Study of Vermont State Funding for Special Education

Legislative Testimony
VT Senate Education Committee

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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

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Key Findings

Existing Context

- 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.
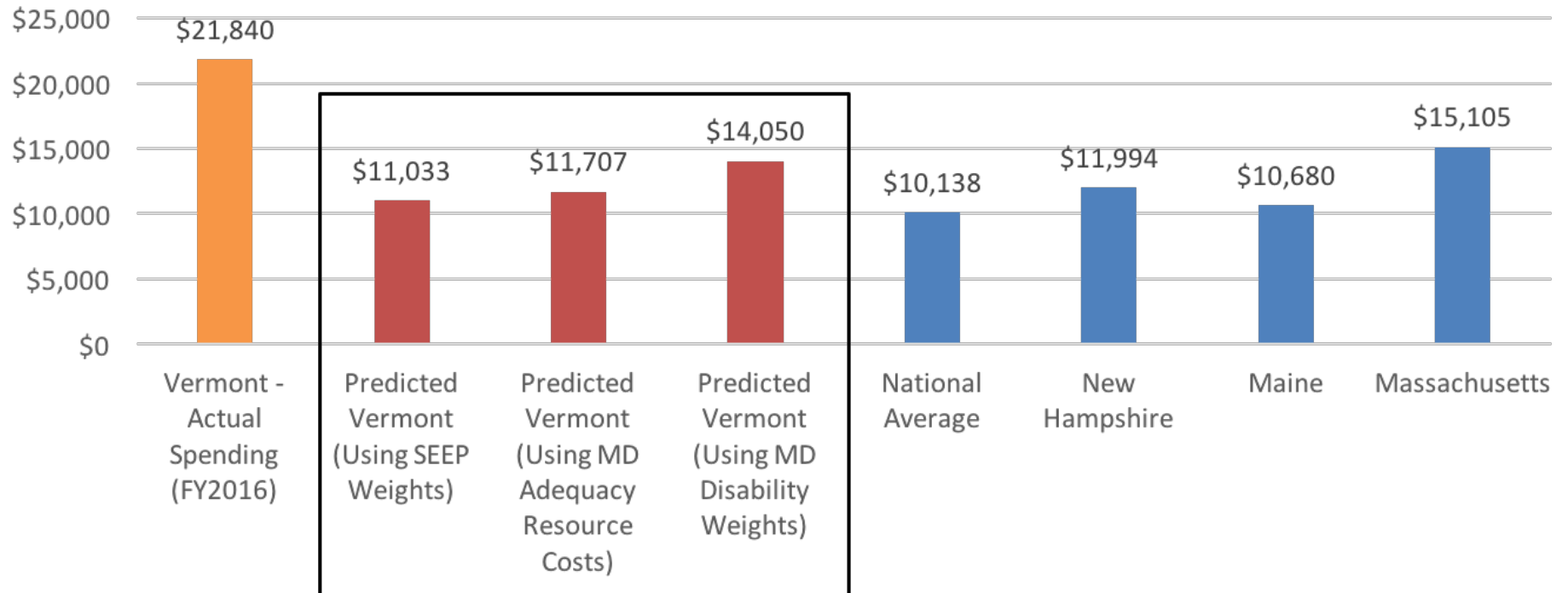
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State & Local Expenditures Per IEP
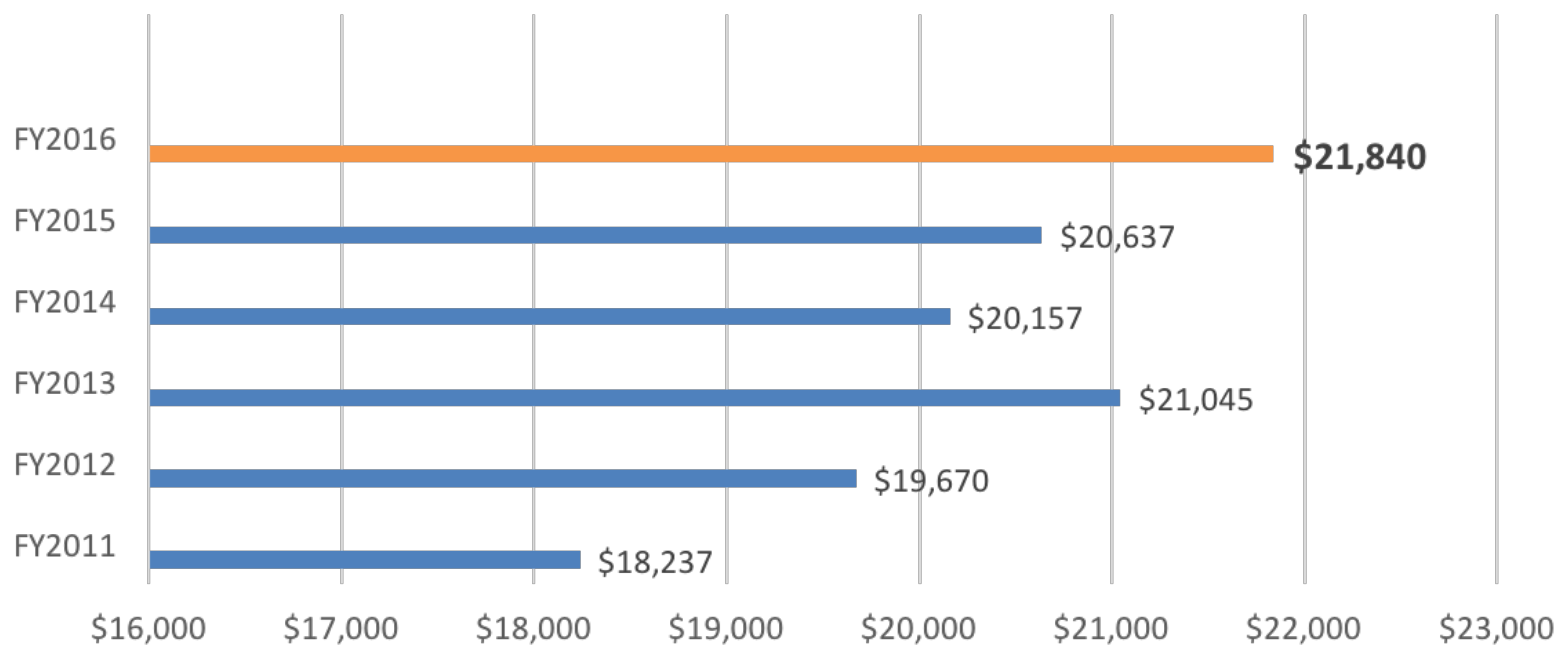
- On average, for FY16, supervisory unions and school districts, spent an *additional $21,840 per student with an IEP* (Report Table 7, p.27)

- Since FY2014, average spending per IEP has *increased 8%*

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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

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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*

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Vermont's Existing Special Education Funding Formula

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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)

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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

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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

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Calculating a Census Grant

- ## Census grant amount is calculated as:

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

- ## 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 (e.g., K12 ADM; PK12 ADM)
  - The state's share/responsibility for spending (e.g., 60%)

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Report Recommendations

- 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.

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Other Design Considerations

- Students counted for aid allocation
  - K12 vs. PK12 ADM

- Poverty weights
  - SU's with comparatively higher concentrations of students living in poverty could be allocated additional funds, in the form of a larger per ADM grant amount
    - This approach would offset potential differences in incidence and need across Supervisory Unions

- 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

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Implementation Considerations

- **A 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

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Considering H.897

- Establishes census-based formula
  - Full implementation 2025
  - Grant amount tied to existing spending levels
    - Grant will be established by State Board of Education
    - Phase in period (2022-2024, with exceptions for "early implementers")
    - Calculation based on PK12 ADM
- Includes extraordinary cost provision
    - Threshold $60,000
    - ~95% reimbursement >$60,000; ~60% <$60,000
- Includes funding for personnel at AOE to support/assist LEAs with transitioning to new formula & refining programs & practices

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