



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 704

PRINTER'S NO: 2375

PRIME SPONSOR: Sturla

As amended A06605

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	\$0	See analysis

OVERVIEW:

House Bill 704 amends the Public School Code of 1949 to establish a new formula for the special education subsidy payment to school districts for fiscal year 2010-2011. The new formula, based upon the findings of Act 114 of 2006, known as the Costing-Out Study, is similar to the basic education funding formula that was enacted in 2008. The bill continues the special education contingency fund, in the amount of 1.5% of the total special education appropriation, to meet extraordinary special education expenses or to implement programs/services that are models of excellence in special education. Charter schools are added as those entities that may apply for these contingency funds. Finally, the bill adds a special education accountability section to ensure that the new resources are providing additional special education services, that school districts are complying with their approved special education plans, and that schools are not inappropriately over-identifying children for special education services.

This bill shall take effect immediately.

ANALYSIS:

For the 2010-11 school year, the special education subsidy for each district will consist of the amount that the district received in special education funding in 2009-10, plus the state share phase-in amount of the adequacy target, plus a minimum increase (if necessary). The subsidy calculation is:

1. Each school districts receives an amount equal to their special education allocation for 2009-2010.
2. The adequacy target for each school district (amount necessary to provide adequate special education funding for each student) is the sum of:
 - o Special education supplement: Base cost per student (\$8,950) multiplied by the 2010-2011 modified special education average daily membership multiplied by 1.3
 - o Adjustment for geographic price difference: greater of 1 or its location cost metric (measurement of geographic cost differences) multiplied by the special education supplement minus the special education supplement
3. Each district's shortfall in adequate special education funding is calculated as the greater of zero or its special education adequacy target (calculated in #2 above) minus its actual special education spending for 2008-2009.

4. The state share of the special education funding target equals the adequacy shortfall multiplied by (a) its 2010-2011 market value/personal income aid ratio multiplied by (b) the lesser of 1.00 or its 2008-09 equalized millage divided by 24, multiplied by (c) 1.15 if the average of the 2007-08 and 2008-09 percent of eligible students provided instruction within the regular classroom at least 80% of the day is at least 65% or the number of eligible students receiving instruction within the regular classroom at least 80% of the school day increased by 15% between 2007-08 and 2008-09.
5. The state share phase-in amount of #4 is 16.75% of the total for each district whose 2008-09 equalized millage is equal to or greater than 22.1, or 10% for each district whose 2008-09 equalized millage is less than 22.1.
6. Minimum increase: provided, if necessary, so that each district's total increase for 2010-11 shall equal at least the percent increase that the district received in its 2008-09 special education allocation.

According to the Department of Education, the cost to implement this formula in 2010-11 is approximately \$985.4 million. The proposed formula portion of special education funding for 2010-11 is approximately \$947.5 million, making the additional cost incurred by enactment of the formula in this bill equal to \$37.9 million. In the event that insufficient funding is appropriated for the proposed formula, language in the bill states that school districts shall receive the same appropriation received in 2008-09 under section 2509.5(zz) of the Public School Code. If no additional funding is appropriated in the special education subsidy line of the General Appropriations bill, school districts will receive the amount of special education funding proposed in the governor's 2010-11 budget, or a pro rata share based upon the enacted amount in the General Appropriations bill of 2010-11. Therefore, enactment of this bill has no adverse impact on Commonwealth funds.

PREPARED BY: Debbie Reeves, Budget Analyst
House Appropriations Committee, (D)

DATE: May 24, 2010

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*