

Bridging the Gap: Special Education Needs vs. Budgetary Constraints

California's special education system faces a "**perfect storm**" of staffing shortages, chronic funding gaps, shifting federal policies, and persistent outcome disparities. This presentation examines the four interconnected challenges threatening the quality and equity of services for students with disabilities — and how they impact Del Norte Unified School District.





The Staffing Pressures

The shortage of qualified special education teachers remains California's most critical challenge, driven by burnout, low pay, and a thin pipeline of new educators.

Substandard Credentials

Nearly **2 out of 3** new special education teachers enter with intern or emergency credentials rather than full certifications.

High Burnout Rate

Heavy caseloads and compliance paperwork (IEPs, MOE) drive an annual turnover rate of roughly **15%**.

Zip Code Lottery

Shortages are most acute in **rural and low-income areas**, creating stark inequities in service quality based on geography.

The Chronic Funding Gap

California has increased special education spending, yet a massive gap persists between the actual cost of services and what state and federal sources provide.

The Federal Promise vs. Reality

Under IDEA, the federal government pledged to cover **40%** of excess special education costs. In practice, it covers only **13–15%**.

General Fund Allocation

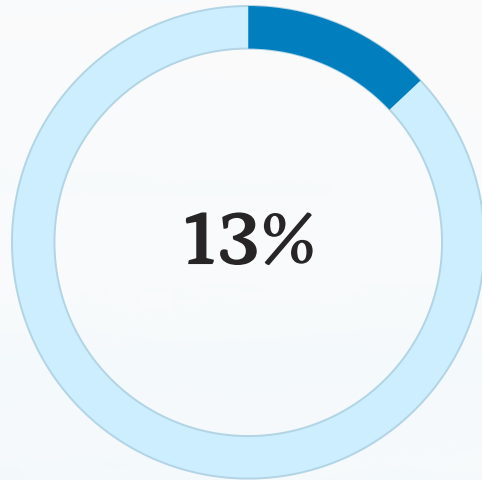
Because special education is a legal mandate, districts must tap their general funds to cover the deficit — creating internal budget tension as special education costs grow faster than general revenues.

Medicaid Uncertainty

Potential 2026 federal Medicaid cuts threaten **hundreds of millions** in school-based therapy funding (speech, OT, PT) across California.

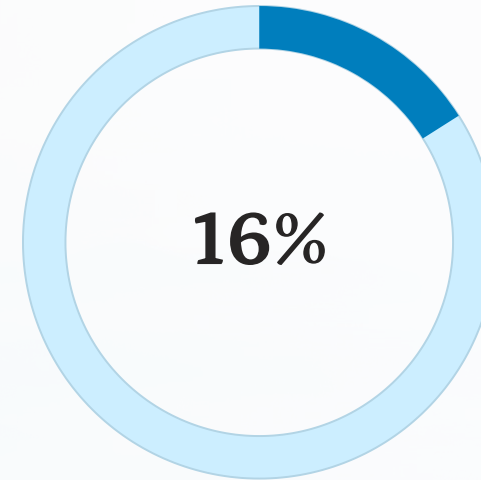
Disparities in Student Outcomes

Despite legal protections, students with disabilities in California face a persistent achievement gap and disproportionate representation in restrictive settings.



Math Proficiency

Students with disabilities meeting state Math standards — far below the general population rate.



ELA Proficiency

Students with disabilities meeting English Language Arts standards on recent state assessments.

Disproportionality Alert: California is under federal pressure to address the over-identification of **Black and Latino students** for special education and their more frequent placement in restrictive environments.



Legal & Compliance Burdens

The 1% Alternate Assessment Cap

Federal law limits alternate assessments (for students with significant cognitive disabilities) to **1% of all students**. California has historically exceeded this cap, triggering corrective action plans and increased CDE oversight.

Litigation Risks & Due Process

Families increasingly rely on **Due Process hearings** to secure services, creating a litigious environment where districts spend significant resources on legal fees — dollars that could otherwise fund instruction.

Understanding Maintenance of Effort (MOE)

MOE is a federal requirement under IDEA ensuring that school districts don't replace local special education funds with federal dollars. Think of it as a **financial floor**: a district must spend at least as much on special education this year as it did last year.



Eligibility Standard

Compliance Standard

Failing the Compliance Standard may require a district to repay the difference to the CDE using non-federal funds — a significant financial risk.

The Four Methods to Pass MOE

An LEA only needs to pass **one** of four comparisons to meet the MOE requirement. The per-capita options are especially valuable for districts with declining enrollment.

1

Local Funds Only

Total local dollars spent on special education.

2

State + Local Funds

Combined state and local expenditures for special education.

3

Local Per Capita

Local spending per student with an IEP — a lifesaver when enrollment declines.

4

State + Local Per Capita

Combined state and local spending per IEP student.

- ❑ **Key Risk:** When LEAs pass MOE by a large margin, it resets the benchmark higher — creating an ongoing obligation to sustain elevated spending levels.

Legitimate MOE Exceptions

Federal law allows LEAs to reduce spending without penalty when decreases result from specific, documented circumstances — not service cuts.



Staff Departure

Voluntary retirement or resignation of high-cost special education staff.



Enrollment Decline

Decrease in the number of students with disabilities enrolled in the district.



Program Termination

End of a costly program for a specific student who left, aged out, or no longer needs the service.



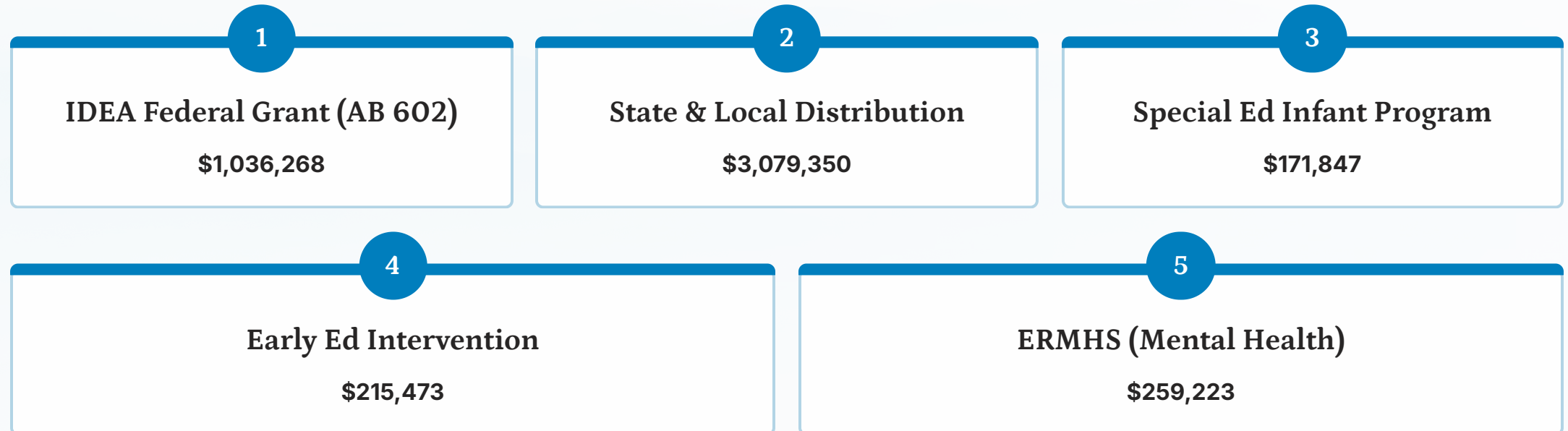
Large One-Time Expenditure

Completion of a major purchase (e.g., specialized bus) or construction project that inflated prior-year spending.

Local Impact: Projected Special Education Revenue (2025–26)

Special education's share of total LCFF revenue has grown from **14% in 2019–20** to a **projected 24% in 2025–26** — a trend that demands close attention.

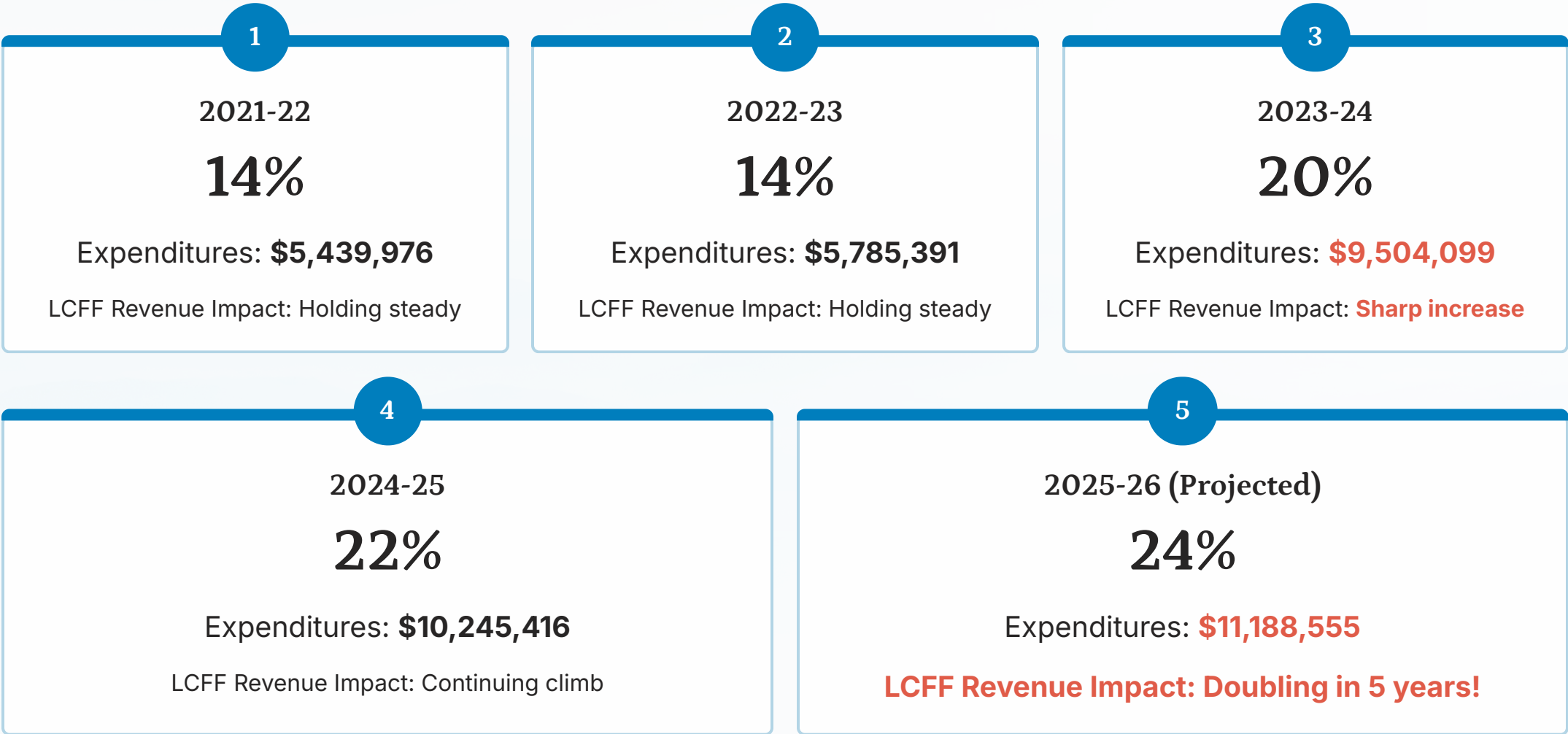
2025-26 Second Interim Revenue Sources



SPED Expenditures as % of LCFF Revenue: A Growing Concern

LCFF Revenue consists of State Aid, Education Protection Account (EPA), Local Property Taxes

DNUSD General Fund provides the necessary **fiscal support** to maintain Special Education services and staffing.





Key Takeaways & Path Forward

→ Address the Staffing Crisis

Reduce compliance burdens and invest in teacher pipelines to lower the 15% annual turnover rate and eliminate substandard credentialing.

→ Close the Funding Gap

Advocate for federal IDEA funding to approach its promised 40% share and prepare contingency plans for potential Medicaid cuts.

→ Master MOE Compliance

Use per-capita methods strategically, document all legitimate exceptions, and ensure SACS goal codes are applied accurately to avoid penalties.

→ Plan for Rising Local Costs

With SPED now at **24% of LCFF revenue** and growing, proactive communication and collaboration across departments is essential to long-term sustainability.