

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2658.1

HB 1670, *relative to including all special education costs under state education grants.*

Education

Adds the full amount of state aid for special education services to the grants made for adequate education and assesses the costs under the statewide education tax.

This proposed legislation adds state aid for special education services to the grants made for adequate education and assesses the additional amount under the statewide education tax (SWEPT).

Section 1 of the proposed legislation provides that for the fiscal year beginning July 1, 2024, and thereafter, the cost of special education services, required to be paid under RSA 186-C:18, shall be added to the SWEPT imposed that generates \$363 million under RSA 76:3, and that the DRA shall set the education tax rate sufficient to generate such total sum. The revenues collected for the cost of special education services shall be remitted to the DRA to be deposited into the Education Trust Fund (ETF) and used to reimburse school districts for such services.

Section 3 of the proposed legislation repeals and reenacts RSA 186-C:18 and states the State shall pay 95% of the costs of all services directly provided by a school district to a child as identified and required by the terms in an Individual Education Plan (IEP) under RSA 186-C:7 from the ETF. Should such services be provided by persons other than a school district, the State shall pay such costs directly to the provider from the ETF.

The DRA assumes that the total cost of special education services required to be added to the SWEPT equals to the total special education aid as budgeted for by the state for FYs 2024 and 2025, \$33,917,000 each fiscal year. 95% of that budgeted amount is \$32,221,150 each fiscal year.

The remainder of this proposed legislation provides that the state's responsibility to provide an adequate education includes ensuring that all children with disabilities have available to them a free appropriate public education in the least restrictive environment and amends the calculation of the cost of an opportunity for an adequate education, under RSA 198:40-a, to include the cost of special education as determined under the proposed new RSA 186-C:18. The formula to determine education grants under RSA 198:41 shall also consider the cost of special education services.

The DRA assumes that the municipalities would only remit the collected cost of special education services money to the DRA electronically once a year, on a date that would be prescribed by the legislature. The DRA proposes that additional language be added to clarify the timing of the remittance of the collected cost of special education services to the DRA.

DRA assumes that municipalities would be successful in collecting the additional amount for the costs of special education services for remittance to the DRA.

The proposed legislation is effective July 1, 2024. DRA interprets this to mean that the setting of the education rate under proposed amended RSA 76:3 will first apply to property taxes assessed on April 1, 2025.

Under current law, each municipality collects SWEPT on behalf of the state totaling \$363 million and retains the SWEPT locally to fund the State's portion of education funding. Although, the SWEPT is locally retained, the total amount of SWEPT collected by the municipalities is still recognized by the State as revenue to the ETF. The proposed legislation would now require the municipalities to collect and remit the cost of special education services funding to the DRA for deposit into the ETF.

The fiscal impact of this proposed legislation would be the cost of special education services that is added to the current SWEPT amount of \$363 million. The DRA is unable to determine the cost of all services identified in an IEP and uses the state's budgeted total special education aid for FYs 2024 and 2025 as a guide. Based on the budget and applying 95%, as provided in Section 3 of the proposed legislation, the maximum estimated fiscal impact of this proposed legislation would be a \$32,221,150 increase to the ETF.

Section 10 is effective July 1, 2024. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2025, and collected via the final property tax bill in the fall of 2025. The proposed legislation would therefore begin impacting ETF revenue in FY 2026. The DRA recommends the addition of an applicability date that coincides with the start of the property tax taxable period (April 1) to avoid confusion regarding the intended timing of the application of this section.

The DRA would be responsible for updating all necessary tax return forms related to this proposed legislation, which would not result in any additional administrative costs that could not be absorbed in the DRA operating budget. However, there would be an estimated cost of \$300,000 associated with implementing the electronic filing and payment mechanism that would be required to facilitate payment of the cost of special education services over to DRA.