

**HB 1563-FN-LOCAL - VERSION ADOPTED BY BOTH BODIES**

19Feb2026... 0546h  
26Mar2026... 1086h  
4Jun2026... 2140EBA

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

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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.

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                                  Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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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).

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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, and directly benefit the student's education and disability needs as  
7 outlined in their IEP. The state shall provide funding to school districts to help offset such expenses,  
8 but 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.

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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 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.

<b>Estimated State Impact</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Revenue</b>	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
<b>Expenditures*</b>	\$0	\$0	\$0	Indeterminable Increase (\$5M+)
<i>Funding Source(s)</i>	General Fund and Education Trust Fund			
<b>Appropriations*</b>	\$0	\$0	\$0	Statutory Open Warrant Exists to Make Required Special Education Aid Payments
<i>Funding Source(s)</i>	Education Trust Fund			

\*Expenditure = Cost of bill

\*Appropriation = Authorized funding to cover cost of bill

<b>Estimated Political Subdivision Impact</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Local Revenue</b>	\$0	\$0	\$0	Indeterminable Increase (\$5M+)
<b>Local Expenditures</b>	\$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:

	<b>Current Law</b>	<b>Proposed</b>
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	<b>Local Share</b>	<b>State Share</b>	<b>Local Share</b>	<b>State Share</b>
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%
<p>X = Times the most current state average expenditure per pupil for the school year preceding the year of distribution</p> <p>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%.</p>				

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 ACP 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