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November 23, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

**RESPONSE TO MOTION TO SEEK LEGISLATION TO ENSURE THE SUFFICIENT ALLOCATION OF SPECIAL EDUCATION FUNDS FOR STUDENTS IN LOS ANGELES COUNTY (ITEM NO. 64-C, AGENDA OF NOVEMBER 1, 2005)**

On November 1, 2005, your Board approved a motion instructing my office to work with the Los Angeles County Office of Education (LACOE) and County Counsel, and report back within 30 days on suggested solutions, including legislation to address the allocation of special education funds in a manner that adequately reflects the special education needs for children in Los Angeles County. This is to provide your Board with a report on this issue.

**Background**

Under current law, special education is administered through Special Education Local Planning Areas (SELPAs). Funding to SELPAs is based on the average daily attendance (ADA) of enrolled students. SELPAs with proportionately higher numbers of high-cost, special needs students are eligible for a funding adjustment above the base ADA allocation. The adjustments are funded from a fixed appropriation of approximately $80 million annually and are calculated by the California Department of Education (CDE) using a "severity service multiplier" based on the number of high-cost, special need students in each SELPA in relation to the state average. There are 16 SELPAs in Los Angeles County. Ten SELPAs currently receive an adjustment; six do not.

In its analysis of the Governor's FY 2005-06 budget, the Legislative Analyst's Office (LAO) noted that: "The current adjustments were calculated in 1998 using 1996-97 cost data. Since the factors underlying the profiles change over time, the existing adjustments likely no longer reflect actual SELPA costs." The Legislature instructed the CDE to contract for a study of the adjustment in FY 2002-03. The study was completed in the fall of 2003; however, because the study did not result in a methodology which accurately determines where funds should be allocated, the adjustment formula has not been revised. Recommendations regarding the adjustment formula were discussed by the budget committees during the FY 2005-06 budget process. While there was general agreement that the current adjustments are out of date, there was no general consensus on how to move forward. Current law provides for the adjustments only through June 30, 2006; therefore, this will be an issue for discussion in the 2006 State Legislative Session.

**Possible Solutions**

There are two possible options for dealing with the adjustment that will most likely be considered by the State Legislature in the 2006 Legislative Session. One option is to develop new methodology to calculate the adjustment. The second option is to eliminate the adjustment and fold the funding into the Special Education base allocation. This latter option would result in an increase in funds for some SELPAs and reduction for others. As an alternative, a statewide workgroup of SELPA directors has developed a proposal to eliminate the adjustment and roll the funding into the base allocation of each SELPA currently receiving an adjustment. This option includes completing an equity adjustment, and to the extent additional funds are available, rebalancing the funds across all of the SELPAs.

LACOE will take the lead, on behalf of Los Angeles County SELPAs, in pursuing a legislative remedy to ensure that Special Education funding more accurately meets the educational needs of special needs students. The CAO, Intergovernmental Relations Branch staff will monitor the legislation once it is introduced and provide your Board with updates as this issue moves through the Legislature. In addition, language will be included in the 2006 State Legislature Agenda to support proposals that allocate special education funds in a manner that accurately reflects the needs of children in Los Angeles County.

DEJ:GK
MAL:JF:VE:lm

c: Executive Officer, Board of Supervisors
County Counsel
Superintendent, Los Angeles County Office of Education
Director, Department of Children and Family Services
Director, Department of Mental Health