



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2

PRINTERS NO. 537

PRIME SPONSOR: O'Neill

COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General Fund	\$0	See "Fiscal Impact" below.

SUMMARY: House Bill 2 amends the Public School Code concerning special education. It would take effect immediately.

ANALYSIS: This legislation adds several new sections to the School Code concerning special education.

Section 122 creates a Special Education Funding Commission to review and make recommendations related to special education funding. The General Assembly shall provide administrative support, meeting space and any other assistance required by the commission in cooperation with the Pennsylvania Department of Education (PDE). The department shall provide the commission with data, research and other information. The Commission is charged with creating a special education funding formula in a manner and using criteria outlined in the legislation. The formula must establish three categories of eligible students, so that students with disabilities typically requiring the least-intensive range of services would comprise Cost Category 1, students with disabilities typically requiring a middle range of services would comprise Cost Category 2 and students with disabilities typically requiring the most intensive range of services would comprise Cost Category 3. The commission shall determine a description of and parameters for each of the three (3) cost categories. The special education formula developed by the commission shall not go into effect unless the formula is approved by an act of the General Assembly. Every five years the commission must be reconstituted to review the special education funding formula. Using existing resources and nationally accepted accounting and modeling standards, PDE must collect data necessary for the accurate functioning of the formula developed by the Commission. This new funding formula will only apply when the amount appropriated by the General Assembly for special education increases above the \$1,026,815,000 appropriated in fiscal year 2010-11.

Section 2509.13 requires PDE to administer two grant programs to the extent funds are available. The Department shall utilize 1% of special education funds set aside under section 2509.8(e) in order to meet, to the extent that funds are available, extraordinary special education expenses not anticipated through the special education funding formula. School districts and

charter and cyber charter schools may apply for resources through the fund under procedures established by PDE. The Department will make payments from the fund in response to the applications. The Department must issue a comprehensive annual report documenting use of the fund to the General Assembly and provide public access to the report.

Under section 2509.13, PDE must also establish and implement a competitive grant program for school districts and charter schools meeting certain criteria listed in the legislation. The Department will develop guidelines for the administration of this grant program, and issue an annual report to the General Assembly documenting use of the grants, and provide public access to the report.

Under a new section 2509.14, beginning in the 2014-15 school year, HB 2 will require PDE to set aside no less than 1% of the special education appropriation in excess of \$1,026,815,000 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. School districts must account for the funding provided under this section and the resulting services and supports for eligible students through the bill's new special education plan requirements.

Section 2509.15, entitled Special Education Accountability to Commonwealth Taxpayers, requires PDE to review the use of special education funding provided through the new special education funding formula. School districts are already required to submit special education plans, and HB 2 aligns the special education plans required by this legislation with those currently required under 22 Pa. Code § 14.104.

The bill requires PDE to: (1) review the plans, revisions, updates and amendments; (2) provide recommendations and technical assistance to school districts; (3) approve or disapprove plans within 90 calendar days of receipt; (4) provide written explanations when disapproving a plan; and (5) provide guidance related to plan resubmission.

The Department must hold school districts accountable by using appropriate staff and resources to conduct special education monitoring, support, intervention, technical assistance and special education plan review.

The Department must identify resources for programs and supports that benefit eligible students and make those resources available to all educational entities in the Commonwealth. The Department shall also issue to the General Assembly a comprehensive annual report on special education funding, special education plans, the implementation of 22 Pa. Code § 14.104 (relating to special education plans) and other special education accountability issues.

To discourage the inappropriate over-identification of students, PDE shall automatically conduct a thorough review of the special education plan of any district with a substantially higher ratio of special education students in the district to its average daily membership for all students than the State average. It will also review any district where the ratio of special education students in the school district to its average daily membership for all students in the most recent school year for which data is available has increased by more than 10% over the

previous year, and of any district where the ratio has increased by an annual average of more than 5% during the most recent five-year period.

FISCAL IMPACT: The addition of section 122 is expected to have a minimal impact on Commonwealth funds that can be absorbed within the operating budgets of the General Assembly and PDE.

The grant programs under section 2509.13 will only be implemented to the extent that funding for the grants is appropriated by the General Assembly.

The accountability provisions in sections 2509.14 and 2509.15 do not take effect until the General Assembly appropriates special education funding above the level of funding in the 2010-11 fiscal year, which was \$1,026,815,000. The Governor's proposed budget for 2013-14 does not increase funding above this level. However, once these provisions are fully implemented, the Department of Education estimates it could cost as much as \$970,000 annually to administer the accountability and oversight of the school districts relative to special education funding. Data collection and analysis, annual reporting requirements, oversight functions, and awarding competitive grants to school districts (under section 2509.13) would require PDE to hire eight additional full-time staff. This would include seven special education advisers and one information technology specialist. Each special education adviser would be responsible for providing oversight to local education agencies across the commonwealth. Total personnel costs, including benefits, are estimated at \$881,500. Operating costs to support the 8 personnel positions is estimated at \$88,500.

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House Appropriations Committee (R)

DATE: March 11, 2013

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