This paper traces the historical context of the passage and implementation of Vermont's Act 230 in 1990, which initiated a new special education funding system to increase equity, predictability, and flexibility in program design as well as to ensure placement neutrality. Specific objectives of the funding system included increasing the use of prereferral services for children with diverse needs and the inclusion of children with disabilities in regular classes. The funding formula has three components: (1) a mainstream block grant to school districts based on total student enrollment; (2) an extraordinary service reimbursement providing compensation to districts for unusually high-cost individual cases; and (3) an intensive services reimbursement to help with all remaining allowable special education costs not otherwise covered. This paper relates this reform to special education policy, programs, and services; discusses the objectives for reform and the mechanics of the new funding system; reviews the results to date of an ongoing statewide evaluation; and presents a summary of interviews with state- and local-level constituents during the fourth year of implementation of the new formula. Contains seven references. (DB)
A Profile of Special Education Finance Reform in Vermont

Deborah L. Montgomery
March 1995
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The Center for Special Education Finance (CSEF) is part of the John C. Flanagan Research Center at the American Institutes for Research (AIR), Palo Alto, California.

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The Center for Special Education Finance (CSEF) was established in October 1992 to address a comprehensive set of fiscal issues related to the delivery and support of special education services to children throughout the U.S. The Center's mission is to provide information needed by policymakers to make informed decisions regarding the provision of services to children with disabilities, and to provide opportunities for information sharing regarding critical fiscal policy issues.

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CSEF issues similar profiles of reform in other states, as well as state-level cost analyses, as part of our State Analysis Series.
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I. Introduction

In 1990, the state of Vermont implemented Act 230, a broad education reform law with major implications for special education funding and services. When Act 230 was passed, Vermont was leading the nation with more than 80 percent of its special education students placed in regular classes. The overall goals of the new special education funding system were increased equity, predictability, and flexibility in program design, as well as placement neutrality. Specific objectives of the funding system included increasing the use of prereferral services for children with diverse needs and the inclusion of children with disabilities in regular classes.

This paper traces the historical context for this reform as it relates to special education policy, programs, and services; discusses the objectives for reform and the mechanics of the new state funding system for special education; reviews the results to date of an ongoing statewide evaluation; and presents a summary of interviews with state- and local-level constituents during the fourth year of implementation of the new formula. Interviews were conducted by the Center for Special Education Finance (CSEF) in an effort to document the perceptions of staff, parents, and advocacy groups directly affected by the reforms, and to assess the impact of the new funding system on special education programs and services.
II. Historical Context for Reform

Beginning in the early 1960s, school districts started to take over the administration of existing private schools that had been founded by the Vermont Association for Retarded Citizens (ARC), and began to develop special classes in local schools.

In 1968, the Vermont legislature passed two bills that accelerated the development of local special education programs. The bills primarily focused on providing services in local schools and on staff development. One of the bills provided funds aimed at bringing about comprehensive services for students with learning disabilities, and the other was a construction bill which gave schools 75 percent reimbursement for construction of classrooms designated for special education. The construction bill was intended to prompt development of programs for children with mental retardation in local public schools rather than in separate facilities.

Special Education Funding under S98 (1971-88)

In 1971, S98 was passed, which established a 10-year funding plan and a funding system that reimbursed school districts for 75 percent of approved mainstream special education personnel. The funding system that emerged consisted of state-funded special education classes housed in local schools (but often serving a region of the state) and state support for local mainstream staff. The system provided incentives to hire certain types of staff, without necessarily being tied to student needs. Implementation of the new funding plan resulted in a dichotomy of special education programs, which became more obvious as the inclusion model and P.L. 94-142 began to take hold in Vermont in the 1970s. Students labeled as "learning disabled" were served in regular classrooms or resource rooms, but other students with mild learning impairments were often educated
II. Historical Context for Reform

in regional special classes. There was no mechanism for funding innovative local alternatives for these more significantly disabled students, since the bulk of funds went toward supporting the commissioner-designated system of regional programs for students not placed in the mainstream. With no funding for local programs to provide necessary intensive services, "an unusually large number of students with moderate or severe learning disabilities were being sent to residential placements funded by the state" (Kane & Johnson, 1993).

From 1982-1987 under S98, appropriations from the legislature failed to keep up with rising costs, and state funding was withdrawn from the support of mainstream aides, mainstream special educators, and transportation services. It was reported that reimbursements were sometimes based on personal negotiations with the state director, resulting in "constant haggling over who got what." Predictability was an additional concern, as districts often were not aware of their upcoming state grants until well after their town meeting dates, making it difficult to plan in advance. Increasingly, local districts faced the burden of supporting mainstream special education programs.

In 1986 and 1987, recurring funding problems reached a critical point when the state was forced to reduce the funding expected by local districts three times in a period of 2 years. To address these issues, then Governor Madeleine Kunin created a special commission headed by Senator Jeb Spaulding and Representative Barbara Wood to examine the impact of the S98 special education funding formula and to make recommendations for change. The 11-member commission included persons appointed by the Governor, the Legislature, and the State Board of Education. Public hearings were held in seven areas of the state, and the Commission spent more than 30 hours listening to testimony from invited experts and interested individuals and groups. The commission reported that S98 lacked predictability, flexibility, and equity, and recommended that a new funding system be put in place. As part of its task, the Commission identified a number of principles to be used in testing the merits of any forthcoming funding proposals:

- Special education funding formulas should strive for equity among districts with respect to ability to pay.
- School districts should not have to bear alone the catastrophic costs of residential placements or other extraordinary services.
II. Historical Context for Reform

- There is a shared state and local responsibility for providing a continuum of services in all regions of the state.

- Funding should support the placement of students in least restrictive environments.

- Appropriate transition steps should be planned before any new formulas are implemented.

- The formula should be placement neutral.

The Commission also established goals to be achieved by the new funding formula, including predictability, flexibility in the use of state funds, basing funding on actual costs to the maximum extent possible, sufficient funding to enable districts to keep caseloads within the maximum limits established by the state, and not discriminating against rural remote areas with low student enrollments.

In addition, the commission recommended that:

- standard cost accounting procedures be put in place in all school districts

- unmet needs be identified and a plan developed to address them

- interagency interactions be identified and improved

- funding and approval of private schools be reviewed

- a state-supported mediation system be developed (Kane & Johnson, 1993).

**Funding Reform Enacted**

- **Placement neutrality under Act 235 (1988)**

As a result of the Commission's findings and recommendations, Act 235 was passed in May of 1988, with far-reaching changes in the way special education was funded. Act 235 established a three-part system in which the state and local districts were to share equally in the overall costs of providing special education.
services. The new formula no longer funded specific programs; instead, it reimbursed districts for portions of their special education expenditures, after distribution of a block grant based on the number of students eligible for special education. Districts received the same reimbursement regardless of student placement in local schools, regional classes, or residential facilities. "Almost immediately, most of the regional special classes disappeared as students were returned to their local schools" (Kane & Johnson, 1993, p. 5). Although placement neutral, this formula still provided an incentive for identifying students as eligible for special education, as the block grant based on the number of identified special education students was the only sure way for a school to get funds to provide support services for students.

As of July 1989, the state no longer directly funded the Commissioner-designated regional programs, and it was left up to the supervisory unions/districts to decide whether these programs continued as regional collaborations. Also, the extraordinary and intensive sections of the funding formula ensured that every district received some reimbursement for every allowable special education expenditure. This provided protection against catastrophic expenses and gave districts "maximum flexibility to develop new programs and receive reimbursement" (Kane, 1988, p. 8).

**Serving all students under Act 230 (1990)**

In 1990, Act 230 took the "next logical step," changing the funding system so that the block grant portion was based on total student membership rather than special education student counts (Kane & Johnson, 1993, p. 6). It was also different from Act 235 in that it allowed funds to be used on remedial and compensatory education. The primary goal of Act 230 was to increase the capacity of schools to meet the needs of all students. This was accomplished through staff development opportunities, changes in the special education funding system to add flexibility and remove incentives for identifying students as eligible for special education, and by restructuring at the school level to develop a more comprehensive system of education services. Act 230 called for implementation of a schoolwide Instructional Support System (ISS) for early identification of at-risk students and for school-level Instructional Support Teams (ISTs) to support teachers in collaborative problem solving of classroom issues. Act 230 also set aside 1 percent of the state special education appropriation for inservice training grants to school districts. The new system allowed districts complete latitude regarding use of funds, so that configurations of services across the state developed uniquely in each district.
Due to the fact that Act 230 no longer provided an incentive to identify students, some districts were concerned about the potential effects of significantly lowering their special education counts. To address this concern, Act 104 was passed in June 1991, which allowed for identification of up to five pilot districts to be held harmless from the effects of significant decreases in the number of students identified for special education. Act 104 assured that districts with a reduced number of special education students or staff would still receive allocations of special education funds, based on the district's historical base of spending on special education.

In 1993, a new ruling became effective that established core staff levels for each district. This ruling ensured that districts would not be penalized with reduced state funds if they decreased their identification rates, and explicitly stated that funds could be used to provide remedial services. Act 230 included the concept of allowing block grant funds to be used for "compensatory and remedial services," but the statutory language was not written in a way that was practical to implement (Field Memo 93-16 from Margaret C. Schelley, July 1993). As a result, a work group of school district representatives, Legislative members, and state Department of Education staff recommended that the State Board change the rule for allowable cost. Effective in 1993, the new rule states that a core staff level of special service providers will be established for each district. Special service providers' salaries and benefits are now reimbursed as special education expenditures as long as they are providing special (per Individualized Education Program [IEP]), remedial (under instructional support team plans), and 504 plan services, including direct and consultation services. Each district's core staff level is established by the Commissioner of the Department of Education and is based on the average number of full-time-equivalent licensed special education teachers and special education program aides providing mainstream special education services during the school years 1990-91 and 1991-92. Reimbursement for additional special education staff beyond the core staff level is subject to annual approval, and only the portion of time that is spent on special education and reported as eligible special education cost can be reimbursed. The annual approval is meant to allow for control over special education costs and to prevent districts from reassigning "core staff" to duties outside of special education and then hiring other staff to provide special education services (Field Memo 93-16).

In a direct attempt to discourage districts from litigation, Vermont has chosen not to reimburse legal costs. The Department of Education does, however, provide mediation services to parents of students with disabilities, adult students with
II. Historical Context for Reform

...disabilities, school districts, and education agencies involved in special education disputes.

While Act 230 represents a shift in policy, it has clearly been impacted by Vermont's history and tradition of small rural schools, local control, strong advocacy support, key leadership at state and local levels, and the higher education system's investment in staff development since the 1960s. "While implementing Act 230 has and will provide Vermont with many challenges, it was not a seed sown on barren ground. Seeds of the Act 230 direction, of educating students with their peers in their local schools, can be traced back over twenty years" (Kane & Johnson, 1993, pp. 4-6).

Act 230 has undergone close scrutiny at the state and local levels with an ongoing statewide evaluation of its impact on students, staff, and services. Preliminary findings from this evaluation and current staff and parent perceptions of the new formula's impact at the state and local level are discussed in Section VI.
III. Stakeholder Perceptions of the Major Issues Leading to Reform

The major concerns with Vermont's previous special education funding system under S98 were elicited during telephone interviews conducted with Vermont special education directors, superintendents, parents, policymakers, and representatives from the State School Board Association, teacher's association, and advocacy groups. The consensus among these individuals was that the previous categorical system was inflexible and provided incentives for identification and for serving children in more restrictive environments. It did not allow for a more flexible use of funds, with the use of special education staff limited to students identified for special education. The formula was also not predictable, and enrollments and costs were escalating. Money was not necessarily being directed towards children's needs and towards appropriate programs. As a superintendent and a district special education director both stated, "Money wasn't following kids, but rather funding was driving placement." Under S98, districts which brought students back to their home schools from regional programs actually had to forfeit state funds. Child counts were being inflated to generate more positions because this was seen as the only thing that could be done to help children who needed support services. In effect, districts were being rewarded for identifying children. Teachers reported that "an increasing amount of their time was going toward paperwork and meetings of questionable value." Morale was low and attrition among special education staff was an additional concern.

A related concern about funding under S98 was the labeling of special education children, which has been described as a serious philosophical issue in Vermont's numerous small rural towns where "everyone knows everyone's business" and "it is more obvious where the money is going." (Vermont has more towns with less
III. Stakeholder Perceptions

than 250 people than any other state in the nation.) Several respondents reported concerns that conceptualizing youngsters' educational needs through the use of disability labels is not good for families and children and that, consequently, the prior system was not always serving their needs as well as possible. For example, the funding system created incentives to serve children (especially those with severe emotional disorders) out of district in segregated regional programs, and out of state in residential facilities. There was no incentive for mainstreaming or inclusion and no incentive for districts to directly serve their more difficult children. One superintendent reported, "It was easier to send a kid away and have the state pay for it than for districts to operate a more mainstreamed model."

A superintendent from a rural and remote area of the state reported that special education positions were distributed to districts on a very inequitable basis, citing for example, variance of from 3 to 12 positions per 3,000 students, depending on whether a district was on the "outside" or "inside loop" while negotiating with the state. In other words, relationships between local and state administrators were sometimes more important than variations in student needs in determining state aid allocations.

The formula also did not take a district's wealth into consideration in determining its allocation of state funds. This, along with the unpredictable nature of the formula, led to what was described by one respondent as the largest area of concern, the "erosing infrastructure of districts, because they weren't receiving what they were told they would receive." In summary, among the individuals interviewed, there was general agreement that increasing costs, incentives for placement in more restrictive settings, inequity, unpredictability, and lack of flexibility were the motivating reasons for changing the special education funding system.
IV. Objectives for Reform

Stakeholders were asked their perceptions of the major objectives for reforming Vermont's special education funding formula. Respondents cited predictability, flexibility, low reporting burden, placement neutrality, cost control, more equitable distribution of available funds and resources, and establishment of a partnership between the state and local districts as key objectives for reform.

In addition, stakeholders expressed the general objective of reducing the barriers between special and regular education programs and breaking down the fragmented nature of categorical funding and the resulting program delivery, so that a seamless continuum of services could be created, with broader access to special education and related service expertise for all students. Decreasing the incentives for labeling children experiencing educational difficulties, without forfeiting the ability to serve them, was a stated objective. Operating in an inclusionary mode with an emphasis on programming prior to identification for special education was also cited as a policy goal for funding reform. Reducing the "administrivia" or unnecessary paperwork associated with the provision of special education services was another goal. Greater security that extraordinary or catastrophic costs would not be a hardship for districts was also considered a necessary objective for reform.

The need for systemic reform was increasingly seen as the only way to address the numerous issues and objectives identified by the special education community. "The most cost-effective and efficient [reform] would be through comprehensive classroom strategies that would serve all kids," according to one district director of special education. A comprehensive service system would strive for the following: all students succeeding in regular classrooms or the least
restrictive environments, reduction in the inappropriate use of special education services, and a range of education services available for all students who are failing or are at risk of failing.

In summary, Vermont's objectives for special education finance reform include the following:

- More predictability for local school districts
- More equitable statewide distribution of special education funds
- Placement neutrality
- Funding based on actual expenditures for special education
- Protection of small districts from catastrophic costs
- 50/50 sharing of costs between state and local districts
- Increased flexibility in program design
V. Current Funding Formula

Vermont's current special education funding formula under Act 230 has three separate components: mainstream block grants, extraordinary services reimbursement, and intensive services reimbursement. These components are summarized on the next page and are described below.

The first component, the mainstream block grant, provides districts with a portion of their "mainstream service cost," and is based on student enrollment (i.e., total, not just the special education count) in each district. It was determined that this portion of the formula should be based on the total number of students and not the districts' ability to pay. A representative from the Vermont School Boards Association said, "we wanted to be sure that there were special services in each district." The mainstream block grant is supported by a 60 percent state contribution toward the average statewide salary for:

- 3.5 full-time-equivalent (FTE) per 1,000 Average Daily Membership (ADM) for Resource Room Services and Learning Specialist Services
- 1.75 FTE per 1,000 ADM for Speech and Language Pathology Services
- 1.0 FTE per 1,500 ADM for Administrators
Vermont's Three-Part Special Education Funding Formula

Part I. Mainstream Block Grant
- Based on the number of students in each district
- State share = 60 percent of average statewide salary for 1.75 speech/language pathologists per 1,000 ADM, 3.5 learning specialists per 1,000 ADM, and 1 administrator per 1,500 ADM
- Block grant may be expended on any allowable remedial or compensatory services.
- Local funds must equal 40 percent of the core service cost for special education services.

Part II. Extraordinary Service Reimbursement
- 90 percent of extraordinary service costs—defined as allowable expenditures per student that exceed three times the foundation cost ($12,390 in FY95)

Part III. Intensive Services Reimbursement
- Reimburses special education expenditures not covered by federal funds, state block grants and local match, and extraordinary costs. Funds are reimbursed based on each district's intensive service reimbursement rate.
- District's reimbursement rate takes into account each district's ability to pay, with a 55 point range (1.55 - 56.55 percent in FY95).
- The share level is adjusted annually to assure that the state's share across all sections of the formula is 50 percent.
However, districts justifying unusually high special education counts may also be eligible for additional funds through an appeal process. The block grant may be expended on any allowable remedial or compensatory services. This is an important provision in this grant—it can be spent on special education, or on any other remedial or compensatory service. Local funds must equal 40 percent of the core service cost for these special education services.

The second component, the extraordinary service reimbursement, offers additional protection to districts for unusually high cost individual cases. For example, a small town enrolling a single student with service needs over $100,000 per year could devastate local budgets. Constituents from small districts fought to be sure that this portion was included in the formula. It defines extraordinary service costs as allowable expenditures per student that exceed three times the foundation cost ($4,130 x 3 = $12,390 in FY 1995) per student. The state reimburses 90 percent of these extraordinary service costs.

The third component of the formula, the intensive services reimbursement, was designed to help with all remaining allowable special education costs not covered by federal funds, the state and locally funded block grant, and the extraordinary cost allocation. It was intended to cover the largest state share of special education expenditures, and is allocated through an equalization formula based on district wealth, as detailed by the general education foundation formula (based mainly on property wealth and somewhat on income). Funds are reimbursed based on each district's supplemental costs and the equalization ratio, which ranged from 1.55 to 56.55 percent in FY 1995. This ratio is adjusted annually to assure that the state's share across all sections of the formula remains at 50 percent.

In addition, Act 230 sets aside 1 percent of the state special education appropriation to be used by school districts for staff development. These funds are allocated through grant application and are used to increase the ability of staff to educate all students.
VI. Impact of Reform

At the onset of reform, the Vermont Department of Education recognized that it would be important to monitor the effects of reform on the services received by students. This section summarizes some results from the Department's own evaluation (conducted by the Department in collaboration with the University of Vermont), as well as perceptions of its impact obtained through a series of telephone interviews conducted by CSEF staff with constituents throughout the state.

Statewide 3-Year Evaluation

In December 1993, the Vermont Department of Education published the results of an evaluation of the first 3 years of implementation of Act 230. The study found a decline of more than 17 percent in the number of students receiving special education over these 3 years (Kane & Johnson, 1993). Most students taken off IEPs were those identified as having mild learning or speech/language disabilities. The performance of these students was judged to be comparable or better in some areas than when they were identified and provided with IEPs. There does not appear to have been a significant shift of students from out-of-district segregated placements to regular classrooms. However, when Act 230 was passed, Vermont was already leading the nation with 83 percent of its special education students placed in the regular classroom.

Instructional Support Teams have been formed in every school, and many special services have been integrated into the regular classroom, expanding the role of special educators to serve more students. Of the students referred to Instructional Support Teams, 93 percent were judged as having received adequate
support. The paperwork burden decreased significantly, allowing for more student contact time; and the system is considered to be more flexible, with collaborative planning, team teaching, and cooperative learning on the rise.

Remaining challenges identified by the report include obtaining stable and adequate funding, supporting schools' efforts to change, continuing staff development, increasing parent participation, and addressing the needs of students with behavioral and emotional problems.

**1995 Special Education Funding and Cost Evaluation**

More recently, a special education funding and cost evaluation was completed in January 1995 by the Vermont Department of Education with the help of local educators and University of Vermont education scholars. This study found that schools continue to struggle to meet the challenge of the reforms introduced by Act 230. In particular, two factors were reported to have had a significant impact on the implementation of this reform effort during the period from 1989-1993: (a) the increasing demands placed on schools due to the long term and steady rise in the number and severity of students' needs and (b) the strains on regular education systems due to an increase in student population (from 96,892 to 102,674) and a decrease in the state funding share of total education costs (from 31.8 percent to 27.8 percent).

Since the enactment of Act 230 in 1990, there has been an 18.4 percent reduction in the special education child count. By December 1994, however, for every student eligible for special education, between 2 and 2.5 students who were not eligible were receiving support from special education staff funded by Act 230. Overall, 32 percent of all Vermont students were receiving some form of support under the state's special education funding provisions.

Although the results from this recent evaluation indicate that schools are making changes that benefit all students, and that Act 230 appears to have accomplished much of what was intended with respect to special education reform, an unanticipated result of the implementation of Act 230 has been an appreciable increase in expenditures that is projected to continue through FY 1996. Seventy percent of the $24 million increase over the past 4 years has been in salaries and benefits for special education staff. A significant part of the overall increase in spending is in the extraordinary cost portion of the formula, due to a 41 percent increase in the number of students eligible for extraordinary cost reimbursement.
Another significant portion of the increase in expenditures can be attributed to the increase in the number of individual aides, which has increased from 470 to 1,005 in 4 years. School districts also reported, however, that the costs of alternatives to hiring individual aides, such as special class or residential placements, would be even higher. Nonetheless, districts have had to bear the brunt of the increase, shouldering the burden for $14.5 of the $24 million total increase in costs between FY 1990 and FY 1994.

The 1995 report makes recommendations for addressing the trend of increasing student/family needs by building the capacity of schools and communities to deal with diverse needs, and developing alternatives for the most behaviorally challenging students and others who are not being well served by the current range of available options.

Center for Special Education Finance Interviews

The interviews conducted with special education constituents throughout the state also tended to reveal favorable impressions of the impact of Act 230. The distribution of funds to districts was considered to be more equitable, and respondents noted the value of greater flexibility in the way dollars can be spent. "Flexibility has turned out to be the number one attribute of the new system," stated a local director.

General impact perceived by staff and parents

In summary, the overriding sentiment seemed to be that the new formula is placement neutral and more predictable, with the incentives to label children as special education removed. An increase in collaboration between regular and special educators, with removal of the "we/they" barriers was noted and considered to be an important ingredient for success. To a large extent, most parties, including superintendents, special education directors, teachers, and parents appeared to be very supportive of the changes that have taken place.

Staff and parent satisfaction seemed to vary with the extent to which inclusion has been embraced on a philosophical level. As one superintendent stated, "Unless you support inclusion philosophically, you're not happy with the changes." A teacher testified that administrative commitment was the "first and foremost prerequisite" to make Act 230 work. Teachers and other employees at the school level need to know that they "are expected to meet the needs of all students in an inclusive manner." A superintendent interviewed said, "There are
VI. Impact of Reform

a zillion benefits: increased collaboration, greater teaming, earlier intervention, greater uniformity of procedures and paperwork, and much increased training. The mandate for 1 percent of special education funds for training has increased training options. A little bit of money can provide training for a lot of teachers.”

Although the prevailing response seemed to be satisfaction with the reform, some areas of concern were also raised. Respondents expressed concerns about the adequacy of state support for all of education, and about the increasing district burden to fund special education services. "Where there are adequate resources, it's working beautifully," said one respondent. The promised state share of 50 percent has not materialized and is an issue that a representative of the Vermont State School Boards Association said, "irritates the devil out of parents, board members, and professionals in schools. We have to reach into general funds to make up the difference for special education entitlements.”

The problem of adequate resources seems to be compounded by the fact that child counts have dropped and a concern that the state legislature may think that districts no longer need the same level of funding. In addition, some districts have wanted to decrease special education staff as the count has gone down. Generally, however, cuts in special education were reportedly not as great as in other areas.

Teachers expressed the need for adequate human and financial resources, training, and professional development. A representative of the Vermont National Education Association stated, "I would tell new teachers to not even consider teaching unless they have had course work in applied behavioral analysis and courses in special education.” Teacher training programs for general educators in Vermont have just begun to cover these areas in the last few years.

Consistency in the quality of support services for inclusion has been an issue, with a lack of adequate training for regular education teachers cited by some as a problem. One parent described the initial lack of staff training as resulting in a "hodge-podge of how inclusion is interpreted and how it looks, varying from district to district.”

When Act 230 was first implemented, $360,000 was allocated for training. Of this amount, $90,000 was taken off the top to train principals, but only about half of the principals in the state went through the training. This left $270,000 to train 8,000 teachers, and as a result, less than 25 percent of teachers actually received training during the first year. Blaming inadequate preparation, one respondent
VI. Impact of Reform

described the first year of implementation as "a veritable nightmare" for teachers and for special and regular education students. This respondent claimed the problem is continuing and is not likely to be resolved soon, as the legislature faces "a staggering load of demands to deal with and fewer available tax dollars."

A parent and advocate for improving the quality of inclusive education mentioned that although a lot of money went into training, it did not provide teachers with strategies for handling behavior problems, and instead focused more heavily on the legal aspects of IDEA and IEP development. This respondent suggested that "teachers need training on what constitutes reasonable expectations and on awareness of developmental needs."

Respondents also reported that the increased flexibility of the new formula to fund remedial and prevention services had enabled a "string of services in the regular classroom" to a broader population in a more seamless and "invisible" fashion, without stigmatizing students with labels. The predictability of funding has increased districts' ability to plan programs and services, and the extraordinary cost formula has allowed districts to provide supports and accommodations for students with high cost programs that they may have had to "scramble" for in the past.

- Perceived impact on services received by special education students

Due to budget decreases, some respondents reported that with resource rooms being dissolved in many districts, the human resources previously available were no longer always there. Teaming of special and regular education teachers to address the needs of all children was occurring, but with inconsistent results. In many districts, special education staff had moved under the direct supervision of the school principal, and were more involved at the school level to improve instruction. A special education director mentioned that in these schools, special education teachers were more likely to be viewed as a source of support by regular education teachers, which "has served to pull people together, into more of a single system." A superintendent noted, "special educators teaming with regular teachers have provided good modeling of effective practices with kids who are having difficulties."

With higher percentages of special education students being educated within regular classroom settings, the instructional services they are receiving are considered to be more relevant to the regular education curriculum. A superintendent suggested that as a result, "special education students' learning doubles because the instructional resources are more relevant."
VI. Impact of Reform

Many children who would have been served in more restricted settings previously, such as those with Down Syndrome, muscular dystrophy, and cerebral palsy, have been successful in regular classrooms, and are "clearly benefiting," according to one superintendent. Most respondents reiterated that benefits to special education students are tied to the availability of adequate classroom supports. An advocate from the Vermont ARC said, "I do believe that all kids could be educated in regular classrooms with the right supports. With some kids, it's not there, and we set them up for failure."

However, respondents also reported that a very small percentage of misplacements and cases where childrens' needs have not been adequately met have caused a large public reaction. Some have also made the argument that Vermont has gone too far and that certain populations, like the deaf and hearing impaired, are not best served in regular classrooms. In these cases, there is some concern that the incentives for inclusion may be so strong that services may not be the most appropriate. Parents described having to be "ever vigilant" to ensure that their children were getting adequate and appropriate services.

Still largely unanswered are questions about how to serve the small percentage of children with serious emotional and behavioral disturbances who have been returned from residential treatment centers to regular classrooms in neighborhood schools without adequate district preparation or resources. "Even with aides, we're getting a lot of concern about what is happening to the rest of the class. . . This is the most severe problem that is recognized by all," and there is no clear direction about what to do, according to one respondent. Although the benefits to regular and special education students from being in the classroom and the help and cooperation that occurs were clearly recognized, concerns were also raised, especially when seriously emotionally disturbed (SED) students were involved. " . . . if the teacher has two or three children with pretty severe or disruptive behaviors, these problems can be very difficult. There are the beginnings of a move by parents of regular education students who are resenting SED students in regular classes. Even among some parents of special education students with SED, there are those who feel that the regular classroom is not appropriate for their child, and would prefer smaller classes with a special education teacher rather than an aide."

Due to the sometimes abusive and violent behaviors exhibited by some SED students, it was reported that the teachers' unions may attempt to define these as "unsafe working environments." Some blame inadequate funding for teacher training and support programs, while others fault the "tutor model," which is
more like a "guard" model where the least trained individuals end up dealing with the most difficult students. Still others say that rising class sizes, the result of recent budget cuts, are contributing to the problem and must be examined. Finding a solution for serving SED students that satisfies teachers and parents, and meets students' needs, appears to be one of the few remaining challenges in Vermont. A special education study committee is looking at cost-effective approaches to these issues. Most agree that a broader continuum of services for children with emotional or behavioral difficulties needs to be developed.

Perceived impact on services received by general education students

A number of respondents pointed out that special education students often bring added resources to regular classrooms, such as computers and instructional assistants. In successful inclusionary models, regular education teachers have become dependent on the support provided by educational assistants in the classrooms, and are adamant to keep them. However, they also sometimes reported that the quality of assistance was inconsistent, again pointing to the need for adequate and appropriate training.

Where supports are believed to be inadequate for regular education teachers who have included special education students in their classes, the impact of the new formula on regular education students has generally not been positive. For example, a regular classroom teacher reported spending 80 percent of a class period with a single emotionally disturbed student, with the remaining 20 percent of the period to address the needs of the other students in the class. However, where inclusionary practices have been embraced and support has been perceived as adequate, teachers and other staff cite numerous benefits, claiming that students are acquiring a more accepting and realistic attitude regarding children with special needs. In addition, the money provided by Act 230 for training of general education teachers has had a positive impact on both regular and special education students, although there are those who would like to see even more resources devoted to professional development.

Some parents and community members believe that regular education services may have suffered because district funds have had to be directed to special education, which is considered "sacred" because of the entitlement by law. A special education director stated, "Regular education programs have been affected to the degree that programs have had to be cut to come up with the district share of funds for special education." In some cases, and especially where there are disputes over local spending decisions, or for instance, where a special
education student may have a $4,000 computer and the regular school computers are inadequate, special education has been pitted against regular education more visibly than before. Tension between the push to break down the programmatic boundaries of special and regular education, and the pull of increasingly visible budgetary disparities, has focused a great deal of attention on the issues of equity, adequacy, and appropriateness of education programs for both groups of students.

Overall, stakeholders see the new funding formula for special education as having had a positive impact on special and regular education students, particularly when they perceive implementation of inclusionary practices as having occurred with adequate supports for both teachers and students. They provided numerous testimonies about the value of an inclusionary model in providing an environment that "mimics life," and teaches respect for diversity and individuality. A representative of an advocacy group suggested that "with exposure comes enlightenment and acceptance... people with disabilities are not considered strange." A superintendent said, "The school community is now more reflective of the real world community."
VII. Conclusion

The evidence presented in this report suggests that funding reform for special education in Vermont is meeting its intended objectives of serving children with diverse needs without labeling them and of promoting the inclusion of students with disabilities in regular education classes. Interviewed constituents cited more equitable distribution of funds, greater flexibility in the way dollars can be spent, added predictability, and placement neutrality as the most positive attributes of the new funding formula. Respondents in the statewide evaluation and those who were interviewed for this report remarked that Instructional Support Teams at the school site have encouraged collaboration between regular and special educators and have increased the integration of special services within the regular classroom. The identification of students for special education has decreased, although many administrators noted that more students are actually being served. Where the implementation of inclusionary practices appeared to be accompanied by adequate supports for both teachers and students, constituents believe that the new funding formula has had a positive impact on the services received by regular and special education students.

Remaining concerns in Vermont include the overall adequacy of funding, the increasing district burden to fund special education services, the need for continued professional development for special and regular educators, and addressing the needs of students with behavioral and emotional problems. These challenges are exacerbated by recent budget cuts that have impacted many communities and have caused class sizes to increase and tensions to rise over districts' responsibility to fund special education services despite severe budgetary constraints. Issues of equity, adequacy, and appropriateness of education programs have become prominent for both special and regular education students.
VII. Conclusion

Vermont's small size and visionary leadership, coupled with its long history of a consistent philosophy for educating students with special needs, have enabled a consolidated effort to implement a major education reform with substantial implications for meeting the needs of all students. Changes in the special education funding system have increased flexibility and removed some of the incentives for identifying students as eligible for special education. At the same time, services have been extended to a greater number of students through school-based Instructional Support Teams, which provide support to teachers by collaborative development of solutions to problems teachers have identified within their classrooms. These restructuring efforts have been accompanied by staff development opportunities, which have provided workshops and course work on problem solving, behavior management, learning styles, integrated curriculum, and crisis management to teachers throughout the state.

Preliminary evaluations and interviews with special education constituents reveal a decrease in the identification of special education students accompanied by substantial satisfaction with the services provided and outcomes achieved for regular and special education students. The state has indicated that these reforms will continue to be re-evaluated over time. Despite remaining challenges, promising results in Vermont thus far are being viewed with great interest as many other states embark on similar paths toward special education funding reform.
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