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|  | MT | Helena | Jenny Murnane-Butcher | Montanans Organized for Education | 11/13/2025 04:19 PM |
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**Subject:** MOFE Special Education Funding Recommendations

**Attachments:**

**Comment:** Thank you to the commission for reviewing this memo. Please reach out to Jenny Murnane Butcher at [jenny@mofeactionfund.org](mailto:jenny@mofeactionfund.org) with any questions.

 [VIEW ATTACHMENT 1](#)

## MEMO

**To:** Chair Bedey and Members of the School Funding Interim Commission

**From:** Jenny Murnane Butcher, Deputy Director, Montanans Organized For Education

**Purpose:** Identify current challenges with special education funding in the Montana School Funding Formula, and provide recommendations for study and reform



### Introduction

In order to provide a more equitable education for Montana children with disabilities, the state should adjust the way it funds special education to a hybrid model that allows for additional funding for children with costly-to-educate disabilities and sufficient funding for SPED block grants. Primarily, Montana utilizes a census formula to fund special education, meaning the state provides SPED funding based on the total number of students, rather than the specific number of students with disabilities ([McCracken, 2023](#)). Although the state provides two pathways to receive additional SPED funding, these mechanisms do not provide schools with adequate funding for educating students with profound disabilities, they pass too great a burden to local tax payers, and negatively impact all students.

### Current System and Associated Challenges

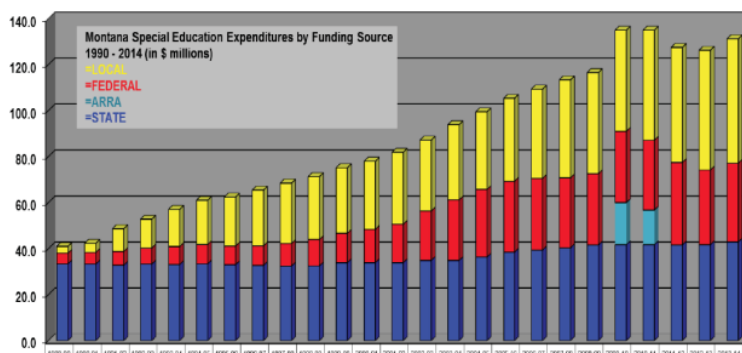
The current census formula is inadequate to cover growing SPED costs over time and encourages under-identification of students with disabilities. Although Judge Sherlock determined in a 2008 adequacy case that the state “is in the process of making a good faith effort to preserve and protect Montana's constitutional commitment to a sound public education system,” he still acknowledged inadequate funding for SPED. From that point until 2021, the SPED portion of the funding formula was not included in inflationary adjustments for schools and was not consistently increased proportionate to inflation (HB 46, 2021). This, in combination with rising costs to provide a Free and Appropriate Public Education (FAPE), as is required by the Federal Individuals with Disabilities Education Act (IDEA), has resulted in more and more costs being taken up by local schools (School Funding Interim Commission, 2016). Additionally, as described in [Mr. McCracken's October presentation](#), the current formula assumes that 10% of students have a disability. Montana now has an identification rate of 14.5%, which is still below the national average. Although some might point to overidentification as a driving force behind this increase in numbers, in Montana our current funding structure

does not create any incentive for overidentification. School districts currently do not receive additional funding for each student they qualify, but the number of students with disabilities being served has nevertheless increased. This is largely due to less stigma around special education participation and better and earlier recognition of students with disabilities and school districts providing students and families with the services they need and deserve ([Education Week, 2023](#)).

There are currently two mechanisms for districts to receive additional special education funding: a permissive levy to local taxpayers and a Disproportionate Cost Reimbursement (DCR). After SB 191 passed in the 2013 Montana legislative session, districts could implement a non-voted levy to educate

Figure 2

#### Montana Special Education Expenditures



2015-2016 School Funding Interim Commission. (2016). (rep.). *K-12 School Funding: A Ten Year Review*.

an individual student with a significant disability. Disability advocates have noted that smaller districts rarely utilize this option due to privacy concerns for the student in the community. When the district notifies the community of an increase in non-voted taxes, people in the community often know exactly which student the

funds are going to educate. This, in combination with the small number of taxpayers that share the costs of the levy, can create animosity towards the student and their family, which most districts seek to avoid.

After funding is distributed for SPED Block grants and Co-op funds, 25% of the state SPED appropriation is designated for Disproportionate Cost Reimbursement (DCRs). Because the state cannot exceed the amount appropriated by the legislature, this leaves a limited “pot” of funding that must be distributed between all districts in the state with high SPED expenditures. This means that as SPED costs have increased, so has the threshold schools must meet to receive additional funding. Schools can receive 40 cents for every dollar spent over the threshold, but this funding is given to districts two years after it is spent (Ulberg & Anfinson, 2008).

The complicated nature of this mechanism results in significant delays in providing adequate staff for high-needs students, and passes much of the burden for disproportionate costs onto local and overburdened taxpayers ([Special education BPE report - Office of Public Instruction, 2019](#)). While some districts can afford to absorb these costs, many rural schools in Montana cannot and are extremely hard-pressed to hire adequate staff and must work with co-ops to provide a FAPE to all students ([2015 study](#)). This results in a lack of horizontal equity between students with similar disabilities in different communities and vertical equity between students with disabilities and their typical peers. Additionally, schools must pull more resources from their general funds meant to educate all students and put these funds into SPED programs. In other words, underfunding Special Education hurts all students.

### ***Mechanism of Reform***

First, the state should dispense with the current DCR and instead employ elements of a bounty formula for students with costly-to-educate disabilities. Of the 13 categories of disabilities under Individualized Education Plans (IEPs) ([Rawe, 2024](#)), the following should be available for an additional per-pupil appropriation: Autism, Intellectual Disability, Emotional Disturbance, Developmental Delay, Multiple Disabilities, Hearing Impairment, Orthopedic Impairment, Visual Impairment, Traumatic Brain Injury, Deaf-Blindness. These disabilities collectively make up about 30% of students with disabilities in the United States, but require significantly more funding to educate (Rawe, 2024). Montana might look to Arizona, which uses a weights system that provides “different levels of funding for different categories of students,” by multiplying the base per-pupil amount by a multiplier associated with severity of disability ([EdBuild, 2016](#)). In Arizona, these weights range from about 1.02 to 8.9 (EdBuild, 2016). In order to avoid a delay in providing services, schools should be able to apply for these funds at their October ANB count, and receive funds by the end of the school year.

Next, the state should appropriate more funding per pupil through block grants. Currently, in a rural school with only 30 students, the school only receives 4,800 for SPED costs, and 1,800 to reappropriate to their local co-op. The state should study how much it actually costs to provide SPED and Co-op services for the remaining IEP categories (Specific Learning Disability, Speech or language impairment, and Other Health Impairment) and provide a block grant to cover the remaining costs after subtracting federal dollars.

### ***Benefits and Supporting Literature***

Adequate resources for students with disabilities will allow schools to provide all students with a FAPE, and allow districts to meet court-mandated standards for SPED. Though costs to educate students with disabilities have increased over time, state funding of SPED in Montana has not kept pace with inflation or the rising costs of educating students with disabilities ([2015 Study](#)). In *Endrew v. Douglas County School District*, the Supreme Court determined that schools must do more than just provide “some educational benefit,” but must instead “enable a child to make progress...appropriate in light of the child’s circumstances” ([Endrew v. Douglas County School Dist., pg. 2](#)). By receiving state funding proportionate to the cost of educating each child with a more intensive disability, all Montana schools will be able to afford services that provide appropriate opportunities for growth for all students.

Increasing resources for SPED will allow for better pay and retention of staff who work with students with disabilities. For example, research shows that caseload numbers and caseload complexity are significant factors in SPED teacher turnover ([Billingsley & Bettini, 2019](#)). If schools have more resources for SPED, they

have the opportunity to reduce caseloads for SPED teachers, especially with higher numbers of students with profound disabilities. Similarly, Montana has a significant shortage of support staff, such as sign language interpreters, due to low pay for these staff (*Education Interim Budget Committee Hearing*, 2024). In comparison to other states that pay sign language interpreters an average of \$42 an hour, schools in Montana pay them only \$17 per hour (*Education Interim Budget Committee Hearing* 2024). By providing Montana schools with proportionate costs for students with higher-need disabilities, such as Hearing Impairment, schools will have more resources to hire staff to serve these students.

Finally, these reforms will improve equity for Montana students by adequately funding the census portion of the formula and providing proportional costs for additional needs. As identified in [Barnard \(2022\)](#), “small school districts, serving even one or two students with a severe disability can have significant implications for their budgets.” The current DCR mechanism penalizes rural schools with smaller budgets by creating a threshold too high for many of these schools to receive any meaningful additional funding (Ulberg & Anfinson, 2008). By independently covering costs when these small schools enroll a student with significant disabilities, a student with a disability will not be underserved or forced to travel miles to the nearest large district simply because they live in a rural area, and their peers will not lose funding in the general education setting.

### ***Potential Criticisms***

Critics of per-pupil mechanisms for funding SPED argue that bounty formulas create perverse incentives for schools to over-identify students with disabilities, driving up costs. These critics believe that bounty formulas create a perverse incentive for schools to overidentify students with learning disabilities. However, these critics also found that this can be combated by giving higher financial compensation in per-pupil funding for disabilities with more specific diagnostic criteria. By utilizing a hybrid system of distributing funding, there will not be perverse incentives for schools to over-diagnose students with “easier to diagnose” disabilities, as these categories of concern will not be included in the weighted bounty section of the SPED formula. Additionally, though spending for SPED will go up overall, schools will have more resources in their general fund budgets for other expenses. This means fewer school districts will need to ask for general fund levies from their communities, reducing local property taxes.

Conversely, advocates of other funding mechanisms argue that a census formula could encourage under-identification of children with disabilities (Barnard, 2022), and Montana parents have expressed concerns about under-identification. By providing adequate and proportionate funding for students with more profound disabilities and increasing the amount provided via the census portion of the formula, schools will have more SPED resources available to educate and evaluate students with all other types of disabilities.

### ***Conclusion***

For the sake of all students and local taxpayers, Montana must do more to provide adequate state funding of special education for our most vulnerable learners. The first step for the School Funding Interim Commission should be to study the proportion of SPED costs covered by local funding sources, and how this has changed since the report by the 2016 Commission. This will give the SFIC a clearer picture of the extent of the burden of SPED funding on local taxpayers. Next, the SFIC should consider creative solutions to addressing this problem, including increasing block grant amounts, providing adequate per-pupil funding for students with low-incidence, costly-to-educate disabilities, and increasing the pot of money available for disproportionate cost payments. Montanans Organized for Education looks forward to partnering with the SFIC in its efforts to study and amend special education funding.