

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 459a

51st Legislature, 1st Session, 2013

Tracking Number: .192322.2

Short Title: Special Education Equalization Guarantee

Sponsor(s): Representative Mimi Stewart and Others

Analyst: Ian Kleats

Date: February 15, 2013

AS AMENDED

The House Education Committee amendment provides an effective date of July 1, 2013.

Original Bill Summary:

HB 459 would institute two separate equalized funding formulas for public education:

- the State Equalization Guarantee (SEG); and
- the Special Education State Equalization Guarantee (SESEG).

Among its provisions, HB 459 would:

- define the special education program cost based on existing program units;
- define gifted education program units using the same cost differential factors currently applied for gifted services currently provided under the special education program units;
- remove special education units along with grade level units for 3- and 4-year olds with disabilities from the calculation of the SEG's program cost; and
- create the SESEG.

Attachments 1, 2, and 3 provide visual representations of the current funding formula and the changes proposed by HB 459.

The bill does not specify an effective date of the bill's provisions, and therefore, will be 90 days following adjournment, which is June 14, 2013.

Fiscal Impact:

HB 459 does not contain an appropriation.

Fiscal Issues:

The separation of the SESEG from the current SEG could result in the net creation of between 560 and 1,600 additional gifted program units, which could decrease the new SEG unit value by \$4.36 to \$12.42, respectively. To put these values into context:

- 560 units represent fewer than 0.12 percent of non-special education units; and
- 1,600 units represent approximately 0.34 percent of non-special education units.

These additional units would be generated by the population of “twice exceptional” students, those who are classified as both gifted and with a disability (the projections above assume no more than 800 students are classified as such). Provisions of HB 459 would allow those students to generate gifted units and special education units independently.

The new SEG unit value could be held constant from an increase of 1,600 units, assuming all other units remain constant, by increasing the new SEG appropriation by approximately \$2.3 million. For context, the *General Appropriation Act of 2012* increased the SEG by just under \$50.0 million from the previous year.

Calculations of the amount in the FY 13 SEG appropriation that is attributable to the special education units in the proposed SESEG are included in Attachment 4, “FY 13 Special Education Program Units and Cost.”

Based on the preliminary school year 2012-2013 unit value of \$3,668.18, the special education program cost amounts to approximately \$418.5 million, or about 18 percent, of the \$2.32 billion total program cost.

Substantive Issues:

The federal *Individuals with Disabilities Education Act* Part-B (IDEA-B) funds received by the state are subject to maintenance of effort (MOE) requirements for total state-level financial support provided to special education in each fiscal year. One issue arising from the MOE requirement is the difficulty in separating state-level financial support for special education out from the current, total SEG appropriation. Changes in the number of special education program units and the final unit value allow for decreases in special education financial support even when the SEG appropriation has increased year-over-year.

The provisions of HB 459 could address this issue by creating a more transparent funding target, the SESEG, in order to ensure that effort is maintained between fiscal years.

Technical Issues:

HB 459 does not contain an effective date. Therefore, its provisions would go into effect prior to the end of the current fiscal year, which could impact current-year SEG distributions. It could be considered amending the bill to include an effective date at the start of a fiscal year.

Background:

The Public Education Department is currently in the process of requesting waivers from the US Department of Education for the state’s FY 10 and FY 11 MOE requirements.

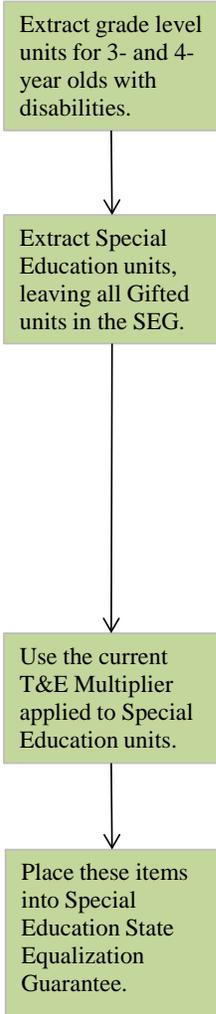
Committee Referrals:

HEC/HAFC

Related Bills:

None as of February 7, 2013.

State Equalization Guarantee Computation



<u>Grade Level/Program Membership</u>		<u>Times</u>	<u>Cost Differential = Units</u>	S U M O F U N I T S
Kindergarten & 3- and 4-Year-Old DD	FTE MEM	×	1.44	
Grade 1	MEM	×	1.20	
Grades 2-3	MEM	×	1.18	
Grades 4-6	MEM	×	1.045	
Grades 7-12	MEM	×	1.25	
<u>Special Education</u>				
Related Services (Ancillary)	FTE STAFF	×	25.00	
A/B Level Service Add-on	MEM	×	0.70	
C Level Service Add-on	MEM	×	1.00	
D Level Service Add-on	MEM	×	2.00	
3- and 4-Year-Old DD Program Add-on	MEM	×	2.00	
<u>Bilingual Education</u>	FTE MEM	×	0.50	
<u>Fine Arts Education</u>	FTE MEM	×	0.05	
<u>Elementary Physical Education</u>	FTE MEM	×	0.06	
			= TOTAL PROGRAM UNITS	
T&E INDEX MULTIPLIER		→ Times Value from 1.000 – 1.500		
			= ADJUSTED PROGRAM UNITS	
			Plus	
			D-Level NPTC Special Education Units Size Units (Elementary/Junior High; Senior High; District; Rural Isolation) New District Adjustment Units At-Risk Units Enrollment Growth Units National Board for Professional Teaching Standards Units Charter School Activities Units Home School Student Activities Units	
			= TOTAL UNITS	
			Plus Save Harmless Units	
			= GRAND TOTAL UNITS	
Grand Total Units × Unit Value = Program Cost				
– 75% Noncategorical Revenue Credits				
– Excess Cash Balance				
– Utility Conservation Program Contract Payments				
– 90% of the Certified Amount (<i>Energy Efficiency and Renewable Energy Bonding Act</i>)				
= STATE EQUALIZATION GUARANTEE				

**FIGURE 2 - FUNDING FORMULA (PROPOSED): ATTACHMENT 2
FACTORS (SPECIAL EDUCATION STATE EQUALIZATION GUARANTEE)**

Special Education State Equalization Guarantee Computation			
<u>Grade Level/Program Membership</u>		<u>Times</u>	<u>Cost Differential = Units</u>
3- and 4-Year-Old DD	FTE MEM	×	1.44
Special Education			
Related Services (Ancillary)	FTE STAFF	×	25.00
A/B Level Service Add-on	MEM	×	0.70
C Level Service Add-on	MEM	×	1.00
D Level Service Add-on	MEM	×	2.00
3- and 4-Year-Old DD Program Add-on	MEM	×	2.00
			S U N I T S
			= TOTAL SPECIAL EDUCATION PROGRAM UNITS
T&E INDEX MULTIPLIER	→	Times Value from 1.000 – 1.500	
			= ADJUSTED SPECIAL EDUCATION PROGRAM UNITS
			= GRAND TOTAL SPECIAL EDUCATION UNITS
Grand Total Sp. Ed. Units × Sp. Ed. Unit Value = Special Education Program Cost = SPECIAL EDUCATION STATE EQUALIZATION GUARANTEE			

State Equalization Guarantee Computation

<u>Grade Level/Program Membership</u>		<u>Times</u>	<u>Cost Differential = Units</u>	
Kindergarten	FTE MEM	×	1.44	S U M O F U N I T S
Grade 1	MEM	×	1.20	
Grades 2-3	MEM	×	1.18	
Grades 4-6	MEM	×	1.045	
Grades 7-12	MEM	×	1.25	
<u>Gifted Education</u>				
1/2 Level Service Add-on	MEM	×	0.70	
3 Level Service Add-on	MEM	×	1.00	
4 Level Service Add-on	MEM	×	2.00	
<u>Bilingual Education</u>				
	FTE MEM	×	0.50	
<u>Fine Arts Education</u>				
	FTE MEM	×	0.05	
<u>Elementary Physical Education</u>				
	FTE MEM	×	0.06	

= TOTAL PROGRAM UNITS

T&E INDEX MULTIPLIER → Times Value from 1.000 – 1.500

= ADJUSTED PROGRAM UNITS

Plus

Size Units (Elementary/Junior High; Senior High; District;
Rural Isolation)
New District Adjustment Units
At-Risk Units
Enrollment Growth Units
National Board for
Professional Teaching Standards Units
Charter School Activities Units
Home School Student Activities Units

= TOTAL UNITS

Plus Save Harmless Units

= GRAND TOTAL UNITS

Grand Total Units × Unit Value = Program Cost

– 75% Noncategorical Revenue Credits

– Excess Cash Balance

– Utility Conservation Program Contract Payments

– 90% of the Certified Amount (*Energy Efficiency and Renewable Energy Bonding Act*)

= STATE EQUALIZATION GUARANTEE

FY 13 Special Education Program Units and Cost

Program	Adjusted				=	Program Cost		
	Units	x	T&E	=			Units	x
Non-Gifted Units ²	99,840.82		1.101		109924.7		\$3,668.18	\$403,223,736.96
3y-4y Grade Level Units	3,777.84		1.101		4159.4		\$3,668.18	\$15,257,434.64
SESEG Grand Total	103,618.66		1.101		114084.1		\$3,668.18	\$418,481,171.60

¹ Units, unit value, and T&E index were taken from the 2012-2013 Preliminary Funded Run.

² Non-gifted units are statistical projections of FY 09 through FY 11 data provided by the Public Education Department.