GAMING THE SYSTEM: SPECIAL EDUCATION FUNDING IN MANITOBA
Divisions Rewarded for Exaggerating Student Disabilities

EXECUTIVE SUMMARY

• The provincial government currently provides funding for special needs students on the basis of three levels of classification.
• The higher a student’s level, the more extra funding is provided.
• Special education expenditures made up approximately 14% of total operating expenditures in the 2002-2003 school year.
• These expenditures have increased by more than 300% since 1984, while total operating expenditures have increased by only 49.9%.
• School divisions have an economic incentive to apply for as much special education funding as possible. In particular, a significant amount of this money can be diverted into other areas on the basis of a policy called “Flexible Base Support.”
• The three different classified levels of disability fail to make a distinction between students who can function at a regular academic level if given support and those who may never be able to function at a regular level.
• The government should examine whether the current method of providing funding for special education is appropriate.

INTRODUCTION

Special education funding makes up a significant portion of education spending in the Province of Manitoba. This backgrounder analyzes the criteria by which students are classified as requiring special services.

In addition, total operating expenditures are compared with special education expenditures. The FRAME Report data clearly shows that expenditures on special education have increased substantially over the past twenty years.

CLASSIFICATION OF STUDENTS WITH SPECIAL NEEDS

The provincial government recognizes three different levels of special needs support. These levels identify the conditions required for a student to be eligible for a particular support level:

<table>
<thead>
<tr>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate mental disability (IQ &lt; 50)</td>
<td>Severe multiple-disabilities</td>
<td>Profound multiple-disability</td>
</tr>
<tr>
<td>Severe physical disability</td>
<td>Severely psychotic</td>
<td>Deaf</td>
</tr>
<tr>
<td>Moderate multiple-disabilities</td>
<td>Severely autistic</td>
<td>Blind</td>
</tr>
<tr>
<td>Very severely learning disabled</td>
<td>Severely visually impaired</td>
<td>Profoundly emotionally-behaviorally disordered</td>
</tr>
<tr>
<td>Severe emotionally disturbed</td>
<td>Very severely behaviorally/emotionally disordered</td>
<td></td>
</tr>
<tr>
<td>Severe hearing loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severely visually impaired</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The funding provided by the provincial government varies according to the official level of classification. For each student at Level I, a school division will receive an extra $260 from the Province. School divisions with Level II students receive an extra $8,565 per student, while each Level III student earns divisions an extra $19,055. Each of these amounts is over and above the regular amount that a school division receives for each student. Therefore the greater the number of students classified at one of these levels, the larger the funding the school division will receive.
In order for a student to be classified at one of these levels, a significant disability must be demonstrated. A student eligible for Level I funding on the basis of mental disability must have an IQ tested at under 50. Since 100 is considered “normal”, a student at this level of IQ would obviously have a significant disability.

### SPECIAL EDUCATION EXPENDITURES

The following chart compares all expenditures with those specifically dedicated to special education (classified as “exceptional education” in the FRAME reports). Despite the title, only 0.5% of all “exceptional” expenditures are specifically directed to gifted education programs.

#### FRAME REPORT 2002-2003 BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Expenditure</th>
<th>Percentage of Total Expenditures</th>
<th>Per Pupil Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Instruction</td>
<td>$792,802,730</td>
<td>58.6%</td>
<td>$4,436</td>
</tr>
<tr>
<td>Exceptional</td>
<td>$189,584,848</td>
<td>14.0%</td>
<td>$1,048</td>
</tr>
<tr>
<td>Community Education Services</td>
<td>$3,195,847</td>
<td>0.7%</td>
<td>$50</td>
</tr>
<tr>
<td>Divisional Administration</td>
<td>$8,979,590</td>
<td>3.6%</td>
<td>$267</td>
</tr>
<tr>
<td>Instruction &amp; Pupil Support Services</td>
<td>$48,296,652</td>
<td>5.0%</td>
<td>$377</td>
</tr>
<tr>
<td>Transportation of Pupils</td>
<td>$68,162,315</td>
<td>4.0%</td>
<td>$299</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>$163,870,103</td>
<td>12.1%</td>
<td>$901</td>
</tr>
<tr>
<td>Fiscal</td>
<td>$23,922,951</td>
<td>1.8%</td>
<td>$132</td>
</tr>
<tr>
<td>Total</td>
<td>$1,351,335,791</td>
<td>100%</td>
<td>$7510</td>
</tr>
</tbody>
</table>

In the 2002-2003 school year, the province of Manitoba provided a total of $45,669,359 in Level I support funding and $57,502,403 for Level II and Level III support funding. Funding from the province makes up 58% of total special education expenditures. The rest is paid for by local school taxes.

As noted above, spending on special education is the second highest item, next to regular instruction. Considering that the requirements for students to be classified as Level I, II, or III appear to be relatively stringent, it is surprising that this funding is as high as it is.

In particular, even though Level I funding per student is considerably less than Level II or Level III funding per student, expenditures on Level I students are almost equal to those on Level II and Level III students combined. This means that school divisions are classifying a significant number of students as disabled at one of these three levels.

### CHANGE IN SPECIAL EDUCATION EXPENDITURES

Over the last twenty years, education spending has increased significantly. What is interesting to note is that expenditures on special education have increased at a much faster rate than overall expenditures.
Total operating expenditures increased by 49.9% between 1984 and 2003. In contrast, special education expenditures have increased by 309.8% from 1984-2003.

ANALYSIS

The substantial increase in special education expenditures over the last twenty years brings up an important question. Why have these expenditures increased by over 300% since 1984?

Three explanations are possible:

1) There are approximately three times as many disabled children in schools today as there were twenty years ago.
2) School officials have become more adept at diagnosing children with special needs.
3) There are insufficient controls on special education expenditures. School divisions have an economic incentive to apply for as much special education funding as possible, regardless of whether or not it is needed.

The first option strains credulity. While it is certainly possible that there are more disabled children today than twenty years ago, it is highly unlikely that the number would have tripled over a twenty-year period.

There is likely some truth to the second option. School divisions have become more aware of special needs over the last twenty years and quicker to diagnose students who have special needs. However, this explanation also begs the question. Is it plausible that such a large number of special needs children previously slipped through the cracks? Assessment methods may have been refined since 1984, but the science of detecting and evaluating mental disabilities was well advanced twenty years ago. A 300% increase in expenditures can hardly be explained entirely by this option.
The third option bears some weight. Special education has become a growth industry in Manitoba. The more students that are classified as having special needs, the more resource teachers, educational assistants, psychologists and clinicians will need to be hired. Since students with special needs receive significantly more funding than regular students, school divisions who identify more of these students will be able to hire more teachers and expand school budgets.

In addition, mainstreaming – the integration of disabled children into regular classrooms – has become increasingly common over the past twenty years. In the past, students with significant disabilities were placed in special classrooms and were only integrated with the rest of the student body when it was believed that they could benefit from the instruction. This meant that disabled students received the benefits of individualized attention while school divisions could capture economies of scale. Ten disabled children all in one classroom instead of ten disabled children in ten different classrooms means less duplication of effort.

It should be noted that Level I support funding is described as “Flexible” Base Support. This means that up to 50% of this funding can be diverted to general Instructional Support. Thus, a school division is not required to use all of the Level I funding grants on meeting the needs of Level I students. Up to half of this money can be diverted into other programs.

These facts create perverse incentives for school divisions. They can maximize their overall budgets by expanding the identification of special needs students. They can subsequently dedicate a large portion of the extra funds to programs that have nothing to do with special needs. It is not surprising that special education expenditures have continued to grow at exponential speed.

PROBLEMS WITH SPECIAL NEEDS CLASSIFICATION

Each of the three levels of disability fails to make any distinction between physically disabled and mentally disabled students. The government and school divisions have committed to a policy of providing identical funding and similar supports to students regardless of the basis of their disabilities.

It is not difficult to understand the benefits of mainstreaming students with hearing and visual disabilities. By providing deaf students with interpreters and blind students with Braille books and other tactile aids, authorities level the playing field. Similarly, classrooms can easily be adjusted to accommodate children with physical challenges, by means of wheelchair access or provisions for special seating. Such measures enable these students, who have as much intellectual capacity as normal children, to function at a regular level.

In contrast, students who are severely mentally disabled will never benefit from the academic instruction given in a regular classroom, regardless of the amount of assistance they receive. Further, such extra assistance and attention, including the insertion of teaching assistants to back up a teacher, creates diversions that detract from the productivity of the learning process. How much sense does it make to integrate students who will never comprehend what is being taught, and whose presence is the source of constant interruptions?

Special needs students should be classified in a different manner. The different levels of disability should focus on the amount of assistance a student would need in order to function at a regular academic level. If students will always be unable to function at a regular level, they should be provided with separate instruction appropriate to them and to their abilities. Moreover, making important distinctions between different kinds and degrees of disability would force school divisions to be more accountable for special education funding.
CONCLUSION

Current methods of spending on special education are flawed. Spending on special education has increased at three times the rate of general operating expenditures over the past twenty years.

The classification of special needs students focuses more on process than on outcomes. By changing the level system to classify students on the basis of the amount of assistance they need to function at a regular academic level, school divisions will be held accountable for the funding that they receive. In addition, severely disabled students who will never function at a regular academic level will receive separate programming that is appropriate to their abilities. Thus, teachers in regular classrooms will be able to focus on teaching those students who can benefit from their instruction.

In short, significant changes in the manner in which special education is funded in Manitoba are needed. Continually increasing spending on special education without requiring school divisions to produce results both dilutes the resources for regular academic instruction, and compromises the system’s ability to meet special needs.

About the Author:
Dennis Owens is the Senior Policy Analyst at the Frontier Centre for Public Policy. A native of Portage la Prairie, Manitoba, and a descendant of homesteaders, Dennis Owens moved to Winnipeg to attend United College in 1965. He graduated from the University of Winnipeg in 1970 with a Bachelor of Arts in English and Political Science. Over a 20-year career in the transportation business, he rose to the position of operations manager of a Winnipeg-based firm. Since then he has researched and written about Canadian public policy issues for a variety of organizations including the Manitoba Taxpayers Association and the Prairie Centre.