

# **Report of Act 46 of 2015**

## **Section 46. Special Education; Funding; Average Daily Membership; Study and Proposal**

**REPORT**

January 2016

Report to the House Education and Senate  
Education Committees

**Submitted by Secretary of Education**

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# Interim Report on Special Education Funding

[Act 46 of 2015](#): *An act relating to making amendments to education funding, education spending, and education governance*

## Summary of Legislation

Sec. 46 of Act 46 of 2015 directed the Secretary of Education to develop an alternative model for funding special education. This is a very complex matter and agency staff members have undertaken this work while also fulfilling their primary responsibilities. It is also complicated by several external factors:

1. It is also difficult to complete in the present, because the governance changes provided for in Act 46 are changing both the size and structure of many of our districts in ways that create new opportunities and potentially change how services are supported and delivered.
2. We expect US Congress to take up reauthorization of Federal IDEA. We are concerned about advancing state level changes until we understand the federal context in which those state changes will be operationalized.
3. Small changes to special education formulas can potentially have large and perhaps unintended consequences on districts. We need to duly deliberate and test proposed strategies, to at the very least we ensure we do not harm in a transition.

The importance of this work dictates that it be given proper attention and we therefore have developed a study design and timeline that extends until January 2017.

## Legislative Charge

Sec. 46. Special Education; Funding; Average Daily Membership; Study and Proposal

On or before January 15, 2016, the Secretary of Education shall develop and present to the House and Senate Committees on Education a proposal for an alternative funding model for the provision of special education services in Vermont. In developing the proposal, the Secretary shall:

1. consult with experts in the provision or funding of special education services;
2. consider the report regarding the use of paraprofessionals to provide special education services required by the General Assembly pursuant to 2014 Acts and Resolves No. 95, Sec. 79a;
3. consider ways in which some portion of State funds for special education services could be provided to school districts or supervisory unions based on average daily membership; and
4. consider ways in which the proposal could also help to reduce administrative responsibilities at the local level and increase flexibility in the provision of services.

## Consultation with Experts

In the development of this proposed study design, the Agency consulted with Dr. Tammy Kolbe and Dr. Michael Giangreco of the University of Vermont. These individuals have extensive experience with funding formulas and special education best practice respectively.

Question to be pursued:

1. What models exist nationwide for funding special education services? What are the strengths and risks of each approach?
2. What preferred district and local practices seem to lead to more effective delivery of services and lower costs in VT?
3. In Vermont, what do we know about the relationship between our funding model and quality of services? What do we not know?
4. Given the Vermont context, which of existing models are promising for Vermont schools and students? What are the risks?
5. Capacity available, what supports and technical assistance from the AOE could support lower levels of identification and more effective services?
6. Capacity available, what supports, if any, from AHS could reduce identification?

## Overview of Study Design

1. The study will use experts in special education and special education funding from within the Agency and from the University of Vermont, to the extent they are willing to volunteer their time.
2. The study will review existing studies on strategies for improving special education service delivery at the district and Supervisory level, to identify local practices that might increase effectiveness and lower costs.
3. Quantitative data review will include a longitudinal analysis to help identify trends and include examination of data at the student level in an attempt to identify preferred strategies, as well as, where data allows, mapping to identify patterns in identification.
4. Qualitative data will be collected using surveys and focus groups.
5. The interviewees and survey respondents will include various groups that are involved in special education and its funding; such as Agency staff, special education administrators, superintendents, special education teachers, school board members, business managers, etc.
6. The study will explore formulas used in other small, rural states, to compare effects of formulas there compared to potential impacts of the same formulas in Vermont.

## Timeline

- Surveys and interviews conducted in March - June 2016
- Quantitative analysis to be completed by June 2016
- Description of findings and proposals for funding options completed by August 2016
- Report drafted in September & October 2016

- Draft report vetted November 2016
- Final report completed in December 2016

## Background

In 1988, An Act Relating to Special Education was adopted to create a special education funding system based on real-time reimbursement for districts' special education costs. To support this model, the field has to document the costs of services delivered. This system has been amended over the years, principally in 1990 by Act 230, in 1996 by Act 157 and in 1997 by Act 60. However, the basic reimbursement of eligible expenses has remained the same since the beginning.

The main reason the reimbursement system has remained in effect for so long is that special education costs in Vermont's small districts vary greatly from year to year, and real-time reimbursements mitigate unexpected costs that result from this volatility.

Under this system, the state determines how much it will reimburse districts by totaling the actual costs of special education in each district. Determining these costs can be cumbersome because it is necessary for personnel to document time spent on special education activities, in many instances using time studies. From the total costs the amount paid for with federal funds under the Individuals with Disabilities Education Act is deducted. The state share is then calculated to be 60% of the remaining costs (16 VSA § 2967(b)).

## Illustration of the State Share Determination

Total Spent of Special Education	290.6
Less Amount of Federal Funds Used by Districts	18.1
Difference	272.5
State Share Equals Sixty Percent of Difference	163.5

*(In millions of dollars.)*

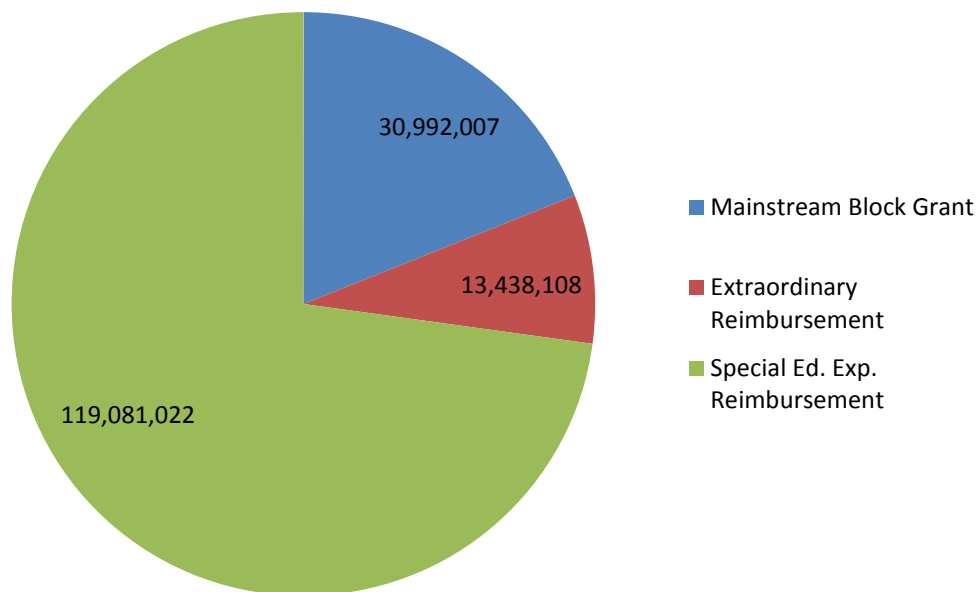
The distribution of the 60% state share has three components. Eligible special education costs are set out in State Board of Education rules §§ 2366.1-8 & 2366.2.

1. The Main Stream Block Grant (16 VSA § 2961). Each district is awarded a set amount of funding for special education based on the number of students it has and the average special education teacher salary in the state of the preceding year. The statute provides funding for each district in an amount equaling 9.75 special education teachers for every 1000 average daily members multiplied by the average special education teacher's salary for the state. There is also an amount calculated for a special education administrator in a supervisory union based on the number of students in the average daily membership of all districts within the supervisory union.
2. Extraordinary Services Reimbursement (16 VSA § 2962). The state reimburses 90% of the costs of students on Individualized Education Programs that exceed \$50,000.

3. Special Education Expenditure Reimbursement (16 VSA § 2963). The remainder of the state share is used to reimburse all other eligible special education costs. The reimbursement rate is determined by dividing the remaining state share funds not paid out in components 1 & 2 by the eligible special education costs that have not already been covered by the other two parts of the system. This rate usually works out to be between 56% and 57%.

The sixty percent state share in FY 2015 of \$163.5 million was distributed in three components.

### Breakdown of Funding Components for FY 2015



There are other smaller costs associated with special education that are also funded from the amount determined as the state share (16 VSA § 2967(b)(1-6)). In FY 2015 these were as shown below, descriptions of the programs are below the table. Both the formula and the grants below totaled \$166.8 million in FY 2015.

Hearing Impaired	884,740
Visually Impaired	538,621
I-Team, Reg. MH Sp	1,005,244
Higher Education Participation	74,800
Act 230 Training	292,898
BEST Training	475,726
	3,272,030

**Students who are Deaf or Hard of Hearing (Hearing Impaired):** These funds support consultation and services for students who are deaf or hard of hearing. Regionally

assigned consultants assist school staff and parents in arranging for assistive technology, accommodations, training and technical assistance.

**Students with Visual Impairments (Visually Impaired):** These funds support services by the Vermont Association for the Blind and Visually Impaired for itinerant teachers to consult with school staff and parents and provide direct instruction in Braille, assist with selection of low-vision aids, recommend accommodations and provide mobility training.

**Interdisciplinary Team (I-Team and Regional Multi-disability Specialist):** This grant provides parents and school staff services and consultation to support successful inclusion of children who have multiple disabilities. The grant supports statewide consultants with expertise in specialized areas as well as regional consultants.

**Higher Education Participation:** These funds support tuition reimbursement and stipends for special education teacher training or are used to support research partnerships with higher education.

**Act 230 Training Grants:** Funds are granted to supervisory unions/districts for training and technical assistance to better meet student needs and to enhance tiered systems of supports.

**Building Effective Supports for Teaching (BEST):** These funds assist schools in developing and implementing systemic plans to improve staff's ability to effectively respond to challenging student behaviors. They support training opportunities, coaching, technical assistance and regional partnerships to meet the needs of students who have emotional and behavioral challenges.

## Essential Early Education

Funding for students ages three through five determined to have a disability and who have been assigned an Individualized Education Program is provided by a block grant (16 VSA § 2948(c)) out of a separate appropriation. The total amount appropriated is grown under the statute by the increase in the cumulative price index for state and local government with a base year of 2002. The FY 2015 amount was \$6,296,479. The grant a district receives is based on the average daily membership of the district for grades one, two and three as prescribed by State Board of Education Rule 2366.8.2(a). The ADM for grades one through three is used a surrogate for the actual count as those amounts are not collected for ages three through five.

## Developing Issues

Act 153 of 2010 required that Special Education service for districts organized under a supervisory union be provided those services by the supervisory union. Prior to 1989 that had been the case as well. Act 230 of 1989 changed the provision in law, 16 VSA 261a (6), to allow the supervisory union to coordinate instead of provide if the supervisory union board voted unanimously to do so. This allowed districts to take the lead in the provision of those services. Since the enactment of Act 153 of 2010 supervisory unions have been working to consolidate special education services. To date 25 of 45 supervisory unions have consolidated, of those 6 are following a provision in Sec. 23 of Act 56 of 2013 to employ paraprofessionals providing special

education services at the district level. We expect all supervisory unions to provide these services beginning July 1, 2016.

Act 46 of 2015 is also changing the landscape. We expect several supervisory unions to merge into supervisory districts. As these mergers occur the provision of special education services will become less complicated by not having to manage the complexities of a supervisory union, the assessment of costs to member districts, and managing multiple employers. It is unlikely all of the 45 supervisory unions will become supervisory districts given the variance in governance structures. For example we anticipate some will form what is referred to as side by side districts. In this simple example districts in a current supervisory union operating grade K-6 and paying tuition for students in grades 7-12 might merge into one district while the others in the SU that are operating K-12 grades would merge into a second district. The result would be a simpler supervisory union composed of just two districts.

Given that these changes are still occurring it is not possible to know fully how they might influence a change in special education service delivery and funding but we expect it will be a significant improvement.