

## Executive Summary

- FY 2024 Excess Cost reimbursement requests have significantly exceeded the \$181 million appropriated in the state budget for the Excess Cost grant.
- Without additional funding, districts and towns will not receive the reimbursement levels specified in statute for the Excess Cost grant, resulting in less funding for all districts educating high-needs students with disabilities.
- The General Assembly should utilize part of the FY 2024 current budget balance (\$167 million) to ensure districts receive the statutorily defined reimbursement levels as passed during the 2023 legislative session.
  - This would require an additional \$45.1 million for the Excess Cost grant, bringing the total appropriation to \$226.2 million in FY 2024.

## Background

The Excess Cost grant is provided by the State to school districts to assist them in paying for special education expenses for students with extraordinary needs. Through the Excess Cost grant, local and regional school districts are eligible for partial reimbursement for the cost of educating students whose required services are greater than 4.5 times the district's average expenditure per-student for the prior year.<sup>1</sup> The Excess Cost grant also partially reimburses school districts for students placed through state agencies,<sup>2</sup> if the cost of educating the student placed is greater than the district's per-student net current expenditure for the prior year.<sup>3</sup>

During the 2023 legislative session the Connecticut General Assembly passed Public Act 23-204, which appropriated approximately \$181 million for Excess Cost reimbursements in FYs 2024 and 2025.<sup>4</sup> When the grant is not fully funded (i.e. when the appropriation is "capped"), these reimbursements are to be distributed via a tiered reimbursement system based on a town's per-capita property wealth, with wealthier towns receiving lower reimbursement rates than less wealthy towns.<sup>5</sup> The statutory reimbursement tiers are detailed below:

- Districts with the lowest wealth (municipalities ranked 115 to 169) are reimbursed at 91 percent of their uncapped grant amount;
- Districts in the middle tier (municipalities ranked 59 to 114) are reimbursed at 88 percent of their uncapped grant amount; and
- Districts in the wealthiest tier (municipalities ranked 1 to 58) are reimbursed at 85 percent of their uncapped grant amount.<sup>6</sup>

<sup>1</sup> Conn. Gen. Statutes ch. 165, §§ 10-76g(a)-76g(b).

<sup>2</sup> Ibid.

<sup>3</sup> Conn. Gen. Statutes ch. 165, § 10-76d(e).

<sup>4</sup> Conn. Acts 23-204.

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

<sup>6</sup> Ibid.

## Challenge

FY 2024 Excess Cost reimbursement requests are estimated to be significantly higher than anticipated. The cost to fully fund the reimbursement requests at their statutory reimbursement levels is about \$226 million, or \$45 million more than the \$181 million that was appropriated for FY 2024. Due to this significant underage, towns and districts are now being reimbursed at percentages ranging from 68%-73%, which are lower than the statutory tiers and in fact lower than the 74%-79% reimbursement tiers that existed prior to Public Act 23-204.<sup>7</sup>

Table 1 below shows the estimated costs of the uncapped entitlement (the amount needed to reimburse all districts at 100%), the capped entitlement (the amount appropriated in Public Act 23-204), and the statutory tiered reimbursement entitlement (the cost of funding the reimbursements at the levels in statute). It is important to note that at this time, it is not known why total reimbursement requests have increased from an estimated \$205 million in FY 2023 to \$255 in FY 2024.<sup>8</sup>

**Table 1: State Excess Cost Totals**

| Est. Uncapped Entitlement | Capped Entitlement | Est. Statutory Tiered Reimbursement Entitlement | Est. Cost Above the Cap to Meet Tiered Reimbursement |
|---------------------------|--------------------|---|--|
| \$255,102,708             | \$181,119,782      | \$226,211,612                                   | \$45,091,830   |

## Solution

To provide all districts with stable and adequate for educating students with extraordinary needs, and to meet the statutory levels passed during the 2023 legislative session, the General Assembly should **increase the Excess Cost appropriation in the current year, or use a carryforward of FY 2024 resources, in an amount equal to \$45.1 million.**

By using a portion of the current budget operating surplus, estimated at \$167 million as of January 19, 2024<sup>9</sup>, total Excess Cost support can be increased by approximately \$45 million dollars and provide districts and towns with their full statutory reimbursement percentages.<sup>10</sup> This will ensure districts and towns receive the equitable and predictable reimbursement they were promised.

<sup>7</sup> Ibid.

<sup>8</sup> Conn. Acts 23-204.

<sup>9</sup> Beckham, J.R. (2024). *Letter to Connecticut State Comptroller Sean Scanlon, January 19, 2024*. Hartford, CT: State of Connecticut, Office of Policy and Management. Retrieved from [https://portal.ct.gov/-/media/OPM/Budget/ComptrollerLetter/FY-2024/FY-24\\_January\\_2024\\_Comptroller\\_Letter.pdf](https://portal.ct.gov/-/media/OPM/Budget/ComptrollerLetter/FY-2024/FY-24_January_2024_Comptroller_Letter.pdf).

<sup>10</sup> State of Connecticut, Office of Policy and Management. (2024, February 7). Governor Lamont's FY 2025 Budget. Retrieved from <https://portal.ct.gov/OPM/Bud-Budgets/2025-Midterm/FY-2025-Budget-Adjustments>.