



State Fiscal Note for Bill Number: 2023-H-6113

Date of State Budget Office Approval: Friday, May 5, 2023

Date Requested: Thursday, March 23, 2023

Date Due: Sunday, April 2, 2023

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>
FY 2023	N/A	FY 2023
FY 2024	\$117,895,722	FY 2024
FY 2025	\$119,451,945	FY 2025

Explanation by State Budget Office: This bill would include excess costs associated with educating high-cost special education students in the calculation of direct state aid funding provided to school districts through the permanent foundation education-aid program.

Comments on Sources of Funds: Costs associated with this bill would be financed with general revenue.

Summary of Facts and Assumptions: The funding formula includes several categorical aid funding programs that provide funding for costs beyond those covered in the primary aid formula. These categorical funds are subject to annual appropriations and include high-cost special education, regional school and non-public school transportation, career and technical education, early childhood programs and Central Falls Stabilization funding.

The high-cost special education categorical includes funding for per-pupil education costs above five times the core-foundation amount, or the sum of the basic core plus student success factor amounts, which in 2023 was \$16,626 (= \$11,876 + \$4,750). Local Education Agencies (LEAs) report data annually to the Department of Elementary and Secondary Education (RIDE) on the per-pupil costs for all students with special education costs net of third-party reimbursements, and RIDE reimburses LEAs for only the per-pupil amount that are over this threshold. Per RIGL 16-7.2-6, RIDE collects data on educational costs that exceed the state-approved threshold based on an amount above two, three and four times the core-foundation amount. The high-cost special education categorical has been level-funded at \$4.5M each year since FY 2017. Fully funding the categorical in FY 2024 would require a total of \$12.8M.

According to RIDE, total per-pupil expenditures in FY 2021, which includes both state and municipal funding sources, the most recent year for which data is available, were \$19,624. Because LEAs are only required to report data on costs that exceed the per-pupil foundation threshold by two times or more, it is possible that students with costs that fall between the per-pupil cost of \$19,624 and the 2x foundation amount \$33,252 (\$16,626*2) would be underreported in this analysis. In addition to including funding for excess costs associated with high-cost special education students as pursuant to current law, H-6113 also requires that funding be included in the base calculation of the funding formula to account for the costs incurred by school districts to educate students determined to have mild to moderate intellectual disabilities. RIDE does not currently collect data on the above costs. While it is not possible to estimate the additional cost of educating students with mild-to-moderate

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intellectual disabilities, this provision may increase actual costs above the estimates produced in this fiscal note as LEAs would have financial incentive to account for each student with mild to moderate intellectual disabilities.

H-6113 requires that excess costs associated with special education students shall be included in calculating direct education aid through the education funding formula. To estimate the potential impact of this bill, this fiscal note therefore uses the total cost submitted by each LEA for the high-cost special education categorical and multiplies that amount by the state share ratio in the funding formula to obtain total cost. Across all traditional state LEAs and public schools of choice, the estimated cost based on FY 2022 cost data and FY 2023 state share ratio is \$74,321,597.

The above estimate is derived using total special education costs in excess of twice the core foundation amount, or \$33,252. Students with mild to moderate intellectual disabilities may therefore be understated by this estimate, as there is less incentive for LEAs to track and report costs that are not eligible for reimbursement. According to RIDE, there were 6,859 students with IEPs receiving services as of FY 2021. Though the number of total students with IEPs statewide is greater, RIDE notes that many students with IEPs receive minimal service hours at low or insubstantial additional cost. RIDE estimates also show the number of students with cost in the 2x-5x core foundation amount threshold to be 4,238. The number of students that may therefore be undercounted in this analysis is $6,859 - 4,238 = 2,621$. These students may have mild to moderate intellectual disabilities and not be eligible for reimbursement under current law but would be integrated into the funding formula through the stipulations of H-6113. The additional funding need for these additional students could range from \$1 to \$1 below the current foundation amount threshold of \$16,626 ($=\$16,625$). Data from a 2015 RIDE report indicated that the minimum expenditure for special education students is between \$1,645 and \$1,897. RIDE indicated that a more accurate cost for low-cost students may be closer to \$5,000. The Budget Office uses \$3,400, the midpoint between \$1,800 and \$5,000, as a benchmark for the estimated average cost of a student with a mild to moderate intellectual disability, noting that the true cost may vary. RIDE estimated that many students with mild to moderate disabilities receive extra hours or classroom time but do not present additional costs to the state, which would decrease the cost of the above estimate.

The range of additional costs for students with mild to moderate intellectual disabilities is as follows:

Low-End Estimate

$2,621 \text{ students} * \$3,400 = \$8,911,400$

High-End Estimate

$2,621 \text{ students} * \$16,625 = \$43,574,125$

The above costs would be in addition to the \$74,321,597 estimated for students whose education costs are 2-5x the core foundation amount, as described above. The Budget Office uses the high-end cost estimate to calculate total impact but notes that actual cost may be lower.



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Summary of Fiscal Impact:

H-6113 does not include language to eliminate the high-cost special education categorical currently in the funding formula. The Budget Office therefore maintains the level-funded amount of \$4.5M for the high-cost special education categorical from the total estimated cost, but notes that money provided through this categorical may be unnecessary if aid for high-cost special education students were included in the base calculation of aid as written in H-6113.

This bill will impact school years beginning after July 1, 2023 and will therefore not affect FY 2023.

FY 2024:

$\$74,321,597 + \$43,574,125 = \$117,895,722$

The estimate for FY 2025 uses the FY 2024 amount and applies an inflator of 1.32% to reflect the expected increase to education aid driven by student population growth and CPI.

FY 2025: \$119,451,945

Budget Office Signature:

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