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**Testimony on
Special Education Funding
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Statutory Framework

- The Individuals with Disabilities in Education Act (IDEA), 20 U.S.C. § 1401 et seq., provides federal funding for the education of students requiring special education
- To be eligible to receive federal funds under IDEA, Vermont must provide additional funding (supplement and not supplant) and ensure that students requiring special education receive a free and appropriate public education
 - Special education maintenance of fiscal support requirement —Vermont (all states) are required to appropriate not less than prior fiscal year for special education services
- To be eligible for special education services (three-part test):
 - a student must have a disability, that
 - has an adverse effect on education, and that
 - results in a need for special education
(State Board of Education Rule 2362)
- These students have an individualized education plan (IEP), and special education services are provided in accordance with the IEP
- Vermont’s public schools are required to develop and maintain a comprehensive system of educational support designed to result in all students succeeding. This includes a tiered system of academic and behavioral supports. 16 V.S.A. §§ 2901 and 2902
 - Must support all students
 - Includes students who receive special education services on an IEP
 - Also includes students with or without a disability who are not receiving special education services on an IEP

Current Special Education Funding Framework

- **The current system is primarily a reimbursement system with, after the application of federal dollars, the State paying 60 percent and localities paying 40 percent**

- Federal funds—covered about six percent of Vermont’s special education funding in FY2016 (according to UVM report on Vermont Special Education Funding, page 13)
- State standard mainstream block grant to supervisory unions (16 V.S.A. § 2961)
 - The mainstream block grant is equal to the supervisory union’s mainstream salary standard (based on ADM and special education teachers’ salaries) multiplied by 60 percent
 - Supervisory unions must contribute not less than 40 percent of mainstream salary standard
- Special education expenditures reimbursement (16 V.S.A. §§ 2963 and 2963a)
 - State reimburses supervisory unions 60 percent of special education expenses up to \$50,000.00 per child
 - If exceptional circumstances, reimbursement rate is 80 percent (statute is complex and unclear, and AOE does not believe relevant with SUs serving as LEAs)
- Extraordinary services reimbursement (16 V.S.A. § 2962)
 - State reimburses supervisory unions 90 percent of special education expenses in excess of \$50,000.00 per child
- Special education expenditures reimbursement (16 V.S.A. § 2963)
 - Essentially a “true up” mechanism that provides that the total expenditures made by the State in any fiscal year shall be 60 percent of the statewide total special education expenditures of funds that are not derived from federal sources
- Federal and State funding for special education is mainly categorical—meaning that it must be spent on students with an IEP

Proposed Special Education Funding Framework

- Educational support grant
 - Determined on census basis (amount paid per student) based on the three-year average of a supervisory union’s ADM (long-term membership)—full implementation in FY2025

- A supervisory union receives an additional amount (educational support grant adjustment) if it has a relatively high percentage of students who require additional support
- The educational support grant is unrestricted
- No local share (but note that under federal law, supervisory unions must ensure that students requiring special education receive a free and appropriate public education)
- Commits the State to satisfying its special education maintenance of fiscal support requirement under federal law
- Initial calculation of educational support grant:
 - For fiscal year 2021, the amount of the educational support grant for a supervisory union shall be the average amount it received for fiscal years 2017, 2018, and 2019 from the State for special education under 16 V.S.A. §§ 2961 (standard mainstream block grants), 2963 (special education expenditures reimbursement), and 2963a (exceptional circumstances); increased by an inflation factor
 - The educational support grant amount shall be divided by the supervisory union's long-term membership (three-year average ADM) to determine the base amount of the educational support grant, which is the amount of the educational support grant calculated on a per student basis
- The State Board of Education shall establish by rule a uniform base amount of the educational support grant that shall apply to all supervisory unions for fiscal year 2025. In determining the uniform base amount, the State Board of Education shall:
 - assume total State funding of educational support grants, including any educational support grant adjustments, in an amount that satisfies but does not exceed the amount necessary for the State to satisfy its special education maintenance of fiscal support requirement under federal law
 - take into account:
 - ▲ the statewide average daily membership for students in prekindergarten through grade 12

- ▲ the various fiscal year 2021 base amounts of the supervisory unions
 - ▲ such other factors as the Board determines relevant
- To determine the amount of a supervisory union's educational support grant in fiscal year 2025 and subsequent fiscal years, the uniform base amount shall be multiplied by the supervisory union's long-term membership
- For fiscal years 2022, 2023, and 2024, the amount of the educational support grant for a supervisory union shall be determined by multiplying the supervisory union's long-term membership by a base amount established under State Board of Education rules. The base amount established under State Board of Education rules shall be designed to move gradually a supervisory union's fiscal year 2021 base amount to the fiscal year 2025 uniform base amount established by the State Board
- For fiscal year 2021 and subsequent fiscal years, the amount of the educational support grant shall be increased by the educational support grant adjustment, as determined by State Board rules, for supervisory unions that qualify for the adjustment

Extraordinary special education reimbursement

- Eliminates the existing extraordinary services reimbursement under which supervisory unions are reimbursed 90 percent of their expenditures that exceed \$50,000.00 per child
- If a participating supervisory union has extraordinary special education expenditures, defined as expenditures that exceed \$60,000.00, with an inflator, for a student in a fiscal year, it shall be eligible for extraordinary special education reimbursement, calculated as follows:
 - an amount equal to its special education expenditures in that fiscal year for that child that exceed \$60,000.00, as inflated (excess expenditures), multiplied by 95 percent; plus
 - an amount equal to the lesser of:
 - the amount of its excess expenditures or
 - an amount equal to:
 - \$60,000.00, as inflated, minus
 - the base amount of the educational support grant received by the supervisory union, multiplied by
 - 60 percent

- Example 1

- If

- a supervisory union incurred \$60,001.00 in special education expenses for a student in FY2021 and
 - the base amount of the educational support grant is \$2,000.00

- Then

- The supervisory union would be reimbursed 95 percent of its expenditures over \$60,000.00
 - $\$60,001.00 - \$60,000.00 = \$1.00$
 - 95 percent of \$1.00 = **\$0.95**, plus the lesser of
 - **\$1.00** (the amount of its excess expenditures), or
 - \$60,000.00 minus \$2,000.00 (base amount of the educational support grant) = \$58,000.00 × 60% = \$34,800.00

- Therefore, the total reimbursement amount would be **\$1.95**

- Example 2

- If

- a supervisory union incurred \$100,000.00 in special education expenses for a student in FY2021 and
 - the base amount of the educational support grant is \$2,000.00

- Then

- The supervisory union would be reimbursed 95 percent of its expenditures over \$60,000.00
 - $\$100,000.00 - \$60,000.00 = \$40,000.00$
 - 95 percent of \$40,000.00 = **\$38,000.00**, plus the lesser of
 - \$40,000.00 (the amount of its excess expenditures) or
 - \$60,000.00 minus \$2,000.00 (base amount of the educational support grant) = \$58,000.00 × 60% = **\$34,800.00**

- Therefore, the total reimbursement amount would be **\$72,800.00**