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Testimony of

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Before the Insurance and Real Estate Committee

Proposed Bill 542 – An Act *Establishing the Connecticut Special Education Predictable Cost Cooperative.*

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Good afternoon Senator Larson, Senator Kelly, Representative Scanlon, and members of the Insurance and Real Estate Committee. My name is Ray Rossomando, Research and Policy Specialist with the Connecticut Education Association. CEA helps the 43,000 active and retired teachers across the state to have a greater voice in the decisions that affect students, classrooms, and the teaching profession.

Today we are testifying on **Proposed Bill 542 – An Act *Establishing the Connecticut Special Education Predictable Cost Cooperative.***

Proposed Bill 542 introduces a yet to be disclosed plan for completely overhauling how school districts fund special education services in the state. Although there are no provisions in this bill, the advocates promoting this change have shared details of their cost cooperative plan. Our comments are based on our knowledge of this plan.

In essence, the plan would redistribute existing special education funding across school districts and then assess a risk fee to each district. This is similar to a premium cost share in health insurance, based on a district's patterns of special education expenditures. The plan does not increase the state's share of mandated special education services or alleviate the burden of special education costs. It simply seeks to address the volatility associated with the unanticipated fees from high-cost special education outplacements.

CEA continues to have many questions regarding this plan and we are currently reserving judgment while we await specific details, but we have a number of questions and concerns. A primary question is whether a complete reshuffling of the system is necessary to achieve the limited goal of smoothing the impact of unanticipated costs. In other words, is the goal worth the burden of creating this new system? Many other questions that should be resolved are listed below.

Based on our understanding, the plan proposes three primary changes, each of which raises further questions:

1) **Transfers $580m from ECS grant to a state special education account:** The plan tranfers out about 23% of all ECS funds and puts that funding into a new special education account. It also transfers into this account the existing special education excess cost grant ($140m).

   - ➪ **How much will each town lose in ECS funding and how is that amount determined?**
   - ➪ **Is there a proposed increase in state funding?**
   - ➪ **As costs rise, the local share will increase if there is no increase in state funding. Is there a provision for the state's contribution to rise with inflation?**
   - ➪ **How much will it cost the state to administer the account?**
   - ➪ **Who will oversee the account?**
   - ➪ **If the account gains interest, how will proceeds be used?**
   - ➪ **If the account is underfunded or insufficient, who pays?**

2) **Transfers local funding for special education to state special education account:** The plan would require towns to deposit the amount they usually spend on special education funding into a state account.

   - ➪ **Are checks paid from the town or board of education?**
   - ➪ **Who picks up cost increases due to inflation over time?**
   - ➪ **What guarantee is there during lean budget years that the state will not transfer these funds into the General Fund and use them for other purposes?**

3) **Charges towns an insurance-style premium paid into the state special education account:** The plan determines a district's "risk" factor by looking at previous special education spending and charges a premium to be paid into the state account. If a town's special education spending increases, its premium increases.

   - ➪ **If a board of education has sustained changes (higher or lower) in costly special education student outplacements over time, how do their rates reflect this change?**
   - ➪ **Would incentives to lower a board's premium result in preventing students who would be best served in residential programs from being placed into them?**
   - ➪ **Are there unintended consequences that will place increased burdens on schools in terms of staffing, funding, and providing other special education services that should otherwise be done in outplacement facilities?**

4) **Reimburses towns for special education costs:** The plan provides grants to reimburse districts for actual special education costs.

- ⇨ **Would the cooperative funds be sent to municipalities or to boards of education?**
- ⇨ **Will boards of education get back fees they have overpaid into the cooperative if they experience consecutive years of low special education costs?**
- ⇨ **Will the state impose additional requirements or conditions to receiving reimbursements that result in new fiscal or administrative burdens or create additional unfunded mandates?**

CEA also understands that a similar bill is likely to be heard in the Education Committee. As this committee considers any legislation implementing a special education cost cooperative concept, we urge you to ask these important questions.

Thank you for considering our testimony.