



The University of Vermont

COLLEGE OF EDUCATION AND SOCIAL SERVICES

# Study of Vermont State Funding for Special Education

## Legislative Testimony

January 9, 2017

Tammy Kolbe, University of Vermont

Making  Difference

# Key Objectives For Report

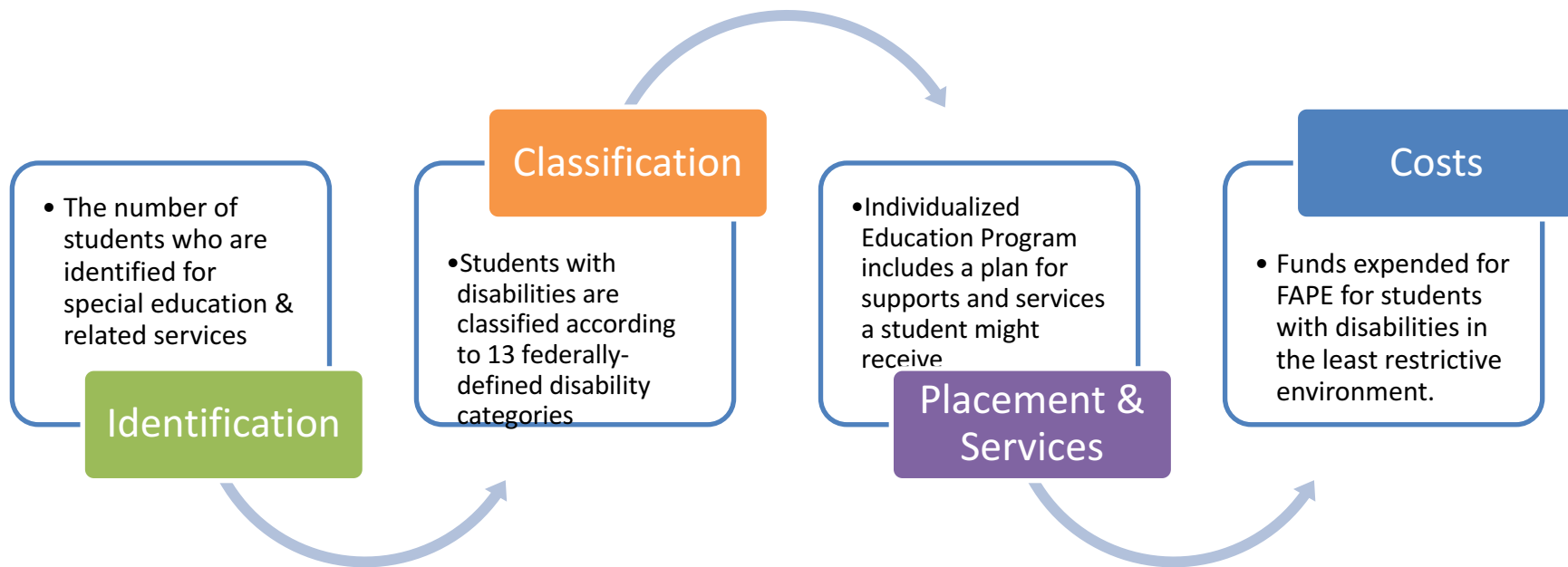
- Develop a comprehensive profile of special education costs & describe the factors influencing costs
- Evaluate current funding formula & establish parameters for redesign
- Describe a census-based funding mechanism & simulate how it could be implemented in Vermont

# Data Considered

- **Independent analysis of special education and financial data**
  - State data provided by Vermont Agency of Education
  - National data from U.S. Department of Education's data repositories
- **Policy analysis of other state studies of special education funding**
  - Funding adequacy studies
  - Funding formula summaries and evaluations
- **Stakeholder input, including:**
  - Interviews with **state officials** responsible for overseeing and implementing Vermont's special education funding formula.
  - Interviews with **supervisory union, district, and school leaders** about their experiences implementing the State's special education funding formula.
  - Interviews with **parents of students with disabilities** who currently receive special education and related services.
  - Focus groups with representatives from **organizations that represent the interests of education and social service professionals** – both generally and specific to students with disabilities – as well as other citizen groups (e.g., parent and family-based organizations).
  - A **statewide survey with special education administrators** (co-sponsored with the Vermont Counsel of Special Education Administrators).
  - Focus groups with **teachers** on whether, and in what ways, the funding formula influences their processes for identifying, classifying, and serving students with and without disabilities.

# Special Education Costs in Vermont

# Understanding Special Education Costs



# Special Education Child Count

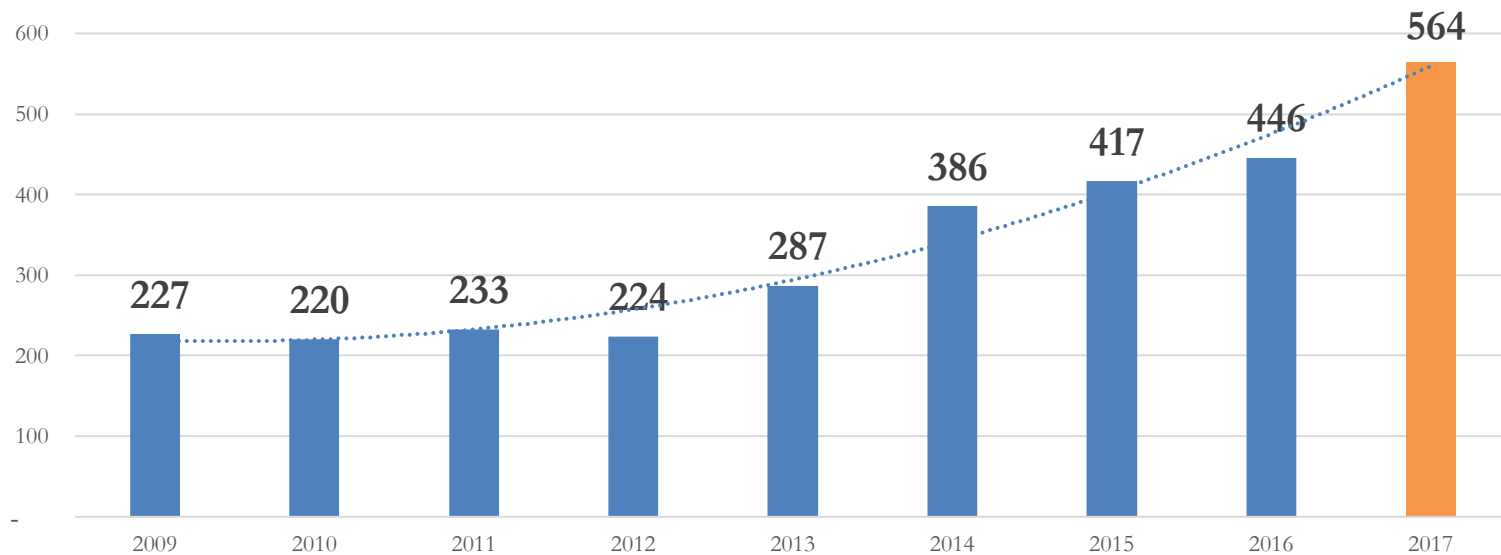
## (SY2015)

Percentage of All Students With Disabilities

	Percent of All Students	Autism Spectrum Disorder (ASD)		Deaf-blind	Emotional Disturbance	Hearing Impairment (Including Deafness)		Intellectual Disability	Multiple Disabilities	Orthopedic Impairment	Other Health Impairment (OHI)	Specific Learning Disability (SLD)	Speech or Language Impairment	Traumatic Brain Injury	Visual Impairment (Including Blindness)
		(%)	(%)			(%)	(%)								
Vermont	16.1	8.9	0.0	17.6	0.6	6.0	2.0	0.3	19.8	34.5	9.6	0.3	0.2		
National Average	13.3	9.3	0.0	5.9	1.1	7.1	2.1	0.7	15.4	39.8	17.7	0.4	0.4		
Selected Comparison States															
New Hampshire	15.0	10.1	0.0	8.9	0.8	3.3	1.5	0.2	21.7	40.0	12.8	0.3	0.5		
Maine	17.7	9.4	0.0	7.7	0.4	2.6	10.3	0.1	21.6	32.5	15.0	0.1	0.1		
Massachusetts	17.6	11.0	0.1	10.8	0.7	6.2	2.6	0.7	14.7	29.9	16.4	6.5	0.4		
Rhode Island	15.8	11.1	0.0	8.5	0.7	4.0	1.9	0.3	18.4	39.8	14.7	0.3	0.3		
Delaware	15.3	8.1	0.2	4.7	1.1	8.4	0.0	1.2	14.1	51.8	9.7	0.4	0.4		
Kentucky	13.5	7.4	0.0	5.9	0.8	17.5	2.6	0.5	18.3	20.8	25.4	0.3	0.6		
South Dakota	14.3	6.1	0.0	6.5	0.8	9.9	2.9	0.3	14.9	39.7	18.1	0.3	0.3		

- The percentage of students with disabilities in Vermont is somewhat higher than national average, but *on par with neighboring and peer group states* (Report Table 1, p. 18)

## Number of IEPs Qualifying for Extraordinary Cost Reimbursement (FY 2009-2017)



- Since 2014, there has been a *75% increase* (since 2013) in the number of IEPs qualifying for the State's extraordinary cost reimbursement (Report Figure 3; p. 20)

# State Spending on Special Education

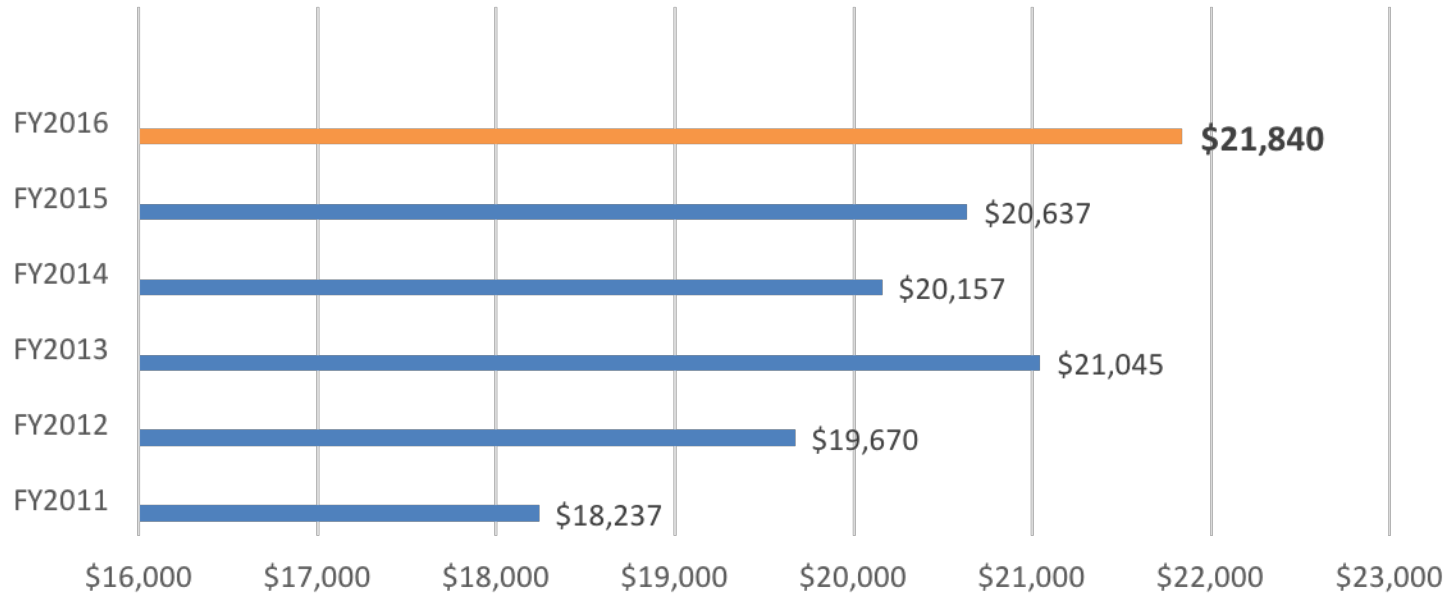
	2013	2014	2015	2016
State Spending				
Reimbursement Formula	\$138,178,560	\$144,741,288	\$149,478,388	\$157,891,972
% Year-to-year Change		5%	3%	6%
Extraordinary cost reimbursement	\$10,992,045	\$11,542,990	\$12,299,063	\$14,282,780
% Year-to-year Change		5%	7%	16%
Total State Spending (Reimbursement Formula & Extraordinary Costs)	\$149,170,605	\$156,284,278	\$161,777,451	\$172,174,752
% Year-to-year Change		4.8%	3.5%	6.4%
Local Spending	\$103,863,779	\$109,167,010	\$112,780,331	\$116,074,894
% Year-to-year Change		5.1%	3.3%	2.9%
Total State & Local Spending	\$253,034,384	\$265,451,288	\$274,557,782	\$288,249,646
% Year-to-year Change		4.9%	3.4%	5.0%

See: Report Table 5, p. 25

- State spending for its reimbursement formula *increased 14% since FY2013, and 6% for FY2016*
- State for its extraordinary cost reimbursement formula *increased 29% since FY2013 and 16% for FY2016*



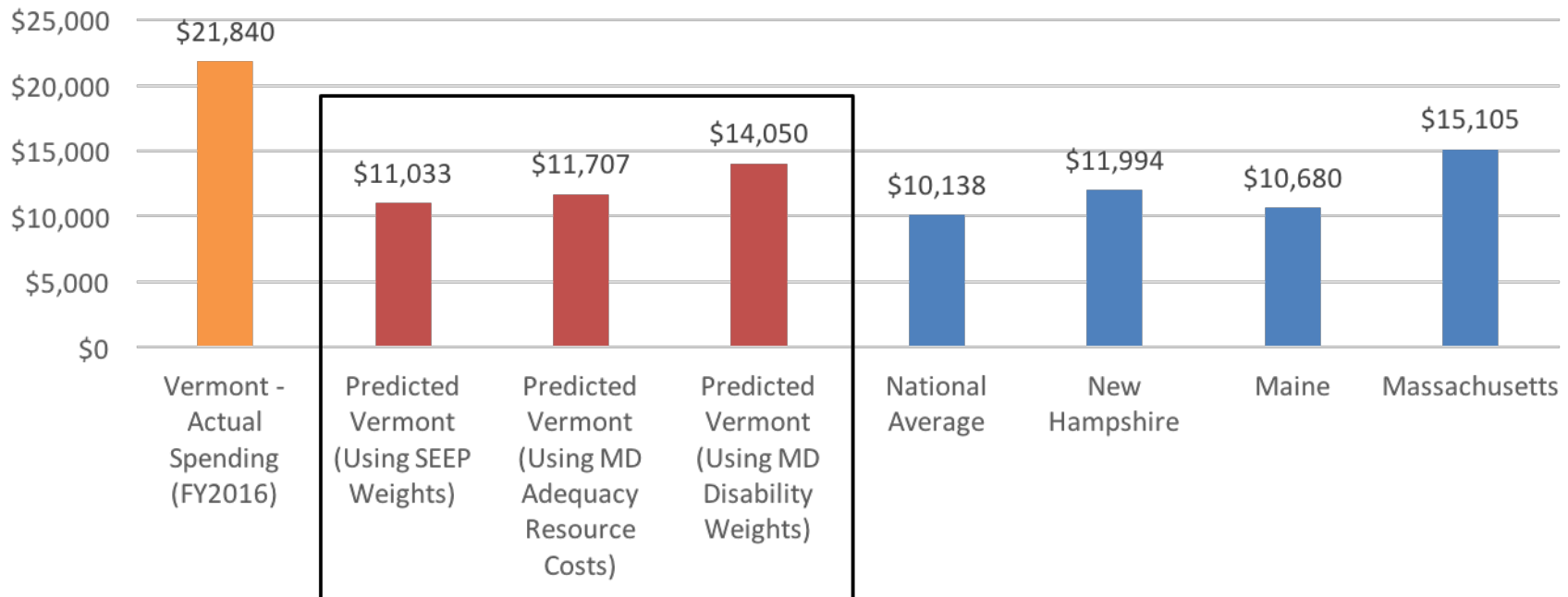
# State & Local Expenditures Per IEP



- On average, for FY16, supervisory unions and school districts, spent an *additional \$21,840 per student with an IEP* (Report Table 7, p.27)
- Since FY2014, average spending per IEP has *increased 8%*

# Spending Comparison

Excess Cost per IEP (Adjusted for Vermont \$'s)



- For FY2016, Vermont's actual average spending per IEP was about *two time greater* than what is predicted using national estimates for special education costs (Table 13, p. 53)
- Vermont's average spending per IEP *exceeded* the national average and other peer states

# Cost Drivers

1. *Administrative requirements and rules defining allowable costs under the State's existing special education funding formula create inefficiencies in service delivery that contribute to higher overall spending*
2. *The nature and extent of student need has grown more more complex*
3. *Weak funding for comprehensive and early support systems creates incentives to identify more students for special education to access additional funding from State*

# Vermont's Existing Special Education Funding Formula

# Funding Special Education in Vermont

- **State**
  - Reimbursement model
    - On average, the state reimburses localities for about 60% of qualifying expenditures for students identified for special education
  - Extraordinary cost provision
    - State reimburses localities for 90% of qualifying expenditures for an individual student, in excess of \$50k
- **Federal**
  - IDEA Part B (School-aged children)
- **Local**
  - Remainder (after state and federal contributions)

# Critiques of Existing System

- **Voices from the field:**
  - Administratively costly (for State and localities)
  - Funding is misaligned with policy priorities, particularly MTSS and PBIS
  - Misplaced incentives for student identification, categorization and placement
  - Discourages cost containment
  - Unpredictable and lacks transparency

# Implementing a Census-based Funding Mechanism in Vermont

# Census-based Funding Mechanism

- Amount of special education funding a district receives is based on number of non-disabled students within a school district (e.g., ADM/ADA)
  - Lump sum is not based on variation between individual school districts
- Pros:
  - Simple/transparent
  - Flexibility in how funding can be used
  - Aligned with policy priorities (serving struggling students across the general/special education service delivery systems)
  - Predictable
- Cons:
  - Possible incentives for districts to limit services
  - Potential cost liability for districts if census grant amount is set too low



# Calculating a Census Grant

- **Census grant amount is calculated as:**

- Per capita grant amount = 
$$\frac{(\text{Number K12 students with IEPs} * \text{Excess cost per IEP}) * \text{State share of spending}}{\text{K12ADM}}$$

- **Key assumptions:**

- The number of students (statewide) with IEPs
- The excess (or marginal) cost per IEP
- The number of students (statewide) enrolled in K-12 education (i.e., K12 ADM)
- The state's share/responsibility for spending (e.g., 60%)

# Per Student Spending Amount Estimates

	Per Capita Spending Equivalent (K12 ADM)	
	Spending Based on Actual Number of IEPs in Vermont (Col 1)	Spending Based on Reducing Number of IEPs to National Average (Col 2)
<b>Actual Expenditures</b>		
Average Supervisory Union/District Expenditures (FY2016)	\$3,062	\$2,905
<b>SEEP Adjusted Per IEP Costs</b>		
Vermont		
<i>Disability-specific Weights</i>	\$1,547	\$1,467
<b>Maryland Adequacy Study</b>		
All Disability Groupings		
<i>Resource Costs*</i>	\$1,641	\$1,557
<i>Disability Grouping Weights</i>	\$1,970	\$1,869
Mild/Moderate Disabilities Only		
<i>Resource Costs*</i>	\$1,209	\$1,161
<i>Disability Grouping Weights</i>	\$1,457	\$1,400

See: Report Table 16, p. 58



In our report, we calculated possible grant amounts based on different assumptions for:

- 1) The number of students (statewide) with an IEP
- 2) The average amount spent per IEP

- Per student spending amounts fall between about \$1,467 and \$3,062
- Spending amounts reflect 100% of the anticipated spending for special education on a per capita basis (currently, the State share of special education spending is 60%)

# Census-based Formula Simulations

	Example 1	Example 2	Example 3
	Modified Status Quo (FY16 Average Spending)	Predictions for What "Should" Be Spent per Student with IEP in Vermont	
Students with Disabilities Assumption (VT 2016)	11,218	11,218	11,218
Cost per IEP Assumption	Actual Spending	Vermont Disability- specific Weights (SEEP)	Resource Costs (MD Adequacy)
Census Grant Amount (K-12 ADM)			
Per Student	\$1,837	\$928	\$985
Per Student, with Poverty Adjustment	\$1,881	\$958	\$1,008
Assumes State Share of Costs	60%	60%	60%
Estimated State Appropriation (per FY)			
Based on K-12 ADM	\$147,633,732	\$74,684,055	\$79,134,027
Difference from 2016 State Formula (Reimbursement & Block Grant Only)	(\$10,258,236)	(\$83,207,913)	(\$78,757,942)

See: Report, Table 18, p. 62

# Extraordinary Cost Reimbursement Models

	<b>Model 1 Fixed Threshold (Status Quo)</b>	<b>Model 3 Two-step Threshold Model</b>
Description	State reimburses supervisory unions for IEP costs in excess of \$50,000.	Threshold amounts for reimbursement are tied to whether a student is placed <b><i>within- or out-of-supervisory union</i></b> (e.g., separate school residential placement).
Cost Assumptions		
Threshold Amount	\$50,000	<b>Within SU:</b> 4.62 x Statewide Average Regular Education Per Pupil Spending (\$51,051 for 2016)  <b>Outside of SU:</b> 5.9 x Statewide Average Regular Education Per Pupil Spending (\$65,195 for 2016)
State Reimbursement Parameters	60% of costs <Threshold Amount  90% of costs >Threshold Amount	60% of costs <Threshold Amount  90% of costs >Threshold Amount
Estimated Cost to State (per FY)	<b>\$31,981,016</b>	<b>\$36,191,554</b>

# Implementation Considerations

- **A five-year phase-in period for transitioning to a census-based model.**
  - Current costs reflect current practice
  - ***Simply reducing spending would likely result in children going unserved and localities not meeting their obligations under federal and state law.***
  - Supervisory unions and school districts need time to adapt to new flexibility in funding approach and to reset their service delivery systems
- **Additional technical support for local educators.**
  - Localities will require technical assistance with making appropriate changes that result in cost savings

# Other Design Considerations

- **Students counted for aid allocation**
  - K12 vs. PK12 ADM
- **Categorical vs. block grant funding**
  - Example: 30% categorical & 70% block grant
- **Accountability**
  - Performance metrics to ensure that the needs for students with disabilities continue to be met and outcomes improve
- **Maintenance of effort for federal funding**
  - Reductions in state appropriation may trigger reductions to federal IDEA Part B grant

# Summary

- State & local spending for special education has increased in recent years. However, the percentage of students with disabilities has been relatively stable, and on par with other Northeastern states.
- On average, Vermont spends considerably more per IEP than relevant comparison states or the national average.
- Existing state funding approach may incentivize localities to identify students for special education & discourages cost control.
- Existing state funding approach lacks the flexibility needed to implement best practices for an effective and efficient service delivery system for struggling and disabled students.

# Summary

- A census-based funding formula may be an appropriate funding mechanism for Vermont.
- Assuming the State's existing share of spending (60%), a census grant amount of \$930-985 per student would be an appropriate census grant amount.
  - This represents a ***potential annual FY savings of \$79-83 million***, over FY2016 State appropriations for the existing reimbursement formula (excluding extraordinary cost reimbursement).
- A census-based model should be paired with an extraordinary cost reimbursement mechanism.
  - We recommend a two-stepped threshold model for reimbursing localities, with threshold amounts for within and out-of-district placements.



# Summary

- *A five-year timeline for implementing the new funding model to coincide with simultaneous changes in service delivery models on the part of supervisory unions and school districts.*
- *Additional technical support and capacity building by AOE to help localities adjust service delivery models to represent newfound flexibility and the potential for innovation in how students are served.*

# Contact Information

- Tammy Kolbe, College of Education & Social Services, University of Vermont
  - Email: [tammy.kolbe@uvm.edu](mailto:tammy.kolbe@uvm.edu)
- Kieran Killeen, College of Education & Social Services, University of Vermont
  - Email: [kieran.killeen@uvm.edu](mailto:kieran.killeen@uvm.edu)