

**STATE SPECIAL EDUCATION FUNDING
CHANGES:
FY 2014 - FY 2016**

**Special Education Caseloads Task Force
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FY 2013 Funding

- **General Education Revenue**
 - Students with a disability receive the same general education revenue as other students
- **Categorical Revenue**
 - **Special Education Aid**
 - Initial special education aid
 - Excess cost aid
 - Tuition adjustments

Special Education Initial Aid Components

FY 2013

- Salaries of essential personnel – 68%
- Contracted services for students – 52% (supplementary services)
- Contracted services (student placements) – 52% of difference between:
 1. Cost of contract
 2. General education revenue attributable to student for time in contract

Special Education Initial Aid Components

FY 2013

- Instructional supplies and equipment – 47%
 - Up to a cap of \$47 per student
- Transportation Costs – 100%
 - (Finance Codes 723 and 728)
- Special Education Bus Depreciation
 - 100% over eight years for regular and 100% over five years for Type III
- Additionally, Transition-Disabled Initial Aid
 - Equipment 47% - no cap
 - Teacher travel 47%
 - Instructional supplies 47%
 - Up to cap of \$47 per student
 - Contracted services for vocational evaluation 52%

Special Education Initial Aid - FY 2013

Statewide Adjustment Factor

- State total special education is capped in law
- Statewide adjustment factor =
State Aid Cap/State Total Initial Aid
- For FY 2013, statewide adjustment factor is estimated to be 87%
- Aid may be further limited by proration (e.g., if a portion of funds appropriated are needed for prior year corrections or payments to districts for SD Reciprocity students)

Special Education Initial Aid – FY 2013

Example Calculation

Special Education Aid =

Special Education Initial Aid X
Statewide Adjustment Factor X
Proration, if any, + or –
Tuition Adjustments

Example:

Salary of \$50,000 X .68 = \$34,000

\$34,000 X .87 statewide adjustment factor = \$29,580

\$29,580 X .99994 proration = \$29,578

+ tuition adjustments

Special Education Excess Cost Aid FY 2013

Initial Excess Cost Aid =

75 percent of the difference between the district's unreimbursed aid-eligible special education cost and 4.36 percent of the district's general education revenue.

- State total excess cost aid is capped in law
- Statewide adjustment factor =
$$\frac{\text{State Aid Cap}}{\text{State Total Initial Aid}}$$
- For FY 2013, statewide adjustment factor is estimated to be 55%

FY 2014 and FY 2015 Funding Overview

- **General Education Revenue**

- Students with a disability continue to receive the same general education revenue as other students
- The general education formula allowance is increased by 1.5% in FY 2014 and an additional 1.5% in FY 2015

- **Categorical Revenue**

- **Special Education Aid**

- Initial special education aid (Same formula as for FY 2013)
- Cross subsidy reduction aid (New)
- Excess cost aid (modified)
- Tuition adjustments (modified)

FY 2014 and FY 2015 Funding Overview

- State total initial special education aid and excess cost aid for FY 2014 and FY 2015 are the same as under old law:
 - 4.6% annual increase statewide cap for initial aid;
 - 2.0% annual increase statewide cap for excess cost aid
- Adding the new cross subsidy reduction aid increases overall state funding for special education by \$13 million in FY 2014 and \$30 million in FY 2015, compared with old law
 - \$43 million increase for the biennium over old law

FY 2014 and FY 2015 Funding Initial Special Education Aid

- Same formula as for FY 2013
- Statewide revenue cap is increased by 4.6% each year
- Statewide adjustment factor estimated to be 88% for FY 2014 and 89% for FY 2015

FY 2014 and FY 2015 Funding

Cross Subsidy Reduction Aid

- New category of aid for FY 2014 and FY 2015 only.
 - Provides a transition between the current special education initial aid formula and a new special education aid formula that will take effect in FY 2016
- Aid for FY 2014 equals the lesser of \$20 per ADM served or 1% of the amount generated for the district under a new pupil-based formula.
- Aid for FY 2015 equals the lesser of \$48 per ADM served or 2.27% of the amount generated for the district under a new pupil-based formula.
- The new pupil-based formula includes a basic rate per ADM, adjustments for poverty concentration and district size, and additional allocations per child count in higher-cost disability categories

FY 2014 and FY 2015 Funding Excess Cost Aid

- Similar to Excess Cost Aid formula in effect for FY 2013, but with the following changes:
 - Aid will be calculated using prior year data.
 - Special education tuition receipts and expenditures will not be taken into account in excess cost aid calculations, to expedite the excess cost aid calculations and eliminate circularity between tuition billing and excess cost aid.
 - Special education cross subsidy aid and the general education aid attributable students served outside the regular classroom more than 60% of the time are taken into account in excess cost aid calculations.

FY 2014 and FY 2015 Funding Special Education Tuition Adjustments

- Similar to tuition adjustment calculations for FY 2013, but with the following changes:
 - Will be calculated after cross subsidy aid and excess cost aid.
 - Beginning in SFY 2015, tuition billing is changed so that resident district is responsible for 90% of unfunded costs (vs 100% currently) and serving district / charter is responsible for 10% of unfunded costs for open-enrolled students (3 – 4% of total costs).
 - This change does not apply to students placed by the resident district, (e.g. at an intermediate), or served at a charter school with very high special education concentration

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- **The new cross subsidy reduction aid is calculated using a pupil-based formula that includes:**
 - Census-based funding (similar to federal special education aid) for higher incidence, lower cost disability areas, and
 - Weighted student funding for higher cost, lower incidence disability areas, grouped into 3 cost levels
- **Funding generated under both formulas helps reduce the overall cross subsidy for all special education services.**

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- **Census-based funding is provided for the following disability types:**

401	Speech/Language
407	Specific Learning Disability
410	Other Health Impaired
414	Traumatic Brain Injury

- These disability types account for 54% of special education child count and 34% of special education expenditures.

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- The census-based formula equals the average daily membership served times the sum of:

\$450, plus

$\$400 \times (\text{free} + 1/2 \text{ of reduced price lunch count} / \text{total enrollment})$, plus

$.008 \times \text{average daily membership served}$.

FY 2014 and FY 2015 Funding

Details: Cross Subsidy Reduction Aid

Poverty is included in the formula because special education serves a disproportionate number of students living in poverty:

- Statewide in 2011, 37% of all Minnesota students were eligible for free or reduced price lunches.
 - 49% of special education students
 - 34% of non-special education students
- **Disability types with the highest percentages of students in poverty were:**
 - Emotional or Behavior Disorders 65%
 - Specific Learning Disability 59%
 - Developmental Cognitive Disabilities 57%

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- **Weighted student funding is provided for the following disability types:**

- **Cost Level 2 (24% of child count, 24% of cost):**

411	Autism Spectrum Disorders
412	Developmentally Delayed
416	Severely Multiply Impaired

- **Cost Level 3 (14% of child count, 23% of cost):**

405	Deaf & Hard of Hearing
408	Emotional or Behavioral

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- **Cost Level 4 (8% of child count, 20% of cost):**

402	Developmentally Cognitive Mild
403	Developmentally Cognitive -Severe
404	Physically Impaired
406	Visually Impaired
409	Deaf-Blind

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- **The weighted student funding formula is as follows:**

\$10,100 x Cost Level 2 December 1 child count +

\$17,500 x Cost Level 3 December 1 child count +

\$26,000 x Cost Level 4 December 1 child count.

FY 2014 and FY 2015 Funding Details: Cross Subsidy Reduction Aid

- **Cross subsidy reduction aid for FY 2014 equals the lesser of:**
 - (a) \$20 per ADM served, or
 - (b) 1% of the sum of the amounts generated for the district under the census-based formula and the weighted student formula.
- **Cross subsidy reduction aid for FY 2015 equals the lesser of:**
 - (a) \$48 per ADM served, or
 - (b) 2.27% of the sum of the amounts generated for the district under the census-based formula and the weighted student formula.

Funding for FY 2016 and Later Overview

- State total special education aid is increased by \$39 million for FY 2016 and by \$41 million for FY 2017 over old law.
- Beginning in FY 2016, special education aid will be paid directly to cooperatives and intermediate districts, rather than having those aids flow through the resident district. Tuition bills will be reduced to offset the aid paid to the cooperatives and intermediates.

Funding for FY 2016 and Later

New Special Education Initial Aid Formula

Beginning in FY 2016, the current special education initial aid formula is replaced with a new formula.

Under the new formula, initial aid is least of:

- 62 percent of the district's old formula special expenditures for the prior fiscal year;
- 50 percent of the district's nonfederal special education expenditures (including fringe benefits) for the prior year; or
- 56 percent of the amount calculated using a new pupil-driven formula based on prior year data.

Funding for FY 2016 and Later

New Special Education Initial Aid Formula

The pupil-driven portion of the new formula for SFY 2016 and later is similar to the cross subsidy reduction aid formula for FY 2014 and FY 2015:

Aid = 56% of the sum of:

- (i) the average daily membership served times the sum of:
 - \$450, plus
 - $\$400 \times (\text{free} + 1/2 \text{ of reduced price lunch count} / \text{total enrollment})$, plus
 - $.008 \times \text{average daily membership served}$.

Funding for FY 2016 and Later New Special Education Initial Aid Formula

Plus:

(ii) The sum of:

\$10,400 x Cost Level 2 December 1 child count +

\$18,000 x Cost Level 3 December 1 child count +

\$27,000 x Cost Level 4 December 1 child count.

Funding for FY 2016 and Later

New Excess Cost Formula

- **Excess cost aid is the greater of:**
 1. 56 percent of the difference between the district's unreimbursed nonfederal special education cost and 7 percent of the district's general education revenue, or
 2. 62 percent of the difference between the district's unreimbursed old formula special education cost and 2.5 percent of the district's general education revenue.
- Calculated using prior year data

Funding for FY 2016 and Later

Aid Guarantee and Growth Limits

- School districts are guaranteed to receive at least as much special education aid under the new formula for FY 2016 as they would have received under the old formula. For later years, the guarantee is increased by 4.6% per year.
- A district's special education aid for FY 2016 must not exceed the aid the district would have received under the old formula by more than \$80 per ADM served.
- A district's special education aid for FY 2017 must not exceed the aid the district would have received under the old formula for FY 2016 by more than \$100 per ADM served. For later years the growth limit is increased by \$40 each year.