OFFICE OF FISCAL ANALYSIS

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sHB-7277
AN ACT CONCERNING THE PROVISION OF SPECIAL EDUCATION IN CONNECTICUT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
Education, Dept.	GF - Cost	At Least 192 million	At Least 191.2 million
Policy & Mgmt., Off.	GF - Cost	740,800	235,800
Policy & Mgmt., Off.	Special Education Support Account (non-lapsing GF) - Revenue Gain	None	See Below
Department of Transportation	TF - Cost	Up to 1 million	Up to 250,000
State Comptroller - Fringe Benefits[1]	GF - Cost	156,700	176,600
Department of Emergency Services and Public Protection	GF - Potential Cost	Minimal	Minimal
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Department of Motor Vehicles	TF - Revenue Gain/Cost	None	See Below
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Policy & Mgmt., Off.	GF - Potential Cost	See Below	See Below
Children & Families, Dept.	GF - Potential Cost	See Below	See Below
Department of Emergency Services and Public Protection	Applicant Fingerprint Card Submission Account -	Minimal	Minimal

[1]The 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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	Potential Revenue Gain		
Policy & Mgmt., Off.	TF - Cost	50 million	50 million

Note: GF=General Fund; TF=Transportation Fund

Municipal Impact:

Municipalities	Effect	FY 26 $	FY 27 $
Various Municipal Police Departments	Potential Revenue Gain	Minimal	Minimal
Various Municipalities	Revenue Gain	See Below	See Below
Local and Regional Boards of Education	Revenue Gain	190.7 million	190.7 million
Local and Regional Boards of Education	STATE MANDATE[2] - Cost	See Below	See Below
Local and Regional Board of Education	See Below	See Below	See Below

Explanation

The bill establishes a special education tuition and fee rate schedule, creates various new grants, and makes other changes relating to special education, resulting in the fiscal impacts described by section below. The bill's cost to the General Fund is at least $193 million in FY 26 and $191.6 million in FY 27, with an additional cost to the Special Transportation Fund of up to $51 million in FY 26 and $50.3 million in FY 27.

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

[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.

[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.

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, regarding special education charges and a rate schedule, result in an annual cost of approximately $235,800 beginning in FY 26 to the Office of Policy and Management (OPM) for two additional staff and an annual cost of approximately $97,200 to the Office of the State Comptroller (OSC) for corresponding fringe benefits. There are additional one-time costs to OPM in FY 26 of approximately $5,000 for training and supplies for the additional staff and $250,000 for a consultant.

The two additional staff will be responsible for (1) collecting and analyzing tuition, rates, and other fees for the State Department of Education (SDE), (2) annually reviewing the rate schedule established, and (3) reviewing requests to increase amounts by charging entities. The consultant will be responsible for establishing a rate schedule for various services outlined in the bill and developing a list of special education programs as required by Section 18 of the bill.

Section 4 also prohibits increases in the amount charged by certain entities for special education costs during FY 26 unless such increases are approved by OPM. This section results in a potential savings to BOEs in FY 26, to the extent that cost increases otherwise would have occurred.

Section 5 prevents BOEs from receiving the Excess Cost grant or the special education offset grant (see Section 8) 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 offset grant by precluding certain students from being counted in the grant calculation.[4]

There is no fiscal impact to OPM as they have the resources necessary to approve agreements and contracts.

Section 6 requires the special education rate schedule that OPM must establish pursuant to the bill to be used to determine the reasonable cost of special education services, beginning in FY 27. To the extent that OPM 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 OPM sets.

Section 7 may redistribute Excess Cost grant revenue among local and regional school districts, beginning in FY 26. The section increases the Excess Cost reimbursement to local and regional school districts for students who were previously outplaced and then brought back into a district. The increased reimbursement applies to the first two years that a student returns to a district from an outplacement. The level of Excess Cost redistribution among school districts depends on the extent and timing of students brought back into a district, along with cost-related factors and a district's net current expenditures per pupil.

Section 8 establishes a new special education offset 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. The total cost to fully fund the grant as the bill requires 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

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

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 offset grant. This provision requires each BOE to increase their special education budget by the amount of an increase in the special education offset grant.

Sections 9 and 10 appropriate $50 million annually from the Special Transportation Fund for a special education transportation grant program administered by OPM. This results in an annual cost of $50 million to OPM beginning in FY 26 for the grant and a corresponding revenue gain to local or regional boards of education. The sections permit OPM to request any additional information deemed necessary to administer the grant program. This may result in a potential cost to OPM for additional staff that is dependent on what information is requested.

Section 11 requires the Department of Transportation (DOT) to develop recommended coordinated bus routes for all special education student outplacements in the state. This requirement is expected to cost up to $1 million in FY 26 and up to $250,000 in FY 27 and annually thereafter for DOT to hire a consultant to develop the recommended routes (FY 26 cost) and to monitor and revise those recommendations as needed (FY 27 and out year costs). The actual costs will depend on data that can be provided by BOEs to DOT, as outlined in the bill. The department does not have existing staff or expertise in school transportation and route planning, nor does the department do route planning directly for the public transportation systems it manages (this function is contracted for).

The section requires BOEs to provide data for coordinated bus routes to DOT in order to be eligible for the special education transportation grant. The coordinated bus routes may result in a savings to various BOEs beginning in FY 27.

Section 12 requires SDE to establish a new competitive special education grant, starting in FY 27, for: (1) costs related to creating or expanding in-district or regional programming for students who are currently placed out-of-district; and (2) early interventions for students with dyslexia or multilingual learners. 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 bill. Any revenue gain to BOEs would depend on the funding and provisions of the grant program. The bill specifies that priority will be given to Alliance Districts.

Sections 13 – 15 alter the school construction reimbursement program by: (1) increasing school construction reimbursement rates by 15 percentage points, not to exceed 100 percent, for portions of projects related to expansion or creation of in-district special education programming and services, (2) making minor capital repairs related to special education eligible for the non-priority component of the school construction reimbursement program, and (3) requiring the Department of Administrative Services (DAS) to develop criteria to prioritize special education non-priority projects and notify all districts of the eligibility the same.

The sections are anticipated to increase school construction project costs and overall reimbursement levels, which in turn would increase both bond-funded state spending and municipal revenue gain.

The impact of changes to costs for future projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future. Additional reimbursements under the non-priority list portion of the program are dependent on both eligibility and prioritization criteria developed by DAS and future municipal decisions regarding such projects.

The school construction project reimbursement program is funded through General Obligation (GO) bond funds. Increased state spending under the school construction program will result in commensurate changes in General Fund debt service costs to the degree that it causes GO bond funds to be expended more quickly than they would otherwise

be spent. The bill does not change GO bond authorizations relevant to the program.

Section 16 requires special education service providers (including BOEs, magnet schools, and charter schools) to refund a sending district if a student moves out of the program mid-year, beginning in FY 26. This results in a revenue gain to sending towns equivalent to the amount refunded, which is prorated. There is a corresponding cost to BOEs that are required to provide refunds as a result of the bill.

Section 17 makes a clarifying change, which has no fiscal impact.

Section 18 requires OPM to develop a list of certain special education programs and update it annually. This list is required to be posted on the SDE public database. There is a cost to OPM in FY 26 for a consultant to develop the list. This cost of $250,000 is referenced in Sections 2 – 4. There is no fiscal impact to SDE; it is anticipated SDE can post the list with existing resources.

Section 19 results in a one-time cost of $250,000 in FY 26 to OPM 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 20 expands an existing requirement for SDE to conduct annual onsite visits of special education programs. SDE currently conducts onsite visits for special education programs in school districts and private providers; the bill 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 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,[5] and (3) a potential revenue gain to the Applicant Fingerprint Card Submission Account and various municipal police departments[6] in FY 26 and FY 27, and in the out years. 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

[5] 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.

[6] 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.

necessitate additional resources. The department processes over 210,000 child abuse registry checks annually. DCF does not charge a fee for a registry check.

Sections 22 - 23 make technical, clarifying, and procedural changes, which have no fiscal impact.

Section 24 requires SDE to establish a model contract for placing a student with a private provider of special education. This has no fiscal impact as SDE has the necessary expertise to meet the requirement.

Section 25 requires SDE to develop certain guidance and resources for BOEs and families regarding residential placements and inclusion. This results in a one-time cost to SDE in FY 26 of $50,000 to contract with the State Education Resource Center (SERC) or a RESC to complete this task.

Section 26 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 27 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 28 makes a clarifying change which has no fiscal impact.

Section 29 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 bill.

Sections 30 and 38 expand the responsibilities of the Building Educational Responsibility with Greater Improvement Networks Commission. This has no fiscal impact, as the commission has sufficient expertise to meet the requirements.

Section 31 requires SDE to develop a special education family guide. This has no fiscal impact as SDE has completed a guide.

Section 32 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 and fees for certain teacher preparation programs – are eligible. The SDE cost may partially offset in the out years by repayments received from former recipients who do not complete three years of employment in an Alliance District school.

Section 33 results in a one-time cost to SDE of $100,000 in FY 26 to hire a consultant to study the availability and comparability of paraeducator examinations offered in non-English languages.

Section 34 expands the responsibilities of the Connecticut Educator Preparation and Certification Board. This has no fiscal impact, as the board has sufficient expertise to meet the requirements.

Section 35 expands the responsibilities of the School Paraeducator Advisory Council. This has no fiscal impact, as the council has sufficient expertise to meet the requirements of the bill.

Section 36 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 September 1, 2025.

Section 37 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 January 1, 2026.

Sections 39 – 41 (1) give the party that filed for unilateral placement (the parent, guardian, or child) the burden of proving such placement is appropriate and outline procedures for a hearing; and (2) require a hearing officer to consider in-district services before those provided by a charging entity when making a special education placement decision. This results in a potential savings to BOEs beginning in FY 26, dependent on the cost differential between the placement made by a hearing officer and the placement that would have been made absent these provisions.

Section 42 has no fiscal impact. It requires SDE to remove certain information from the individualized education program (IEP) form, which SDE can do with existing resources.

Section 43 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 student-level data and report it on SDE's website.

Section 44 has no fiscal impact. It requires SDE to submit a report regarding dyslexia evaluations and interventions. It is anticipated SDE has the necessary expertise to complete the report.

Section 45 establishes a "special education support" license plate and an associated fee of $60 (in addition to regular registration fees), of which $15 is deposited to the Department of Motor Vehicles (DMV) within the STF and $45 is deposited to the "special education support account" within the GF, beginning in FY 27. The "special education support account", newly established under the bill, is to be administered by OPM to provide funding for the special education offset grant pursuant to Section 8 of the bill.[7] The bill also allows OPM to receive private donations for this account.

To the extent that these plates are requested, the bill results in revenue gain to the "special education support account" and DMV,

[7] Section 8 requires the special education offset grant to be paid by SDE.

along with associated costs for DMV. The portion of the license plate fee allocated to DMV is expected to cover the agency's costs for producing such plates.

Section 46 makes conforming changes, which have no fiscal impact.

Section 47 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 48 establishes the Office of the Educational Ombudsperson within SDE for administrative purposes only. It is anticipated that SDE will hire two people to fulfill this requirement: (1) one person to serve as the Educational Ombudsperson; and (2) an Administrative Assistant to staff the office. This results in an estimated cost to SDE of $146,300 in FY 26 (partial year cost) and $195,000 in FY 27, and fringe benefit costs of $59,500 in FY 26 (partial year cost) and $79,400 in FY 27.[8]

Section 49 requires BOEs to designate or hire an instructional support teacher in each school. The instructional support teacher must use 50% of their time in FY 27, 75% in FY 28, and 100% in FY 29 performing specific responsibilities. This results in a cost to BOEs starting as early as FY 27, with full implementation in FY 29, to hire one staff member in each school to be the designated instructional support teacher, for all schools that currently lack such a person. Costs will be highest for BOEs with many schools that do not currently have these personnel. The cost per instructional support teacher is likely to range from $100,000 to $175,000 but will vary based on experience and fringe benefit costs.

Section 50 results in an annual cost, starting in FY 27, to SDE of $250,000 to contract with SERC or a RESC to conduct quarterly trainings

[8] The estimated annual salary for the Ombudsperson is $131,000 with $53,300 in associated fringe benefits. The estimated annual salary for an Administrative Assistant is $64,000 with $26,100 in associated fringe benefits.

for instructional support teachers.

Section 51 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.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to: (1) inflation; (2) special education student enrollment; (3) changes to certain aspects of the ECS formula; (4) the number of special education plates requested; and (5) the terms of any bonds issued.