

MEMORANDUM

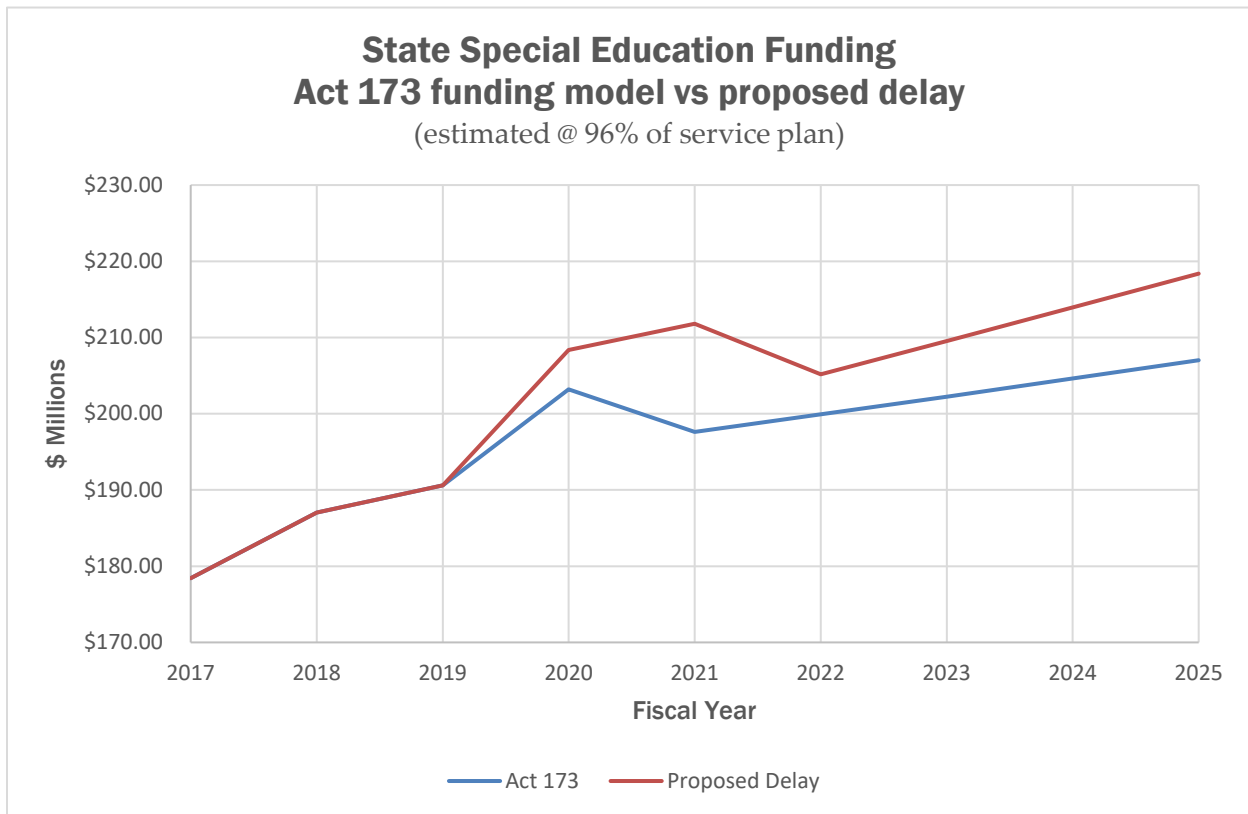
TO: House Committee on Education, Vermont General Assembly
Representative Kathryn Webb, Chair

FROM: Daniel M. French, Ed.D., Secretary of Education
Alena Berube, Special Education Finance Director

SUBJECT: H.521 - Cost Implications of an Act 173 Delay

DATE: May 10, 2019

The cost of delaying Act 173 and Vermont’s shift from a reimbursement to a census-based model, including a new formula for extraordinary cost reimbursement, is estimated to cost the state **\$63M** dollars from FY20 through FY26, with an **average annual cost of \$9M**. This assumes that SU/SDs will spend 96% of their estimated special education service plan in FY19, reflecting historical trends. If SU/SDs spend 100% of service plan, the total impact through FY26 grows to \$75M, with an average annual cost of \$11M.



Key Cost Drivers

Key drivers of cost for the reimbursement to census-based model are the shift in years used to calculate the first and last years of the transition to the census-based model, resulting in increased costs due to the higher average spending and a higher uniform base amount to calculate the census-based grant.

Reimbursement to Census-Based model

Increasing costs of special education and misaligned incentives (as indicated by the UVM study) continuing for an additional year, paired with shifting the fiscal years used to calculate the first year of the census-based model, results in higher average spending, thus a higher average special education grant for each SU/SD in that year:

- Act 173: Uses FY17-FY19 SU/SD special education spending to calculate the grant in FY21
- H.521 (delay): Uses FY18-FY19 SU/SD special education spending to calculate the grant in FY22

Shifting the fiscal years used to calculate the first year of the fully implemented census block grant results in a higher average appropriation, thus a higher uniform base amount on which to calculate SU/SD grant amounts:

- Act 173: Uses FY18-FY20 appropriation to calculate the uniform base amount for FY25
- H.521 (delay): Uses FY19-FY21 appropriation to calculate the uniform base amount for FY26

Extraordinary Reimbursement Formula

Increase in reimbursement threshold delayed by one year:

- Act 173: \$50K to \$60K shift occurs in FY2020, with an annual increase for inflation as measured by the Nation Income and Product Accounts (NIPA) thereafter
- H.521: \$50 to \$60K shift occurs in FY2021, with annual increase for NIPA thereafter

Other factors

The “tail” from the reimbursement model will push cost factors up in the year of the shift to the census-based model.