in ratings made by respondents based on their employment positions regarding predictability in the former and current special education funding systems

The results reported in Table 15 shows that interaction existed between the ratings based on the employment position of the respondent's district regarding predictability of fund distribution between those rating the current and those rating the former state special education funding systems. Hypothesis 1 with regard to predictability is rejected. Figure 5 illustrates the interaction among ratings of predictability by respondents categorized by employment position.

Because there was interaction among the independent variables of systems and respondents, categorized by employment positions on ratings of predictability, Hypothesis 10 was not tested. The simple effects were however, tested. Table 16 shows that only school superintendents rated the current and former system significantly

different. They rated the current system significantly higher than the former one. School business officials and special education administrators did not rate the former and current special education funding systems differently on the basis of predictability.

Figure 5: Graph of mean scores on predictability of the former and current systems of special education funding by respondents categorized by employment position

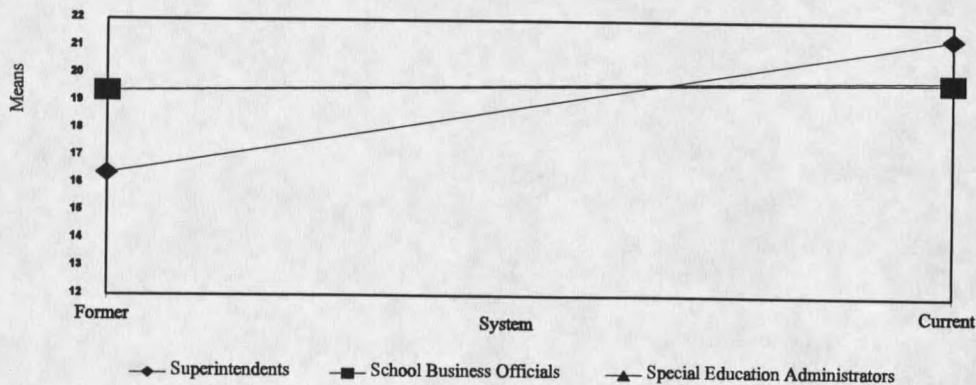


Table 16: Mean differences/ Predictability by Position/ and System

Position	Means		P-Value*
	Former System	Current System	
Superintendents	16.4	21.4	.0000**
School Business Officials (SBO)	19.4	19.8	0.7842
Sp Ed Administrators	19.4	19.9	0.7285

* MSUSTAT

**significant at the .05 level

Size of District

Table 17: Means for predictability rating of current and former special education funding systems by district size of respondents.

District Size Category	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
1E/1H	15	16	15	20.3	30	18.15
2E/2H	15	19.1	15	21	30	20.05
3E/3H	14	18.9	15	19.5	29	19.2
1K	13	19.7	15	20.5	28	20.1
Total	57	18.4	60	20.4	117	19.4

Table 18: Summary of analysis of variance comparing the effect of district size and funding system on perception of planning and predictability of the system.

Source	SS	df	MS	F-Statistic	P-Value
System	110.493	1	110.493	5.357	.023*
Size	72.894	3	24.298	1.178	0.322
System*Size	62.897	3	20.966	1.016	0.388
Error	2248.217	109	20.626		

*significant at the .05 level

The results reported on Table 18 show means of ratings by respondents grouped by size of their district. Table 19 displays the results of applying a two-way ANOVA to

ratings on predictability of the former and current special education funding systems. Table 19 has a P-value of .388 for system*size. This shows there were no significant interactions between the size of the respondents' districts and the systems with regard to perception of predictability. Hypothesis 2 with regard to predictability is retained.

Table 17 shows that respondents rated the predictability of the current system higher than that of the former system. The main effects of the columns in Table 18 show a statistically significant difference in ratings of respondents by system. The P-value of .023 meets the set $\alpha = .05$ by the researcher. Respondents rated the current system significantly higher, more positively, than they did the former system of funding special education. Hypothesis 5 is rejected.

Table 17 also shows that the null hypothesis for the dependent variable of predictability of the funding systems as measured by survey respondents, grouped by district size, was retained at $\alpha = .05$. Table 17 displays the means of ratings of predictability of systems by respondents grouped by size of their district. The mean for 1E/1H districts was 18.17. It was 20.03 for 2E/2H districts, 19.21 for 2E/2H districts and 20.14 for 1K districts. Table 18 reports a P-value .322. It was not significant. This analysis indicates that no statistical difference exists in ratings based on the size category of the respondent's district regarding the predictability between those rating the current and those rating the former state special education funding systems Hypothesis 15 is retained.

Flexibility

Table 19: Means for flexibility rating of current and former special education funding systems by employment position of respondents.

Employment Position	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
Superintendent	19	13.1	20	19.4	39	16.25
School Business Official	18	15.5	18	19.1	36	17.3
Special Ed. Administrator	20	13.3	20	21.4	40	17.35
Total	57	13.9	58	19.9	117	16.9

Table 20: Summary of analysis of variance comparing the effect of employment position and funding system on perception of flexibility of the system.

Source	SS	df	MS	F-Statistic	P-Value
System	1021.284	1	1021.284	66.259	.000*
Position	29.057	2	14.529	0.943	0.393
System*Position	98.395	2	49.197	3.192	.045*
Error	1680.084	109	15.414		

*significant at the .05 level

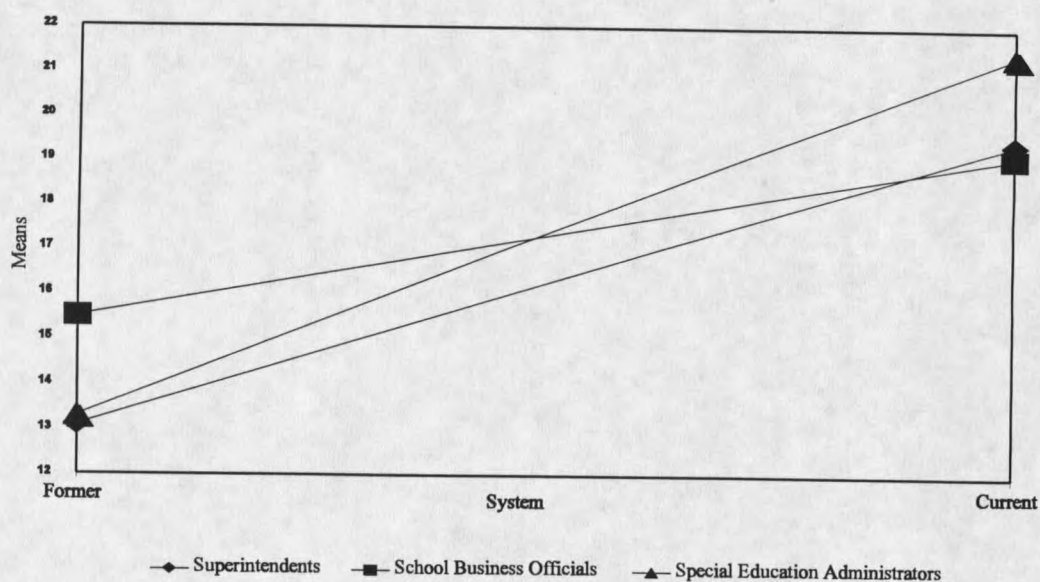
Analysis of variance statistics were calculated comparing the ratings of respondents on the flexibility of the former and current systems of special education

funding. Table 19 displays the means of total scores for the six questions, which asked survey respondents to rate flexibility of each funding system. Table 20 shows the results of applying a two-way ANOVA to test:

1. the significance of interaction between funding systems and employment position of respondents,
2. the difference in respondent ratings on the predictability of use between those rating the current and those rating the former state special education funding systems and
3. the difference in ratings made by respondents based on their employment positions regarding predictability in the former and current special education funding systems.

Table 20 reports a P-value of .045 for system*position. This shows that interaction existed between the ratings based on the employment position of the respondent's district regarding flexibility of fund distribution between those rating the current and those rating the former state special education funding systems. Hypothesis 1 with regard to flexibility is rejected. Figure 6 illustrates the interaction among ratings of predictability by respondents categorized by employment position.

Figure 6: Graph of mean scores on flexibility of the former and current systems of special education funding by respondents categorized by employment position



Because of the interaction among ratings of flexibility in the former and current systems of special education funding by respondents divided by employment position, Hypothesis 11 was not tested. The simple effects however, were tested. As shown in Table 21, although there was interaction; school superintendents, school business officials and special education administrators rated the current and former system significantly different. As shown in Table 21, all three employment position groups rated the current system higher, more positively than the former one in the area of flexibility. Results met the $\alpha = .05$ level test of significance set by the researcher.

Table 21: Mean differences/ Flexibility by Position/ and System

	Means		
Position	Former System	Current System	P-Value*
Superintendents	13.1	19.4	.0000**
School Business Officials (SBO)	15.5	19.1	.0070**
Sp Ed Administrators	13.3	21.4	.0000**

* MSUSTAT

**significant at the .05 level

District Size

Table 22: Means for flexibility rating of current and former special education funding systems by district size of respondents.

District Size Category	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
1E/1H	15	12.6	15	20.9	30	16.75
2E/2H	14	13.9	14	21.3	28	17.6
3E/3H	15	14	14	18.6	29	16.3
1K	13	15.3	15	19.1	28	17.2
Total	57	13.9	58	19.9	115	16.9

Table 23: Summary of analysis of variance comparing the effect of district size and funding system on perception of flexibility of the system.

Source	SS	df	MS	F-Statistic	P-Value
System	1028.553	1	1028.55	65.499	.000*
Size	27.844	3	9.281	00.591	.622
System*Size	101.17	3	33.723	2.148	.099
Error	1680.25	107	15.703		

*significant at the .05 level

Table 22 displays means of ratings by respondents grouped by size of their district. Table 23 displays the results of applying a two-way ANOVA to ratings on flexibility of the former and current special education funding systems. Table 23 has a P-value of .099 for system*size. This shows there were no significant interactions between the size of respondents' districts and the systems with regard to perception of flexibility. Hypothesis 2 with regard to flexibility is retained.

The results reported on Table 22 show that respondents rated the flexibility of the current system higher than that of the former system. The main effects of the columns in Table 23 show a statistically significant difference in ratings of respondents by system. The P-value of .000 meets the set $\alpha = .05$. respondents rated the current system significantly higher, more positively than they did the former system of funding special education in the area of flexibility. Hypothesis 6 is rejected.

The results of Table 23 also indicate that the null hypothesis for the dependent variable of flexibility of the funding systems as measured by survey respondents grouped by district size was retained at $\alpha = .05$. The mean score for rating of flexibility by district size of respondents was 16.73 for 1E/1H. It was 17.61 for 2E/2H, 16.21 for 3E/3H and 17.32 for 1K districts. This data generates a P-value of .622. This analysis indicates that no statistical difference exists in ratings based on the size category of the respondent's district regarding flexibility in expenditures between those rating the current and those rating the former state special education funding systems. Hypothesis 16 is retained.

Overall

Employment Position

Table 24: Means for overall rating of current and former special education funding systems by employment position of respondents.

Employment Position	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
Superintendent	20	2.18	20	2.95	40	2.57
School Business Official	18	2.81	20	3.05	38	2.93
Special Ed. Administrator	20	2.2	19	3.13	39	2.67
Total	57	2.38	58	3.04	117	2.71

Table 25: Summary of analysis of variance comparing the effect of employment position and funding system on perception of the total system.

Source	SS	df	MS	F-Statistic	P-Value
System	12.351	1	12.351	16.673	0
Position	2.74	2	1.37	1.85	0.162
System*Position	2.486	2	1.243	1.678	0.191
Error	82.228	111	0.741		

Analysis of variance statistics were calculated comparing the ratings of respondents on the overall former and current systems of special education funding. Table 24 displays the means of total scores for the question which asked survey respondents to rate the overall former or current funding system. Table 25 shows the results of applying a two-way ANOVA to test:

1. the significance of interaction between funding systems and employment position of respondents,
2. the difference in ratings made by respondents on the overall system between those rating the current and those rating the former state special education funding systems and
3. the difference in ratings made by respondents based on their employment positions on the overall system between those rating the current and those rating the former state special education funding systems.

Table 25 reports a P-value of .191 for system* position. This indicates that there were no significant interactions between position and system with regard to perception of flexibility. Hypothesis 1 with regard to overall satisfaction is retained.

Hypothesis 7 stated that there was no statistical difference in the rating of perception among survey respondents on overall system between those rating the current and those rating the former state special education funding systems. The higher the mean score, the more favorably the respondents rated the overall funding system. Table 25 shows that respondents rated the current system overall statistically higher than the former one. The P-value was .000 which meets the .05 significance level set by the researcher. Hypothesis 7 is rejected.

The results in Table 25 indicate that the null hypothesis for the dependent variable of perception of the overall funding systems as measured by respondents divided by employment positions was also retained at $\alpha = .05$. The mean score for perception of the overall funding system by employment position was 2.563 for superintendents, 2.934 for school business officials and 2.654 for special education administrators. This data generates a P-value of .162. It indicates that no statistical difference exists in ratings based on employment position of the respondent regarding the overall system between those rating the current and those rating the former special education funding systems. Hypothesis 12 is retained.

District Size

Table 26: Means for rating of overall current and former special education funding systems by district size of respondents.

District Size Category	Former System		Current System		Total	
	N	Mean	N	Mean	N	Mean
1E/1H	15	1.93	15	3.07	30	2.5
2E/2H	15	2.4	14	3.29	30	2.845
3E/3H	15	2.47	15	2.83	30	2.65
1K	13	2.77	15	3	28	2.885
Total	58	2.38	59	3.04	118	2.71

Table 27: Summary of analysis of variance comparing the effect of district size and funding system on perception of the total system.

Source	SS	df	MS	F-Statistic	P-Value
System	12.485	1	12.485	16.863	0
Size	2.788	3	.929	1.255	0.293
System*Size	3.978	3	1.326	1.791	0.153
Error	80.698	109	0.74		

Table 26 displays means of overall ratings of the funding systems by respondents grouped by size of their district. Table 27 displays the results of applying a two-way

ANOVA to ratings on overall satisfaction of the former and current special education systems. Table 27 has a P-value of .153 for system*size. This shows there were no significant interactions between the size of respondents' districts and the systems with regard to perception of overall system satisfaction. Hypothesis 2 with regard to overall system satisfaction is retained.

Table 27 shows that respondents rated the overall current system significantly higher than the former system. The P-value of .000 meets the significant level of $\alpha = .05$ set by the researcher. The results of Table 27 also indicate that the null hypothesis for the dependent variable of perception of the total funding systems as measured by respondents from different size districts was retained at $\alpha = .05$. The mean score reported in Table 26 for perception of the total funding system by district size was 2.500 for 1E/1H, 2.845 for 2E/2H, 2.650 for 3E/3H and 2.885 for 1K districts. This data generates a P-value of .293. It indicates that no statistical difference existed in ratings based on the size category of the respondent's district regarding the total system between those rating the current and those rating the former special education funding systems. Hypothesis 17 is, therefore, retained.

Hypothesis 18

Hypothesis 18 stated that there was no statistical difference in perception among survey respondents on the use of special education funding for prereferral activities between the former and current systems of special education funding. Table 28 shows

that there is a significant difference in the rating of respondents between the former and current funding systems for prereferral activities. The current system was rated significantly higher, more positively, than the former one. Null hypothesis 18 is rejected.

Table 28: Summary of analysis of variance comparing the satisfaction on the use of special education funding for prereferral activities on current and former special education funding systems.

Prereferral	Sum of Squares	df	MS	F-Ratio	P-Value
System	30.448	1	30.448	36.306	.000*
Error	93.091	111	0.839		

*significant at the .05 level

Hypothesis 19

Hypothesis 19 stated that there was no statistical difference in perception among survey respondents on the support of placements of students in the least restrictive environment between those rating the former and current systems of special education funding. Table 29 shows that there is a significant difference in the rating of respondents between the former and current funding systems for support of LRE placements. The current system was rated significantly higher, more positively, than the former one. Null hypothesis 19 is rejected.

Table 29: Summary of analysis of variance comparing the satisfaction on the use of special education funding for support of placements of students in LRE between the current and former special education funding systems.

LRE	Sum of Squares	df	MS	F-Ratio	P-Value
System	32.503	1	32.503	52.611	.000*
Error	68.576	111	.618		

*significant at the .05 level

Hypothesis 20

Hypothesis 20 stated that there was no statistical difference in perception among survey respondents on payment of extraordinary costs of providing special education between those rating the former and current systems of special education funding. Table 30 shows that there is a significant difference in the rating of respondents between the former and current funding systems on the payment of extraordinary costs of providing special education. The former system was rated significantly higher than the former one. Null hypothesis 20 is rejected.

Table 30: Summary of analysis of variance comparing the satisfaction on the payment of extraordinary costs of providing special education between the current and former special education funding systems.

Extraordinary Costs	Sum of Squares	df	MS	F-Ratio	P-Value
System	8.784	1	8.784	9.245	.003*
Error	105.464	111	.95		

*significant at the .05 level

Comments

Both surveys had a place for respondent comments following the questions on simplicity, equity, predictability flexibility and overall rating of the systems. Twenty seven of the 69 surveys on the current special education funding system contained one or more comments. Twenty three of the 59 surveys on the former special education funding system contained one or more comments. Comments are summarized below:

Simplicity

Current System. Several respondents in the simplicity comment area expressed concern about the difficulty and time required to calculate maintenance of effort. Several others believed that it would reduce the complexity of the system if special education funding were budgeted and accounted for outside Fund 1, the General Fund. They suggested a non-budgeted account such as Fund 15, the Miscellaneous Programs Fund.

Former System. One person suggested that state special education funding be budgeted and accounted for outside Fund 1, the General Fund. The suggestion was that a non-budgeted account such as Fund 15, the Miscellaneous Programs Fund be used. Several respondents said that it was hard to understand the basis for funding some line items and that the basis for funding some line items was difficult to discern. One respondent said the fiscal reporting seemed to change every year. Another person reported that they didn't think the old system was any more complicated than the current one.

Equity

Current System. Concerns on the equity of the current funding system generated more comments than any other section. Although there did not seem to be support for a return to the former funding system, many thought the current one needed modification to improve its equity among districts, and between districts and cooperatives. One person supported for block grants for school districts over 1000 ANB but a fear that one student could significantly impact the financial viability of a small district and the extraordinary costs provision of the funding system was not timely enough to prevent dire fiscal consequences. Several respondents said that block grants are fine for the basic special education population but that the extraordinary costs reimbursement provisions of the system did not work well for those students in special education who need high cost services.

Although equity of funding for special education was improved when all students began to generate ANB, it still breaks down between districts and cooperatives. One large district administrator felt that large districts are impacted inequitably when parents with severely disabled children move to larger communities for services. The larger school districts are then disproportionately affected by the cost of special services. He felt that block grants do not consider special circumstances, that diversity of need is not addressed in the current system. There was a perception among several commenters that special education takes too large a portion of the total school revenue. The provision of spending caps on the general fund has required funding of mandatory special education services at the expense of non-disabled students. One person said it would be more equitable to factor in district wealth when determining allocation of state special education funding.

Former System. The former system was too subjective for one individual, it depended on OPI familiarity with system and staff and what OPI believed was an appropriate service or charge. She said, "It seemed like state officials were trying to be fair but sometimes it looked like we were treated differently." One person said that the worse you could make your situation look, the better you were likely to be funded.

Several individuals commented that this system forced over-identification to obtain greater funding. One believed the former funding system favored districts that submitted "exotic" budgets.

Planning and Predictability

Current System. Although funding using the current system is more predictable than under the former system, the current system does not allow a quick way to address changing needs. School districts need a source of supplemental funding for emergencies, they miss the contingency fund. This specialized funding should be placed in fund 15.

Former System. Several respondents commented positively on the contingency fund, although one said it was often gone when you needed it. One person believed there were big changes in amounts approved per district and the method of allocation every year. This made long term planning difficult. Timeliness of special and general education allocations was a problem cited by two people. This was especially a problem when the Legislature didn't make funding decisions until April. One individual said that the former system worked better when responsibility for costs of residential placements was transferred to the state.

Flexibility

Current System. Several respondents acknowledged that there is greater flexibility in use of allocated funds but that this flexibility is limited by the low amount of funding.

Former System. One respondent stated that there had been too much mini-managing at the state level by OPI. Another said that flexibility was hindered when the

cost of inclusive placements were not recognized as a funding need.

Overall

Current System. One respondent said that, "There is always a need for more funding but I think the taxpayers are maxed out." Several respondents expressed concerns regarding the funding of special education cooperatives under the current system. They said that especially cooperatives "suffer," as they are not able to generate any funds through the disproportionate costs funding provision. One person stated that the cooperative travel allocation formula needs work. Another emphasized the need for changes in the proportion of the total appropriation that is available for disproportionate costs. The more funding that goes to disproportionate costs, the less that is available for block grants which cooperatives depend on. Two people said that the system is good but the funding is bad and the model is good, it just needs to be better funded.

Former System. One person said, "If the former system remained in place, OPI would have been sued due to inequity of the system." Several people said the system needed improvement. The OPI staff did everything possible to make the system work. In the end the system was so unfair that staff couldn't defend decisions. Several individuals expressed concern over the amount of funding allocated to their district or cooperative. One respondent concluded that the costs increased but the funding didn't. Two individuals quoted Dr. Bill Hickey, Anaconda Public Schools, who said that no system works with inadequate funding. The directions for completion of the surveys emphasized

that the researcher was seeking views on the method of distribution of state special education funds. The surveys were not intended to address the adequacy of state support under either system. The lack of sufficient special education funding under both systems was a factor in how respondents commented on their overall perception of the survey.

From comments of responders, the researcher believed that the former and current funding systems had and have problems. One individual summed it up by saying about the former system, "This system wasn't too good but the new system isn't that great either."

CHAPTER 4

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

During the past decade, the cost and method of allocation of special education funding have received a growing amount of scrutiny. Reasons for this include legislatively mandated caps on school district budgets, growing diversity of disabled student needs, special education costs growing at a greater rate than regular education and the reduction of the percentage of costs that state funding covered.

The special education funding system in Montana received the same type of criticism as Vermont's system did. There it was seen as "unpredictable, inequitable, inflexible, and unresponsive to need." As in Vermont, educators believed that the funding system restricted schools' attempts to design alternative programs to meet student needs and seemed to reward the placement of students in restrictive and expensive placements (Vermont Special Education: Expenditures, Equity and Outcomes. January 1997, p. i).

In response to ever increasing complaints, the Montana special education funding system was restructured July 1, 1994. The use of two block grants to allocate most of the

revenue available for special education was a dramatic change in the way resources were allocated.

The purpose of this study was to compare perceptions of superintendents, school business officials and special education administrators regarding the current and former Montana special education funding systems. Surveys were used by respondents to rate their perceptions on the simplicity, equity, predictability, flexibility and overall satisfaction with the systems. Sixty people were asked to rate, via a 23-question survey, the former system and sixty people were asked to rate the current system. All survey recipients had a minimum of three years experience with the system they were rating. They were grouped by three employment positions, superintendent, school business official and special education administrator. They were also grouped by the size of their districts. One way and two-way analyses of variance were conducted on their responses. A .05 level of significance was used throughout the study. The results of those comparisons are found in Chapter 3.

Summary

This chapter summarizes the results of this study, draws conclusions from the results, and makes recommendations for program changes and future study.

General findings include:

1. School superintendents, school business officials and special education administrators rated the current system of special education funding higher, more positively, than the former system in the area of simplicity. The

difference in ratings between the two systems was statistically significant.

The mean of respondent ratings on simplicity of the former system was 2.76.

The mean of respondent ratings on simplicity of the current system was 3.73.

2. School superintendents, school business officials and special education administrators rated the current system of special education funding higher, more positively, than the former system in the area of equity. The difference in ratings between the two systems was statistically significant. The mean of respondent ratings on equity of the former system was 2.53. The mean of respondent ratings on equity of the current system was 2.82.
3. School superintendents, school business officials and special education administrators rated the current system of special education funding higher, more positively, than the former system in the area of predictability. The difference in ratings between the two systems was statistically significant. The mean of respondent ratings on predictability of the former system was 2.6. The mean of respondent ratings on predictability of the current system was 2.9.
4. School superintendents, school business officials and special education administrators rated the current system of special education funding higher, more positively, than the former system in the area of flexibility. The difference in ratings between the two systems was statistically significant.

The mean of respondent ratings on flexibility of the current system was 2.31. The mean of respondent ratings on flexibility of the former system was 3.5.

5. School superintendents, school business officials and special education administrators rated the current system of special education funding overall higher, more positively, than the former system. The difference in ratings between the two systems was statistically significant. The mean of overall respondent ratings on the former system was 2.38. The mean of overall respondent ratings on the current system was 3.04.
6. Although the ratings were higher for the current system in the areas of simplicity, equity, predictability, flexibility and overall, none of the mean scores for these areas reached 4.0 or good on the Likert scale used in the survey. Comments recorded with the rating of the total system indicated that although the current system was an improvement from the former one, there were still problems with it. The mean overall score for the former system of 2.38 was between "needs improvement" score of 2 and "adequate" score of 3. The mean overall score for the current system was 3.04, just above the 3.0 score for "adequate."
7. Survey respondents rated the former special education funding system higher than the current one in addressing the burden of "extraordinary costs" of providing special education. The difference in ratings of the two systems

was statistically significant. Neither mean rating reached 3.0 for an "adequate" rating with the Likert Scale used by survey respondents.

8. Survey respondents rated the current funding system higher, more positively on allowing expenditures for pre-referral activities and allowing expenditures that support the placement of students in the least restrictive environment. The differences in ratings were statistically significant. Neither of the means of the ratings on the current system reached a 4.0 average which would have indicated a "good rating."
9. There were only two instances where the respondents' ratings of perception of simplicity, equity, predictability, flexibility and overall of the special education funding systems were different when respondents were separated by their employment position or the size of their school districts. One was that school superintendents rated the predictability of the current funding system more positively than the former one. The difference in superintendents' ratings were statistically significant. The differences in ratings on the two funding systems by school business officials and special education administrators were not statistically significant. The second was that respondents from 1E/1H districts rated the equity of the current system more positively than the former one. The difference in their ratings of the two systems was statistically significant. The differences in ratings on the

two funding systems by respondents from the three other categories of districts were not statistically significant.

The results of the analysis of this research were used to answer the general questions raised in Chapter 1 of this study:

General question 1. *How do school superintendents, special education administrators and school business officials rate the distribution equity of the current funding system and the former one? Is there a significant difference between the distribution equity ratings of the two systems by people in different employment positions, i.e., superintendents, school business officials, special education administrators? Do individuals employed by different size districts rate the distribution equity of the special education systems differently?*

As a group, respondents rated the equity of the current special education funding system significantly higher than the former one. The mean score on ratings for equity on the former system was 2.53, on the current system the average was 2.82. Neither system obtained an "adequate" rating of 3 as the average rating for the six questions in the area of equity. There was no statistical difference by employment position of respondents in the ratings on equity of the two systems. Respondents employed by 1E/1H districts rated the current system higher than respondents from the other size districts did. The difference in ratings were statistically significant.

General question 2. *How do school superintendents, special education administrators and school business officials rate predictability of funding for the ensuing*

fiscal year when using the current and former funding systems? Is there a significant difference between the predictability rating of the two systems by people in different employment positions? Do individuals employed by different size categories of districts rate predictability of the special education systems differently?

As a group, respondents rated the predictability of the current special education funding system higher, more positively, than the former one. The difference was statistically significant. It should be noted that the current system obtained a 2.9 average rating on predictability by respondents. This was just below an "adequate" rating of 3. The former system received a 2.6 rating on predictability, below an "adequate" rating of 3. There was a statistical difference, by position of respondents, in the ratings of predictability of the current and former funding systems. School superintendents rated the current system higher, more positively than they did the former one. Differences in ratings of the two funding systems by school business officials and special education administrators were not statistically significant. Likewise, there was no statistically significant difference by size of the respondents' districts in the ratings regarding predictability on the two funding systems.

General question 3. *How do school superintendents, special education administrators and school business officials rate flexibility in expenditure of state special education funds with the current and former funding systems? Is there a significant difference between the flexibility rating of the two systems by people in*

different employment positions? Do individuals employed by different size categories of districts rate flexibility of the special education systems differently?

As a group, respondents rated the flexibility of the current special education funding system higher than the former one. The difference was statistically significant. The former system had an average question rating of 2.32. The current system average question rating was 3.33. There was no statistically significant difference in the ratings on flexibility by employment positions of respondents on the two funding systems. Neither was there a statistically significant difference in the ratings on flexibility on the two funding systems by size of the respondents' districts.

General question 4. *How do school superintendents, school business officials and special education administrators rate the current and former finance systems on ease or simplicity on use? Is there a significant difference between the simplicity rating of the two systems by people in different employment positions? Do individuals employed by various size categories of districts rank simplicity of the special education systems differently?*

As a group, respondents rated the simplicity of the current special education funding system significantly higher than the former one. The former system had an average question rating of 2.76. This is below the "adequate" rating of 3.0 on the survey scale. The current system average question rating was 3.73, half-way between the "adequate" and "good" ratings of the survey scale. The difference in ratings on simplicity

of the two systems by respondents separated by employment position were not statistically significant .

General question 5. *How do school superintendents, special education administrators and school business officials rate the overall current and former finance systems? Is there a significant difference between the overall rating of the two systems by people in different employment positions? Is there a significant difference between the overall rating of the two systems by respondents from different size categories of districts?*

As a group, respondents rated the current overall funding system more positively than the former one. The difference between the two ratings was statistically significant. These ratings were based on the following question: "How did you perceive the former (or current, depending on the survey) special education funding system as a whole." Survey respondents had a mean rating for the former system of 2.38, less than "adequate." Survey respondents on the current system rated that system at 3.04, just above the "adequate" rating of 3.0. The difference in ratings of the two systems by respondents separated by employment position were not statistically significant. The difference in ratings of the two systems by respondents separated by size of their districts also were not statistically significant.

General question 6. *How do school superintendents, special education administrators and school business officials rate the current and former funding systems on allowing expenditures for prereferral activities?*

This study indicated that the current special education funding system was rated higher, more positively, than the former one in the area of allowing expenditures for prereferral activities. The difference between ratings of the two systems was statistically significant. The mean rating on this issue with the former system was 2.3, less than half way between the survey rating of 2.0 for "needs improvement" and 3.0, for "adequate." The current system was rated higher on allowing expenditures for prereferral activities as the mean rating was 3.36 with a mean of 3.0, signifying an "adequate" performance and a mean of 4.0 signifying a "good" rating.

General question 7. *How do school superintendents, special education administrators and school business officials rate the current and former funding systems on allowing expenditures that support placements of students in the least restrictive environment?*

This study indicated that the current special education funding system was rated higher, more positively, than the former one in allowing expenditures that support placements of students in the least restrictive environment. The difference between ratings of the two systems was statistically significant. The mean rating on this issue with the former system was 2.3, less than halfway between the survey rating of 2.0 for "needs improvement" and 3.0 for "adequate." The current system was rated higher with a mean rating of 3.4.

General question 8. *How do school superintendents, special education administrators and school business officials rate the current and former funding systems on addressing the burden of extraordinary costs of providing special education?*

This study indicated that there is a significant difference in the ratings by survey respondents regarding how the current and former funding systems address the burden of extraordinary costs of providing special education. The former system was rated better in addressing the burden of extraordinary costs for providing special education than the current system. The difference between the two ratings was statistically significant. The mean rating for the former system on this question was 2.77 and the rating for the current system was 2.21. Neither mean reached a 3.0 for an "adequate" rating using the rating scale.

Conclusions

The conclusions that were drawn from the research, statistical analysis, and comment section of the surveys include:

1. The current system is perceived more positively than the former one by respondents. Although the simplicity, equity, predictability, flexibility, and overall ratings of the current system are higher than those of the former system, means of the ratings do not reach 4 or the "good" level, for any of the areas rated. Survey respondents apparently believe that the current

funding system is better than the former one but still do not believe it is a good system.

2. Survey respondents preferred the former special education system to the current one in ability to address the burden of extraordinary costs of providing special education needs. Therefore, the researcher concluded that the current system needs to be reviewed to see if the new system has unintended consequences regarding the impact of extraordinary costs on a school district. Several comments noted a need for a contingency fund similar to the one that was available under the former system. They noted that the contingency fund would assist school districts with unanticipated costs, which arise after the budgeting has been set for the school fiscal year.
3. Survey responses indicate that the added flexibility of the current system is a distinct advantage over the former system. Of the questions asked on the survey that relate to the potential for improvement in the quality of programs for students, this area may be the most important. Flexibility in the service delivery model allows professionals latitude on opportunities for integration of children, individualization of programming, and efficiencies in service delivery as determined by situations unique to each school district. These include staffing patterns, location for service delivery, the effort spent in prereferral and other prevention activities. Whatever further revision to the current model that occurs; task forces, advisory panels and the legislature

would be well advised to maintain this key aspect of the current model.

4. Survey responses indicated that the new system is simpler to use than the former one. This area of questions on the current system received the highest, most positive score of any area on either survey. A system that is simpler should take less time to use and allow those involved with it more time to allocate to non-budget duties.
5. Survey responses indicated that the current system is improved from the former one in allowing expenditures for prereferral activities. Some respondents stated in the comment section that they were pleased to be able to use special education staff to provide services to students as soon as they suspect a student has a problem. They believed that immediate intervention might address a student's needs without beginning an expensive and time consuming evaluation. The limited amount of state special education funding may make this flexibility a good idea rather than a reality.
6. Survey responses indicated that the current system is improved from the former one in allowing expenditures that support the placement of students in the least restrictive environment. If administrators and business staff believe this, they may encourage more creative and cost effective ways to serve students closer to a regular classroom environment than they did under the former system.

Recommendations for Practice

1. The Office of Public Instruction should explore the establishment of a contingency fund to help districts meet unexpected extraordinary costs that occur after the school fiscal year has begun.
2. The Office of Public Instruction, with the assistance of the Montana Special Education Advisory Panel, should review the extraordinary costs reimbursement portion of the current special education funding. If these groups believe a funding system modification is necessary, the OPI should pursue statutory changes to reduce the impact of this component on the allocation of funding for instructional and related services block grants.
3. OPI should provide training on the flexibility of state special education funds to individuals involved in program planning for students with disabilities. Developers of the current special education funding system believed that it is exceptionally flexible but the mean rating of all respondents on flexibility of the current system was less than "good" or 4.0.
4. A task force on the funding of special education cooperatives should be established. This group should study the allocation of funding for cooperative travel, the related services block grant and other issues which they believe are related to the health of special education cooperatives. Recommendations by this task force should be reviewed and statutory, regulatory and policy changes considered to implement them.

5. To improve the predictability and timeliness of local district special education funding allocations, options such as two-year allocations and guaranteed base funding should be explored.

Recommendations for Study

Hindsight is always more accurate than foresight. Based on experience from this research, the following studies are recommended to extend the findings of this research and to increase the knowledge base on perception of special education funding systems.

1. This study should be replicated with additional independent variables utilized. Examples might include the wealth and sparsity of the districts and whether the district is elementary or high school.
2. A study should determine if stakeholders who rate the flexibility of the funding system, high or low make different recommendations regarding program options in IEP meetings.
3. This study should be replicated in other states that have changed their funding system. Results of perceptions ratings could be compared and components of the most satisfying systems reviewed for possible inclusion in the Montana system.
4. A more detailed study of the impact of the current system on special education cooperatives should be done. This might lead to system modifications, which encourage the fiscal health of this service provider. A

new study should determine if system ratings differ dependent on the size, location and type of services provided by the special education cooperative.

5. A study of the perceptions of the current funding system by stakeholders, other than those used in this study would provide a wider base upon which to make decisions. A better understanding of perceptions of parents, teachers, school psychologists, speech pathologists and principals through a qualitative study might help those who make program decisions and expand their options for service.

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APPENDICES

APPENDIX A
MONTANA SCHOOL DISTRICT CATEGORIES
BY SCHOOL DISTRICT ANB

Office of Public Instruction
District Size Categories
Ranked by 1997 ANB

1E—Elementary Districts

Billings	10,649
Great Falls	9,090
Missoula	5,825
Helena	5,412
Butte	3,884
Bozeman	3,346
Kalispell	2,590

2 E—Elementary Districts

Columbia Falls	1,723
Havre	1,639
Browning	1,591
Whitefish	1,399
Belgrade	1,365
Hardin	1,342
Miles City	1,294
Laurel	1,283
Ronan	1,261
Lockwood*	1,233
Anaconda	1,168
Polson	1,166
Lewistown	1,166
Livingston	1,158
Hellgate*	1,145
Glendive	1,116
East Helena*	1,052
Sidney	1,024
Dillon	962
Stevensville	906

Office of Public Instruction
 District Size Categories
 Ranked by 1997 ANB

3E—Elementary Districts

Cut Bank	803
Poplar	762
Colstrip	755
Wolf Point	754
Deer Lodge*	688
Evergreen*	654
Lolo*	636
Conrad	582
Bigfork	577
Eureka	532
Shelby	526
Shepherd	526
Somers*	526
Roundup	519
Target Range*	498
Harlem	478
Malta	462
Lodge Grass	436
Thompson Falls	432
Whitehall	430
Lame Deer	423
Columbus	419
Baker	409
Troy	406

* Elementary district does not form a combined district with a high school one

1H—High School Districts

Billings	5,342
Great Falls	3,919
Missoula	3,886
Helena	3,077
Flathead	2,359
Butte	1,726
Bozeman	1,668

Office of Public Instruction
District Size Categories
Ranked by 1997 ANB

2H—High School Districts

Columbia Falls	902
Havre	852
Custer County	768
Laurel	634
Whitefish	625
Belgrade	596
Anaconda	594
Park	569
Dawson	558
Fergus	553
Beaverhead*	553
Polson	542
Sidney	533
Stevensville	499
Browning	495
Hardin	440
Ronan	432
Belgrade	423

3 H—High School districts

Bigfork	381
Powell*	349
Lincoln	346
Jefferson	333
Wolf Point	320
Cut Bank	310
Shepherd	306
Conrad	269
Roundup	264
Troy	257
Shelby	242
Malta	234

Thompson Falls	232
Forsyth	233
Poplar	222
Red Lodge	221
Manhattan	218
Chinook	208
Lodge Grass	202

*High School district does not forma combine district with an elementary one

Office of Public Instruction
District Size Categories
Ranked by 1997 ANB

1K---K-12 Districts

Libby	2,098
Hamilton	1,574
Corvallis	1,222
Frenchtown	1,057
Glasgow	983
Florence-Carlton	935
Townsend	805
Huntley Project	791
Darby	670
St. Ignatius	616
Plentywood	528

APPENDIX B

SURVEY INSTRUMENTS AND COVER LETTERS

(Current System Letter)

February 22, 1999

Al McMilin
Superintendent
Laurel Public Schools
410 Colorado
Laurel, MT 59044

Dear Mr. McMilin:

The current system (Block Grant) of allocating state funds for special education was implemented on July 1, 1994. It was developed to:

- simplify the application process,
- increase equity in allocating,
- improve predictability of funding, and
- increase flexibility in spending state special education funds.

The Office of Public Instruction wants to know if the new system has met the expectations of the Special Education Funding Commission who developed it, and the Office of Public Instruction, which implemented it. We recognize that state special education funding as a proportion of the total cost of the program has been declining. This survey, however, seeks your views on the method of distribution of state special education funds. It is not intended to address the adequacy of state support. Your views as a Montana education leader are important.

Thank you for your cooperation. It would be especially appreciated if you would return this survey on or before March 3, 1999. Survey forms are numbered to assist in follow-up requests. All responses are however, confidential; only aggregate results will be produced. A summary of this study, which is expected to be complete in May 1999, will be summarized in an article on METNET. Please contact me if you have any questions regarding this survey.

Sincerely,

Gail Gray
(406) 444-2089
E-mail: <ggray@state.mt.us>
Fax: (406) 444-3924

MONTANA SPECIAL EDUCATION FUNDING SYSTEM

Please rate the **current** (Block Grant) state special education funding system used in Montana on each of the following areas. Circle the number which best reflects your perception.

Rating Scale for Item:

The current special education funding system is:

- 1 – Poor (P)
- 2 – Needs Improvement (N)
- 3 – Adequate (A)
- 4 – Good (G)
- 5 – Excellent (E)

SIMPLICITY: How simple do you perceive the current special education funding system, regarding the:

		P	N	A	G	E
1.1	process to complete budget	1	2	3	4	5
1.2	end of the year fiscal reporting	1	2	3	4	5
1.3	overall simplicity	1	2	3	4	5

Comments: _____

ALLOCATION EQUITY: How do you perceive the current special education funding system regarding allocation equity for:

		P	N	A	G	E
2.1	your district(s) or cooperative	1	2	3	4	5
2.2	comparative fairness between districts	1	2	3	4	5
2.3	funding of a continuum of services	1	2	3	4	5
2.4	funding of residential placements	1	2	3	4	5
2.5	fairness of the system regardless of level of state support	1	2	3	4	5
2.6	overall equity of distribution	1	2	3	4	5

Comments: _____

CURRENT SPECIAL EDUCATION FUNDING SYSTEM

PLANNING AND PREDICTABILITY: How do you perceive the current special education funding system regarding planning and predictability in the following areas:

		P N A G E				
3.1	timing for receipt of the special education allocation	1	2	3	4	5
3.2	assisting in planning for staffing in the ensuing year	1	2	3	4	5
3.3	assisting with extraordinary costs associated with individual students	1	2	3	4	5
3.4	objective criteria as basis of allocation of special education funds	1	2	3	4	5
3.5	responsiveness of the funding system to changing needs	1	2	3	4	5
3.6	overall predictability of the amount of state funding available for schools or cooperatives in the ensuing fiscal year	1	2	3	4	5
3.7	overall planning and predictability	1	2	3	4	5

Comments: _____

SPENDING FLEXIBILITY: How do you perceive the current special education funding system regarding spending flexibility in the following areas:

		P N A G E				
4.1	allowing expenditures for collaboration between regular and special educators	1	2	3	4	5
4.2	allowing expenditures for prereferral activities	1	2	3	4	5
4.3	reducing the incentive to identify children as disabled	1	2	3	4	5
4.4	for placement in the least restrictive environment	1	2	3	4	5
4.5	options for appropriate services for students with a disability	1	2	3	4	5
4.6	overall flexibility in the way state special education funds can be spent	1	2	3	4	5

Comments: _____

TOTAL SYSTEM: How do you perceive the current special education funding system?

		P N A G E				
5.1	the system as a whole	1	2	3	4	5

Comments: _____

Thank you for your time.

(Former System Letter)

February 22, 1999

K. W. Maki
Superintendent, Libby Public Schools
724 Louisiana Ave.
Libby, MT 59923

Dear Mr. Maki:

The Office of Public Instruction is reviewing the current system of allocating state funds for special education, which was implemented on July 1, 1994. As part of that review we are asking 20 superintendents to rate the former (allowable costs) funding system for comparison purposes. Because of your experience with the former system we would appreciate your perceptions on it in four areas and an overall perception. These are simplicity of application process for funding, distribution equity, predictability of funding and flexibility in use of the funds.

We recognize that state special education funding as a proportion of the total cost of the program has been declining. This survey, however, seeks your views on the method of distribution of state special education funds. It is not intended to address the adequacy of state support under either systems. Your views as a Montana education leader are important.

Thank you for your cooperation. It would be especially appreciated if you would return this survey on or before March 3, 1999. All surveys are numbered to assist in follow-up requests. The responses are however, confidential; only aggregate results will be produced. A summary of this study, which is expected to be complete in May 1999, will be summarized in an article on METNET. Please contact me if you have any questions regarding this survey.

Sincerely,

Gail Gray
(406) 444-2089
E-mail: <ggray@state.mt.us>
Fax: (406) 444-3924

MONTANA SPECIAL EDUCATION FUNDING SYSTEM

Please rate the former (Allowable Costs) state special education funding system used in Montana prior to July 1, 1994 on each of the following areas. Circle the number which best reflects your perception.

Rating Scale for Item:

The former special education funding system was:

- 1 – Poor (P)
- 2 – Needs Improvement (N)
- 3 – Adequate (A)
- 4 – Good (G)
- 5 – Excellent (E)

SIMPLICITY: How simple did you perceive the former special education funding system, regarding the:

		P	N	A	G	E
1.4	process to complete budget	1	2	3	4	5
1.5	end of the year fiscal reporting	1	2	3	4	5
1.6	overall simplicity	1	2	3	4	5

Comments: _____

ALLOCATION EQUITY: How did you perceive the former special education funding system regarding allocation equity for:

		P	N	A	G	E
2.1	your district(s) or cooperative	1	2	3	4	5
2.2	comparative fairness between districts	1	2	3	4	5
2.3	funding of a continuum of services	1	2	3	4	5
2.4	funding of residential placements	1	2	3	4	5
2.6	fairness of the system regardless of level of state support	1	2	3	4	5
2.6	overall equity of distribution	1	2	3	4	5

Comments: _____

CURRENT SPECIAL EDUCATION FUNDING SYSTEM

PLANNING AND PREDICTABILITY: How did you perceive the former special education funding system regarding planning and predictability in the following areas:

		P	N	A	G	E
3.5	timing for receipt of the special education allocation	1	2	3	4	5
3.6	assisting in planning for staffing in the ensuing year	1	2	3	4	5
3.7	assisting with extraordinary costs associated with individual students	1	2	3	4	5
3.8	objective criteria as basis of allocation of special education funds	1	2	3	4	5
3.6	responsiveness of the funding system to changing needs	1	2	3	4	5
3.6	overall predictability of the amount of state funding available for schools or cooperatives in the ensuing fiscal year	1	2	3	4	5
3.7	overall planning and predictability	1	2	3	4	5

Comments: _____

SPENDING FLEXIBILITY: How did you perceive the former special education funding system regarding spending flexibility in the following areas:

		P	N	A	G	E
4.1	allowing expenditures for collaboration between regular and special educators	1	2	3	4	5
4.2	allowing expenditures for prereferral activities	1	2	3	4	5
4.3	reducing the incentive to identify children as disabled	1	2	3	4	5
4.4	for placement in the least restrictive environment	1	2	3	4	5
4.5	options for appropriate services for students with a disability	1	2	3	4	5
4.7	overall flexibility in the way state special education funds can be spent	1	2	3	4	5

Comments: _____

TOTAL SYSTEM: How did you perceive the former special education funding system?

		P	N	A	G	E
5.1	the system as a whole	1	2	3	4	5

Comments: _____
Thank you for your time.

MONTANA STATE UNIVERSITY - BOZEMAN



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