

The Full Cost to New Jersey's Taxpayers for Self-Contained
Special Education Programs:

A Comparative Analysis of
Local Public, County-based, and
Private Special Education Programs



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Executive Summary

For years, it has wrongly been assumed that the cost of serving students with disabilities in approved private settings is greater than the cost of serving similar students in self-contained public school programs. The assumption was based on published tuition rates. However, these tuition rates cannot be easily compared. Private school tuition rates include all costs; public school tuition rates exclude pension, social security, and health benefits on retirement, facilities construction and associated debt service. These costs are paid by *state and/or county* tax dollars, not local school districts. Public schools, therefore, report special education tuition rates that are lower than the full actual cost to taxpayers.

Responding to requests from leaders in our state Legislature, ASAH initiated an analysis to estimate the *full cost to taxpayers* of special education self-contained programs across settings, not only so that these costs may be accurately compared, but also so that appropriate levels of state special education aid can be determined.

Using data available from the New Jersey Department of Education, ASAH estimated the statewide average actual cost, per pupil, of special education services in three different self-contained special education settings: approved private schools for the disabled; county-based special services school districts; and local districts' self-contained classes in a receiving relationship with other local districts. ASAH also calculated the cost per pupil of a hypothetical public school classroom operated with the level of service provided in an average private school classroom.

Our analysis reveals that, when a student with disabilities needs intensive, specialized services in a self-contained setting, the full cost to tax payers is actually *lower* when those services are provided by an approved private school than when provided by either a local public school district or a county special services school district. Actual costs in public settings, when all sources are considered, are considerably higher than published rates, and exceed the cost of comparable programs offered by approved private schools. Our data show that the full cost to taxpayers for self-contained special education programs, public or private, exceed \$40,000 per student.

The Full Cost to New Jersey's Taxpayers for
Self-Contained Special Education Programs:
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Background

ASAH, formerly the Association of Schools and Agencies for the Handicapped, is a not-for-profit association of 132 private special education schools in New Jersey. Our members provide highly specialized services to more than 11,000 infants, children, and young adults with disabilities. Founded in 1974, ASAH works closely with its members and the New Jersey Department of Education (NJDOE) to develop policy, promote effective educational practices, and foster productive collaborations between private schools, public school districts, and communities. ASAH also advocates for legislative and regulatory changes that improve the quality of life for individuals with disabilities and their families.

For years, it has wrongly been assumed that the cost of serving students with disabilities in approved private settings is greater than the cost of serving similar students in self-contained public school programs. The assumption was based on published tuition rates. However, these tuition rates cannot be easily compared. Private school tuition rates include all costs; public school tuition rates exclude pension, social security, and health benefits on retirement, facilities construction and associated debt service. These costs are paid by *state and/or county* tax dollars, not local school districts. Public schools, therefore, report special education tuition rates that are lower than the full actual cost to taxpayers.

Rationale

New Jersey Governor Jon Corzine has asked his administration and the Legislature to develop a new formula to distribute state education aid to local school districts by the end of 2007. Part of this formula must include appropriate levels of state aid for special education.

Currently, New Jersey lacks adequate data on the full actual costs of public special education. ASAH believes these data are necessary in order to make informed decisions regarding the funding of special education services.

Responding to requests from leaders in our state Legislature for information on the cost of self-contained special education programs, ASAH initiated a careful review of available fiscal data. Our analysis is aimed at estimating the *full cost to taxpayers* of special education self-contained programs across settings, not only so that these costs may be accurately compared, but also so that appropriate levels of state special education aid can be determined.

Methodology for Calculating Actual Costs in Self-Contained Settings

Using data available from the New Jersey Department of Education (NJDOE), ASAH has estimated the statewide average actual cost, per pupil, of special education services in three different self-contained special education settings: approved private schools for the disabled; county-based special services school districts; and local districts' self-contained classes in a receiving relationship with other local districts. In addition, ASAH calculated the cost per pupil of a hypothetical public school classroom operated with the level of service provided in an average private school classroom. Our estimates are based on standard accounting procedures. Unless otherwise specified, all costs are for the 2005-2006 school year.

It should be noted that ASAH limited its analysis of costs to self-contained special education programs, which serve only a small portion (9.3%) of New Jersey's 230,000 students with disabilities. These students represent those with the most significant, complex disabilities. Most students with disabilities in New Jersey are served by their local public school in resource center programs or in general education classes with support.

Analysis #1: Determining the actual cost to taxpayers for special education services in approved private schools for the disabled.

The process for determining the actual statewide average cost per pupil in an approved private school for the disabled in New Jersey is relatively simple and transparent. Based on New Jersey State code, approved private schools operate on an “actual cost” system, in which allowable costs are calculated into a per diem and annual tuition rate. The tuition rates charged by private schools to local districts include all expenses: salaries and benefits, administrative costs, clinical costs, supplies, equipment, and facilities.

Based on this analysis, when all costs to taxpayers are considered, the statewide average actual private school cost per pupil for the 2005-2006 school year is \$44,944⁽¹⁾ with an average of 199.3 days of instruction. When adjusted for a traditional 10-month academic calendar of 180 days, the average tuition is \$40,474.

TABLE 1:

AVERAGE PER PUPIL COST TO TAXPAYERS FOR SPECIAL EDUCATION SERVICES IN CLASSES OPERATED BY APPROVED PRIVATE SCHOOLS FOR THE DISABLED

Published Tuition ⁽²⁾ (Statewide average)	Costs paid by local school district ⁽²⁾	Other Costs (paid by State/County Tax Revenue)	Total cost to Taxpayers
\$40,474	\$40,474	0	\$40,474

(1) Certified tuition data reported by NJDOE, found at <http://state.nj.us/education/finance/fp/psdrates062.shtml>

(2) Based on traditional 10-month academic calendar of 180 days of instruction.

Analysis #2: Determining the actual cost to taxpayers for special education services in Special Services School Districts.

Cost information for New Jersey’s county-based special services school districts was calculated using published data contained in the New Jersey Department of Education (NJDOE) Report Card for the 2005-06 school year. The statewide average budgeted cost per pupil for 2005-06 is \$41,608 for a traditional 10-month academic calendar. ⁽¹⁾

This published cost, however, excludes costs associated with pension, social security payments, and retiree medical benefits. These costs are paid by taxpayers in the form of *state* and *county* taxes, and are therefore not reflected in tuition paid by the local district. Adjusted rates calculated by ASAH reflect these costs (See Appendix 1).

Based on this analysis, the actual statewide average annual cost to taxpayers, per pupil, in a County Special Services School District is estimated to be \$59,306.

TABLE 2:

AVERAGE PER PUPIL COST TO TAXPAYERS FOR SPECIAL EDUCATION SERVICES IN CLASSES OPERATED BY COUNTY SPECIAL SERVICES SCHOOL DISTRICTS

Published Cost Per Pupil ⁽¹⁾ (Statewide average)	Average costs paid by local school district	Other Costs ⁽²⁾ (paid by State and/or County Tax Revenue)	Total cost to Taxpayers
\$41,608	\$41,608	\$17,698	\$59,306

(1) Reported at: <http://education.state.nj.us/rc/rc06>, retrieved 8/22/2007.

(2) Social Security payments, pension, and medical/healthcare benefits upon retirement.

Analysis #3: Determining the actual cost of a public school special education receiving students from other districts.

Some districts operate self-contained special education classes which serve not only students with disabilities in that district, but which also receive students from other districts on a tuition basis. To determine the statewide average tuition in such a setting, ASAH examined the 2006-2007 tentative tuition rates reported to the NJDOE. A statewide average tuition, per pupil, was calculated based on 1,083 receiving school relationships for approximately 2,600 students placed in public school, self contained special education classes (see Appendix 2). This produced a statewide average cost per pupil of \$36,920.

When all costs to taxpayers are considered, e.g., pension, social security, retirement healthcare benefits, the actual statewide average cost per pupil for a traditional 10-month academic calendar in a public receiving program is estimated to be \$54,103.

TABLE 3:

**AVERAGE PER PUPIL COST TO TAXPAYERS
FOR SPECIAL EDUCATION SERVICES IN CLASSES OPERATED BY
LOCAL PUBLIC SCHOOLS WHO RECEIVE STUDENTS WITH
DISABILITIES ON A TUITION BASIS FROM SENDING SCHOOL
DISTRICTS**

Published Tuition⁽¹⁾ (statewide average)	Costs paid by local school district	Other Costs⁽²⁾ (paid by State and/or County Tax Revenue)	Total Estimated Cost to Taxpayers
\$36,920	\$36,920	\$17,183	\$54,103

- (1) Based on certified tuition rates provided by NJDOE Division of Finance and based on 1,083 receiving school relationships for 2,600 students with disabilities placed by LEAs in other public school, self-contained special education classes (See Appendix 2).
- (1) Amount based on percentage difference of 31% resulting from Analysis 2, for costs associated with Social Security payments, teacher pensions, medical and healthcare benefits on retirement, using salary data provided by NJDOE for 2005-2006.

Analysis #4: Estimating the Cost of a Hypothetical Public School Classroom Reflecting the Level of Services at a Private School .

Local school districts turn to approved private schools for the disabled when they have students who need intensive, highly specialized services. These services, including therapies, counseling, medical support, behavior intervention, assistive technologies and specialized equipment are prescribed and detailed by the sending district in each student's individual education plan. They are highly specialized and costly.

ASAH wanted to estimate the cost for a local public school to provide the level of services offered in an approved private school. To do this, ASAH used two different methods, both of which produced similar results.

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Method #1 is based on the cost of providing general education:

In 2005-2006, the statewide average cost to educate a typical child in a regular education classroom of 19.2 students was \$13,169, based on data reported by NJDOE's School Report Card for the 2005-06 school year. When adjusted to include costs associated with social security, pension and retirement health care benefits paid by *state* tax dollars, the statewide average actual cost to taxpayers to educate a general education student in a public school classroom with 19.2 students increases to \$18,083. (See Appendix 3) This per pupil cost for a general education student was then adjusted to reflect the increased student/staff ratio of private schools.

Based on this model, the statewide average cost per pupil for a public school to operate a self-contained program with a teacher student ratio comparable to that provided at a private school for the disabled is estimated to be \$41,332 (see Table 4). This figure does not reflect the cost of any support services associated with special education. When the cost of special education services and support are added to this, the estimated costs to taxpayers for this hypothetical classroom is \$48,779.

TABLE 4:

GENERAL EDUCATION COSTS MODEL

**STATEWIDE AVERAGE PER PUPIL COST TO TAXPAYERS FOR A
HYPOTHETICAL PUBLIC SCHOOL SPECIAL EDUCATION
CLASSROOM PROVIDED AT THE LEVEL OF SERVICE AT AN
AVERAGE APPROVED PRIVATE SCHOOL FOR THE DISABLED**

Cost with 19.2 general education students per class		Cost with 8.4 students per class		
Published cost per general education pupil ⁽¹⁾	Actual cost per general education pupil	Cost of General Education Services	Cost of Special Education Support Services Needed ⁽³⁾	Total Cost, per pupil to Taxpayers
based on 19.2 students per class	adjusted to reflect <i>all</i> costs to NJ taxpayers ⁽²⁾	(\$18,083 adjusted for class size of 8.4 students)		
\$13,169	\$18,083	\$41,332	\$7,447	\$48,779

(1) Based on data published by the NJDOE in the Comparative Spending Guide, 2006.

(2) Reflects costs associated with Social Security payments, Teacher pension, and medical benefits upon retirement.

(3) Based on salary data for support services for Special Services School Districts.

Method #2 is based on the intensity of services and staffing patterns provided by private schools:

For this analysis, ASAH determined the characteristics of an average private school classroom (number of students, number of teachers, support staff, aides, related services staff e.g., occupational therapists, physical therapists, speech therapists, behavior specialists, nursing, counseling). The average length of the private school academic year (199.3 days of instruction) was adjusted to a traditional academic calendar of 180 days.

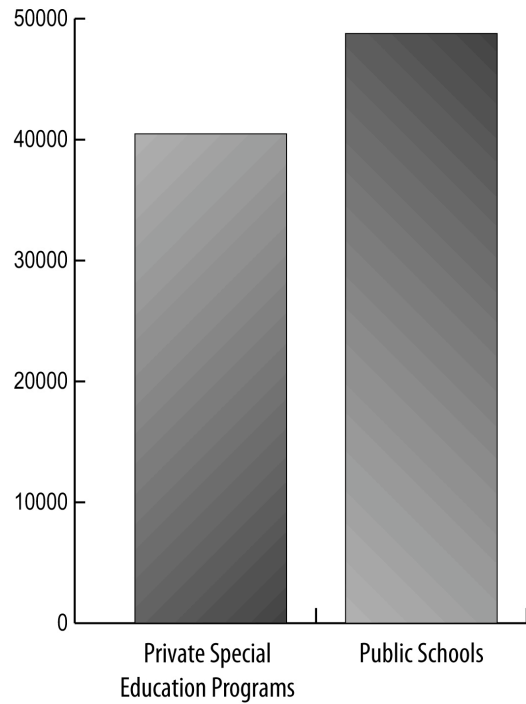
ASAH applied public school salary and benefits costs to service delivery and staffing patterns in an average approved private special education classroom. In an effort to be conservative in our calculations, only those costs associated directly with the classroom were considered. Administrative costs and related benefits were calculated based on the public school statewide average for all schools, and adjusted for benefits.

Based on this analysis, the statewide average cost per pupil for a public school to operate a self-contained program with services comparable to those at an approved private school for the disabled is estimated to be \$50,806 (see Appendix 4)

Method #1 produced a cost of \$48,779; Method #2 produced a cost of \$50,806.

Using the lower of these figures, the graph below shows that the full cost to tax payers to operate a private school program for a traditional 10-month academic calendar at public school rates would be considerably higher than the full cost to operate the class in private school.

Estimated Costs per Student to Provide Average Private School Education Class in Hypothetical Public School Setting



Footnote: For a traditional ten-month academic calendar

Other Issues:

There are two areas of significant cost to taxpayers that are beyond the scope of this analysis. This first is transportation.

Regardless of where a student with significant disabilities is placed, specialized transportation services beyond that which is offered for general education students on regular bus routes will likely be required. ASAH acknowledges that specialized transportation cost associated with any out-of-district program can be high. Further study of this is warranted.

The second issue is capital construction for public special education schools, and the associated long-term bond debt. These complex issues carry a high price, not only to today's taxpayers, but also to the taxpayers of tomorrow. These costs must be considered when comparing the cost of public and private programs.

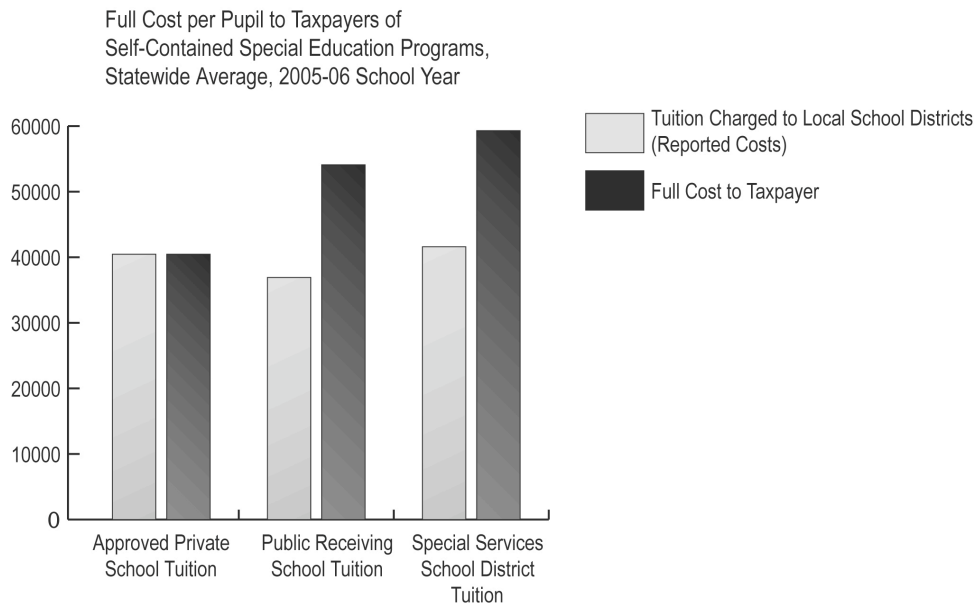
Findings & Conclusion:

ASAH's analysis shows that the full cost of self-contained special education services – public or private, regionally or locally operated – are similar when adjusted to reflect costs paid by all sources of taxpayer funds. Actual costs in public settings, when all sources are considered, are considerably higher than published rates, and exceed the cost of comparable programs offered by approved private schools.

Our data show that the full cost to taxpayers for self-contained special education programs, public or private, exceed \$40,000 per student.

Our analysis reveals that, when a local district determines that a student with disabilities needs intensive, specialized services in a self-contained setting, the full cost to tax payers is actually *lower* when those services are provided by an approved private

school than when provided by either a local public school district or a county special services school district.



The purpose of this report is to educate the reader about the full cost of self-contained special education services in public and private settings. While cost information is a vital part of any policy discussion, it should not be a consideration when determining the placement of a child. Placement must be driven by the IEP and must reflect the least restrictive, appropriate environment.

At this critical juncture, ASAH seeks to inform and educate legislators, policy makers, and taxpayers. There is a general lack of understanding about special education cost, in part, because there is a lack of quality data.

This report is meant to fill a void in information regarding the full cost of self-contained special education services in New Jersey. ASAH believes that a detailed analysis of the full cost of other service delivery models, e.g., resource center supports, supported inclusive education, is needed.

We see this report as a starting point from which to move forward with policy decisions based on accurate data. The decisions ahead about how – and how much – to fund special education must be based on accurate data, not inaccurate presumptions. It is

ASAH's hope that the State of New Jersey will more effectively leverage the expertise of existing special education providers and facilities to educate New Jersey's 230,000 students with disabilities in an efficient and effective manner.

Appendices

Appendix 1

**DETERMINING THE FULL COST TO TAXPAYERS:
AVERAGE COST OF SPECIAL EDUCATION SERVICES IN CLASSES OPERATED BY COUNTY SPECIAL
SERVICES SCHOOL DISTRICTS:**

PUBLISHED RATES AND ADJUSTED RATES (*)
2005-2006 SCHOOL YEAR

Budget Category	Published Cost (Statewide Average) ⁽¹⁾	Adjusted Costs ⁽³⁾
Classroom: Salaries & Benefits	20,822	33,063 ⁽⁴⁾
Classroom: General Supplies/Textbooks	526	526
Classroom: Purchased Services/Other	841	841
Support: Salaries & Benefits	6,503	9,643 ⁽⁴⁾
Support: Other	479	479
Administrative: Salaries & Benefits	3,547	5,139 ⁽⁴⁾
Administrative: Other	1,217	1,217
Oper. & Maint: Salaries & Benefits	1,283	2,008
Oper. & Maint.: Other	2,419	2,419
Food	256	254
Extracurricular	30	30
SUB TOTAL	\$37,923	\$55,621
Other costs ⁽²⁾	3,685	3,685
TOTAL COST TO TAXPAYERS PER PUPIL	\$41,608	\$59,306

(*) Based on 180 instructional days.

- (1) Statewide average annual per pupil cost as reported by SSSD, based on figures reported in the 2005-2006 School Report Card (NJDOE) found at <http://education.state.nj.us/rc/rco6/index.html>, retrieved 8/22/2007.
- (2) As reported by SSSD Report Card. Includes tuition expenditures; transportation related to field trips; other current expenses; equipment; facilities/acquisition; and restricted expenses less nonpublic services and adult schools, as well as students sent out of district. The total of all these expenditures is divided by the average daily enrollment to calculate a total cost per pupil.
- (3) Reflects costs associated with salary, retirement and benefits packages paid by state tax revenues.
- (4) Based on average teacher salary of \$59,396 as published in 2005-2006 by NJDE Research Bulletin and based on 13 years of experience. Adjusted for 7.65% SSI in all categories except maintenance. Cost of retiree medical benefits calculated to reflect annual inflation rate of 4% and based on NJ State Health Benefits Program as prepared by Anon Consulting Services. Cost of pension benefits based on 3% annual salary increase. Cost of funding retiree pensions as required by ERISA calculated by Corporate Retirement Services, Inc.

DETERMINING THE COST OF PUBLIC SCHOOL SELF-CONTAINED SPECIAL EDUCATION CLASSES RECEIVING STUDENTS WITH DISABILITIES ON A TUITION BASIS FROM OTHER LOCAL DISTRICTS ⁽¹⁾

STATEWIDE AVERAGE BASED ON 180-DAY SCHOOL YEAR

Number of Special Education Receiving Relationships	Total Tuition Paid by Sending Districts	Total Number of Students with Disabilities Placed in Receiving Public Schools	Average statewide tuition charged by LEAs for students with disabilities placed in local public school self-contained class ⁽³⁾	Other costs paid by State and/ County Taxes ⁽⁴⁾	Total Cost to Taxpayers
1,083 ⁽²⁾	\$ 95.99M ⁽²⁾	\$2,600 ⁽²⁾	\$36,920	\$17,183 ⁽⁵⁾	\$54,103

- (1) Based on data provided by NJDOE Division of Finance for sending/receiving relationships between local public schools that reflect special education placements.
- (2) Reflects tuition placements for students with disabilities of least 180 days of special education services.
- (3) Based on budgeted tuition rates for 2006-2007 provided by NJDOE.
- (4) Reflects costs associated with Social Security payments, pension, and medical benefits on retirement paid by State Government.
- (5) Based on 31% increase for salaries and benefits resulting from Analysis 2.

**ESTIMATING THE ACTUAL COST TO TAXPAYERS, PER PUPIL, FOR
GENERAL EDUCATION, BASED ON CLASS SIZE OF 19.2**

Budget Category	Published Cost (Statewide Average) ⁽¹⁾	Adjusted Costs ⁽³⁾
Classroom: Salaries & Benefits	6,417	10,013
Classroom: General Supplies/Textbooks	283	283
Classroom: Purchased Services/Other	179	179
Support: Salaries & Benefits	1,598	2,196
Support: Other	222	222
Administrative: Salaries & Benefits	991	1,270
Administrative: Other	266	266
Oper. & Maint: Salaries & Benefits	747	1,169
Oper. & Maint.: Other	626	626
Food	16	16
Extracurricular	211	211
SUB TOTAL	\$11,556	\$16,470
Other costs ⁽²⁾	1,613	1,163
COST TO TAXPAYERS PER PUPIL	\$13,169	\$18,083

- (1) Statewide average annual per pupil based on figures reported in the 2005-2006 Comparative Spending Guide.
- (2) Includes tuition expenditures; transportation related to school events; other current expenses; equipment; facilities/acquisition; and restricted expenses less nonpublic services and adult schools, as well as students sent out of district. The total of all these expenditures is divided by the average daily enrollment to calculate a total cost per pupil.
- (3) Reflects costs associated with salary and benefits packages paid by state tax revenues including 7.65% SSI in all categories except maintenance. Cost of retiree medical benefits includes annual inflation rate of 4% for medical benefits and is based on NJ State Health Benefits Program as prepared by Anon Consulting Services. Cost of pension benefits based on assumption of 3% annual salary increase. Cost of funding retiree pensions as required by ERISA calculated by Corporate Retirement Services, Inc.

INTENSITY OF SERVICES MODEL

STATEWIDE AVERAGE PER PUPIL COST TO TAXPAYERS FOR A HYPOTHETICAL PUBLIC SCHOOL SPECIAL EDUCATION CLASSROOM PROVIDED AT THE LEVEL OF SERVICE AT AN AVERAGE APPROVED PRIVATE SCHOOL FOR THE DISABLED

Budget Area	Estimated Public School Salary	Average Private School Staffing (FTE)	Cost to Taxpayers for Public School to Operate Classroom
Teacher	59,396 ⁽¹⁾	1.32	78,403
Aides	20,832 ⁽¹⁾	1.93	40,206
Support Services ⁽³⁾	59,396 ⁽²⁾	1.053	63,762
Health Services ⁽⁴⁾	59,396 ⁽²⁾	.14	8,316
Maintenance	37,545	.11	4,130
Administration ⁽⁸⁾			12,902
Employee Benefits/Medical			53,616
Instructional Supplies			4,418
Purchased service			7,064
Support -other			4,023
Maintenance Supplies			12,019
Social Security ⁽⁵⁾			16,686
Pension ⁽⁵⁾			67,616
Retiree Medical ⁽⁵⁾			53,616
TOTAL CLASSROOM COST ⁽⁵⁾			426,777 ⁽⁶⁾
COST PER PUPIL⁽⁷⁾			\$50,806⁽⁶⁾

- (1) Based on Salary data provided by NJEA.
- (2) Based on lowest conservative estimated salaries reflected in the Comparative Spending Guide, retrieved 8/24/2007.
- (3) Speech Therapy, Physical Therapy, Occupational Therapy, Reading Specialist, Psychologist, LD/TC Transition Services Specialist, Guidance Services, Social Work, Behavior Specialist, Job Coach).
- (4) School Nurse, Registered Nurse, as required by State Code.
- (5) Costs paid by state tax dollars. Calculated for all FTE's associated with the classroom except administration.
- (6) Excludes public school administrative costs associated with the program.
- (7) Based on average private school class size of 8.4 students per class.
- (8) Based on Statewide average administrative cost for general education students, adjusted to reflect benefits.