

**House Committee on Education**  
**January 12, 2022**

John A. Castle, NCSU Superintendent of Schools

Thank you for the opportunity to address the Committee today. I believe there are serious concerns regarding the implementation of Act 173 without the Legislature completing all the necessary steps that are in fact established in statute. It seems the Task Force, and various committees of the Legislature, have missed or disregarded these responsibilities and many school districts are forced to deal with the resulting negative consequences.

*As such, the Task Force chose not to include any recommendations for changes in special education funding as part of its work. The Task Force determined that linking two major school funding issues together could complicate each and potentially further delay consideration and implementation of either of both. Given the work that's already been done by school districts, AOE, and the Legislature in moving toward Act 173 changes, the Task Force recommends that the legislative committees of jurisdiction continue to monitor the implementation of Act 173 and its potential connection to pupil weighting as overall school funding modifications are considered moving forward. (pg.30 Report of Task Force on Pupil Weighting)*

The Task Force essentially rejected the fundamental elements that formed much of the purpose behind the weighting study and subsequently resulted in the establishment of their committee. It is hard to comprehend the apparent misunderstanding of their task, disregard for variations in need, lack of recognition of Section 11, failure to acknowledge the problems in transition to a census-based block grant, the challenges in obtaining the true goals of Act 173 given practical realities and contradiction of the concluding statement of the report.

1. The reason for the weighting study was to provide empirical research to determine weighting and strengthen the connection to the relationship between special education and poverty. The Task Force chooses to string choice sentences together to paint a partial picture and omits key language included between pages 63 and 72 of the study that provide a fuller picture around the limitations of a census block grant and potential need for adjustment. In addition, Act 59 called for the Task Force to “consider the relationship between the recommended weights and categorical aid and the changes to special education funding under 2018 Acts and Resolves No. 173” **Why was so little attention paid to the importance of special education funding when that was the original purpose of the weighting study and specifically called for in Act 59? How will the Legislature address what was missed by the Task Force? Is there a sound rationale to separate special education funding from the larger funding issues when it is such a major component?**
2. It is convenient for the Task Force to infer that the differences in “need” are more associated with practices than any potential relationship to poverty. **Did the Task Force conveniently piece together partial sentences and phrases from the Weighting Study to produce a desired narrative? Does the Legislature really believe that district to district practices account for more variation in special education “need” than the impact of poverty?**

3. There is absolutely no reference to Section 11 of the Act 173 that calls for the consideration of a supplemental adjustment. It does not seem possible that 173 can be enacted without fulfilling this step, which of course was incumbent on the Legislature's disposition on weighting. **How are we to implement Act 173 in FY23 without any determination on a supplemental adjustment?**
4. Ironically, the Task Force was charged with suggesting how to transition to the recommended weights and categorical aid to promote equity and ease the financial impact on school districts during the transition for those SU/SDs who would see a decrease in funding, yet no concern for how SU/SDs with high percentages of students with disabilities were to adjust to loss of resources. **Does the Legislature feel that it is promoting equity by substantially reducing special education funding for districts most in need and reallocating to those with the least needs?**
5. The goal of Act 173 is to provide school districts more leeway in how special education funding is used to improve best practices and target services at younger students before they need special education services, ultimately bending the cost curve of providing special education. **How are school districts to have more leeway when we need to ensure a maintenance of effort and must cut general education programs or services to make up for the loss of resources with a regressive census-based block grant? Does the Legislature think the "cost curve" gets bent overnight?**
6. The contradiction of the last paragraph on Special Education Funding is hard to reconcile. The statement starts off by saying that it is best to not link the two funding considerations and then ends with we will need to monitor for potential connection. **Which is it? How long must we wait for the Legislature to recognize the problems with a census-based block grant on many high poverty districts with high number of students with disabilities?**

Simply, Act 173 cannot be implemented at this time without the Legislature completing all the steps that they wrote into law. Secondly, the Legislature needs to take an in depth look at the implications of Act 173 and the recommendations of the Task Force at the same time in crafting any new direction with regard to education funding. The Legislature cannot willfully, and legally, ignore their statutory responsibilities and should act to delay implementation of Act 173 immediately.

In addition to providing information regarding the broader issues related to Act 173, I'd be willing to share specific information regarding the adverse impact of the implementing the law, without other adjustments, for North Country Supervisory Union if time permits after my colleagues.

Timeline of various studies, considerations and legislation to understand where we are today:  
 2017—UVM and District Management Group Studies on Special Education practices.  
 2018—Act 173 is passed by the General Assembly  
 2019—The Weighting Study is completed by late December of 2019  
 2020—Initial testimony taken by Senate Ed—considerations interrupted by onset of pandemic  
 2021—The General Assembly passes Act 59 during the session to establish the Task Force  
 2021—The Task Force meets for six months and publishes their report in December.

## **Act 59:**

(c) Powers and duties. The Task Force shall recommend to the General Assembly an action plan and proposed legislation to ensure that all public school students have equitable access to educational opportunities, taking into account the Report, and shall:

(6) recommend how to transition to the recommended weights and categorical aid to promote equity and ease the financial impact on school districts during the transition, including the availability and use of federal funding;

(7) consider the relationship between the recommended weights and categorical aid and the changes to special education funding under 2018 Acts and Resolves No. 173, including the impact on federally required maintenance of effort and maintenance of financial support;

## **XI. Special Education Funding** (Task Force Report pg. 29-30)

The system for funding for special education services is complex and made up of a mix of local, State, and federal revenue sources. The system has been criticized for being burdensome for local school districts to administer, disincentivizing early interventions, and over-identifying students needing special education services thereby inflating costs. In 2018, the General Assembly passed Act 173, which, among other changes, created a new method for paying the State's share of special education costs. This new system will provide school districts with State aid based on total student enrollment, called a "census block grant," rather than the current method which partially reimburses school districts for costs based on a detailed accounting of time spent providing specific special education services. The goal of Act 173 is to provide school districts more leeway in how special education funding is used to improve best practices and target services at younger students before they need special education services, ultimately bending the cost curve of providing special education. After two years of delayed implementation of Act 173 due to staffing challenges at AOE and the COVID-19 pandemic, these significant funding changes are set to begin in FY23, which starts July 1, 2022, and phase-in incrementally over the next five years.

Act 173 also commissioned the Pupil Weighting Factors Report, which, in Section V, provides analysis of possible changes to the census block grant funding mechanism. The analysis is based on concerns that the census block grant method does not take into consideration differences in special education incidence and need across school districts, particularly due to a potential link between poverty and demand for special education services. One option would multiply the uniform base block grant amount by a district's poverty-weighted pupil count, and the second

option would recalculate the uniform base amount using the number of poverty weighted students. These options are laid out in testimony Professor Kolbe provided to the Task Force in August 2021. It should be noted, however, that the PWF Report cautions against conclusions that changes to the current census block grant are necessary:

*“First, evidence presented in this report is descriptive and should not be taken as causal evidence that a link exists between the demand for special education and related services and student poverty... Second, inflating the census grant amount for differences among supervisory unions in the demand for special education services implies that an unadjusted census grant will result in localities having insufficient resources to ensure that SWDs access to appropriate special education and related services. But limited evidence exists to support this conclusion... Taken together, the State’s existing spending levels on special education coupled with current estimates for the uniform base amount that will be used to calculate supervisory unions’ census based grant amount, suggest that state aid may be sufficient to meet student need in most Vermont supervisory unions (p.70).”*

As such, the Task Force chose not to include any recommendations for changes in special education funding as part of its work. The Task Force determined that linking two major school funding issues together could complicate each and potentially further delay consideration and implementation of either or both. Given the work that’s already been done by school districts, AOE, and the Legislature in moving toward Act 173 changes, the Task Force recommends that the legislative committees of jurisdiction continue to monitor the implementation of Act 173 and its potential connection to pupil weighting as overall school funding modifications are considered moving forward.

## **Sec. 11. CENSUS GRANT SUPPLEMENTAL ADJUSTMENT; PUPIL**

**WEIGHTING FACTORS; REPORT** (a) The Agency of Education, in consultation with the Secretary of Human Services, the Vermont Superintendents Association, the Vermont School Boards Association, and the Vermont-National Education Association, shall consider and make recommendations on the following: (1) Whether the census grant, as defined in the amendment to 16 V.S.A. § 2961 in Sec. 5 of this act, should be increased for supervisory unions that have, in any year, relatively higher costs in supporting students who require additional support, and if so, the criteria for qualification for the adjustment and the manner in which the adjustment should be applied. In making this recommendation, the Agency of Education shall consider the report entitled No. 173 Page 38 of 60 2018 VT LEG #333826 v.1 “Study of Vermont State Funding for Special Education” issued in December 2017 by the University of Vermont Department of Education and Social Services. (2) Methods, other than the use of per pupil weighting factors, that would further the quality and equity of educational outcomes for students. (3) The criteria used for determining weighted long-term membership of a school district under 16 V.S.A. § 4010, including each of the following: (A) The current weighting factors and any supporting evidence or basis in the historical record for these factors. (B) The relationship between each of the current weighting factors and the quality and equity of educational outcomes for students. (C) Whether any of the weighting factors, including the weighting factors for students from economically deprived backgrounds and for students for whom English is not the primary language, should be modified, and if so, how the weighting factors should be modified and whether the modification would further the quality and equity of educational outcomes for students. (D) Whether to add any weighting factors, including a

school district population density factor and a factor for students who attend regional career technical education centers, and if so, why the weighting factor should be added and whether the weighting factor would further the quality and equity of educational outcomes for students. In considering whether to recommend the addition of a school district population density factor, the Agency of Education No. 173 Page 39 of 60 2018 VT LEG #333826 v.1 shall consider the practices of other states, information from the National Conference of State Legislatures, and research conducted by higher education institutions working on identifying rural or urban education financing factors. (b) On or before November 1, 2019, the Agency of Education shall submit a written report to the House and Senate Committees on Education, the House Committee on Ways and Means, and the Senate Committee on Finance with its findings and any recommendations. (c) The Agency of Education shall have the technical assistance of the Joint Fiscal Office and the Office of Legislative Council. (d) Notwithstanding any provision to the contrary in 16 V.S.A. § 4025, the sum of \$250,000.00 is appropriated for fiscal year 2018 from the Education Fund to the Agency of Education to provide funding for the purposes set forth in this section. The Agency of Education shall contract with a contractor with expertise in Vermont's education funding system to assist the Agency in producing the study required by this section. Any application of funds for the purpose of administrative overhead shall be capped at ten percent of the total sum allocated pursuant to this subsection.

### **Weighting Study** (pages 63-72)

V. Census-Based Special Education Block Grant: In 2018, Vermont adopted a census-based approach to providing state aid to supervisory unions for their special education programs. This new approach will replace the existing cost-reimbursement funding model and will be implemented beginning in FY2021. Since adopting the new formula, questions have been raised as to whether the formula used to calculate the census grant amount should be revised to include adjustments for differences among supervisory unions in the incidence of SWDs. Census-based approaches to providing state aid for special education programs assume that the incidence of SWDs, and the extent of their need, is the same across districts. However, this may not be the case because of differences in the prevalence of disability in a community. To the extent that variation in the demand for services is attributable to population-based differences in the demand for services, a census-based system may result in situations where taxpayers in towns with more SWDs are responsible for a greater share of the special education costs than other towns where there is less demand for special education and related services. The Vermont General Assembly requested a study that would evaluate whether the census grant calculations should be adjusted for supervisory unions that, in any one year, have relatively higher costs than other supervisory unions in supporting students who require additional supports (2018 Acts and Resolves No. 173, Sec. 11). The analyses presented in this chapter respond to this request by • examining the extent to which the share of SWD varies across Vermont districts, and whether observed variation is related to systematic differences in student need; • evaluating whether state aid allocated by a census-based grant will result in systematically different levels of supplemental support to supervisory unions; and • considering two potential approaches to adjusting the census-based grant for differences in student need across supervisory unions. Assumptions Underlying Census-Based Funding Mechanisms Starting in FY2021, the State will allocate aid using a census-based block grant.<sup>42</sup> Census-based funding mechanisms allocate state funding for special education on a per-capita (per-pupil) basis rather than the number or percentage of students eligible for special education. The move away from categorical funding for special education,

with strict rules that tie funding to providing services exclusively to students with individualized education programs (IEPs), is aligned with other state policy initiatives that emphasize interventions and flexible groupings among students with and without disabilities (e.g., Multi-Tiered Systems of Support [MTSS]; Kolbe, 2019). For instance, in Vermont and elsewhere, census-based mechanisms allocate supplemental funding in the form of flexible per-capita block grants that can be spent on programs that serve students with and without disabilities. In addition, census-based mechanisms are viewed as improving 42 Before FY2021, Vermont will continue to allocate state special education aid using a cost-reimbursement mechanism, where the State pays for about 60% of districts' allowable special education expenditures. Study of Pupil Weights in Vermont's Education Funding Formula 64 predictability and transparency regarding state funding for special education (Dhuey & Lipscomb, 2013). However, the extent to which a census-based mechanism is an appropriate and fair approach to providing localities with supplemental funding for special education is contingent on several assumptions about the nature and extent of student need across school districts. First, census-based funding mechanisms provide a flat grant to localities, per resident student. In Vermont, starting in FY2025, the census grant for a supervisory union will be a uniform base amount multiplied by its long-term membership (16 VSA Section 2961(d)(2)).<sup>43</sup> However, providing a fixed amount per-capita assumes that proportion of SWDs is the same across districts. In that way, a flat grant equitably distributes funding across jurisdictions; that is, supervisory unions receive similar funding per capita for proportionally similar numbers of SWDs. Similarly, implicit in a census-based mechanism are assumptions about special education costs across jurisdictions. To the extent that there is similar demand for special education and related services, and the cost of providing those services is equivalent, a fixed amount per capita will proportionally offset special education costs across jurisdictions. However, if the nature and extent of student need differs or the cost of providing special education varies, the local responsibility for funding special education may be larger in some jurisdictions than in others. That either assumption underlying a census-based funding model may be violated is a legitimate concern. For instance, when studying Pennsylvania's and New Jersey's experiences implementing census-based funding mechanisms, Baker and Ramsey (2010) found families of children with disabilities to be nonrandomly and nonuniformly distributed across geographic spaces in those states. Earlier studies in California reached similar conclusions about the uneven distribution of disability rates across districts, particularly when it came to severe and high-cost disabilities (Parrish, Kaleba, Gerber, & McLaughlin, 1998; Parrish, Harr, Kidron, Brock, & Anand, 2003). In Vermont, the recent Study of Vermont State Funding for Special Education described an uneven distribution of SWDs across supervisory unions and districts (Kolbe & Killeen, 2017). In Vermont and elsewhere, the unequal distribution of SWDs may be caused by local policies and preferences regarding special education eligibility and service delivery. For instance, in the Study of Vermont State Funding for Special Education, Kolbe and Killeen (2017) found that in some districts decisions to identify students for special education were influenced by the State's cost reimbursement funding formula; identifying students was a source of additional state aid for programs serving students who were struggling (Kolbe & Killeen, 2017). The companion report by the District Management Group (2017) also found considerable variation in special education programs and practices across Vermont districts, as well as different perspectives on how and where SWDs should be educated.<sup>43</sup> Starting in FY2025, the uniform base amount will be equal to the average state appropriation for supplemental aid for local special education programs for FY 2018, 2019, and 2020 (16 VSA Section 2961(d)(2)). Preliminary estimates by the AOE suggest that this

amount will be about \$1,930 per student. For FY2021, the amount of a census grant for a supervisory union will be the average amount it received in state aid for special education for FY2017-2019. Between FY2022 and FY2024, the base amount for each supervisory union will move gradually from the FY2021 base amount to the FY2025 base amount by prorating the change between the supervisory union's FY2021 base amount and the FY2025 uniform base amount over the three-year period. Study of Pupil Weights in Vermont's Education Funding Formula 65 That said, there also is a sizable research literature that suggests demographic factors outside of schools' control contribute to differences in special education incidence and need among districts, particularly the extent of economic disadvantage experienced by students and families' socioeconomic status (e.g., Johnson, Ohlson, & Shope, 2018; Morgan, Farkas, Hillemeier, & Maczuga, 2012; Shifrer, Muller, & Callahan, 2014; Sullivan & Bal, 2013). Poverty creates a high-risk environment that increases the probability of learning problems that lead to learning and socioemotional disabilities (e.g., National Research Council, 2002). For instance, when studying Pennsylvania's and New Jersey's census-based funding systems, researchers found that the incidence of high-cost and -need disabilities in a district were associated with the levels of student poverty in a district (Baker & Ramsey, 2010; Pennsylvania Department of Education, 2000). Evaluating the Assumptions Underlying a Census-Based Funding Formula In the following sections, we describe the extent of variation in the share of students identified with disabilities across Vermont supervisory unions and evaluate this variation in light of average levels of student poverty and economic disadvantage in communities. We then consider potential differences in the state share of supervisory unions' total special education spending, assuming that state aid is allocated as a census grant.

Differences in the Percentage of Students with Disabilities Among Vermont Districts During the 2017–18 academic year, approximately 17% of Vermont students in Grades K–12 were identified for special education.<sup>44</sup> However, the actual share of enrolled SWDs varied considerably across districts. Figure 5.1 depicts the distribution of Vermont districts, according to the share of enrolled SWDs. At one end of the continuum, there are districts with less than 2% of their student population identified for special education; at the other end, the special education incidence extends beyond 30%. <sup>44</sup> Data collected using the American Community Survey suggests that the overall rate of persons with disabilities in the U.S. population for 2016 was 12.8% (Kraus, Lauer, Coleman, & Houtenville, 2018). Study of Pupil Weights in Vermont's Education Funding Formula 66 Figure 5.1. Distribution of Vermont Districts by Percentage of Students with Disabilities (2017–18) To understand how Vermont districts differ in the share of enrolled SWDs, we examined the average percentage of students with IEPs by district quartiles (Table 5.1). For academic year (AY) 2017–18, the average percentage of SWDs for districts in the top quartile (i.e., those with the largest share of SWDs) was 24.4%. By contrast, the average percentage of SWDs for districts in the bottom quartile was 9.6%—a difference of 14.8% between the percentages for the top and bottom quartiles. Differences in the share of SWDs across districts may be caused by population-based factors that are beyond district control, particularly the extent of student and family poverty in a community. To explore this, Table 5.1 also reports mean poverty levels by district quartiles based on the percentage of SWDs in a district. We find that the average poverty rate for each quartile increases as the share of SWDs enrolled in a district increases. For instance, the mean percentage of students who are economically disadvantaged for districts in the bottom quartile is 14.8%, whereas it is 23.9% in the top quartile—a difference of 9.1% between the percentages for the top and bottom quartiles. Table 5.1. Percentage of Students with Disabilities, by School District Quartile District Quartile

of Percentage of Students with Disabilities/a Percent of Students with Disabilities (Within Quartile Mean) Percentage of students who are economically disadvantagedb (within quartile mean) 1 (Smallest) 9.6% 14.8% 2 15.3% 16.2% 3 18.9% 23.5% 4 (Largest) 24.4% 23.9%

aQuartiles reflect the rank ordering of Vermont districts based on the percentage of SWDs in a district for AY2017–18. bThe AOE calculates a district’s poverty rate as the average number of persons in a school district aged 6–17, for the two prior school years, who are from economically disadvantaged backgrounds divided by a district’s long-term membership to establish a district’s poverty ratio. A person who is economically disadvantaged is defined as a person who resides with a family unit receiving nutrition benefits or any other person who does not reside with a family unit receiving nutrition benefits but for whom English is not the primary language. Study of Pupil Weights in Vermont’s Education Funding Formula 67

In the risk analysis presented in Chapter 4, we also found a positive relationship between the share of SWDs in a district and student poverty (Table 4.7). This relationship was consistent across multiple indicators of student poverty.<sup>45</sup> Specifically, the risk analysis showed the following:

- A strong, positive correlation ( $r = 0.56$ ) between the percentage of SWDs in a district and the AOE district poverty rate. Figure 5.2 depicts this relationship for AY2017–18.
- A moderately-strong correlation ( $r = 0.38$ ) between the percentage of SWDs in a district and a U.S. Census Bureau measure of child poverty in the community in where a district resides. Figure 5.3 depicts this relationship for AY2017–18.

Figure 5.2. Relationship between the Percentage of Students with Disabilities in a District and the District Poverty Rate (AY2017–18) Note. Markers on the graph represent a Vermont district, as constituted during AY2017–18. <sup>45</sup> In our risk analysis, we considered two measures of economic disadvantage: (a) the district poverty rate, calculated by the AOE, that is based on the actual average number of persons in a school district aged 6–17 who reside in a family unit receiving nutrition benefits; and (b) the percentage of impoverished persons aged 5–17 living in a district, as calculated by the U.S. Census Bureau’s SAIPE. Study of Pupil Weights in Vermont’s Education Funding Formula 68

Figure 5.3. Relationship between the Percentage of Students with Disabilities and U.S. Census Bureau’s SAIPE Poverty Estimates (AY2017–18) Note. Markers on the graph represent a Vermont district, as constituted during AY2017–18.

Cost Burden Allocation In Vermont, special education and related services for SWDs are largely funded by a combination of federal and state categorical grants and local education funds. The majority of funding comes from state and local sources, with about 6% of the total funding for special education coming from federal grants.<sup>46</sup> Currently, the state’s supplemental state aid for districts is allocated on a cost reimbursement basis, and the annual state appropriation is adjusted annually to maintain approximately a 60% state share of total state and local special education spending. In FY2021, the State will shift to a census-based funding mechanism. Vermont supervisory unions will receive supplemental state aid and educate SWDs in the form of a flat per-capita grant based on its long-term PK–12 ADM. This approach intentionally breaks the link between state funding and the share of SWDs in a supervisory union and, by extension, special education spending. A potential risk with a census-based approach, however, is that supplemental state aid received through a census grant comprises a proportionately smaller share of total special education spending in supervisory unions with larger percentages of SWDs than in supervisory unions with fewer SWDs. Assuming that variation in the disability rates among supervisory unions is at least partially caused by population-based factors (i.e., beyond supervisory union control), the possibility that

<sup>46</sup> Altogether, for FY2016, Vermont received about \$19.6 million in federal Individuals with Disabilities Education Act (IDEA) funding for its special education programs, about 6% of the total amount spent for students in Grades K–12.



State and local education agencies also may seek reimbursement from the federal Medicaid program for medically related and necessary services provided to SWDs in educational settings. Study of Pupil Weights in Vermont’s Education Funding Formula 69 supervisory unions with larger shares of SWDs might receive proportionately less state aid raises concerns for fiscal equity. We evaluated this concern by estimating the state share of supervisory unions’ total special education spending, assuming that state aid is allocated as a census grant.<sup>47</sup> To facilitate comparisons, we grouped supervisory unions according to quartiles that are based on the percentage of SWDs and reported the average state share of special education spending for each supervisory union quartile. Figure 5.4 depicts the share of special education costs paid for with state aid allocated as a census block grant. For supervisory unions with the largest shares of SWDs (Quartile 4), we estimated state aid comprising about 53% of the total special education expenditures. In contrast, for supervisory unions with the smallest shares of SWDs (Quartile 1), the state share of total special education spending was 65%. We found that state aid to supervisory unions in Quartile 2 would cover approximately 61% of the spending and approximately 54% of the spending for supervisory unions in Quartile 3. Figure 5.4. State Share of Special Education Spending with Census-Based Block Grants, by Supervisory Union SWD Quartile (AY2016–17) Note. Estimates for the state share of special education spending associated with a census block grant use the census grant formula articulated in the statute (16 VSA Section 2961(d)(2)) and data from AY2016–17 for supervisory unions’ long-term PK–12 ADM and actual levels of state and local spending on special education. Other Considerations In practical terms, the findings presented in the prior sections suggest that given existing patterns among supervisory unions in the share of SWDs, supervisory unions with more SWDs would receive, on average, proportionately less state aid than their peers with fewer SWDs, which raises questions about whether the existing formula for calculating the State’s special education census grant should be adjusted for differences in incidence and need across supervisory unions.

47 For the purposes of our analysis, we assumed that a supervisory union’s census grant is calculated using the formula currently articulated in Vermont Statute (see 16 VSA Section 2961(d)(2)). 65% 61% 54% 53% 0% 10% 20% 30% 40% 50% 60% 70% Quartile 1 (Lowest % SWD) Quartile 2 Quartile 3 Quartile 4 (Highest % SWD) Study of Pupil Weights in Vermont’s Education Funding Formula 70

However, policymakers should consider potential adjustments to the State’s census grant calculation in light of two related concerns. First, evidence presented in this report is descriptive and should not be taken as causal evidence that a link exists between the demand for special education and related services and student poverty. Although extant research suggests that student and family poverty is related to the prevalence of disability in the population, other policies, practices, and resources contribute to differences in incidence and demand for services across districts. Research suggests that educators may approach identifying students for special education with inherent biases related to socioeconomic status, race/ethnicity, and gender (e.g., Elder, Figlio, Imberman, & Persico, 2019; Losen & Orfield, 2002; Macfarlane & Woolfson, 2013; Morgan & Farkas, 2016). State policies also can influence local decision making, particularly when these policies enable or constrain certain practices or provide fiscal incentives (or disincentives) for educators to identify students or provide services in certain settings. In fact, an impetus for Vermont’s change in policy was long-standing concerns about incentives for overidentification of SWDs that resulted from incentives inherent in the State’s cost-reimbursement funding formula (Kolbe & Killeen, 2017). Second, inflating the census grant amount for differences among supervisory unions in the demand for special education services implies that an unadjusted census grant will result in localities having

insufficient resources to ensure that SWDs access to appropriate special education and related services. But limited evidence exists to support this conclusion. In fact, findings presented in the Study of Vermont State Funding for Special Education found that, on average, the average additional spending (over and above what is spent on general education) was approximately \$21,840 per student with an IEP. This is 1.5–2 times greater than other national and state estimates for the average excess cost per student receiving special education services. Furthermore, the study reported that, based on national and state estimates for special education costs, the expected spending equivalent per K–12 student is between \$1,547 and \$3,062. Assuming that the State pays 60% of special education costs, the corresponding per-capita grant amount under a census-based funding model would be between \$880 and \$1,881 per student. Based on the formula articulated in current statute, the AOE estimates that the per-capita grant amount will be \$1,930, which will be adjusted upward for inflation prior to implementation in FY2025. Taken together, the State’s existing spending levels on special education coupled with current estimates for the uniform base amount that will be used to calculate supervisory unions’ censusbased grant amount, suggest that state aid may be sufficient to meet student need in most Vermont supervisory unions. Adjusting the Census-Based Special Education Grant Amount A handful of states use census grants to allocate state aid for special education programs; however, none adjust their grants for differences in incidence and student need across districts. That said, several studies recommend that states consider adjustments based on different levels of student poverty in a district (e.g., Kolbe & Killeen, 2017; Parrish et al., 1998; Parrish, 2000). The logic underlying these recommendations is that student poverty is a commonly accepted and frequently used indicator of student need in a district, one that is correlated with the prevalence of disability in the population. Broadly, a census grant might be adjusted in two ways for differences in the level of student poverty across districts: (1) increase the uniform base amount (per-capita flat grant) for districts that serve Study of Pupil Weights in Vermont’s Education Funding Formula 71 greater shares of students who are economically disadvantaged or (2) inflate the count of students to which the per-capita grant amount is applied. Adjusting the Uniform Base Amount A census-based funding formula can adjust the per-capita flat grant amount that is multiplied by a district’s enrollment using multipliers that correspond to varying levels of economic disadvantage in the school-aged population. For instance, the Study of Vermont Funding for Special Education (Kolbe & Killeen, 2017) recommended that a poverty-based inflation factor be applied to the per-capita grant in a census-based funding formula.<sup>48</sup> The adjustment factor was generated using regression models that examined the relationship between IEP incidence and student poverty for a national sample of districts. The models demonstrated a statistically significant relationship between the shares of SWDs and those eligible for FRPL in a district. This model was then rerun to predict how much higher IEP incidence might be in a high-poverty Vermont district, compared with one with an average share of SWDs. Specifically, the study used the estimated regression equation to predict how much higher IEP incidence would be in a high FRPL district in Vermont (with FRPL equal to 98%) compared with a district with more typical FRPL incidence (at the state average of 41%).<sup>49</sup> The calculations showed that the difference in district incidence of FRPL from 41% to 98% is associated with a 2.4 percentage point increase in IEP incidence. The study then modeled the effect of directing additional funding to Vermont supervisory unions that were at or above the 75th percentile (statewide) for the percentage of students from low-income families, which is equivalent to at least 50% of the students eligible to participate in the FRPL program. Specifically, the models assumed that for supervisory unions above this threshold, the census grant amount would be calculated using the

inflated per-capita amount, whereas the census grant for supervisory unions below this threshold would be calculated using the unadjusted percapita flat grant amount. This approach met with criticism on the part of policymakers and other stakeholder groups. Specifically, there were concerns that the approach created an arbitrary “cliff” above or below which a supervisory union would qualify for the poverty-adjusted per-capita grant. Alternatively, there was little agreement on how this might be implemented using a sliding scale that corresponded to different levels of poverty in a supervisory union (i.e., no empirical evidence suggested what the inflation factor should be for different thresholds of economic disadvantage in a supervisory union). In addition, policymakers felt that this approach might introduce unpredictability into supervisory union budgets; local educators would not necessarily know year-to-year where the supervisory union ranked (statewide) with respect to the share of students who are economically disadvantaged.

**Adjustments to Uniform Base Amount** An alternative approach to adjusting the census grant amount for differences in student need is to adjust the number of pupils to which the per-capita amount is applied. That is, rather than calculating a supervisory union’s census grant based on the long-term PK–12 ADM, the grant is 48 See Appendix D in Kolbe and Killeen (2017) for a detailed description of the models and estimation methods. 49 For these predictions, all other continuous variables were held constant (e.g., overall disability incidence and student density). Study of Pupil Weights in Vermont’s Education Funding Formula 72 calculated on a weighted pupil count that implicitly accounts for differences in student need across districts. For instance, in Vermont, a supervisory union’s PK–12 ADM is already adjusted for differences in student need using weights that correspond to a district’s poverty rate, and the uniform base amount (as defined in existing statute) could be multiplied by a poverty-weighted PK–12 ADM. This approach to adjusting the census grant preserves the predictability and transparency inherent in a census-based funding model. The census grant calculation is aligned with cost factors and pupil weights incorporated in the general education funding formula. Supervisory unions can easily calculate a weighted student count and apply the per-capita flat grant amount to estimate the amount of supplemental state aid they can expect to receive. That said, this approach assumes that the pupil weighting factors will generate sufficient additional revenue for supervisory unions with higher levels of need. Although there is no way to empirically test this assumption, in Chapter 6, we present five simulations that show the impact using the poverty-weighted student count and equalized pupil counts when calculating a supervisory union’s census grant amount.

**Summary**

- Whether a census-based funding mechanism is an appropriate and fair approach to providing localities with supplemental funding for special education is contingent on (1) the proportion of SWDs being roughly the same across supervisory unions, and (2) the nature and extent of student need and the cost of providing special education services are similar across jurisdictions.
- The share of enrolled SWDs varied considerably across districts, with some districts having less than 2% of their student population identified for special education and others with more than 30%.
- Variability in the share of SWDs across districts, is related to a district’s poverty rate. Districts with proportionately larger shares of students who are economically disadvantaged also, on average, have larger shares of students with IEPs.
- Assuming that the existing formula for calculating the census grant amount (starting in FY2021), we found that state aid for special education will comprise a proportionately smaller share of total special education spending in supervisory unions with larger percentages of SWDs than in supervisory unions with fewer SWDs.
- Differences among supervisory unions in the share of SWDs raise questions about whether the census grant should be adjusted for differences in incidence and need across supervisory unions.
- An alternative approach to calculating the

census grant amount for differences in student need is to inflate the number of pupils to which the per-capita amount is applied. That is, rather than calculating a supervisory union's census grant based on the long-term PK–12 ADM, the grant is calculated on a weighted pupil count that implicitly accounts for differences in student need across jurisdictions. Study of Pupil Weights in Vermont's Education Funding Formula 73 • Possible adjustments to the census grant should be considered in light of other policy objectives, particularly the intent to provide districts with new flexibility in using funding to strengthen early intervening services for students who are struggling and incentives to revamp special education service delivery models. Across time, such changes to local policies and practices may result in fewer students identified for special education and, as a result, less concern about sufficiency and fairness in state special education funding.