

OFFICE OF FISCAL ANALYSIS

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sSB-1

AN ACT INCREASING RESOURCES FOR STUDENTS, SCHOOLS AND SPECIAL EDUCATION.

As Amended by Senate "A" (LCO 9962)

House Calendar No.: 671

Senate Calendar No.: 341

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Resources of the General Fund	GF - Potential Revenue Loss	Up to 300 million	See Below
Resources of the General Fund	GF - Potential Revenue Gain	Minimal	Minimal
Various State Agencies	GF - Precludes Savings	None	24.9 million
Education, Dept.	GF - Cost	At Least 131,000	At Least 631,000
Governmental Accountability, Off.	GF - Cost	180,000	180,000
State Comptroller - Fringe Benefits ¹	GF - Cost	126,600	126,600
Education, Dept.	GF - Savings	See Below	See Below
Resources of the ECEE	ECEE - See Below	See Below	See Below
Department of Emergency Services and Public Protection	GF - Potential Cost	Minimal	Minimal
Department of Emergency Services and Public Protection	Applicant Fingerprint Card Submission - Potential Revenue Gain	Minimal	Minimal

Note: GF=General Fund

Municipal Impact:

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

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Municipalities	Effect	FY 26 \$	FY 27 \$
Local and Regional Boards of Education	STATE MANDATE ² - Potential Cost	See Below	See Below
Various Local and Regional Boards of Education	Potential Revenue Gain/Loss	None	See Below
Various Municipal Police Departments	Potential Revenue Gain	Minimal	Minimal

Explanation

The amendment strikes the underlying bill and its associated fiscal impacts.

The amendment establishes the Early Childhood Education Endowment, creates various grants relating to special education, phases out the Commissioner's Network of Schools program, and makes various other changes relating to education, resulting in the fiscal impacts described by section below.

Sections 1 – 15 establish the Early Childhood Education Endowment (ECEE) and associated Board, create a health insurance subsidy for early childhood educators, describe eligible programmatic expenses and reimbursements for the endowment, and provide investment thresholds to enable additional allowable uses of the endowment.

Revenues of the ECEE

The amendment requires up to \$300 million of unappropriated General Fund (GF) surpluses after the close of accounts for FY 25, and the entire surplus if the Budget Reserve Fund (BRF) is at its maximum threshold (18% of net GF appropriations for the current fiscal year) after the close of accounts for FY 26 and beyond, to be transferred into the

² State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

ECEE.

The estimated unappropriated surplus of \$300 million in FY 25 will be transferred before the close of the fiscal year from the resources of the General Fund to the ECEE. The transfer effectively reduces a deposit into the state pension systems of \$300 million, which precludes savings of approximately \$24.9 million annually to the state's actuarially determined employer contribution (ADEC) beginning in FY 27 and continuing for 25 years.³

Beginning in FY 26, to the extent there is a General Fund surplus at the close of the fiscal year, there will be a transfer of resources of the General Fund to the ECEE in each fiscal year following the surplus year. General Fund surpluses would otherwise be deposited in the Budget Reserve Fund (BRF), subject to statutory requirements regarding the use of BRF excess when applicable. This precludes savings to the state's ADEC for the state pension systems beginning in FY 28, amortized over 25 years.

The amendment also requires the resources of the ECEE be invested by the Treasurer separate and apart from other state investments, but in the same manner as several other state investment funds. Investment revenues are indeterminate, as they are dependent on available resources, market returns, and future investment decisions.

Expenses of the ECEE

The amendment limits the use of resources of the ECEE, such that no more than twelve percent of the endowment's balance for FY 26⁴ and FY 27 and ten percent thereafter is used. Any fiscal impact is dependent on

³ Under current law, the BRF excess is subject to statutory requirements including being transferred towards paying down long-term debts such as the state employee retirement system (SERS) and teachers' retirement system (TRS). Transfers to the pension systems are amortized over 25 years and reduce the state's ADEC two years after the surplus year. Actual reductions to the ADEC are determined in the annual actuarial valuation for each system and are subject to multiple factors both investment and non-investment related.

⁴ This would limit total expenditures for FY 26 to up to \$36 million.

the level of transfers or deposits into the endowment and subsequent expenditures from the endowment. These uses are further divided into administrative costs, expansion and programmatic costs, and costs related to the health insurance subsidy program.

To the extent revenues are deposited in the fund and amounts on deposit in the fund meets or exceeds the amount needed to fund the program, there will be ongoing annual operational and investment costs associated with the ECEE as a result of the amendment starting no earlier than FY 26. Operational expenses include a one-time cost to the State Treasurer associated with the establishment of the ECEE of up to \$100,000. The amendment specifies the ongoing operational costs of the ECEE are to be covered by the resources of the fund. As such, there is not anticipated to be a cost to appropriated funds or municipalities due to these sections.

Section 15 requires, by January 1, 2026, the Connecticut Health Insurance Exchange to conduct a study to assess the need for health coverage among early care and education program employees and estimate the cost of a potential health insurance subsidy program and report on the findings. By June 30, 2027, the Connecticut Health Insurance Exchange and the Office of Early Childhood are required to launch a joint health insurance subsidy program for early care and education employees. The number of individuals who may qualify for the subsidy and the total cost of these subsidies are currently unknown. All costs to the state related to the health insurance subsidy program will be paid for out of the ECEE.

Section 16 prevents boards of education (BOEs) from receiving the Excess Cost grant or a new special education and equity development grant for costs related to placements at nonapproved private facilities, unless the placement is required by a hearing officer or court order, beginning in FY 26. Any BOE that places a student in a nonapproved private facility due to a planning and placement team (PPT) decision will be ineligible, and they will experience a revenue loss equal to the Excess Cost grant revenue that otherwise would have been received for

such student. To the extent this occurs, there is a redistribution of Excess Cost grant funding among districts. There is also a savings to SDE, as the section reduces the cost of the special education and equity development grant by precluding certain students from being counted in the grant calculation.⁵

Section 17 precludes the in-district special education grant (see Section 19) from being included in a town's education minimum budget requirement (MBR) calculation beginning in FY 26.

Section 19 requires SDE to establish a new competitive special education grant, starting in FY 27, for costs related to creating, enhancing, or expanding in-district or regional special education programming and services for students with disabilities. This results in a cost to SDE beginning in FY 27 based on the funding level of the grant, which is not prescribed by the amendment. Any revenue gain to BOEs would depend on the funding and provisions of the grant program. The amendment specifies that priority will be given to Alliance Districts.

Sections 20 and 30 collectively result in an annual cost to SDE of approximately \$131,000 beginning in FY 26 for one additional staff, and an annual cost of approximately \$53,300 to the Office of the State Comptroller (OSC) for corresponding fringe benefits. The additional staff will be responsible for: (1) developing and updating a list of all special education programs and related data (Section 20); and (2) creating a report on minority student special education identification (Section 30).

Section 21 requires certain private special education providers to submit to fingerprint-based state criminal history records checks, resulting in: (1) a minimal potential cost to the Department of Emergency Services and Public Protection (DESPP), (2) a potential revenue gain to the General Fund,⁶ and (3) a potential revenue gain to

⁵ Section 16 would also reduce the cost of fully funding the Excess Cost grant; however, the grant is capped.

⁶ DESPP conducts state criminal history records checks for a fee of \$75. The revenue that is collected from this fee is deposited into the General Fund.

the Applicant Fingerprint Card Submission Account and various municipal police departments⁷ in FY 26 and FY 27, and in The potential cost to DESPP will depend on the extent to which the volume of new applicants for state criminal history checks increases department workload and impacts overtime. It is unknown how many employers already require such applicants to submit to such checks as a condition of employment.

The potential number of additional child abuse registry checks requiring DCF staff review is not anticipated to be great enough to necessitate additional resources. The department processes over 210,000 child abuse registry checks annually. DCF does not charge a fee for a registry check.

Section 25 requires SDE to establish a new special education training, education, and testing competitive grant program for training for special education educators and paraeducators, beginning in FY 27. The cost to SDE depends on the funding provided and provisions of the grant program. Several types of training – including tuition for certain teacher preparation programs – are eligible. The SDE cost may be partially offset by repayments received from former recipients who do not complete three years of employment in an Alliance District school.

Section 26 requires SDE to establish a new grant program for BOEs to provide support services for special education students who have experienced trauma or have behavioral health needs, beginning in FY 26. The cost to SDE, and corresponding revenue to BOEs, depends on the funding provided and provisions of the grant program.

Section 27 establishes, within the Office of Government Accountability (OGA) for administrative purposes only, the Office of the Educational Ombudsperson (OEO), resulting in a cost to OGA of \$180,000 in FY 26 and annually thereafter, and \$73,300 in OSC Fringe

⁷ DESPP conducts fingerprinting for a fee of \$15 fee per person paid to the Applicant Fingerprint Card Submission Account. Municipal police departments may also conduct the required fingerprinting for state criminal history records checks and typically charge a fee of \$10 to \$15.

Benefits in FY 26 and annually thereafter. This cost is associated with the hiring of two staff members⁸ to complete the provisions of the amendment.

Section 28 requires BOEs to designate or hire an instructional support partner in each school. The instructional support partner must use at least 50% of their time performing specific responsibilities. This results in an annual potential cost to BOEs starting in FY 27 to hire one staff member in each school to be the designated instructional support partner, or a different part-time staff member to fulfill the designated person's previous responsibilities, for all schools that currently lack capacity for such a person. Costs will be highest for BOEs with many schools that do not currently have sufficient personnel to meet the requirements. The cost per instructional support partner is likely to range from \$50,000 to \$150,000 but will vary based on experience and fringe benefit costs.

Section 29 results in an annual cost, starting in FY 27, to SDE of \$250,000 to contract with SERC or a regional educational service center (RESC) to conduct quarterly trainings for instructional support partners.

Sections 41 and 42 result in a savings to SDE in FY 26 and FY 27, which reaches \$9,869,398 annually starting in FY 28, and a corresponding revenue loss to various local and regional school districts. These sections phase out the Commissioner's Network of Schools program to elimination in FY 28. In FY 25, the grant's appropriation is approximately \$9.9 million and schools in 13 towns receive the grant. The sections result in a corresponding revenue loss to the school districts that may have otherwise received the grant or an extension grant, which the amendment also eliminates.

The amendment makes various other procedural, clarifying, and technical changes that have no fiscal impact.

⁸ The new positions are one Educational Ombudsperson position and one Administrative Assistant.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.