

---

## Testimony

TO: Senate Committee on Health and Welfare  
FROM: Katie Smith, Special Education Finance Director  
SUBJECT: Supplemental Written Testimony for H.951/H.558  
DATE: April 23, 2026

---

### Background

The Agency's original request included two interdependent parts: to strike language designed for the prior claims-based model and to establish an administrative rulemaking framework for reconciliation and fund stewardship under the cost-based model. These changes must occur together, as transitioning to a cost-based model requires both removing misaligned statutory language and replacing it with an appropriate regulatory framework.

### Link to Special Education Fiscal Processes

The current statute (§2959a) was written for a claims-based model that tracked costs at the individual student level. We are now moving to a SU/SD cost-based model, which looks at overall program costs and does not capture that same level of detail.

Because of this, the section of statute that reconciles the Medicaid payments to the State Placed student reimbursement statute no longer aligns with how the new model works and needs to be removed. However, the need remains the same: to make the state whole and prevent duplicative reimbursement for the same dollar spent.

The AOE is requesting rulemaking to establish a clear process for financial oversight and fund stewardship under the new model.

### Reinvestment Spending in FY2025 Overview

- All 52 SU/SDs earned Medicaid revenue; Only 46 SU/SDs reinvested funds
- Collectively, 40.9% of available funds were spent on Reinvestment Programs
- FY25 ended with \$16.2 million in unused funds that carried forward into FY26
- Fund use must be linked to SU/SD Continuous Improvement Plans (§ 165) to improve student performance



## FY2025 Medicaid Grant Fund Use Breakdown

1. Collective SU/SD Medicaid Grant Fund Availability in FY25:

FY24 Ending Fund Balance Carry Forward	\$16.8 Million
FY25 Earned Revenue	\$15.1 Million
<b>FY25 Total Available to Spend</b>	<b>\$31.9 Million</b>

2. Collective SU/SD Medicaid Grant Fund Spending in FY25 and Remainder:

Medicaid Claims Admin Costs	\$2.7 Million
Reinvestment Programs	\$13 Million
<b>FY25 Total Expenditures</b>	<b>\$15.7 Million</b>
FY25 Ending Fund Balance Carry Forward	<b>\$16.2 Million</b>

3. Collective Spending on **Reinvestment Programs** by Category in FY25:

MTSS, PBIS, and Mental Health Support Services	\$4.2 Million
Student Health Services	\$3.2 Million
Academic Intervention and Support Services	\$2.1 Million
Social Work and Family Engagement Services	\$2.1 Million
Early Childhood Education	\$1.4 Million
<b>FY25 Total Spent on Reinvestment Programs</b>	<b>\$13 Million</b>

Reinvesting school-based Medicaid funds helps schools give students earlier support, improve attendance, and strengthen core academic and social-emotional services. These investments show that when resources are used wisely, students gain access to the steady, meaningful support they need to succeed.