

Approximately \$2 billion is spent annually by the State of Connecticut and its municipalities on services to educate students with disabilities.¹ Cities and towns are largely required to financially cover the expenses necessary to provide special education services for their students who have an Individualized Education Program (IEP).

On average, Connecticut's municipalities assume 65 percent, or \$1.3 billion, of the state's total special education expenses.² The Excess Cost grant is the State of Connecticut's method for sharing in the expense for students who have extraordinary special education needs and associated costs.

Passed during the 2023 legislative session, Section 8 of Conn. Acts 23-1 increased the appropriated amount of the Excess Cost grant from \$140.6 million to \$156.1 million, and amended the grant's formula for reimbursement that was set out in Connecticut General Statute 10-76g.³ These formula changes were made in order to address unforeseen issues with the formula revisions made as part of the FY 2023 state budget adjustments passed during the 2022 legislative session. While the 2022 changes resulted in a more equitable distribution of the grant by providing slightly greater reimbursements to lower-wealth communities, the changes did not detail how to distribute funds if the appropriated amount exceeded reimbursement requests from school districts.

This document explains how the new Excess Cost grant is allocated, the issues with the previous changes (those made in 2022) to the grant program, and how those issues were remedied during the General Assembly's 2023 legislative session.

New Excess Cost Grant Formula

As part of Conn. Acts 23-1, the formula to allocate Excess Cost grant funding was modified.⁴ Local and regional school districts are eligible for partial reimbursement from the State for students who require services that cumulatively exceed the school district's "basic contribution," or the portion of a student's education that the school district is responsible for. The basic contribution equals all costs up to 4.5 times the district's average expenditure per pupil in the previous year.⁵

These reimbursements have been provided to eligible districts at a prorated amount due to the Excess Cost grant not being fully funded by the State.^{6,7,A} The Excess Cost grant also reimburses school districts for students in state agency placements.⁸ In these cases, the basic contribution is 100 percent of the school district's net current expenditure per pupil from the previous year.⁹

Under the new formula, for FY 2023 and every year thereafter, if the sum of all district Excess Cost reimbursement requests is equal to or less than the total funds appropriated

^A In recent years, the State reimbursed Excess Cost expenses at approximately 68 percent — meaning a district would receive \$0.68 from the State for every \$1 it was eligible to receive in reimbursement.

for the grant, then each district will receive their uncapped Excess Cost grant.¹⁰ However, if the sum of all district Excess Cost reimbursement requests is greater than the total amount of funding appropriated to the grant, then districts will be reimbursed based on a 3-tiered system.¹¹

The tiered system sorts districts based on the wealth of their municipality.^B Under the tiered system, municipalities are ranked in descending order from one to 169 and each tier is reimbursed at a different rate. The reimbursement tiers are detailed below.

- Districts with the lowest wealth (municipalities ranked 115 to 169) would be reimbursed at 91 percent of their uncapped grant amount (previously was 76.25 percent under the changes made in 2022);
- Districts in the middle tier (municipalities ranked 59 to 114) would be reimbursed at 88 percent of their uncapped grant amount (previously was 73 percent); and
- Districts in the wealthiest tier (municipalities ranked 1 to 58) would be reimbursed at 85 percent of their uncapped grant amount (previously was 70 percent).¹²

If the amount to be reimbursed to districts using the tiered system still exceeds the total amount appropriated by the legislature to the Excess Cost grant, then the amount reimbursed to each district will be reduced proportionally so the total amount reimbursed does not exceed the total amount appropriated for the grant.¹³

Conn. Acts 23-1 also established a new 4-step formula to distribute any excess funds remaining after the tiered system is used to distribute funds. The remaining funds are allocated by the following method:

1. Subtracting the sum of all grants paid to school boards under the 3-tiered system in a given fiscal year from the sum of special education excess costs, state agency-placed students under a temporary custody order, excess regular education costs for state-placed children at private facilities, and no-nexus students;^C
2. Subtracting the sum of all Excess Cost grants paid to school boards in a fiscal year from the amount appropriated;
3. Dividing sum in Step 2 by the sum in Step 1; and
4. Multiplying the sum in Step 1 by the percentage calculated in Step 3 to determine the amount allocated to each school board.

What Issues Were Present in the 2022 Formula?

The changes contained in Conn. Acts 23-1 were intended to fix unintended consequences of changes made to the Excess Cost grant by the Connecticut General Assembly in 2022. The following page contains a summary of those unintended consequences.

^B District wealth is measured using Adjusted Equalized Net Grand List Per Capita (AENGLPC), which is the property wealth per person adjusted for differences in income.

^C No-nexus student: students receiving special education services from a private residential institution and no financially responsible school board can be determined.

1. **Districts were projected to receive an unintended decrease in their reimbursement percentages.**¹⁴
 - Due to a decrease in requested reimbursements, the prorated reimbursement percentage for the Excess Cost grant had increased from 68 percent to approximately 80 percent, which was greater than the tiered reimbursement percentages specified in this formula.¹⁵ As a result, the tiered structure created a situation where districts would experience an overall decrease of approximately \$11.6 million in the amount they would be reimbursed.¹⁶

2. **There was no method for allocating remaining appropriated funds.**¹⁷
 - Under the changes made in 2022, the tiered reimbursements resulted in a total uncapped grant amount of \$129 million compared to the \$156.1 million appropriated for FY 2023. However, there was no legislative language on how to distribute the \$27.1 million that remained.¹⁸

3. **If the issue of how to appropriate additional funding was not addressed, the State of Connecticut ran the risk of falling out of compliance with the State Maintenance of Effort (MOE) requirement that is part of the federal Individuals with Disabilities Education Act (IDEA).**¹⁹
 - Under federal law, the State of Connecticut is required to ensure it does not reduce state special education spending year over year. The Excess Cost grant is a component of the calculation of the State's annual special education spending.²⁰ If these issues were not solved through legislation, and the other components of state special education spending were not adjusted to make up the shortfall, the State of Connecticut could have been out of compliance with the IDEA.

How Were Those Issues Addressed?

The General Assembly addressed the above concerns during the 2023 legislative session through Conn. Acts 23-1. First, the percentages used in the tiered reimbursement system were increased, bringing reimbursement percentages to almost full reimbursement. This addressed both the concern for the unintended decrease in a district's Excess Cost reimbursement and the State running afoul of the MOE requirement under the IDEA.²¹ Additionally, the legislature created the 4-step reimbursement formula to allocate any remaining Excess Cost funds.²²

Endnotes

¹ Connecticut State Department of Education. (2018). *LEA Special Education Expenditures*. Hartford, CT: Author. Available from <https://ctschoolfinance.org/resources/lea-special-education-expenditures-2003-17-ct-state-department-of-education>.

² Ibid.

³ State of Connecticut, Office of Policy and Management, Budget Division. (2022). *Excess Cost Midterm Adjustment Implementation Issue*. Hartford, CT: Author.

⁴ Ibid.

⁵ Conn. Gen. Statutes ch. 165, §§ 10-76g(a)-76g(b).

⁶ Lohman, J. (2007). *Special Education Excess Cost Grant (2007-R-0043)*. Hartford, CT: Connecticut General Assembly, Office of Legislative Research. Retrieved from <https://www.cga.ct.gov/2007/rpt/2007-r-0043.htm>.

⁷ Connecticut State Department of Education. (n.d.). *2021-22 Revenues for Selected Grants Portal*. Retrieved from <https://www.csde.state.ct.us/public/dgm/grantreports1/revestselect.aspx>.

⁸ Conn. Gen. Statutes ch. 165, §§ 10-76g(a)-76g(b).

⁹ Conn. Gen. Statutes ch. 165, § 10-76d(e).

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Center for IDEA Fiscal Reporting. (2015). *Quick Reference Guide on IDEA Maintenance of State Financial Support*. San Francisco, CA: WestEd. Retrieved from <https://cifr.wested.org/wp-content/uploads/2021/04/CIFR-MFS-QRG-final.pdf>.

²¹ Conn. Acts 23-1 § 8.

²² Ibid.