

OFFICE OF FISCAL ANALYSIS

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HB-5001

AN ACT CONCERNING THE QUALITY AND DELIVERY OF SPECIAL EDUCATION SERVICES IN CONNECTICUT.

AMENDMENT

LCO No.: 9672

File Copy No.: 828

House Calendar No.: 529

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Education, Dept.	GF - Cost	Up to 192.3 million	191.3 million
State Comptroller - Fringe Benefits ¹	GF - Savings	160,000	213,300
Resources of the General Fund	GF - Potential Revenue Gain	None	See Below
Children & Families, Dept.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 26 \$	FY 27 \$
Local and Regional Boards of Education	Revenue Gain	Up to 190.7 million	190.7 million
Local and Regional Boards of Education	STATE MANDATE ²	See Below	See Below

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.

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.

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(SM)

	- Potential Cost		
Local and Regional Boards of Education	See Below	See Below	See Below

Explanation

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

The amendment establishes a special education tuition and fee rate schedule, creates a new special education and expansion development grant, and makes other changes relating to special education, resulting in the fiscal impacts described by section below. The amendment's cost to the General Fund is up to \$192.5 million in FY 26 and approximately \$191.5 million in FY 27 (and annually thereafter).

Section 1 expands eligibility, up to age eight, for children to receive certain special education services. This results in a potential cost to local and regional boards of education (BOEs) and the Department of Children and Families (DCF)³ beginning in FY 26 to the extent that students with developmental delays who would have aged out of special education at age five continue to require services for another three years, and would not have qualified otherwise for special education. This is a mandate to BOEs.

Sections 2 – 4 result in a cost to the State Department of Education (SDE) of \$393,000 in FY 26 (partial year cost) and \$524,000 annually thereafter for four additional staff. There is a corresponding cost to the Office of the State Comptroller (OSC) for fringe benefits of \$160,000 in FY 26 (partial year cost) and \$213,300 annually thereafter.

The four additional staff will be responsible for: (1) establishing proposed special education service rates; (2) annually reviewing a rate

³ Per statute, DCF is responsible for 100% of the reasonable education costs for any child having no identified responsible school board (a "no-nexus" child), when such child is placed under an order of temporary custody and remains longer than one year without being committed to DCF. The agency is also financially responsible for DCF-placed no-nexus children receiving special education at private residential institutions.

schedule for special education services; (3) reviewing requests to increase amounts charged by certain entities; and (4) developing and updating billing standards for special education services, including transportation.

Section 2 prohibits increases in the amount charged by certain entities for special education costs during the school year, beginning in FY 26, unless such increases are either due to a change in a student's individualized education plan (IEP) or approved by SDE.

Section 3 allows SDE to set special education rates for related services by a charging entity and special education provided by a public provider for FY 27 and FY 28, and requires SDE to set these rates for FY 29 and beyond.

Section 3 also requires SDE to consult with certain providers to develop proposed rates for special education services given by approved private special education providers (APSEPs). SDE may develop these rates for FY 27 and FY 28, and must develop them for FY 29 and beyond. These rates created by SDE must be submitted for approval by the legislature.

Section 4 requires private providers of special education transportation services to charge BOEs in accordance with the billing standards created by SDE, beginning in FY 28. This results in a potential savings to BOEs to the extent that SDE's billing standards are lower than those that BOEs currently pay for special education transportation.

Section 5 requires the special education rate schedule that SDE must establish pursuant to the amendment to be used to determine the reasonable cost of special education services, beginning in FY 27. To the extent that SDE sets rates that are lower than those that local and regional school districts currently pay for special education services (whether to a private provider or to a magnet or charter school operator), there is a savings to BOEs. Such savings will vary based on the difference between: (1) the rates currently paid by local and regional school districts; and (2) the rates that SDE sets.

Section 6 precludes the new special education and expansion development grant (see Section 7) from being included in a town's education minimum budget requirement (MBR) calculation beginning in FY 26.

Section 7 establishes a new special education and expansion development grant based on the ECS formula. The grant results in a cost to SDE, and a corresponding revenue gain to BOEs, of approximately \$190.7 million in FY 26 and annually thereafter. In FY 26, if the total appropriated amount does not cover the total cost of fully funding the grant, each BOE will receive a proportionate reduction to their fully funded grant.

The total cost to fully fund the grant is dependent on each town's number of special education students, the ECS foundation amount (currently \$11,525), and each town's ECS state aid percentage (i.e., base aid ratio). The cost to SDE and the revenue gains to each BOE will change annually as the grant formula data are updated yearly.

This section additionally establishes a minimum budget requirement for special education beginning in FY 26, specific to the special education and expansion development grant. This provision requires each BOE to increase their special education budget by the amount of an increase in the special education and expansion development grant.

Section 8 results in a one-time cost of \$250,000 in FY 26 to SDE for a consultant. The consultant will be responsible for developing licensure standards for private special education providers in the state and, by January 1, 2026, submitting legislative recommendations to implement such standards.

The section also results in a potential revenue gain to the General Fund associated with licensure fees, which must be set at \$5,000, and renewal fees, which must be set at \$1,500. Any revenue gain will be dependent on the number of licensure fees and renewal fees. There are currently 88 private special education providers approved by SDE.

Section 9 expands an existing requirement for SDE to conduct annual onsite visits of in-state special education programs. SDE currently conducts onsite visits for special education programs in school districts and in-state private providers; the amendment expands this requirement to Regional Educational Service Centers (RESCs) and requires the visits to be unannounced, and SDE must provide corrective actions when necessary. There are currently 25 RESC special education programs. This results in an annual cost to SDE of \$131,000 beginning in FY 28 to hire one full-time education consultant to complete the additional required visits. The associated fringe benefits cost is \$53,300 to OSC in FY 28 and annually thereafter.

The section also requires RESC and private special education providers to submit proof of compliance with any corrective actions prescribed by SDE. Any RESC or private provider that fails to submit proof by the deadline will be fined up to \$100 for each day of noncompliance. This results in a potential revenue gain to the General Fund through SDE, and a corresponding cost to RESCs, dependent on: (1) the number of days a provider is in noncompliance; and (2) the daily fine.

Section 10 makes clarifying and procedural changes, which have no fiscal impact.

Section 11 requires SDE to establish model contracts for placing a student with a RESC or private provider of special education. This has no fiscal impact as SDE has the necessary expertise to meet the requirements.

Section 12 requires BOEs to collect and report specific information about special education placements to SDE, which SDE must disaggregate and report on CT-SEDS (state special education data system). To the extent that BOEs do not currently collect all necessary data, there is a potential minimal cost to BOEs for data collection and reporting. There is a one-time development cost to SDE of up to \$500,000 in FY 26 to modify the CT-SEDS system for data collection and integration.

Section 13 has no fiscal impact. It expands the assessment that BOEs must provide before placing a student out of district and requires SDE to establish guidance. It is anticipated BOEs and SDE can meet these requirements with existing resources.

Section 14 requires the Transforming Children's Behavioral Health Policy and Planning Committee to submit a report regarding behavioral health issues for students receiving special education, resulting in no fiscal impact to the state because the committee has the resources and expertise to meet the requirements of the amendment.

Section 15 expands the responsibilities of the Building Educational Responsibility with Greater Improvement Networks Commission and adds members to the commission. This has no fiscal impact, as the commission has sufficient expertise to meet the requirements.

Section 16 results in a one-time cost to SDE of \$250,000 in FY 26 to hire a consultant to develop a state-wide special education workload analysis model by July 1, 2026.

Section 17 results in a one-time cost to SDE of \$200,000 in FY 26 to hire a consultant to develop a comprehensive report on the CT-SEDS system by January 1, 2026.

Sections 18 and 19 make various clarifying and procedural changes that have no fiscal impact.

Section 20 makes a conforming change which has no fiscal impact.

Section 21 has no fiscal impact. It requires SDE to revise the individualized education program (IEP) form, which SDE can do with existing resources.

Section 22 requires SDE to make specific data regarding special education available on its website. This results in an annual cost, starting in FY 26, of \$50,000 for an IT contractor to collect new data and report it on SDE's website.

Section 23 has no fiscal impact. It requires the Office of Dyslexia and Reading Disabilities to submit a report regarding dyslexia evaluations and interventions. It is anticipated the office has the necessary expertise to complete the report.

Section 24 makes conforming changes, which have no fiscal impact.

Section 25 requires the Board of Regents for Higher Education (BOR) to continue offering certain transitional and remedial programs during the 2025-26 academic year, which has no fiscal impact. In FY 25, approximately \$10.2 million was appropriated to BOR for developmental services to support such programs.

Section 26 requires APSEPs to submit certain data to SDE annually, which SDE must compile and report. This does not result in a fiscal impact to SDE as SDE has sufficient expertise to meet the requirement.

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.