VERMONT
AGENCY OF EDUCATION

LEGISLATIVE REPORT

COOPERATIVE SERVICES AND THERAPEUTIC SCHOOL OVERSIGHT

Act 73 of 2025

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Purpose

Pursuant to Section 9(4) of Act 73, the Agency of Education must submit a written report, in consultation with stakeholders, including recommendations for the need for cooperative education services and the oversight of therapeutic schools within the school governance framework both at a State and local level. While the legislative requirements couple cooperative education services with special education delivery, the Agency has consistently identified the potential role for such structures to achieve scale for other specialized services in concert with addressing root cause barriers through the formation of larger districts.

Stakeholder Engagement

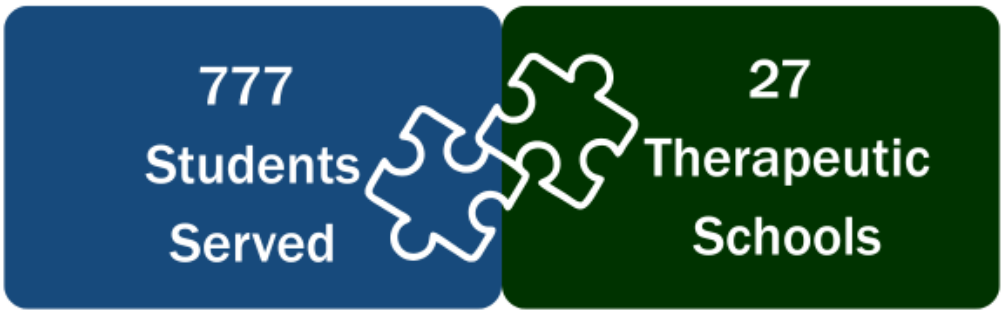
This report was developed through a collaborative effort based on feedback from partners across the state. This report also builds on insights from the Special Education Advisory Panel, the Special Education Steering Committee, and educators who participated in the statewide strategic planning retreat—each of whom played a critical role in informing the *Current State of Special Education* report and the emerging strategic plan framework. In addition, the Agency consulted with leaders of therapeutic schools to deepen its understanding of specialized service delivery and system-level challenges.

Engagement with supervisory unions and school districts actively involved in the formation of Boards of Cooperative Education Services (BOCES), specifically Vermont Learning Collaborative, over the last year served as an integral resource when navigating how a BOCES framework might operate in the Vermont context.

Together these stakeholders brought their hands-on expertise to help improve education for all Vermont students, with a particular focus on building a better system for those who need the most support.

What is a Therapeutic School?

The Vermont State Board of Education Rule Series 2200 governing independent schools provides definitions and guardrails around what an independent school is in Vermont. A subcategory of independent schools is a therapeutic school. A therapeutic



school is an approved independent school that limits enrollment to students who are on an Individualized Education Plan (IEP) or plan under Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794 and who are enrolled pursuant to a written agreement between a local education agency (LEA) and the therapeutic school. These schools are eligible to receive public tuition, which is inclusive of both general and special education services and is at a rate approved by the Agency of Education. Therapeutic schools offer a specificized educational environment for students with needs that cannot be met in their district. Some districts offer therapeutic alternative programs within their district, while others access out of district placements.

Education Environments in Vermont

The Agency's Current State of Special Education Report provided a comprehensive overview of what different education environments look like in Vermont. The report found that while overall student enrollment has decreased, the number of students with IEPs has risen. The state has also experienced growth in the number of students qualifying for extraordinary expenses, indicating not only that more students are being identified, but that the intensity and complexity of their needs are increasing. Transportation and therapeutic school tuition constitute the largest categories of extraordinary special education expenses, with therapeutic school tuition exceeding $86 million in the 2023-24 school year and transportation costs surpassing $11 million during the 2023-24 school year. The increased need for therapeutic schools' transportation options and the lack of in-house alternative programming (including capacity, staffing and resources) reflect both the growing severity and complexity of special education needs of Vermont's students.

It's important to reflect that many students who attend therapeutic schools, while placed by their IEP Team may be in the custody of the Department for Children and Families and their costs may be reimbursed by the Agency of Education as they meet the criteria of a State Placed Student (SPS).

In addition to the rise in need, the report also found that compared to other states and national averages, Vermont serves a larger number of students in either more inclusive classrooms or separate schools, particularly in the disability categories of autism and emotional disturbance. In Vermont, 81.97% of students with IEPs (11,563 students) spend 80% or more of their day in a regular classroom, while 5.27% are in separate schools (743 students). Nationally, 67.08% of students with IEPs are in a regular classroom 80% or more of the day, and 2.36% are in separate schools. Early data suggest that the observed model in Vermont drives both an overreliance on costly out-of-district placements and expensive adaptations within inclusive classrooms, challenges that could be at least partially mitigated through stronger classroom design and more effective instructional delivery in general education settings.

Current State of Therapeutic School Oversight

The primary responsibility of the Agency with regard to independent schools, including therapeutic schools, is to conduct a normal cycle of approval reviews. Reviews are coordinated by the independent school team who receives the application, schedules the visit, and conducts a review of the independent State Board of Education (SBE) Rule Series 2200. Renewal site reviews for approved therapeutic schools and those eligible to receive funding, require the participation by a special education expert from the Agency of Education. The assigned special educator completes a comprehensive review of an independent school's special education program. Enrollment at a therapeutic school is limited to students placed outside of the public school via an IEP Team decision or a 504 Plan.

Members of the Agency of Education's Independent School (IS) Team are responsible for the therapeutic school's compliance with Rule Series 2200 and the general education portion of the school's program. The AOE special education liaison conducts a review with three primary elements of a therapeutic school's special education program during a renewal site visit: a special education file review, staff interviews, and interviews with the school's administration in coordination with the IS Team.

The preferred practice is for the special education liaison to conduct the special education file reviews during the scheduled site visit, but it can happen virtually, if needed. Special Education file reviews check student IEPs for compliance with IDEA and Vermont special education requirements, and 504 Plans are reviewed for compliance with Americans with Disabilities Act requirements. The placing LEA is responsible for developing and maintaining the student's IEP. Findings from recent reviews signal a need to improve the quality and compliance of IEPs, which is the responsibility of the LEA. In these cases, the Agency's special education liaison schedules a post site visit with the placing school district (LEA) to inform them of the findings revealed during a therapeutic school's site review and provide technical assistance.

Additionally, reviews conducted by the special education liaison examine elements of a student's IEP files including enrollment agreements, and instructional and non-instructional excess cost written agreements. An excess cost agreement is executed by the IEP Team members from both the public school and independent school. Excess cost agreements identify any additional support services that may be required to ensure a student's access to academic services. Excess cost agreements include only those expenditures that are not already part of a therapeutic school's approved maximum tuition rate (see description of this process below).

The liaison is also responsible for reviewing documentation of services provided to the students and corresponding responsibilities of both the placing LEA and therapeutic school's ability to provide services, demonstrate evidence of the provisions of the

services outlined within the IEP, progress monitoring of the student, and coordination between the sending LEA and the therapeutic school.

The Agency's Special Education Liaison interviews administrators, teachers, special educators, related service providers, and support staff to verify enrollment procedures, service delivery and documentation of services. Other topic areas include professional development, collaboration with LEAs, and discipline plans and procedures for each student. During the therapeutic school's on-site visit, the special education liaison tours the school and observes instruction to determine whether they have both the capacity and ability to meet the special education needs of their students. The findings of the special education staff liaisons are included in the general report submitted to the State Board for each applicable independent school being renewed. The State Board is responsible for granting renewal of a therapeutic school's approval status.

Under the new organizational structure and current staffing levels, the Agency has the capacity to conduct on average two independent school approval site visits per week. Given the state and federal requirements of the Special Education team, any turnover or reduction in staffing significantly impacts the independent school on site visits. In the past, the availability of AOE staff has been a significant barrier to completing on-site visits and reviews – a finding that has informed the Agency's reorganization and reprioritization of work. Beyond structural changes, the Agency is addressing this vulnerability by cross-training staff in the Special Education Division to ensure that highly-qualified liaisons are available. The Agency is currently working to clear a backlog of reviews, which has created additional pressures that will be alleviated once cleared. In addition, in the future, the staggering of renewals will alleviate staffing pressures.

The Agency is responsible for following State Board rules for conducting investigations of complaints at approved independent schools, including therapeutic schools. An investigation can result in a range of outcomes that include: no action (if the complaint is not substantiated); the provision of technical assistance and on-going monitoring under supervision of the Independent School Team; required corrective actions as a condition of continued approval; or revocation of approval in the most serious cases. In all cases, the Agency follows standard operating procedures concerning Rule 2226.2 governing complaints and investigations regardless of a school's approval status with the State Board of Education.

Historically, the Agency has made only one recommendation for revocation of a therapeutic approved independent school's approved status. In May 2025, the Secretary initiated the process to bring I.N.S.P.I.R.E. School for Autism to a hearing before the State Board. After issuing an investigation report and an opportunity for corrective action, the Secretary determined that noncompliance with statute and State Board Rule Series 2200 and 2360 warranted revocation. As required by state statute, the Secretary first asked for a recommendation from the Council of Independent Schools. On June 25, the Council issued its recommendation to not seek revocation,

but instead continue the school's probationary status and further review the issues of noncompliance after six months. The Secretary continued with the process of seeking revocation based on the findings of noncompliance by filing a request for hearing and recommendation for revocation to the State Board. I.N.S.P.I.R.E. School closed operations before the hearing on revocation was scheduled.

Rate Setting Process

Pursuant to SBE Rule 2232 Therapeutic Schools have two avenues for receiving an approved annual maximum tuition rate increase. Schools may submit a full application or may, for three consecutive years, request a cost-of-living increase (COLA) rate. On the fourth year, therapeutic schools must submit a completed rate application to allow the Agency of Education to reconcile a school's year-over-year rate increases and level of compliance with statutory and SBE Rule requirements.

The Agency is directed by Rule 2232 to evaluate a rate application for whether the costs represented in the rate are reasonably related to the level of services provided to enrolled students.

> *"The Secretary shall set, after consultation with independent schools, the maximum tuition rate to be paid by the Agency and supervisory unions or school districts to therapeutic independent schools. The rate for each therapeutic independent school shall be no more than the costs that are reasonably related to the level of services provided by the school."*

State Board of Education rules also dictate to the Agency of Education the manner in which a therapeutic school must demonstrate compliance with Rule 2232 as "reasonably related:"

> (d) A therapeutic school requesting a new rate shall submit an application for approval of a new rate to the Secretary by November 15 for tuition, related services, room, and board based upon the actual or anticipated costs that are reasonably related to providing educational services. Schools that also receive rates from the Agency of Human Services shall submit an application for approval of a new rate to the Secretary by May 1. Reported costs shall be only those that are net of other available restricted revenue sources. To demonstrate that the rate requested by the therapeutic school meets this standard, the therapeutic school shall submit to the Secretary the following:
>
> 1. Costs for each of the following categories, reported at the general ledger account description level, submitted in accordance with the Generally Accepted Accounting Principles published by the Financial Accounting Standards Board:
>
> (A) salaries for all employees and full-time equivalents, as applicable,
>
> (B) program-related contractual services,
>
> (C) operations-related contractual services,

(D) general operating,

(E) program,

(F) travel/transportation,

(G) building – direct,

(H) building – allocated,

(I) admin I – allocated

(J) admin II – allocated, and

(K) fringe – allocated.

2. The school's proposed operational capacity, which shall be supported by a narrative that describes how the proposal reflects relevant circumstances including three-year historic enrollment, student acuity or changes in student acuity, availability of faculty and staff, physical space, anticipated demand for placements or change in anticipated demand for placements, and other considerations.

When a therapeutic school's rate application includes either year-over-year inflated costs in excess of NIPA deflator, Social Security Administration staffing COLA rates and GAAP or an expenditure is not directly "reasonably related to services provided by the school" to enable students access to academic services or are not fully transparent, contact with the Head of School is initiated. If the therapeutic school cannot satisfy the requirements for compliance with Rule 2232, the specific expenditure in question and in some cases an entire rate application may be disallowed during the tuition rate calculation process until requested clarification and editing of expenditures are completed as outline in 16 V.S.A. § 2973. In practice, the Agency has identified small errors that are often the result of confusion of the applicant, but on rare occasion, the AOE has identified issues that have resulted in legal mediation. The AOE's final determination of the rate is appealable to the State Board.

Considerations for Strengthening Oversight and Support for Therapeutic Schools

Stakeholders and Agency staff have identified that a central barrier to improving education service delivery across all settings is a fragmented statutory framework that distributes oversight responsibilities across multiple provisions, resulting in gaps in data visibility and inconsistent reporting to the Agency. As a result, critical information about district-operated programs is not systematically reported, limiting the Agency's ability to evaluate program quality and outcomes.

These challenges are compounded by Vermont's complex governance structure, which includes 119 districts serving a relatively small number of students. This structure

creates onerous and duplicative training, monitoring, and oversight requirements for both the Agency and districts, straining limited staffing capacity and diluting the impact of state-level support. As a result, the evaluation and monitoring of in-district special education programs has emerged as a key area of inquiry for the Agency and the Special Education Steering Committee.

In order to improve quality across the system, stakeholders and Agency staff have identified three key areas of improvement: clarity and stability in the regulation for therapeutic schools and programs across public and independent school settings; integration and coherence in support for districts and schools; and shared accountability across the system.

To improve cohesion and support for districts across the state, the Agency has begun to integrate professional development training activities that include therapeutic schools alongside their public and independent counterparts. By developing a more unified approach, educators in all school settings can receive consistent and high-quality training to ensure that everyone is equipped to meet diverse student needs. In addition, the Agency plans to leverage its state-level role to highlight promising best practices across the state and foster shared expectations and accountability for all students, regardless of setting. Creating communities of practice with role-alike practitioners will further improve collaboration and resource sharing among districts serving high needs students both in and outside of the district. Finally, establishing a shared accountability framework across all schools that receive public funding would ensure consistency of both expectations and outcomes. By developing unified standards and transparent reporting mechanisms, the Agency can hold schools accountable for student success while involving educators in setting goals and defining success metrics.

Cooperative Services Overview

The Council of Chief State School Officers defines Education Service Agencies (ESAs) as a “state statutorily created (or permitted) entities that are intended to support LEAs by providing services to LEAs and often directly to schools.” ESAs are designed to enhance the quality and efficiency of education by offering a range of services that individual districts might not be able to afford or manage on their own. These services could include professional development for teachers, special education programs, technology support, CTE programming, curriculum development, and administrative services.

As of 2020, according to the Association of Educational Services Agencies (AESA), a membership-based professional organization serving ESAs in 45 states, there are currently 553 ESAs located across the nation with a combined operating budget of

approximately $15 billion[1]. Not all states have the statutory authority required to create ESAs, and even some with that authority have not taken the steps to create any ESAs.

Board of Cooperative Education Services (BOCES) are a type of ESA, but are not the only form of regional or statewide service delivery. AESA defines[2] the three different types of Education Service Agency's as follows:

- **Type A** are Special District ESAs who provide a layer of school government between the State Education Association (SEA) and a group of Local Education Associations (LEAs). They provide some services to LEAs but also carry out some functions of the SEA.
- **Type B** are Regionalized Agencies that are extensions of the SEA. These agencies tend to be created and sunsetted in response to changing legislative priorities and the fiscal condition of state departments and the reliability of federal funding sources for specific programs.
- **Type C** are Cooperative Agencies where two or more LEAs are members of an ESA to provide one or more common services.

Cooperative Services in Vermont

Recognizing the potential of ESAs in Vermont, the administration's policy proposals brought forth during the 2025 legislative session contemplated how ESAs or other service delivery models could support effective and cost effective delivery of education services, including CTE, special education and online or virtual education programming. Prior to the proposal for sweeping transformation in the Vermont education funding and governance system, and the passage of Act 73, the General Assembly passed Act 168 of 2024. Act 168 authorizes Type C ESAs, or BOCES, as they are referred to in the law. The goal of a BOCES is to enhance educational opportunities and operational efficiencies by allowing SU/SDs to collaborate with shared services, programs, and resources. Before establishing a BOCES SU/SDs are required to:

1. Come together to vote to explore the formation of a BOCES
2. Negotiate articles of agreement
3. Vote on those proposed articles
4. Send proposed articles to the Secretary of Education for review

The Secretary must evaluate the agreement to ensure compliance with state laws and educational goals and may provide feedback or request revisions before granting

[1] CCSSO, States Partnering with Educational Service Agencies to Increase Capacity, Coherence, and Equity

[2] Educational Service Agencies: Review of Selected/Related Literature

approval. As of the publication of this report, the Agency has received articles of agreement for one BOCES based in the Southeast region of the state.

Implementation

Over the last five years, the Southeast region of the state began exploring the use of collaborative services through shared contracts, particularly in the area of special education service delivery and professional development. Since the passage of Act 168, the Southeast region of the state has spearheaded the effort to be the first organization of its kind formed under the authority of Act 168. The BOCES represents eight supervisory unions and districts across the southeast region including:

1. Mountain Views Supervisory Union,
2. Springfield School District,
3. Two Rivers Supervisory Union,
4. Windham Central Supervisory Union,
5. Windham Southeast Supervisory Union,
6. Windsor Southeast Supervisory Union,
7. Windham Northeast Supervisory Union, and
8. Windham Southwest Supervisory Union.

The goal objectives outlined in the articles of agreement submitted to the Agency of Education for approval on Monday, December 8, 2025 include:

1. Improving educational access and outcomes of children with disabilities in the least restrictive environment through regionally located high quality and cost effective therapeutic programs and services;
2. Offering a variety of high quality professional development opportunities to educators in order to build regional expertise and capacity;
3. Supporting regional supervisory union and district staffing needs by creating a pool of experts in specific disciplines and providing staffing services.
4. Offering responsive programs and services to members in a cost effective manner.

Cost Savings Identified

The Southeast BOCES identified that "*the goal of a BOCES is to provide cost savings and efficiency of services to its member supervisory union/districts. This cost analysis compared services provided by the current regional education service provider (Vermont Learning Collaborative) to those of alternate providers used by our member Supervisory Unions and Districts. Data was provided by business office personnel regarding their expenses for comparative services. This analysis focuses on the agency's five current main areas of service: professional development, evaluation services, staffing services, consultation and programming.*"

Through the sharing of contracted services prior to the formation of the BOCES, districts have already seen savings in some key areas. Future potential savings and improved service delivery are outlined in the table below:

Products and Services Provided	Cost Savings and Benefits for Members
Professional Development Examples • De-escalation training • Hazing/Harassment and Bullying Prevention and Intervention training • Special Education laws and regulations • Supporting students with mental health challenges • Classroom based Tier One interventions for students with mental health needs	Supervisory unions and districts saved an average of 66 percent on professional development costs by using their regional service agency compared to individually hosting these events. Professional development will be hosted locally or virtually saving staff time and transportation costs.
Evaluation Service Examples • Comprehensive Autism Evaluations Psycho-educational evaluations Speech and Language Evaluations	By using their regional educational service agency, member supervisory unions' and districts' savings ranged from 20 - 50 percent on evaluation services yielding an average savings of 38 percent. No waiting lists were necessary, therefore all evaluations were provided within special education compliance timelines. Providers are regionally localized thereby reducing travel time and associated costs compared to other providers.
Staffing Services Examples • Speech and Language Services • Board Certified Behavior Analyst	In person services provided to student(s) in out of district settings ensuring free and appropriate education access for students. The regional service agency is able to hire and fulfill multiple part time FTE positions shared regionally across Supervisory Unions/Districts ensuring service needs are met and cost savings are reduced by up to 50 percent or more per FTE.

Products and Services Provided	Cost Savings and Benefits for Members
Supervisory union/District Consultation Examples • Program Review • Program Restructuring	Accessing their regional educational service agency for supervisory union/district consultation saved members up to 62 percent in consultation fees. Services focused on increasing supervisory unions and districts' capacity to provide in-house programming for complex learners, with the goal of reducing reliance on outside placement services.
Special Education Programming Examples • Elementary K - 6 Social Emotional Programming	By partnering with their regional educational service agency, member supervisory union/districts are committing to local programming within their school settings thereby providing students access to a range of programming that includes the least restrictive setting. Currently, the southeastern area of Vermont has a severe lack of high quality therapeutic programming. The model of using the regional service agency allows for higher quality, closer to home programming for students, with a continuum of most to least restrictive settings to support students' growth and fulfilling the ultimate goal of returning to their home supervisory union/district. Anticipated average supervisory union/district savings for service fees and transportation are expected to be up to 85 percent of their current out of supervisory union/district expenses.

The Agency is committed to working closely with the SU/SDs and the BOCES to identify key performance measures by which the Agency can evaluate the efficacy of the new organization.

Future Recommendations for Improving Service Delivery

The Agency recommends that as the Legislature contemplates changes to scale, governance, funding and education quality across the education system, it revisits the role that BOCES or Education Service Agencies (ESAs) could play in a less complex

system, operating at a scale that is better able to coordinate service and support across a larger system and multiple communities. In consultation with key stakeholders on the Special Education Steering Committee, participants highlighted instances in which larger districts have been able to achieve greater scale in service delivery. Ongoing planning with the Steering Committee will further examine how the need for additional regional services should be evaluated once districts are operating at scale. In a future system, the creation of a BOCES or ESA should:

1. Build capacity in the education system to deliver key services and support that cannot otherwise be met by the districts or the AOE;
2. Increase coherence across the system which should include close collaboration and alignment between the ESA and the AOE to limit mixed messaging or the creation of competing priorities;
3. Increase equity through the consistent delivery of high-quality services and support in a small, rural state; and
4. Support key areas of strategic importance where a statewide or cross-district approach yields specific, measurable benefits

The General Assembly may also wish to revisit the funding framework with considerations for the need for state-level direction or coordination of BOCES or ESAs. For example, in some states the funding for an ESA comes directly from the state through a categorical grant to ensure that ESA activities are informed by statewide priorities and accountability measures. A fee for service or consortium of districts model leaves less room for state-level direction and coordination of services and supports, and in some states has led to a misalignment of priorities.

While the focus of this report, per Act 73, has been on therapeutic schools and BOCES, it is essential that policymakers and education leaders consider the entire education ecosystem in Vermont and the continuum of supports and settings through which students access their education. First, we must evaluate the degree to which the Agency, State Board, districts and schools have implemented existing statutory obligations and requirements with fidelity and rigor. As outlined in this report, the Agency has made significant organizational changes to improve its oversight and support of therapeutic and other independent schools. Additionally, the Agency has identified staffing resources to support districts interested in forming BOCES within our Education Approvals Division. Critically, the Agency is developing a comprehensive blueprint to improve special education service delivery and differentiated supports for all students. This plan will implicate the entire ecosystem of schools, including the role of therapeutics schools and programs and will identify how education service agencies could play a role in regional service delivery.