



**NORTH CAROLINA**  
State Board of Education  
Department of Public Instruction

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# Report to the North Carolina General Assembly

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Weighted Funding for Exceptional Children  
Students

*SL 2023-134, Section 7.7*

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**Date Due: January 15, 2024**  
DPI Chronological Schedule, 2023-2024

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## **LEGISLATIVE REQUIREMENT**

### **WEIGHTED FUNDING FOR EC STUDENTS**

**SL 2023-134, SECTION 7.7.** The Department of Public Instruction shall develop a model, based on the study conducted pursuant to Section 7.44 of S.L. 2021-180, for funding children with disabilities services on the basis of the reported cost of the services provided. The Department shall report to the Joint Legislative Education Oversight Committee by January 15, 2024, on the model of funding developed pursuant to this section and a comparison by public school unit of funds provided under the existing model and the model developed pursuant to this section.

## **CURRENT FUNDING MODEL**

### **GS 115C-111.05 FUNDING FOR CHILDREN WITH DISABILITIES**

**SL 2023-134, SECTION 7.1** codified the current funding model: Part 1F of Article 9 of Chapter 115C of the General Statutes is amended by adding a new section to read:

**"§ 115C-111.05. Funding for children with disabilities.**

To the extent funds are made available for this purpose, the State Board shall allocate funds for children with disabilities to each local school administrative unit on a per child basis. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) thirteen percent (13%) of its allocated average daily membership in the local school administrative unit for the current school year."

## **PROPOSED FUNDING MODEL**

### **RTI STUDY**

Per Session Law 2021-189, the North Carolina Department of Public Instruction (DPI) contracted with RTI International to examine different options for allocating funding for special education and to make recommendations. Specifically, RTI investigated the following areas of interest:

1. The percentage of students with disabilities and the funding provided per student in North Carolina.
2. How other states provide funding for students with disabilities with particular emphasis on states that differentiate funding by student need.
3. The potential benefit of allocating funding for students with disabilities based on disability category as opposed to allocating funding based on service level.
4. How to determine appropriate funding levels for each category recommended
5. Recommendations for using Medicaid reimbursements at the school level RTI analyzed North Carolina special education data, conducted a literature and landscape scan, interviewed special education practitioners and experts from other states, and surveyed exceptional children and local finance directors at Public School Units (PSUs) in North Carolina.

RTI recommendations included:

1. North Carolina should pursue a funding model based on service level.

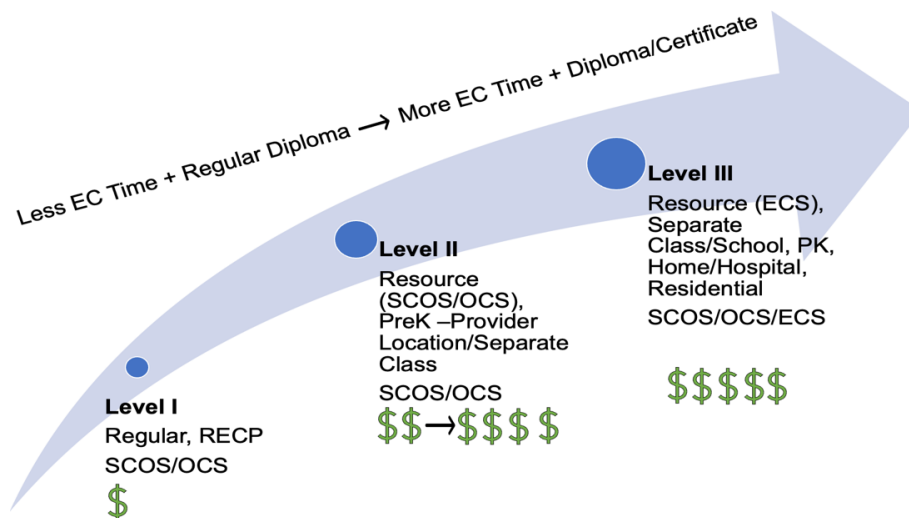
2. To avoid unintended consequences and to monitor the implementation of a funding model based on service level, RTI recommends that DPI use data from the from the Every Child Accountability & Tracking System (ECATS) to monitor special education implementation at the local level to ensure that students are not being over-identified or placed in service-intensive, high-costs funding tiers. This monitoring system could also monitor spending across PSUs to ensure that the system is equitable. Additionally, training on best practices for placing students in the least restrictive environments would help to ensure appropriate identification and eligibility determination.
3. To determine appropriate funding levels for the different categories, RTI recommends that DPI review and update the matrix. The current matrix is based on the costs for providing services to individual students in educational settings. DPI should revisit the matrix to ensure that it accurately reflects costs at the overall district level. Additionally, the state may want to adjust based on the realities of the overall funding available for special education services.
4. To ensure that the funding model is feasible, RTI recommends that DPI pilot test a revised version of the matrix using a representative sample of PSUs. This would allow the state to identify any logistical difficulties or gaps before implementing the funding approach on a larger scale.
5. To increase the use of Medicaid reimbursements, RTI recommends that DPI continue to collaborate with the North Carolina Medicaid Division of Health Benefits to explore ways of allowing reimbursement for additional services—such as transportation—and expanding the eligible age range.
6. To support targeted technical assistance and training, RTI recommends that DPI and the North Carolina Medicaid Division of Health Benefits continue to collaborate to share data on the utilization of Medicaid reimbursements at the PSU level.
7. To provide additional support to charter schools, RTI recommends that DPI continue to provide targeted support and training to help charter schools develop a process for reimbursement and ways of collaborating to share costs involved in billing.

## **PROPOSED FUNDING MODEL VARIABLES**

The EC Service Delivery model considers the *frequency*, *intensity*, and *duration* of special education and related services. The more frequent and intense services are, the more human and fiscal resources are required. This proposed funding model more closely aligns our investment of those resources with the requirements of the individualized education program (IEP).

The funding model consists of variables that are unique to the federal designation of least restrictive educational environments (regular, resource, and separate); the level of services and supports as defined by the class size policy for students with disabilities; exceptional children personnel providing services; specialized services (i.e., 1:1 staffing); evaluations conducted by school psychologists; materials, supplies, and equipment; and a factor for contracted services, transportation services, and technical training/certifications.

As illustrated in the graphic below, students with disabilities served in regular educational environments<sup>1</sup> generally require fewer intensive services and fewer service providers. Conversely, students with disabilities served in separate educational environment generally require more intensive services, more services providers, and greater provider to student ratios.



## STAKEHOLDER ACTIVITIES

### ORIENTATION TO THE MODEL

The NCDPI Senior Directors for School Business Services and the Office of Exceptional Children (OEC) provided an orientation to the draft beta model and extended an invitation to test the model during the following events:

- PSU Finance Officer Annual Conference – July 2023
- Superintendents Committee: Sandhills RESA – September 2023
- Superintendents Quarterly: NCDPI AIM Conference – October 2023
- Directors Institute: OEC Annual Conference – October 2023

### BETA TESTING RESULTS

PSU staff choosing to test the funding model participated in a more detailed orientation regarding the variables within the matrix and how to test the variables according to actual local circumstances. Representatives from the following PSUs participated in the additional orientation session and/or provided feedback on the model:

- Anson County Schools
- Asheville City Schools
- Bertie County Schools

<sup>1</sup> Regular, resource, and separate are federal reporting categories documented the amounts of time students with disabilities are educated away from their typical peers as is calculated automatically in the Every Child Accountability Tracking System (ECATS). These categories are not the names of special education classrooms as those vary across the state in level of intensity and staffing.



- Bladen County Schools
- Buncombe County Schools
- Cleveland County Schools
- Columbus County Schools
- Cumberland County Schools
- Falls Lake Charter School
- Granville County Schools
- Guilford County Schools
- Harnett County Schools
- Haywood County Schools
- IC Imagine Charter School
- Jackson County Public Schools
- Johnston County Schools
- Lee County Schools
- Lincoln Charter School
- Lincoln County Schools
- Mt. Airy City Schools
- Moore County Schools
- Nash County Schools
- Pamlico County Schools
- Person County Schools
- Polk County Schools
- Public Schools of Robeson County
- Randolph County Schools
- Richmond County Schools
- Roanoke Rapids Graded School System
- Rowan Salisbury County Schools
- Sampson County Schools
- Scotland County Schools
- TMSA Public Charter Schools
- Tyrrell County Schools
- Union County Schools
- Whiteville City Schools

NCDPI staff requested the following after the initial testing:

1. Positive Feedback
2. Concerns
3. Consider Strengthening
4. Materials: Are there unique materials and costs associated with each group organized in the matrix? If so, please provide some examples with estimated costs.
5. Comments

The following information summarizes the initial feedback to date:

Positive Feedback

- The model considers the individual needs of students, streamlines the process, and appears to consider equity for funding public school units with smaller exceptional children child counts.

#### Concerns

- Consider how to mitigate a potential risk to local maintenance of effort requirements.
- Weighted variables may need to include adjustments to contracted costs, materials/supplies, additional technical training/certifications for staff, special transportation, and a broader range to account for cost differences according to related service types.

#### Consider Strengthening

- Calculations for contracted costs with consideration given to staffing vacancies beyond related services.
- Adding variables to consider recruitment, retention, and administrative costs with consideration given to hard to fill or chronically vacant positions.
- Variable groupings with a greater 1:1 correspondence to ECATS reports may support more precise feedback and projections.

Materials: Are there unique materials and costs associated with each group organized in the matrix? If so, please provide some examples with estimated costs.

- Adapted equipment, specialized curriculum, assistive technology, brailing, are examples of unique materials and supplies that are challenging to equate to a per pupil calculation. These items also vary from low-tech to high-tech which introduces a wider range of potential costs.

#### Comments

- Efforts to transition to a service-based model are appreciated.
- More practice is needed with proposed variables in order to provide more concise feedback.

### ADDITIONAL SURVEY RESULTS

We have also solicited additional quantitative information from the BETA units to help inform how their current budgets and staffing models are designed or implemented at the district/school sites. The questions asked were related to their current staffing caseloads by position types as well as the % of those position types that were typically contracted.

Based on that feedback we are seeing that most districts are staffing caseloads well below the recommended national averages in the areas of Resource, Speech Language, and other related service areas such as OT/PT, etc.

| <b>Position Type</b> | <b>Caseload Range</b> | <b>Average Caseload</b> | <b>National Avg</b> |
|----------------------|-----------------------|-------------------------|---------------------|
| Resource Teachers    | 10 to 20              | 1:15                    | 1:25                |
| Speech Language      | 10 to 40              | 1:20                    | 1:45                |
| OT/PT                | 5 to 35               | 1:10                    | 1:45                |
| Psychologists        | 2 to 20               | 1:5                     | 1:45                |

|                        |              |              |  |
|------------------------|--------------|--------------|--|
| Other Related Services | Less than 10 | Less than 10 |  |
|------------------------|--------------|--------------|--|

Staffing will be the largest part of the budget for the districts and the staffing caseloads will make the largest impact on the funding required to support those district staffing decisions.

## COMPARISON OF CURRENT AND PROPOSED FUNDING MODEL

### CURRENT FUNDING MODEL

The current state funding model to support EC services for school districts has 3 basic portions: State Base Funding, State Supplementary Funding, and State Special Reserves.

**State Base Funding:** This is provided because of these students being part of the overall average daily membership in the school district. Funding categories that are generated bases on ADM provide supports for EC students as well as other general education population. That averages to \$ 1,270 per pupil. The categories included are:

- Classroom Teachers (PRC 001) (EC separate classroom settings = 2%)
- Enhancement Teachers (PRC 004)
- Instructional Support (PRC 007)
- Health Services Support (PRC 006)
- Assistant Principals (PRC 005)
- Teacher Assistants (PRC 027) (EC K-3 = 12%)
- Disadvantaged Student Supplemental Funds (DSSF) (PRC 024)
- At Risk Supplemental Funds (PRC 069)
- Classroom Supplies & Materials (PRC 061)
- Textbooks (PRC 130/131)

**State Supplemental Funding for Exceptional Children (PRC 032):** This is the separate funding reference earlier that provides funding per pupil based on the headcount data for exceptional children, FY 2023-24 is set at \$5,309.31 per pupil and it is also capped at 13% of a PSUs allotted ADM (average daily membership).

**Total current funding available in this budget for FY 2023-24 is \$ 1,058,825,481**

This new model is assumed to replace this portion of the State’s funding efforts for this student population.

**Special State Reserves for Exceptional Children:** This is reserve funding used to ensure that there are state funds available for unexpected costs and needs related to exceptional children that may occur during the year. Developmental Day center funding, Behavioral Support needs, high cost needs, student movements or new high cost need students, etc.

It would be recommended that these funds remain available for these uses. Would allow the state to continue to mitigate these high cost needs and ensure services for those students.

Total funding for these reserves in FY 2023-24 is \$\_\_\_\_\_

## **PROPOSED FUNDING MODEL**

The proposed model is still being developed as we continue to gather feedback and determine how to best implement statewide and within the current funding available. We are piloting the current draft with several districts to see how it compares to their current staffing and service delivery models, how it relates to their current budgets, and gathering their feedback.

Below provides an outline of the various components being examined in the proposed model after our first round of beta testing and feedback:

### **A. Student Data**

The proposed funding model would be grounded in the ECATS data that supports the documented service needs for the students. To provide data to inform the funding for the State budget cycle and to also provide continuity the proposed model would use the December 1<sup>st</sup> ECATS Headcount data used for Federal funding allocations. It would provide data for the state budget cycle (by February) and would allow us to use some of the federal metrics. It also aligns with the potential move to a funding in arrears model overall for state funds. The special state reserve would then allow for any unusual growth elements annually. The proposal would also eliminate the need for any separate state headcount data in April.

The current ECATS data provides sufficient information to align with the basic service delivery definitions that align with Federal reporting requirements. This data is also student specific and contains PII (personally identifiable information), so we are ensuring that our model can be set-up to use that detailed information, while maintaining our PII responsibilities related to the data.

### **B. Base of state funding within the model**

We are proposing a level of base state funding within the model to allow for a foundation for all the PSUs. This would be grounded in the current funding methodology used for Federal Title VI-B as that is grounded in federally approved logic/research and we are using the same period of headcount data (December 1<sup>st</sup>). We are examining the percentage of that base that would provide this stable element within the model. The intention of having a level of state base funding within the model will help provide a stable source of funding to cover the various costs related to contracted services, technical training and supports, supplies and materials, etc. These metrics have made prior versions of the model too complex for the annual application of funding.

#### **1. Maintenance of Effort Considerations**

We are examining how to provide some assurances related to the Federal

Maintenance of Effort requirements. To that end we are recommending an initial level of base funding within the formula that mirrors the base funding provided in Federal IDEA VI-B (PRC 060). That would help ensure the State and the PSUs are meeting that minimum effort.

The service delivery aspects can then be factored on-top of that base funding level. This would mitigate some of the initial implementation concerns and would provide that known base funding annually.

The IDEA funding model is grounded in research based information and it is designed to be related to student service delivery. This would follow the intent of the legislation, and this proposed new funding viewpoint.

### **C. The Weights: Student Settings (Environment) and Intensity of Services (Course of Study)**

We are proposing to base the weighted factors on the student environmental settings and the intensity of services for those students. We are proposing using the placement codes for the students to set the Environment and the Course of Study codes for the level of intensity services required for those students. This data is captured in ECATs and is readily available to the PSUs through several reporting options.

These factors will be combined to create three (3) service level grouping that will have the weighted factors applied.

### **D. Teachers, Related Services<sup>1</sup> and Paraprofessional Supports**

The Service delivery areas will then have a staffing ratio applied as the weighting, as staffing is the largest financial burden for the PSUs and most important aspect of the service delivery. These are grounding in current class size policies related to exceptional children. The revised version of the model is using the following weights:

Service Level 1: 1:30 ratio (Teachers and Related Services)

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<sup>1</sup> federal definition.....§ 300.34 Related services.

(a) *General. Related services* means 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-language pathology and audiology services, interpreting services, psychological services, physical and occupational therapy, recreation, including therapeutic recreation, early identification and assessment of disabilities in children, counseling services, including rehabilitation counseling, orientation and mobility services, and medical services for diagnostic or evaluation purposes. Related services also include school health services and school nurse services, social work services in schools, and parent counseling and training.

Service Level 2: 1:XX ratio (Teachers, Related Services and Paraprofessional)

Service Level 3: 1:8 ratio (Teachers, Related Services) and a 2:8 ratio for Paraprofessionals

The next page shows how the proposed revised model would cross-walk to these service levels and ratios. We have the table sorted by ECATs placement code.

| Proposed Crosswalk of ECATS Data |               | ECATS Data - Case Mgmt Data |  |   |   | Weighting for Staff (1:xx) |                  |                   |
|----------------------------------|---------------|-----------------------------|--|---|---|----------------------------|------------------|-------------------|
| Educational Environments         | Service Level | Placement Code**            | Course of Study (intensity of Service) |   |   | Teacher                    | Related Services | Paraprofessional^ |
|                                  |               |                             | Blank                                  | F | O |                            |                  |                   |
| CF                               | 2             | CF                          | Blank                                  | F | O | xx                         | xx               | xx                |
| CF                               | 3             | CF                          |  |   |   | 8                          | 8                | 8                 |
| Home/Hospital Residential        | 3             | HOM                         | Blank                                  | F | O | 8                          | 8                | 8                 |
| PK Home                          | 3             | PKHM                        | Blank                                  | F | O | 8                          | 8                | 8                 |
| PK - Provider Location           | 2             | PKPL                        | Blank                                  | F | O | xx                         | xx               | xx                |
| PK - Provider Location           | 3             | PKPL                        |  |   |   | 8                          | 8                | 8                 |
| PK - Residential                 | 3             | PKRS                        | Blank                                  | F | O | 8                          | 8                | 8                 |
| PK - Separate Class              | 3             | PKSC                        |  |   |   | 8                          | 8                | 8                 |
| PK - Separate School             | 3             | PKSS                        |  |   |   | 8                          | 8                | 8                 |
| PK - Separate Class              | 2             | PLSC                        | Blank                                  | F | O | xx                         | xx               | xx                |
| PK - RECP 1                      | 1             | RECP1                       | Blank                                  | F | O | 30                         | 30               |                   |
| PK - RECP 2                      | 1             | RECP2                       | Blank                                  | F | O | 30                         | 30               |                   |
| PK - RECP 3                      | 1             | RECP3                       | Blank                                  | F | O | 30                         | 30               |                   |
| PK - RECP 4                      | 1             | RECP4                       | Blank                                  | F | O | 30                         | 30               |                   |
| PPP                              | 2             | PPP                         | Blank                                  | F | O | xx                         | xx               | xx                |
| PPP                              | 3             | PPP                         |  |   |   | 8                          | 8                | 8                 |
| Residential Facility             | 3             | REF                         | Blank                                  | F | O | 8                          | 8                | 8                 |
| Regular                          | 1             | REG                         | Blank                                  | F |   | 30                         | 30               |                   |
| Resource                         | 2             | RES                         | Blank                                  | F | O | xx                         | xx               | xx                |
| Resource                         | 3             | RES                         |  |   |   | 8                          | 8                | 8                 |
| Separate Class                   | 3             | SEP                         | Blank                                  | F | O | 8                          | 8                | 8                 |
| Separate School                  | 3             | SPS                         | Blank                                  | F | O | 8                          | 8                | 8                 |

^paraprofessionals at service level 3 will be a proposed 2:8 ratio

## E. Summary of the Proposed Model

The proposed model a different funding model that generates a pool of funds for the PSUs to serve EC students. The proposed model will generate those funds based on service level required for the student instead of distributing the funding based on a fixed amount per student.

The proposed model is not a reimbursement model . Nor is the proposed model directing the PSU on how to use the funds. The proposed model is not determining a specific students required services, nor is it requiring the PSU to expend a specific amount for a student. The proposed model is not a model that would transfer funding with student movement during the school year.

## **RECOMMENDATIONS – NEXT STEPS**

1. Pull in current FY2023-24 funding elements and allocations for comparison to the model.
2. Update the ECATS data elements using the new December 1<sup>st</sup> data that should be finalized by mid-December.
3. Finalize the model build and costing.
4. Determine how that impacts the current state funding provided.
5. Gain additional feedback from the PSUs.
6. Formalize our recommendations.

We do not have sufficient data at this time to provide the compare of the current funding based on our revised proposed model as we want to incorporate the feedback from our BETA groups. We also want to ensure we are using current year data to help inform the final proposed model that would be presented to the General Assembly in February.