**HB 1563-FN-LOCAL - AS AMENDED BY THE HOUSE**

19Feb2026... 0546h
26Mar2026... 1086h

2026 SESSION

26-2408
07/08

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

AN ACT relative to the special education aid formula and the administration and monitoring of state special education aid.

SPONSORS: Rep. Ladd, Graf. 5; Rep. Erf, Hills. 28; Rep. Peeples, 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

---

AMENDED 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.

III. Requires each school district seeking special education aid reimbursements to submit a certified report for each student for whom reimbursement is requested.

- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

**HB 1563-FN-LOCAL - AS AMENDED BY THE HOUSE**

19Feb2026... 0546h
26Mar2026... 1086h

26-2408
07/08

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Twenty-Six*

AN ACT relative to the special education aid formula and the administration and monitoring of state special education aid.

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

1 Legislative Intent. It is the intent of the general court to reduce administrative burden on school districts and the department, expedite reimbursement of state special education aid, and ensure appropriate stewardship of state funds through a risk-based monitoring methodology.

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

III.(a) ***For the fiscal year ending June 30, 2029, based upon school year 2027-2028 costs, and for each fiscal year thereafter,*** [~~The~~] ***the*** department of education shall distribute aid available under this paragraph as entitlement to such school districts as have a special education pupil for whose costs they are responsible, for whom the costs of special education in the fiscal year exceed [~~3~~] ***2*** and 1/2 times the most current state average expenditure per pupil for the school year preceding the year of distribution. If in any year, the amount appropriated for distribution as special education aid in accordance with this section is insufficient therefor, the appropriation shall be prorated proportionally based on entitlement among the districts entitled to a grant, provided that the department of education shall distribute to the school district not less than 80 percent of the district's entitlement in the fiscal year. The state may designate up to $250,000 of the funds which are appropriated as required by this paragraph, for each fiscal year, to assist those school districts which, under guidelines established by rules of the state board of education, may qualify for emergency assistance to mitigate the impact of special education costs. The state may designate up to an additional $250,000 of the funds which are appropriated under this paragraph for each fiscal year for any community of 1,000 or fewer residents to mitigate the impact of special education costs when emergency assistance is necessary to prevent significant financial harm to such district or community. Upon application to the commissioner of education, and approval by the commissioner, such funds may be accepted and expended by school districts in accordance with this chapter; provided, however, that if a school district has received emergency assistance funds for certain children with disabilities, it shall not receive special education aid for those same children with disabilities. If any of the funds designated for emergency assistance under this paragraph are not used for such emergency assistance purposes, the funds shall be used to assist school districts in meeting special education cost increases in their special education programs as provided by this paragraph.

[~~(b) The school district shall be liable for 3 and 1/2 times the estimated state average expenditure per pupil for the school year preceding the year of distribution, plus 20 percent of the additional cost, up to 10 times the estimated state average expenditure per pupil for the school year preceding the year of distribution.~~]

***(b) The school district shall be liable for the following amounts, calculated using the most current state average expenditure per pupil for the school year preceding the year of distribution:***

***(1) An amount equal to 2.5 times the state average expenditure per pupil.***

***(2) 85 percent of the portion of costs exceeding 2.5 times, but not exceeding 3.5 times, the state average expenditure per pupil.***

***(3) 20 percent of the portion of costs exceeding 3.5 times, but not exceeding 10 times, the state average expenditure per pupil.***

***(4) 10 percent of the portion of costs exceeding 10 times the state average expenditure per pupil.***

[~~(c) The department of education shall be liable for 80 percent of the cost above the 3 1/2 times the estimated state average expenditure per pupil for the school year preceding the year of distribution, up to 10 times the estimated state average expenditure per pupil for the school year preceding the year of distribution. The department of education shall be liable for all costs in excess of 10 times the estimated state average expenditure per pupil for the school year preceding the year of distribution.~~]

***(c) The department of education shall be liable for the following amounts, calculated using the most current state average expenditure per pupil for the school year preceding the year of distribution:***

***(1) 15 percent of the portion of costs exceeding 2.5 times, but not exceeding 3.5 times, the state average expenditure per pupil.***

***(2) 80 percent of the portion of costs exceeding 3.5 times, but not exceeding 10 times, the state average expenditure per pupil.***

***(3) 90 percent of the portion of costs exceeding 10 times the state average expenditure per pupil.***

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

XII. A district shall be deemed eligible for special education aid when the costs associated with an individual student, after offsets applied by the district for the benefit of the student and for other available revenue sources, exceed 2 and 1/2 times of the expenditure per pupil pursuant to subparagraph III(a).

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

(b) All services included in a claim for special education aid shall be specified and documented in an IEP and tied to the child's disability related needs and program. Such costs shall be necessary, reasonable, directly benefit the student's education and disability needs as outlined in their IEP. The state shall provide funding to school districts to help offset such expenses, but districts shall also be responsible for a portion of the costs.

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

(d) Other available revenue sources, including Medicaid and private insurance, shall be applied by the district as offsets to reimbursable costs for each special education cost reimbursed through special education aid.

(e) A pupil's local education agency (LEA) shall provide documentation on the specific costs being claimed for each student. If there are questions about an LEA's claim and its costs are not documented, the claim may be disqualified. Appropriate documentation is included in the IEP for each student. All services included in the claim shall be specified in the IEP, and tied to the child's disability-related needs and programs. All documentation should connect each cost to the IEP, demonstrating that it is an actual cost of special education specific to the students. Appropriate documentation in support of the IEP may include, but not be limited to, daily schedules, payroll records, and invoices.

4 New Section; Special Education; Administration and Monitoring of State Special Education Aid. Amend RSA 186-C by inserting after section 18 the following new section:

186-C:18-a Administration and Monitoring of State Special Education Aid.

I. Each school district seeking reimbursement under this chapter shall submit to the department, by a date established by the department, a certified report for each student for whom reimbursement is requested.

II. The report shall include, at minimum:

(a) A student identifier;

(b) A description of services provided pursuant to the student's individualized education program (IEP);

(c) Eligible expenditures associated with those services, itemized by category;

(d) The total reimbursement amount requested for that student; and

(e) Certification by the superintendent that the information submitted is accurate and that the district maintains supporting documentation.

III. The department shall determine and issue state special education aid payments based on the certified reports submitted by school districts.

IV.(a) The department shall establish a risk-based monitoring program to verify the accuracy and allowability of reimbursement claims.

(b) The monitoring program shall include:

(1) Annual review of not less than 20 percent of districts submitting claims for state special education aid on a rotating review schedule designed to ensure that each district is reviewed at least once every 5 years;

(2) Random selection of additional districts for review;

(3) Targeted reviews based on risk indicators, anomalies, prior findings, or other factors identified by the department; and

(4) Other criteria as identified by the department.

(c) If systemic errors are identified, the department may take additional measures, including:

(1) Conducting a full review of the past years of submissions;

(2) Requiring districts to enter into an agreement with an independent auditor to complete an audit of expenditures under this program;

(3) Requiring additional review and certification of expenditures by the local school board; and

(4) Other measures deemed appropriate.

V. For districts selected for review, the department may examine invoices, individualized education programs (IEPs), service documentation, expenditure records, and any other documentation necessary to verify eligibility and accuracy of reported costs.

VI.(a) The department shall adjust reimbursement amounts based on monitoring findings.

(b) Overpayments shall be subject to recoupment.

(c) The department may require corrective action plans for districts demonstrating systemic errors or noncompliance.

VII. The department shall adopt rules pursuant to RSA 541-A to implement this section, including reporting formats, certification requirements, monitoring standards, appeal procedures, and recoupment processes.

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

LBA
26-2408
04/10/2026

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

AS AMENDED BY THE HOUSE (AMENDMENT #2026-1086h)

AN ACT relative to the special education aid formula and the administration and monitoring of state special education aid.

**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 |
| *Revenue Fund(s)* | None | | | |
| **Expenditures*** | $0 | $0 | $0 | Indeterminable Increase ($5M+) |
| *Funding Source(s)* | General Fund and Education Trust Fund | | | |
| **Appropriations*** | $0 | $0 | $0 | Statutory Open Warrant Exists to Make Required Special Education Aid Payments |
| *Funding Source(s)* | Education Trust Fund | | | |

***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 Increase ($5M+) |
| **Local Expenditures** | $0 | $0 | $0 | $0 |

**METHODOLOGY:**

The bill, effective July 1, 2028 (FY 2029 payment based upon 2027-2028 school year costs), revises the aid formula for higher cost special education students by lowering the eligibility threshold and restructuring cost sharing between the state and school districts. This bill also establishes a new certified reporting and risk-based monitoring system to improve oversight of reimbursements. Below is a summary of the cost sharing changes proposed by this bill:

| | **Current Law** | **Proposed** |
|---|---|---|

| | Local Share | State Share | Local Share | State Share |
|---|---|---|---|---|
| Less than 2.5X | 100% | 0% | 100% | 0% |
| 2.5X - 3.5X | 100% | 0% | 85% | 15% |
| 3.5X - 10X | 20% | 80% | 20% | 80% |
| More Than 10X | 0% | 100% | 10% | 90% |

X = Times the most current state average expenditure per pupil for the school year preceding the year of distribution

Under current law, and unchanged by this bill, if annual appropriations for this aid program are insufficient, funds shall be prorated among eligible districts, with each district receiving no less than 80 percent of its entitlement. In FY 2026, there were $54.769M in eligible costs, with a $49.917M state appropriation, resulting in a proration of 91.14%.

Ultimately, this bill's impact on state expenditures and local school district revenue in FY 2029 and beyond is indeterminable, as district reimbursable costs and future state appropriation amounts are not yet known. However, the Department of Education has provided the following information in estimating this bill's potential impact:

- Recent special education aid submissions can be used to estimate changes at both the state and district levels. Under current law, only students with costs exceeding 3.5 times the average cost per pupil (ACPP) qualify for aid ($75,320 in 2024–2025, paid in FY 2026). The proposal lowers this threshold to 2.5 times ACPP ($53,800).

- As Department does not collect data on students below the current 3.5X threshold, this analysis is limited to currently eligible students and excludes any additional students who would qualify under the lower threshold.

- Under this bill, costs between 2.5x and 3.5x ACPP would be reimbursed at 15 percent (currently unreimbursed). Applying this to recent data, 798 students would receive additional aid, increasing total district entitlement by $2,575,933 (about $3,228 per student).

- For students above 10x ACPP, reimbursement would decrease from 100 percent to 90 percent. As a result, some districts would see reduced aid, and once costs exceed $247,479, districts would begin absorbing costs currently fully covered by the state. In 2024–2025 data, 64 students across 45 districts fall into this category, resulting in estimated state savings of $708,528 and increased district costs ranging from $459 to $49,000 per student.

- The number and cost of additional students who would qualify under the 2.5x threshold remain unknown. To estimate this, statistical modeling was applied using district-level

data on special education populations, aid eligibility, and high-cost thresholds. Since data below 3.5x ACPP is not currently available, the Department validated the model through back-testing against known high-cost student counts/expenditures and compared with a Pareto-based estimation approach. Both methods produced broadly consistent projections of additional eligible students:

| School Year | ACPP | Students over 3.5x | Students Between 2.5x and 3.5x | |
|---|---|---|---|---|
| | | | Pareto Modeling | Linear ML Modeling |
| 2021 - 2022 | $17,986 | 760 | 973 | 2,738 |
| 2022 - 2023 | $19,034 | 762 | 898 | 2,784 |
| 2023 - 2024 | $19,914 | 857 | 865 | 2,990 |
| 2024 - 2025 | $21,520 | 907 | 962 | 2,960 |

Overall, based only on currently eligible students, the proposal results in a net increase in district entitlement of $1,934,153 statewide. In addition, for illustrative purposes, using the range of 1,000 to 3,000 students between 2.5x to 3.5x, there could be additional district entitlement under this program of between $3,288,000 ($3,288 x 1,000 students) and $9,864,000 ($3,288 x 3,000 students) per year. Using these assumptions, this bill could increase state aid to districts by approximately $5 million to $12 million per year, beginning in FY 2029.

Lastly, the Department states it is unclear if it would be responsible for ensuring that districts applied for Medicaid to Schools or personal insurance and if it would need to collect documentation of this. If this is a requirement this would add additional work to the staff implementing this risk-based monitoring system. The estimated cost for staffing for two (2) additional positions (miscellaneous business operations specialist, SOC 13-05, starting step 4) would be $208,000 in total beginning in FY 2029. This bill provides neither appropriation nor authorization for new personnel.

**AGENCIES CONTACTED:**

Department of Education