

Over the past decade, the number of students in Connecticut requiring special education services has increased by 6.2%, even as total K-12 enrollment in the state's public schools has declined.<sup>1</sup> During this period, special education costs have also risen. Over the last five years, per-student special education spending has grown by \$4,423 — over \$200 more than the increase in overall per-student expenditures.<sup>2</sup> A significant portion of special education funding is spent by school districts to cover tuition for out-of-district student services, which has grown by \$148 million over the last five years.<sup>3</sup>

Prior to fiscal year 2026, Connecticut was one of only a few states that did not distribute state funding for special education through a dedicated formula.<sup>4</sup> Instead, state special education funding was limited to the portion of the Education Cost Sharing (ECS) formula's foundation amount that was assumed to be attributable to special education expenditures,<sup>A</sup> as well as the state's Excess Cost grant, which reimburses districts for a portion of their costs associated with educating students requiring extraordinary, high-cost special education services.

During its 2025 regular legislative session, the Connecticut General Assembly made a number of changes to how the State funds special education, including the creation of a new formulaic grant to support special education services. The biennial state budget for FYs 2026 and 2027 (Public Act 25-168),<sup>B</sup> as well as two omnibus education bills (Public Act 25-67 and Public Act 25-93),<sup>C,D</sup> passed during the legislative session contain various policy changes that affect how special education services are funded for students and districts across the state.

This document provides a high-level overview of these changes and their impacts to how special education is funded in Connecticut.

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<sup>A</sup> For FY 2023, the most recent year available, the Connecticut State Department of Education estimated 23% of all ECS funding was spent on special education.

Connecticut General Assembly, Office of Fiscal Analysis. (2025). Overview of Special Education Funding in Connecticut [PowerPoint slides]. Hartford, CT: Author. Retrieved from [https://cga.ct.gov/sed/related/20250129\\_2025%20OFA%20Presentation/OFA%20Special%20Education%20Funding%20Presentation.pdf](https://cga.ct.gov/sed/related/20250129_2025%20OFA%20Presentation/OFA%20Special%20Education%20Funding%20Presentation.pdf).

<sup>B</sup> For more information on the biennial budget for FYs 2026 and 2027, please see:

School and State Finance Project. (2025). *Budget Snapshot: K-12 Education Funding in Adopted State Budget for FYs 2026-27*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Adopted%20Budget%20for%20FYs%202026%20and%202027%20Education%20Funding%20Snapshot.pdf>.

<sup>C</sup> For more information on Public Act 25-67, please see: School and State Finance Project. (2025). *Public Act 25-67: An Act Concerning the Quality and Delivery of Special Education Services in Connecticut*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Bill%20Analysis%20-%20Public%20Act%2025-67.pdf>.

<sup>D</sup> For more information on Public Act 25-93, please see: School and State Finance Project. (2025). *Public Act 25-93: An Act Increasing Resources for Students, Schools and Special Education*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Bill%20Analysis%20-%20Public%20Act%2025-93.pdf>.

## Overview

- The additional \$40 million appropriated to the Excess Cost grant in March by the General Assembly for FY 2025 was continued in FYs 2026 and 2027, setting the appropriation to \$221,119,782 for each fiscal year.
- Starting in FY 2026, \$30 million will be allocated to establish the Special Education and Expansion Development (SEED) grant, which will provide funding to school districts specifically for special education purposes.
- In FY 2027, \$9.9 million is appropriated to establish a competitive grant program that incentivizes school districts to develop or expand in-district or multi-district special education programs aimed at reducing student outplacements.
- The Connecticut State Department of Education (CSDE) is required to establish a rate schedule for direct special education services by January 1, 2028.
  - Individual rates for special education and other related services must be implemented by December 31, 2027, and the CSDE may begin setting these rates as early as July 1, 2025.

## How did Connecticut fund special education in FY 2025?

- Under current law, Connecticut distributes some funding for special education to districts through the foundation amount of the ECS formula. However, the formula does not include a weight for students requiring special education services.
- The State also supports students needing high-cost special education services through the Excess Cost grant,<sup>E</sup> which partially reimburses local and regional school districts for special education costs that exceed 4.5 times the district's average per-student expenditures from the previous school year.<sup>5</sup>
  - In FY 2025, Connecticut allocated \$221,119,782 for the Excess Cost grant.
  - The grant's 3-tiered ranking system categorizes districts in descending order according to their municipality's wealth, as measured by the Adjusted Equalized Net Grand List Per Capita (AENGLPC).<sup>6</sup> The reimbursement tiers are detailed below.
    - Districts with the lowest wealth (municipalities ranked 115 to 169) are reimbursed at 91% of their uncapped grant amount;
    - Districts in the middle tier (municipalities ranked 59 to 114) are reimbursed at 88% of their uncapped grant amount; and
    - Districts in the wealthiest tier (municipalities ranked 1 to 58) are reimbursed at 85% of their uncapped grant amount.<sup>7</sup>

<sup>E</sup> For more information on the Excess Cost grant, please see: School and State Finance Project. (2024). *FAQs: Excess Cost Grant*. Southington, CT: Author. Retrieved from <https://files.schoolstatefinance.org/hubfs/Reports/Excess%20Cost%20Grant%20FAQs.pdf>.

### What changes will be enacted in FY 2026 to existing special education policies?

- Starting in FY 2026, several changes will be implemented to policies affecting the Excess Cost grant.
- The additional \$40 million allocated in FY 2025 to the Excess Cost grant was continued in FY 2026 and FY 2027, setting the appropriation at \$221,119,782 for each fiscal year.<sup>8</sup>
  - The commissioner of the CSDE must provide student-level data on students in each school board's December 1 filing for the Excess Cost grant by February 28, 2026, and annually thereafter.<sup>9</sup>
  - Starting in FY 2026, the CSDE must annually submit Excess Cost grant projections on January 30 and March 30 to the General Assembly's Appropriations and Education Committees as well as its Office of Fiscal Analysis.<sup>10</sup>

### What new special education policies will be enacted in FY 2026?

- By February 28, 2026, and annually thereafter, the CSDE must make specific disaggregated student-level and statewide data publicly available on its website, including disaggregated data on SEED grants.<sup>11</sup>
- There are specific changes to the setting of tuition rates specific special education providers and transportation providers may charge.
  - The CSDE is required to establish a rate schedule for direct special education services by January 1, 2028, in consultation with the Office of Policy and Management.<sup>12</sup>
    - Individual rates for special education and other related services must be implemented by December 31, 2027, and the CSDE may begin setting these rates as early as July 1, 2025.<sup>13</sup>
    - Beginning with the 2028-29 school year, any amount paid by school boards for direct services that exceeds the rate schedule is not eligible for reimbursement through the Excess Cost grant.<sup>14</sup>
  - The CSDE, in collaboration with approved nonprofit and for-profit private special education service providers, is required to develop and implement individual rates for each special education service, excluding transportation services, by December 31, 2027. The CSDE may begin setting these rates as early as July 1, 2025.<sup>15</sup>
  - Beginning on January 1, 2027, the CSDE is required to establish billing standards that special education transportation service providers may charge school boards for transportation services to and from outplacements.<sup>16</sup>

- All costs charged to school boards for special education transportation services to and from outplacements must align with CSDE's billing standards beginning with the 2027-28 school year.<sup>17</sup>
- Beginning in FY 2026, the SEED grant will be established to provide grants to school districts solely for special education purposes.<sup>18</sup>
  - \$30 million is allocated in FYs 2026 and 2027 to create the SEED grant program.<sup>19</sup>
  - SEED program grants are calculated using the ECS foundation amount, 50% of the number of students with disabilities in a town, and the ECS base aid ratio value for the town.<sup>20</sup>
  - SEED grant amounts are calculated by using data as of December 1<sup>st</sup> of the prior year in which the grant is awarded.<sup>21</sup>
  - The state comptroller is required to pay the SEED grants to school boards in installments after certification by the commissioner of the CSDE.
    - 25% of the grant is paid in October;
    - 25% of the grant is paid in January; and
    - The remainder of the grant is paid by April.<sup>22</sup>
  - This grant is exempt from the calculation of a town's minimum budget requirement.<sup>23</sup>
  - School boards that receive a SEED grant must submit a detailed expenditure report to the commissioner of the CSDE by July 15, 2026, and annually thereafter.<sup>24</sup>
- In FY 2027, \$9.9 million is allocated to establish a competitive grant program that incentivizes school districts to develop or expand in-district or multi-district special education programs aimed at reducing student outplacements.<sup>25</sup>

## Endnotes

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<sup>1</sup> Connecticut State Department of Education. (n.d.). EdSight: Enrollment Dashboard. Available from <https://public-edsight.ct.gov/students/enrollment-dashboard>.

<sup>2</sup> Connecticut State Department of Education. (n.d.). EdSight: Per Pupil Expenditures by Function (District). Available from <https://public-edsight.ct.gov/overview/per-pupil-expenditures-by-function---district>.

Connecticut State Department of Education. (n.d.). EdSight: Fiscal Resources, Special Education Expenditures. Available from <https://public-edsight.ct.gov/overview/per-pupil-expenditures-by-function---district/special-education-expenditures>.

Connecticut State Department of Education. (n.d.). EdSight: Public School Enrollment. Available from <https://public-edsight.ct.gov/students/enrollment-dashboard>.

<sup>3</sup> Connecticut State Department of Education. (n.d.). EdSight: Fiscal Resources, Special Education Expenditures. Available from <https://public-edsight.ct.gov/overview/per-pupil-expenditures-by-function---district/special-education-expenditures>.

<sup>4</sup> Education Commission of the States. (2024). 50-State Comparison: K-12 Funding 2024, Special Education Funding. Retrieved from <https://reports.ecs.org/comparisons/k-12-funding-2024-04>.

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

<sup>6</sup> Conn. Gen. Statutes ch. 165, § 10-76d(e).

<sup>7</sup> Ibid.

<sup>8</sup> Conn. Acts 25-168 § 1.

<sup>9</sup> Conn. Acts 25-67 § 22.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Conn. Acts 25-67 § 3.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Conn. Acts 25-67 § 4.

<sup>17</sup> Ibid.

<sup>18</sup> Conn. Acts 25-67 § 7.

<sup>19</sup> Conn. Acts 25-168 § 1.

<sup>20</sup> Conn. Acts 25-67 § 7.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Conn. Acts 25-67 § 6.

<sup>24</sup> Conn. Acts 25-67 § 7.

<sup>25</sup> Conn. Acts 25-93 § 19.