

HB 1563-FN-LOCAL - AS INTRODUCED

2026 SESSION

26-2408
07/08

HOUSE BILL ***1563-FN-LOCAL***

AN ACT relative to the special education aid formula.

SPONSORS: Rep. Ladd, Graf. 5; Rep. Erf, Hills. 28; Rep. Peebles, Hills. 14; Rep. D. McGuire, Merr. 14; Rep. Popovici-Muller, Rock. 17; Rep. S. Smith, Sull. 3; Sen. Sullivan, Dist 18; Sen. Murphy, Dist 16; Sen. Innis, Dist 7

COMMITTEE: Education Funding

ANALYSIS

This bill:

I. Requires the department of education to distribute aid to school districts for pupils whose special education costs exceed a certain dollar value, but only up to a certain threshold.

II. Creates considerations for calculating costs associated with a special education student's education.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty-Six

AN ACT relative to the special education aid formula.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Education; Special Education; State Aid. Amend RSA 186-C:18, III to read as follows:

2 III.(a) The department of education shall distribute aid available under this paragraph as
 3 entitlement to such school districts as have a special education pupil for whose costs they are
 4 responsible, for whom the costs of special education in the fiscal year [~~exceed 3 and 1/2 times the~~
 5 ~~most current state average expenditure per pupil for the school year preceding the year of~~
 6 ~~distribution]~~ **exceed \$60,000**. If in any year, the amount appropriated for distribution as special
 7 education aid in accordance with this section is insufficient therefor, the appropriation shall be
 8 prorated proportionally based on entitlement among the districts entitled to a grant, provided that
 9 the department of education shall distribute to the school district not less than 80 percent of the
 10 district's entitlement in the fiscal year. The state may designate up to \$250,000 of the funds which
 11 are appropriated as required by this paragraph, for each fiscal year, to assist those school districts
 12 which, under guidelines established by rules of the state board of education, may qualify for
 13 emergency assistance to mitigate the impact of special education costs. The state may designate up
 14 to an additional \$250,000 of the funds which are appropriated under this paragraph for each fiscal
 15 year for any community of 1,000 or fewer residents to mitigate the impact of special education costs
 16 when emergency assistance is necessary to prevent significant financial harm to such district or
 17 community. Upon application to the commissioner of education, and approval by the commissioner,
 18 such funds may be accepted and expended by school districts in accordance with this chapter;
 19 provided, however, that if a school district has received emergency assistance funds for certain
 20 children with disabilities, it shall not receive special education aid for those same children with
 21 disabilities. If any of the funds designated for emergency assistance under this paragraph are not
 22 used for such emergency assistance purposes, the funds shall be used to assist school districts in
 23 meeting special education cost increases in their special education programs as provided by this
 24 paragraph.

25 (b) The school district shall be liable for [~~3 and 1/2 times the estimated state average~~
 26 ~~expenditure per pupil for the school year preceding the year of distribution]~~ **\$60,000**, plus 20 percent
 27 of the additional cost, up to [~~10 times the estimated state average expenditure]~~ **\$200,000** per pupil,
 28 [~~for the school year preceding the year of distribution.~~] **and 10 percent of the cost above \$200,000**
 29 **per pupil.**

30 (c) The department of education shall be liable for 80 percent of the cost above [~~the 3 1/2~~
 31 ~~times the estimated state average expenditure]~~ **\$60,000** per pupil [~~for the school year preceding the~~

1 ~~year of distribution, up to 10 times the estimated state average expenditure per pupil for the school~~
2 ~~year preceding the year of distribution. The department of education shall be liable for all costs in~~
3 ~~excess of 10 times the estimated state average expenditure per pupil for the school year preceding~~
4 ~~the year of distribution.], **up to \$200,000, and 90 percent of the cost above \$200,000; however,**~~
5 ***no special education aid shall be eligible for reimbursement by the department of***
6 ***education for more than a total of \$160,000 per pupil.***

7 2 New Paragraph; Education; Special Education; State Aid. Amend RSA 186-C:18 by inserting
8 after paragraph XI the following new paragraph:

9 XII. A district shall be deemed eligible to apply for reimbursement for special education aid
10 when the costs associated with an individual student, after offsets from other available revenue
11 sources, exceed \$60,000 of the expenditure per pupil pursuant to paragraph III(a).

12 (a) In calculating costs associated with an individual student, the costs shall be incurred
13 solely as a result of the provision of special education and related services to the student's individual
14 education program pursuant to RSA 186-C:7.

15 (b) Ineligible costs shall include the basic cost of the classroom, including the
16 maintenance and operation of the classroom, basic materials and supplies, transportation not
17 required by the student's individual education program, and other routine or normal costs associated
18 with the provision of special education and related services to children with disabilities.

19 (c) Eligible expenses for reimbursement under the special education aid program shall
20 primarily include costs for services and resources to provide a free appropriate public education
21 (FAPE) for students with disabilities, including those with special education instruction, therapies,
22 adaptive equipment, assistive technology, and transportation specifically for students requiring
23 special assistance. Such costs shall be necessary, reasonable, and directly benefit the student's
24 education and disability needs as outlined in their individualized education program. The state
25 shall provide funding to school districts to help offset such expenses, but districts shall also be
26 responsible for a portion of the costs.

27 (d) The district shall demonstrate and document that it has fully accessed, to the
28 maximum extent possible, other available revenue sources, including Medicaid, or provide
29 documentation as to why other revenue sources were unavailable to the district for special education
30 aid.

31 (e) Other available revenue sources, including Medicaid, shall be applied by the district
32 as offsets to reimbursable costs for each special education cost reimbursed through special education
33 aid.

34 3 Effective Date. This act shall take effect July 1, 2028.

**HB 1563-FN-LOCAL- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to the special education aid formula.

FISCAL IMPACT: This bill does not provide funding, nor does it authorize new positions

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$0	\$0	<u>Department Positions</u> \$204K in FY 2028 and \$214K in FY 2029 <u>Special Education Aid Impact</u> Indeterminable in FY 2029 and Beyond	
<i>Funding Source(s)</i>	Education Trust Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Local Revenue	\$0	\$0	\$0	Indeterminable
Local Expenditures	\$0	\$0	\$0	Indeterminable

METHODOLOGY:

This bill, effective in FY 2029, makes the following changes:

- Amends the formula determining how Special Education Aid is paid to districts each year.
 - The bill changes the minimum payment to the district to a base \$60,000 rather than the previous calculation that the district pays 3.5x the most current state average cost per pupil for the preceding school year. The bill also removes the language regarding 10x the estimated cost per pupil and replaces it with a \$200,000 cap. The formula remains the same from \$60,000 up to \$200,000, where the district pays 20% and the state pays 80%. Beyond \$200,000 the district now pays 10% and the state pays 90% instead of the current coverage of

100% by the state. The language proposes that the state will pay a maximum of \$160,000 per student.

- Changes what is allowed to be paid with special education aid funds.
- Requires school districts to access all other sources to cover the costs, including Medicaid. If they are unable to access any other sources the district will need to provide documentation and justification. The bill also requires that the state apply the amount paid by Medicaid or other income sources to the reimbursable amount to the districts.

The proposed changes aim to place greater fiscal responsibility at the district level. Ultimately, this bill’s impact on state reimbursements to districts is indeterminable, as it will be based on activity from the 2027-2028 school year, which cannot be predicted. For illustrative purposes, the Department of Education has provided the following:

Under the proposed formula, when compared to the current reimbursement method, districts would realize a savings of \$12,255.74 per student whose annual special education costs fall within the range of \$75,319.68 to \$215,199.09—regardless of the specific cost incurred within that range. Beyond this range, the financial benefit begins to decline, and once a student’s annual service costs exceed \$263,295.56, the new formula results in a net increase in cost to the district for each student. Based on initial FY24–25 special education aid submissions, 54 students had service costs exceeding \$263,295.56, while 840 students fell below that threshold. The following breakdown illustrates the impact of the proposed changes on state and district costs:

54 Students Above	Current Formula	Proposed Formula		
Cost to Districts	\$5,577,960.35	\$11,720,717.86	Increase	\$6,142,757.51
Cost to State	\$14,782,757.51	\$8,640,000.00	Savings	(\$6,142,757.51)
\$263,295.59 Threshold				
840 Students Below	Current Formula	Proposed Formula		
Cost to Districts	\$73,005,048.12	\$62,872,492.91	Increase	(\$10,132,555.21)
Cost to State	\$39,722,775.37	\$49,855,330.58	Savings	\$10,132,555.21

The Department would also note that if the cap payment to districts is \$160,000 this would be enacted as soon as a district reaches around \$260,000, making the second calculation of 10% paid by the district and 90% paid by the state only applicable to around \$60,000 or \$54,000 additional funds from the state. This would mean that a district that spent \$260,000 and a district that spent \$591,000 (highest submission this year) would receive the same amount of reimbursement.

The Department of Education (NHED) has also provided the following challenges created by this bill:

Administration

These changes also introduce new complexities into an already lengthy and administratively burdensome process. One such variable is the number of students whose service costs currently exceed the proposed \$60,000 threshold but are under the current threshold of \$75,319.68. Currently, the Department does not collect comprehensive data on students whose special education costs fall below the existing reimbursement threshold, as invoices are only submitted for those exceeding it. However, based on observable trends, two key developments can reasonably be inferred: (1) the overall number of students receiving special education services is increasing, and (2) the number of students submitted for special education aid is also on the rise. To estimate the potential administrative impact of the proposed \$60,000 reimbursement threshold, several key data points can be utilized: the total number of students receiving special education services, the statewide special education expenditure reported on the state DOE-25 (FY24–25 estimated), the number of students submitted for special education aid, and the total district-level costs associated with those submissions. By applying a proportional adjustment across these variables, a reasonable estimate of the number of additional students who may become eligible for review under the new threshold can be estimated.

Assuming an even distribution of costs among the more than 30,000 remaining students receiving special education services, the table below provides a snapshot of the potential increase in aid submissions and ultimately, administrative workload. If each newly eligible student generates just two invoices per month over a standard 10-month school year, this would result in at least 20 additional invoices per student requiring data entry and review. This is in addition to the necessary service logs, transportation documentation, and other supporting materials required for aid verification.

School Year	DOE 25 Total	NH Special Ed Kid Total	District Special Ed Aid Cost Total	District Submitted Kid Total
21-22	842,738,008	30,309	82,085,908	760
22-23	915,220,911	30,917	89,546,192	762
23-24	978,485,932	32,019	97,798,489	857
24-25	1,047,896,208	32,324	119,129,962	907

School_Year	Estimated_Students	CI_Lower	CI_Upper
21-22	515	479	551
22-23	507	471	542
23-24	564	526	601
24-25	584	547	622

In reviewing the language regarding Medicaid payments this would add additional tasks to the Bureau of Special Education Support. This work would require at least two additional FTE staff to complete this work. The Department states the estimated cost of two positions (SOC 13-05, step 4, start date 07/01/27) would be \$204,000 in FY 2028 and \$214,000 in FY 2029.

The Medicaid portion is under the oversight of DHHS and therefore NHED would not be able to determine the amount eligible under Medicaid in order to subtract the amount reimbursable to the district.

NHED also notes that with this additional work added to the review process it is unclear if the Bureau will be able to complete the review of costs in the July 31 to December 1 time frame and this may need to be adjusted.

NHED believes this would also require a change to the current system that tracks Special Education Aid submissions as this is done through NHSEIS and the system would have to take into account the additional revenue sources the district accessed. The cost for this is unknown however typical changes of this type are at a minimum \$250,000. As the data needed is not generated at the NHED and would need to come from another agency, this amount could be higher.

As to ensuring that only allowed costs are paid for through Special Education Aid, the language expands on what is allowed and what is not. Currently the Department does not allow costs outlined in XXII (b). In XXII (c) the language places parameters around the IEP team decision based on the child's need. Decisions cannot be based on financial impacts but rather the specific needs of the child. This language contradicts the language in the Federal IDEA language regarding the determination of services for students with IEPs and limits a district's ability to provide the services needed to a student with a disability.

AGENCIES CONTACTED:

Department of Education