

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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 1 Legislative Intent. It is the intent of the general court to reduce administrative burden on
2 school districts and the department, expedite reimbursement of state special education aid, and
3 ensure appropriate stewardship of state funds through a risk-based monitoring methodology.

4 2 Education; Special Education; State Aid. Amend RSA 186-C:18, III to read as follows:

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

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

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

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

9 ***(2) 85 percent of the portion of costs exceeding 2.5 times, but not exceeding***
10 ***3.5 times, the state average expenditure per pupil.***

11 ***(3) 20 percent of the portion of costs exceeding 3.5 times, but not exceeding 10***
12 ***times, the state average expenditure per pupil.***

13 ***(4) 10 percent of the portion of costs exceeding 10 times the state average***
14 ***expenditure per pupil.***

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

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

24 ***(1) 15 percent of the portion of costs exceeding 2.5 times, but not exceeding***
25 ***3.5 times, the state average expenditure per pupil.***

26 ***(2) 80 percent of the portion of costs exceeding 3.5 times, but not exceeding 10***
27 ***times, the state average expenditure per pupil.***

28 ***(3) 90 percent of the portion of costs exceeding 10 times the state average***
29 ***expenditure per pupil.***

30 3 New Paragraph; Education; Special Education; State Aid. Amend RSA 186-C:18 by inserting
31 after paragraph XI the following new paragraph:

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

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

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

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

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

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

24 4 New Section; Special Education; Administration and Monitoring of State Special Education
25 Aid. Amend RSA 186-C by inserting after section 18 the following new section:

26 186-C:18-a Administration and Monitoring of State Special Education Aid.

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

30 II. The report shall include, at minimum:

31 (a) A student identifier;

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

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

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

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

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

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

5 (b) The monitoring program shall include:

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

9 (2) Random selection of additional districts for review;

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

12 (4) Other criteria as identified by the department.

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

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

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

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

20 (4) Other measures deemed appropriate.

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

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

25 (b) Overpayments shall be subject to recoupment.

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

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

31 5 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