



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

SENATE BILL NO. 1115

PRINTERS NO. 2337

PRIME SPONSOR: Browne

### COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	\$0	\$307,000

**SUMMARY:** Senate Bill 1115 amends the Public School Code concerning special education funding and accountability. It would take effect immediately.

**ANALYSIS:** This legislation establishes the Legislative Commission on Special Education Funding to develop a new special education funding formula.

The General Assembly will, through the annual appropriations process, determine the level of State funding for the special education subsidy. The distribution to school districts shall be calculated pursuant to the formula developed under the provisions of this legislation.

The Legislative Commission on Special Education Funding is established and shall determine a formula for distributing any increases in special education funding over the level of funding for the 2010-2011 school year. The bill includes certain elements that must be contained in any formula developed by the Commission.

In developing the formula, the Commission must consider nationally accepted accounting and budgeting standards and hold at least three public hearings in different parts of the Commonwealth to receive input and testimony from interested parties.

The Commission shall determine the subfactor quantity for each school district by calculating the sum of the following:

- Amounts for the cost categories as follows:
  - For category 3 (most severe disabilities), the product of:
    - The number of eligible students, averaged for the three (3) most recent years, residing or enrolled in the school district classified as having category 3 disabilities;
    - The weighting factor for category 3; and,
    - The base cost per student.
  - For category 2 (moderate disabilities), the product of:
    - The number of eligible students in the school district, averaged for the three (3) most recent years;
    - The Statewide percentage of modified average daily membership designated for category 2;

- The weighting factor for category 2; and,
- The base cost per student.
- For category 1 (least severe disabilities), the product of:
  - The school district's modified average daily membership, averaged for the three (3) most recent years;
  - The Statewide percentage of modified average daily membership designated for category 1;
  - The weighting factor for category 1; and,
  - The base cost per student.
- The weighting factor for each category shall be based on the typical range of services provided and shall make adjustments for each school district for: (1) the market value/ personal income aid ratio averaged for the three most recent years, (2) the equalized millage rate averaged for the three most recent years, and (3) geographic price differences.

The Commission will include 15 members, consisting of the chairmen and minority chairmen of the House and Senate Education Committees, two legislators from each of the four legislative caucuses as determined by the leadership of each caucus, the Secretary of Education, the Secretary of the Budget, and the Deputy Secretary for Elementary and Secondary Education.

Once approved by an act of the General Assembly, the PA Department of Education (PDE) shall distribute the special education increase, if any, in the year for which funds are being appropriated by use of the formula developed by the Commission.

The contingency fund will remain a 1% set-aside of the subsidy and will be administered by PDE pursuant to Section 2509.8(e) of the Public School Code for extraordinary special education program expenses. School districts and charter schools will apply to receive a portion of this fund under procedures established by PDE. PDE must issue to the General Assembly an annual report documenting the use of the fund and give public notice of the report.

To the extent that funds are appropriated in any year, PDE shall establish a **competitive grant program** for school districts and charter and cyber charter schools meeting the following criteria:

- Provide instruction for at least 65% of eligible special education students in the regular classroom for at least 80% of the school day as averaged for the two most recent school years for which data is available or increase the number of eligible students educated in the regular classroom by at least 15% in the most recent school year for which data is available; and,
- Meet state standards in reading and math for adequate yearly progress (AYP) by special education students.
- Implement programs or services that serve as a model of excellence for inclusion and student achievement.

Beginning in the 2014-2015 school year, SB 1115 will require PDE to set aside at least 1% of the state special education appropriation above the level of funding for the 2010-2011 school year and distribute the funds on a pro rata basis based upon the number of students in each school district who had category 3 disabilities in the prior school year.

A new Section 2509.15, entitled Special Education Accountability, is included in an attempt to ensure the appropriate use of special education funding provided through the proposed formula. PDE is required to use staff and contract for the purpose of monitoring and reviewing special education

plans and implementation. The accountability section also requires that PDE compile a list of PDE-approved, research-based programs or supports aimed at increasing achievement of eligible students. To discourage over-identification of students, PDE shall conduct an automatic review of districts' special education plans and may withhold up to 5% of all State special education funding pending review for any school district that increases the ratio of its special education average daily membership (SEADM) to its Average Daily Membership (ADM) by more than 10% in the most recent school year for which data is available over the previous year, or any school district which increases this ratio by an average of 5% annually in the most recent 5 year period. Any school district affected by this section shall receive a notice from PDE specifying PDE's decisions and rationale.

**FISCAL IMPACT:** The Department of Education has indicated that the administrative provisions in Senate Bill 1115 related to special education plan review and monitoring will cost approximately \$300,000 annually. In addition, it estimates modifying existing data systems to collect the data elements required by the legislation will cost approximately \$7,000.

Funding distributed to school districts through the formula developed by the commission, the new competitive grant program and the one percent set aside for category 3 disabilities will be dependent upon appropriations made by the General Assembly.

**PREPARED BY:** Jeff Miller  
House Appropriations Committee (R)

**DATE:** June 28, 2012

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*