Special Education Outplacement Rate Setting: Insights from Four States

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This report presents findings from a multi-state study of K-12 special education outplacement rate setting. The Connecticut State Department of Education (CSDE) commissioned this study through the Center for Connecticut Education Research Collaboration (CCERC) to better understand rate-setting for special education services for students who are outplaced by districts. We collected data from stakeholders in Connecticut and three other states to obtain multiple perspectives on the process, problems, benefits, and challenges of state rate setting, and various approaches to establishing fixed rates. Here, we summarize findings and lessons learned based on interviews with leaders from state departments of education, superintendents, district special education directors, and outplacement service providers including private special education schools and non-private providers.

Background

The term "outplacement" in special education refers to the practice of placing a student with disabilities in a specialized school or program outside their local school district. When a student's planning and placement team (PPT) determines that the student's needs cannot be met within the district, the Individuals with Disabilities Education Act (IDEA) requires districts to finance their enrollment in an appropriate special education program. Although costs are not factored into the outplacement decision-making process (IDEA, 2004), districts may face significant expenses for tuition and transportation. For example, Connecticut districts paid approximately $700 million in tuition during the 2023-2024 school year and requested over $260 million in reimbursements for excess costs (CSDE, 2024).

In response to rising costs, some states have implemented policies to cap tuition for approved special education providers (Sullivan, 2020). For example, in 1985, the Illinois State Board of Education (ISBE) established the Illinois Purchased Care Review Board (to oversee and approve tuition rates for private special education programs (ISBE, 2025). Similarly, New Jersey law allows service providers to set their own tuition rates; however, under a law passed in 1977, these rates cannot exceed the actual cost per pupil for special education services (NJ Rev Stat § 18A:46-21, 2024; Sullivan, 2020). Furthermore, New Jersey law outlines how much of the tuition rate can be allocated to administrative versus instructional expenses. For the 2024-2025 school year, the minimum instructional cost is 58%, and the maximum administrative cost is 22.5% (New Jersey Department of Education, 2024). In 1988, Vermont passed legislation requiring the state's Education Secretary to oversee the establishment and regulation of tuition rates for approved service providers (16 V.S.A. § 2973). States generally consider several factors when setting tuition rates, including providers' annual expenses, regional cost variations, and annual cost adjustments (ISBE, 2025; New Jersey Department of Education, 2008; Sullivan, 2020).

While empirical literature on rate setting is limited, existing studies suggest that it is often implemented to ensure tuition rates for private special education centers are "reasonable, necessary and directly related" to the cost of service delivery (Barber, 2000). Setting rates may ensure consistency by preventing unexpected or disproportionate cost increases. However, service providers whose rates are subject to state oversight may face challenges if the rates are set too low, potentially hindering their ability to operate effectively and maintain high-quality programs (New York State Education Department, 2024).

Methods

In this study, we sought to gain insight into the logistics, benefits, and challenges of state rate setting. We were guided by the following research questions:
1: What problems does state rate setting attempt to solve?
2: What are the benefits of state rate setting?
3: What are the challenges of state rate setting?
4: What is the process of state rate setting?
5: What approaches are proposed by participants?

To answer these questions, we gathered data from key stakeholders in Connecticut and three other states that set rates for service providers. Participants included directors of special education and special education finance in state departments of education, superintendents, and directors of special education outplacement service providers (referred to below as "service providers"), and, in some cases, school district special education directors. In Connecticut, we interviewed representatives from private special education schools and Regional Educational Service Centers. In all, the team conducted interviews or focus groups with 95 participants described in Table 1. In addition, we communicated with researchers and former leaders in the three states to gather contextual information. Given the rapid timeline of this study and the fact that it coincided with school districts' budget season, we were unable to secure participation from superintendents outside of Connecticut. However, the sample features strong and diverse representation of stakeholders within Connecticut and many of the most influential stakeholders in the other three states.

Table 1: Participant Roles and Sample Size

	CT	State A	State B	State C
SDE special education director	1	1	1	1
SDE special education finance director		1	1	1
Superintendents	58 (2 groups)	0	0	0
Special education directors	2	0	2	0
Outplacement service providers	23 (2 groups)	1	0	2
Total	84	3	3	4

Interviews and focus groups were transcribed verbatim. The research team undertook thematic analysis to identify main themes responding to each research question. The team vetted state-specific information with state department of education leads.

Findings

What problems does state rate setting attempt to solve?

State special education outplacement rate setting attempts to solve several problems. These include large increases in costs from year to year, late notification of costs, and a lack of predictability and stability in costs.

Across the sample, many participants reported that large increases in costs associated with special education outplacement produced major problems for school districts and taxpayers. In the absence of state rate setting, it is a "spend what you have to" model, said one Connecticut superintendent. Many superintendents called special education outplacement costs "excessive." Leaders of small, rural districts commented that they were at a disadvantage compared to larger districts in more densely populated areas. These leaders noted that there are fewer service providers and "outplacements know that" so they increase costs. "We don't have a choice, no options," reflected one rural superintendent (CT superintendent).

Service providers countered the suggestion that costs were excessive. In Connecticut, service providers argued that competition suppressed rates. "No one wants to be the most expensive," said one provider. Another argued that because most service providers are non-profits, "tuition rates are not the issue." Service providers also asserted special education transportation costs have increased considerably and superintendents include these costs when they argue that outplacement costs are excessive.

Nonetheless, participants in states that set outplacement cost rates viewed this process as necessary to keep costs reasonable. In State C, one service provider said that the SDE's rate setting allowed the state agency to "monitor and control [rates] to make sure that their cost didn't spiral" (State C, service provider).

Participants also asserted that rate setting at the state level could address the lack of predictability and transparency observed when programs set their own rates. Superintendents reported that costs "can be arbitrary "(CT superintendent) and increase midyear. School leaders and state department officials also cited a lack of transparency in cost setting as a problem that rate setting could solve. Said one superintendent, "we don't know what the investment pays for" (CT superintendent). Department of education officials in states that conduct rate setting noted that one of the main problems rate setting addressed was lack of transparency. A state department of education (SDE) leader in State C commented that rate setting provided a "transparent accountability structure" to ensure funds are appropriately spent. She added that rate setting "put the public on a more level playing field...[so they're] not reliant on the whims of a private entity" (State C, SDE).

Lastly, several superintendents reported that local rate setting by the service providers fostered an "us vs. them" mentality that pitted school boards and school districts against service providers (CT superintendents). They felt that this led to frustration on all sides and could be mitigated by the involvement of a third party to negotiate and set rates.

What are the benefits of state rate setting?

Across interviews and focus groups, participants highlighted the benefits of implementing rate setting for outplacement service providers. A major benefit they noted was that a system for setting costs for outplacement programs adds predictability to district and service provider budgets. For example, education professionals from states that had already implemented rate setting described how predictable budgets provided consistency and stability for educational agencies in their states. One representative from State C's Department of Education explained that this type of "system-level consistency" ensures that "providers know what costs look like," while a representative from State B's Department of Education noted that the transparency associated with rate setting creates "clear expectations" for spending. The finance director of special education at the state department in State A shared that rate setting provided "stability of cost," explaining,

> If you didn't have rate setting, I'm sure that [service providers] would be charging more to the school district. The school district would never know exactly where they were going to go with their rates from moment to moment, they could implement increases at any time for any reason.

Participants also shared that setting rates at the state level helps maintain the quality of outplacement programs through continual oversight and monitoring. Participants from State C noted that state rate setting eases the "administrative burdens" that school districts face when negotiating program costs. In states where rate setting was implemented through agencies outside the department of education, participants reported that having an unbiased team establish rates helped preserve relationships between districts, state departments of education, and service providers. For example, a representative from State B's Department of Education explained that "having [rate setting] done by a separate agency…takes us out of it, which I think is helpful given our relationship with districts and approved special education schools." In this way, separating the rate setting process from the department of education contributed to an "unbiased process" that preserved the relationship between State B's SDE, districts, and service providers.

When asked about the anticipated benefits of implementing rate setting, many Connecticut professionals named similar advantages. For example, one Connecticut superintendent shared that setting rates before the start of each academic year could ensure that "the rate can't change within the school year," helping districts avoid unexpected costs. While some education professionals expressed hope that rate setting might lower costs or prevent private special education programs from "gouging" districts with their prices, others saw it as part of a broader strategy to regulate special education costs. This strategy could include changes to excess cost reimbursement and the burden of proof in special education disputes. Overall, Connecticut participants highlighted that the anticipated transparency and predictability of a rate setting process and its potential to ensure program quality through oversight and monitoring could provide opportunities for districts and private special education programs to function as "good stewards of public resources."

What are the challenges of state rate setting?

In addition to identifying actual or potential benefits, participants discussed challenges to implementing statewide rate setting in their contexts. One main concern was that the tuition rates determined by the states were not sufficient to cover the costs of services provided. This concern was expressed by service providers and state department of education staff across states.

One specific factor mentioned was the rising cost of hiring special educators. In one state, if a role is not filled when the proposed budget is submitted, the private school cannot claim funding for that role. With nationwide special education staffing shortages, service providers in State B often lose funding for roles that they cannot fill, but that are vital for providing an appropriate education to students in their school. Salary capping further aggravates this problem, and in State B, some programs closed due to their inability to hire sufficient staff after the state set limits on staff salaries. Overall, participants are concerned about rate setting leading to insufficient funding for service providers. Participants in Connecticut expressed concern for this as well, noting that it is already difficult to find out-of-district placement seats for students, and any reduction in available placements could lead to legal issues and costly dispute resolution within districts.

Another concern was the time-intensive nature of the rate setting process. “The process is brutal,” described the State A official who sets rates, while another explained that “[the process is] extremely complicated to the point where we have a tremendous backlog, and providers don't know what their rates are by the start of the school year.” Much of this stems from the complex interaction between the budget cycles of service providers and school districts. Typically, service providers set their proposed budgets, which are negotiated and approved, rates are set, and the costs are shared with districts who incorporate them into their budgets. It can be difficult to develop a system where service providers can make an accurate budget prediction that is delivered at a time in the fiscal year that allows districts to appropriately include outplacement tuitions in their annual budgets. Variations in enrollment, staffing, and student need based on IEP services are critical to budget forecasting but are hard to predict in a timeline that works with districts’ budgetary cycles. The complex and time-consuming process of budget forecasting and rate-setting often results in districts having to set their budgets without knowing what the actual outplacement rate and total outplacement costs will be, negating the assumed benefit of transparency and upfront costs of the rate-setting process.

Some participants also discussed the lack of clarity and equity in the rate-setting process as a major concern. In State C, one state official claimed “there's also inequity…there are providers who are within close proximity to each other, but for whatever reason, they might get a lower rate than one of their neighbors." While there are legitimate reasons for two nearby schools to have different rates, it is important to establish a rate-setting process that is transparent and as equitable as possible. Providers in Connecticut expressed concerns that echoed these issues, worrying that, especially in a state where costs (e.g. salaries, cost of rent or construction) vary greatly based on location, setting fair and consistent rates would be a challenge.

Participants also discussed the lack of quality measures and oversight of approved service providers and their tie to a school’s cost. A district representative from State B stated “[state rate setting] means that the schools that aren't as good are raising their prices just as much as the schools that do produce outcomes.” Service providers from Connecticut argued that having an open market and competition results in local rates that reflect quality. They asserted that having multiple placements that would be appropriate for a student allows districts to choose stronger placements that produce better student outcomes. Service providers argued that this process keeps costs fair.

One concern voiced by a representative from a non-private educational service agency for outplacements in Connecticut was the ability to design a system that accounts for regional differences in cost and need. Connecticut's districts vary in student enrollment and need, with high levels of income inequality across the state (EdSight, 2025). Participants from the RESCs highlighted how their current model of budget approval by regional boards of education allows for rates that are based on regional costs (e.g. staff salaries, transportation, or building operational costs). One participant voiced, "if there's a rate setting, then it would have to be...specific to [things like] the going [salary] rate for the teacher and where that building is [in the state]. It's kind of apples to oranges."

Overall, the challenges faced by states setting rates include ensuring that rates are high enough to keep up with the expanding costs of educating high-needs students, especially with the nationwide staffing shortages and setting rates in a transparent, clear, and efficient manner.

What is the process of state rate setting?

The process of rate setting varied across the three states in our sample. We describe their processes below.

State A

State A has engaged in rate setting for special education outplacement services for more than a decade. The Finance Director for the Office of Special Education within the State Department of Education manages and executes the rate setting process. They reported that the state requires all service providers to submit their rate setting materials by late August. These materials include a provider's financials for the prior year, including expenditures and revenues. They explained:

> [W]e do a full review of annual rate setting packages, including profit and loss statements. We determine allowability of expenses, review their allocation methodologies, determine excess revenue, etc. The rate is derived from taking the total allowable expenditures less any excess revenue and dividing it by the total number of student instructional days. Once rates are established, we send out a rate letter and publish all rates on the website" (State A SDE Finance Director for the Office of Special Education).

In this state, the rate setting model is based on a net zero profit model because, in their words, "we're very aware of making sure there's no real profit coming out of that model." In fact, a program's operating fund balance at the end of a fiscal year must be carried forward to meet the needs of the next fiscal year. Any revenue in excess of three percent (excess revenue) must be used to reduce the numerator (total allowable expenses) in the new fiscal year rate setting process. Programs receive their rate letter in October; however, the new rate is retroactive to July 1 of that year. Because all costs are included in the rate setting package, service providers may not itemize bills to districts for services in addition to the daily rate they receive. All rates are subject to a maximum 6% adjustment factor (+/-) such that rates cannot change by more than 6% from year to year. This allows districts to budget in advance for this maximum. Notably, each program receives its own rate tied to its own prior year expenditures and revenues. Thus, regional and programmatic differences in costs are accounted for in this state's rate setting model.

SDE staff added that they have encountered several problems with rate setting over the years. Both participants had in-depth understanding of the experience of service providers and reported that historically, service providers were not competitively waged. "I started in one of these programs, we got paid next to nothing, you know?" (State A, Director of Special Education, SDE). Prior to COVID-19, service providers were paid according to the number of days a student attended, not the number of student instructional days a student is enrolled. The Director and Finance Director stated that the COVID-19 Pandemic brought this issue into stark relief. "All of them [service providers] were destabilized," recalled the Director Special Education, "and many of them were starting to go out of business." With support from the SDE and its Office of Special Education, the law was recently changed to enable service providers to charge for the number of instructional days per child enrolled, thus allowing them to cover sunk costs for staff, facilities and other longer-term expenditures. The Director reported "I would say now that they're almost competitively priced."

As might be expected in a small state, State A's rate setting process relies heavily on the relationships that the Director and Finance Director have cultivated with LEAs and service providers across the state. The Director explained,

> Everybody kind of knows how this works in State A. They know they can call [the Finance Director] and say, "Hey, I've got a problem with my rate." Or the school district will call and say, "Hey, why is the service provider charging us this? We don't think that's right or they're adding this fee." The Finance Director can then act as a conduit to say, "No, that's an inappropriate charge. They shouldn't itemize bills. They have a rate. And that's all they can charge."

In sum, the Director of Special Education and Finance Director for Special Education in State A both concluded that rate setting played an important role in providing affordable, high-quality outplacement services for the state's children. In their view, the adjustment factor and revenue cap enabled school districts to

> feel confident...they understand exactly what they're paying for. It allows special education directors to establish with certainty out placement budgets for future years. School districts also know that there is a mechanism in place if they have questions or concerns or disagreements or disputes. All of this adds stability to these essential programs. We work hard to ensure people are confident about how the process works. They know it's regulated so that no one gets wealthy, that funds go towards providing services for kids. (State A Director of Special Education)

State A has taken steps to stabilize service providers' budgets while continuing to cultivate district and taxpayer confidence that costs are reasonable and appropriate.

State B

State B has engaged in rate-setting for private schools since the 1980s. In State B, the process for rate setting involves two separate state government entities, the State Department of Education and another state agency that focuses on operations. The Department of Education focuses on the approval of outplacement schools, their budgets, and rate adjustments, both during the initial process of becoming an approved private school, and throughout the fiscal year when rate adjustments need to be approved. The other state agency's focus is determining the actual rates based on a school's proposed budget. It is important to note that this process is only for private schools, not for publicly funded non-private outplacement settings.

To become and remain an approved private school, schools must submit a variety of documents to ensure they meet criteria related to demonstration of need and capacity, health and safety, range of services provided, and other legal qualifications related to both federal and state law (e.g. adherence to bullying prevention laws, or curriculum modifications for English Language Learners). Once schools are approved, they are re-evaluated every three years to ensure that they are still in compliance with these legal requirements. When a school has been approved by the State Department of Education, information about their setting, proposed caseload, and staffing is sent to the government operations agency and is used to determine the tuition rate for that school.

Private schools submit budgets to the state in April for the following year, but general rates are set when a placement is initially approved or when amendments are made to the placement as described below. Rates are typically tuition-based although some schools' rates are set using an a la carte model, and tuition-based costs are pro-rated if a student leaves a program early. When estimating the rate of adjustment for the following fiscal year, the operations state agency considers a variety of components and their respective percentage of total expenses for "social service programs." Rate increases are not differentiated across the state based on staff salaries or cost of living, the adjustment is made across the entire state. When determining the rate adjustment for FY25, the following components of private schools' budgets represented the largest percentage: personnel (49.91%); administration (9.62%); subcontracted direct care (7.74%); occupancy (6.71%); and fringe benefits (6.07%). Other components included payroll tax, clients' and caregivers' reimbursement, and direct care consultation (Blinded, 2023).

Once the rates are determined by the operations state agency, the department of education then handles any adjustments to the rate throughout the school year. Adjustments are made under three separate categories of need – program adaptations (e.g. a change in the type of student served and/or services provided), special external circumstances (e.g. decline in enrollment or a salary upgrade for a type of employee), or unexpected relief (e.g. a tree falls on the roof of a building). With the exception of unexpected relief or other unusual circumstances, private schools may request the additional increases in the form of special external circumstances or program adaptations. Private schools must provide the required notice to public schools by October 1 for the following fiscal year. The State can approve increases anytime during that following fiscal year.

State C

State C implemented a rate setting framework several decades ago, prior to participants' tenure at the State Department of Education. The rate setting system is regulated and implemented by a specialized division within State C's SDE and coincides with the state's "strong licensing requirements" (State C SDE representative), which regulate the ages and number of students approved special education programs can serve. Approved providers are generally as non-profit organizations, though some for-profit private providers exist as well. Approved programs may be situated within specialized school districts, cooperative education services, private educational institutions, publicly funded programs, or public-school programs serving school-age and preschool students. Rates for approved providers are determined on an annual basis though there is no official deadline for when the department of education needs to inform service providers and school districts about their new rates. One participant from State C's SDE shared that the current process for setting rates is "extremely complicated to the point where we have a tremendous backlog and providers don't know what their rates are by the start of the school year." A service provider shared this sentiment, explaining that the current system made it "hard to know what your increase is going to be. It's like a guess; it comes out at all different times." Despite their administrative backlog, the State C division responsible for establishing tuition rates aims to provide interim rates by July 1 for cash flow purposes. Rates are based on the last certified rate plus applicable growth, which they index against the Consumer Price Index (CPI).

Representatives from State C's SDE shared that the division of their office responsible for setting rates uses an "administrative methodology" that is embedded in their state's legislative statutes, is reviewed regularly by the state's budget division, and considers various factors to calculate tuition rates for each school year. These factors include adjustments to approved costs from the prior year and processes that adjust rates according to verified expenditures at the end of each school year. To inform these calculations, service providers submit financial reports on an annual or fiscal year basis, depending on each service provider's calendar. Participants explained that every school reports an estimated rate, "which is supposed to be [their] rate at the beginning of the school year," followed by each service provider's actual cost rate, [which] can only go down or stay at the level of the prospective rate," to calculate the school's tuition going forward. Service providers' actual cost reports are due by "November 1 for fiscal providers and May 1 for calendar-year providers" (State C SDE representative). Tuition rates can either be based on the prior two years' actual cost rates, or the prior year's estimated rate plus growth as indexed by the CPI, depending on which is higher. Adjusted growth is compounded, so when actual growth rates are applied for two years, it compounds the growth for each year.

The rates are applied annually for the corresponding school year; for example, rates determined for the 2023-2024 school year are effective from July 1, 2023 to June 30, 2024. Tuition is charged monthly by enrollment. Service providers can submit waiver requests to adjust their tuition rates as needed. There are defined parameters for waiver requests that require justification to adjust tuition rates, such as health and safety, or agreed-upon waiver guidelines from the budget division or other non-health and safety issues. State C SDE leaders shared,

> We're getting fewer waiver requests than we had before…we've agreed upon some streamlined [sets] of parameters that we follow for consistency purposes to try to cut down on the amount of waiver requests we were getting, because they were quite extreme.

Participants attributed the overwhelming number of waiver requests to variable rate increases, particularly related to inflationary indexes, where inconsistent rate adjustments "haven't kept up with" the costs of providing high-quality programs. The inconsistencies in rate adjustments, according to one participant from State C's SDE, contribute to inequitable funding streams. They explained,

> Waivers have caused a lot of inequity because when you look at what's happening in a specific region [of the state], it can create fluctuation. A neighboring region could [receive] a much higher rate [compared] to their neighbor only because, maybe, there was a larger population of providers that got waivers that increased their rates.

The SDE leaders from State C agreed that their current rate setting system is "extremely complicated" and requires simplification, both for internal training and for ensuring timely rate approvals. One participant shared that within their SDE department, "we've been saying for a long time that the methodology's broken." Improving the rate setting system so that rates could be issued before the beginning of the school year, and so that staff within the office could easily implement the methodology, would make the rate setting process more efficient in this state.

What approaches are proposed by participants?

Participants provided a number of suggestions when asked about what Connecticut should consider if it adopts a state rate-setting policy. Stakeholders in various roles discussed the complexities of the rate-setting process and the need for a streamlined and clear process that balances transparency of the system with ease of use. In one state, an official from the office that sets rates explained that a successful system would offer "fiscal sustainability for providers and for the state and local municipalities that fully cover the costs of providing services, would not rely heavily on waivers, and would operate using standardized criteria that can be applied in a fair, objective way across the state." Acknowledging that rate setting is complex, many participants emphasized the importance of a system that is as objective and straightforward as possible. Participants voiced different views on how this can best be addressed in terms of which agency sets rates. Some participants argued that it was important to have an entity separate from the department of education determine the rates, so that it could remain objective, given the frequent interaction between the SDE and both districts and service providers, while others highlighted the importance of having rate-setting conducted by the SDE, which is familiar with the intricacies of special education. Some of the superintendents from Connecticut argued "Right now, our problem is the financials…it'd be better to have an independent agency until we can get the caps and the financials in place, then maybe the oversight could get moved to the Department of Education," while a service provider from Connecticut stated "If it's not someone who has some technical understanding of what it is that we do, understands the law, and understands the severity of decision making and its impact on these kids and their families, I think that's going to be a problem."

States have learned lessons over the years about the importance of a simplified online system. In one state, the transition from multiple paper forms to an online submission system saved the rate-setting team hours of investment. Switching to an online system, they said, "has drastically helped. If you're going to push it out, invest in not making it a paper process... it's too many documents." Providers from another state stressed the same importance of objectively streamlining the process, stating that "We've spent so much time on cost containment that we really haven't spent a lot of time on like...what is the true and actual cost of some of the services that we're mandating?"

In terms of adjustments to the rates once they are set, states have adapted their processes over time. One state had a work group to evaluate and amend the process for adjusting rates beyond just annual inflation increases. This allowed service providers to make changes to their program as needed when student populations changed, or different staff were needed to provide the needs in the students' IEPs in a systematic and approved manner. Participants also stressed the importance of a system for extraordinary costs, noting that many service providers struggled to stay open during the COVID pandemic and required a rate-adjustment to be able to remain solvent.

Another important consideration is the timeline for budget forecasting. District representatives in states where centralized rate setting has been implemented discussed the benefit of having rates set early enough in the fiscal year so that they can plan their budget more accurately. In one state, rates are released on different timelines and are often released in mid-fall. This hinders districts in planning accurately for outplacement costs. To address this, in State A, there is a maximum annual increase of 6% set by the state. In other states where this is not the case, many districts assume a certain increase (typically also around 6%) and build that into their budget, but the predictions are not always accurate.

Specific policies related to budgeting and rate-setting can be critical to the process, especially in terms of the complexities of these special education settings. State A changed from charging for days of attendance to days of instruction. Student absences, which can be hard to predict, especially with a population of students with intensive needs, were decreasing the amount of tuition that private schools could bill for, causing them to lose money. The state adjusted the process so that schools could bill for days where students were enrolled. Participants also stressed the importance of considering special education teacher shortages. In one state, if a role in a service provider is not filled with a staff member when the budget is submitted, they cannot claim the service, so will lose out on tuition funding for that role. This state uses the program reconstruction appeal process to support service providers in circumstances like this. Another policy in State B addresses responsibility of tuition when a student moves mid-year. If a student moves to a new district before April 1, the new district is responsible for paying the tuition; after April 1, the original district is responsible. Another policy in state A caps revenues for schools at 3% to keep costs affordable for districts.

Conclusion

Overall, it appears that there are several advantages of state rate setting. One of the main benefits is that the inclusion of a third party could introduce more objectivity into the process. This could improve relationships between school districts and service providers and increase districts' and taxpayers' confidence in process of rate setting and appropriateness of rates. However, the experiences of stakeholders in State C suggest that conducting rate setting at the state level does not necessarily introduce greater transparency or predictability. Additionally, state rate setting is a complex, time-consuming process that requires substantial investments at the state level. Lastly, the experience of State A suggests that housing rate setting within a state department of education facilitates communication among key stakeholders and may allow an SDE to strengthen the system of support for student outplacement within a state. As Connecticut moves forward, we recommend that any new system prioritize program quality, cost effectiveness, transparency, and predictability.

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