

March 15, 2017

Thank you, Chairpersons Slossberg, Boucher, and Fleishmann, Ranking Member Lavielle, and esteemed members of the Committee, for the opportunity to submit testimony in favor of H. B. 7255, An Act Establishing A Task Force To Conduct A Feasibility Study Regarding The Creation Of A Special Education Predictable Cost Cooperative.

The actuarial model for the cooperative discussed in H.B. 7255 was developed by the University of Connecticut's Goldenson Center for Actuarial Research, in consultation with the Neag School of Education, and the Connecticut School Finance Project.

The current method for funding special education services in Connecticut suffers from several drawbacks, which include the following:

1. Annual costs are highly unpredictable at the school district level.
2. Low-wealth communities are not provided with equitable funding for special education to ensure they are able to provide the minimum level of quality services to conform with the federal American with Disabilities Act (ADA) and the Individuals with Disabilities Education Act (IDEA).
3. There is a lack of transparency as to how state funds to support special education are distributed to districts.

The Special Education Predictable Cost Cooperative model is built on several key fundamental actuarial principles:

1. Cost-based pricing
 - At the start of the school fiscal year, an initial community contribution per special education student will be determined, which is based on the statewide average cost of educating a special education student from the prior year, and adjusted by a margin to incorporate fluctuations in costs.
2. Fairness and fiscal soundness
 - The initial community contribution will be adjusted annually (i.e. experience rated) to reflect **actual** special education spending per student by the school district in the prior year.
 - Students with extraordinary costs associated with their educational programs will only be compared to other high-cost special education students; ensuring districts are not penalized for costs that are outside of their control.
3. Equity-based pricing
 - The initial community contribution is then adjusted by an equity factor reflecting the school district's ability to pay, based on the Public Investment Communities (PIC) Index, released annually by the Office of Policy and Management.

4. Predictability

- Based on the equity-adjusted initial community contribution that is paid by the school districts, **all** special education costs, both basic and excess costs, will be covered by the state.
- This ensures all school districts will be able to provide the minimum level of special education services to conform with federal regulations.

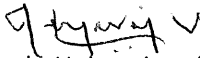
5. Reserve fund

- To ensure the Special Education Predictable Cost Cooperative model is able to withstand fluctuations in aggregate special education costs, a reserve fund is established as an integral part of the funding model.
- The reserve fund grows if actual aggregate special education costs are below expected and is reduced if actual aggregate special education costs exceed expected.
- The reserve fund is held at 2.5 percent of total statewide special education costs.
- Any excess favorable experience above the minimum balance is refunded directly to school districts as a refund on the following year's community contribution, thereby ensuring all funds held in the cooperative are spent on special education.

We believe the Special Education Predictable Cost Cooperative model is an actuarially sound, stable, predictable, and fair funding model and overcomes all the limitations of the current special education funding structure. Most importantly, the Special Education Predictable Cost Cooperative model ensures special education instructors and staff who work with students every day will continue to make all decisions about the delivery of special education services. By fully funding districts special education costs and ensuring decisions about special education services remain local, the cooperative will assist districts in complying with all federal regulations pertaining to special education services. We believe this encourages innovation and effective cost management at the school district level.

Thank you again for the opportunity to testify in support of the Special Education Predictable Cost Cooperative. We are committed to continuing to provide support and consultation in the investigation and implementation process, at the request of the General Assembly.

Sincerely,

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