



**Special Education Statewide Average Expenditure for Fiscal Year
2016**

Fiscal Year 2016

Report to the Legislature

As required by Minnesota Statutes,

section 125A.76, Subdivision 2d

COMMISSIONER:

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Cost of Report Preparation

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately \$594.00. Most of these costs involved staff time in analyzing data from surveys and preparing the written report. Incidental costs include paper, copying and other office supplies.

Estimated costs are provided in accordance with Minnesota Statutes 2015, section 3.197, which requires that at the beginning of a report to the Legislature, the cost of preparing the report must be provided.

SPECIAL EDUCATION STATEWIDE AVERAGE EXPENDITURE FISCAL YEAR 2016

Minnesota Statutes 2016, section 125A.76, Subdivision 2d, states:

By January 15 of each year, the department must calculate the statewide average special education expenditure per December 1 child count for the prior fiscal year by primary disability area and provide that information to all districts. By January 15 of each odd-numbered year, the commissioner must identify options for aligning the assignment of disability areas to the categories and the rates for each category in subdivision 2a, clause (1), with the latest expenditure data and submit these options to the legislative committees with jurisdiction over education finance.

This report is notification to legislative committees based upon data compiled on January 3, 2017.

Introduction

Expenditures for special education programs provided by local education agencies, including school districts, charter schools, intermediate school districts and special education cooperatives, are coded using the Uniform Financial Accounting and Reporting Standards (UFARS). UFARS uses a program dimension designation for which financial activity is taking place. In Minnesota, the program dimension encompasses all aspects of school district operations, including instructional, administrative and various support activities.

For special education instruction, UFARS designates codes from 400 to 499. Expenditures under these activities provide learning experiences for pupils of any age who, because of certain atypical characteristics or conditions, have been identified as requiring, or who would benefit by, educational programs differentiated from those provided for pupils in regular or vocational instruction.

Table 1 below references each of the primary disabilities used by Minnesota Local Education Agencies (LEAs). LEA's report costs in UFARS under the program code that designated by the student being served primary disability. The column labeled State Fiscal Year (SFY) 16 funding assigns the value that is being used for calculating Initial State Aid under the funding formula for the 2015-2016 school year. The actual statute is then stated below.

Table 1
Primary Disabilities

| Disability | Program | SFY 16 Funding |
|------------|---|----------------|
| 401 | Speech/Language Impaired | \$7,894* |
| 402 | Developmental Cognitive Disabilities: Mild-Moderate | \$27,000 |
| 403 | Developmental Cognitive Disabilities: Severe-Profound | \$27,000 |
| 404 | Physically Impaired | \$27,000 |
| 405 | Deaf/Hard-of-Hearing | \$18,000 |
| 406 | Visually Impaired | \$27,000 |

| Disability | Program | SFY 16 Funding |
|------------|--|----------------|
| 407 | Specific Learning Disability | \$7,894* |
| 408 | Emotional/Behavioral Disorder | \$18,000 |
| 409 | Deaf-Blind | \$27,000 |
| 410 | Other Health Disabilities | \$7,894* |
| 411 | Autistic Spectrum Disorders | \$10,400 |
| 412 | Developmentally Delayed | \$10,400 |
| 414 | Traumatic Brain Injury | \$7,894* |
| 416 | Severely Multiply Impaired | \$10,400 |
| 420 | Special Education – Aggregate (three or more disabilities) | N/A |

*SFY 16 funding for students with these primary disabilities is based on district Average Daily Membership (ADM), poverty concentration and district size rather than a rate per child. For SFY 2016, the average amount generated by this formula per child with these primary disabilities (prior to application of the 56 percent reimbursement rate) was \$7,894.

State Special Education Funding formula

Minnesota Statutes 2016, section 125A.76, Subdivision 2a, states:

For fiscal year 2016 and later, a district's special education initial aid equals the sum of:

(1) the least of 62 percent of the district's old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures, 50 percent of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures, or 56 percent of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:

(i) the product of the district's average daily membership served and the sum of:

(A) \$450; plus

(B) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(C) .008 times the district's average daily membership served; plus

(ii) \$10,400 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

(iii) \$18,000 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus

(iv) \$27,000 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind; plus

The current statute provides an update to these rates using the “program growth factor.” Minnesota Statutes 2016, section 125A.76, Subdivision 1e, states: "Program growth factor" means 1.046 for fiscal years 2012 through 2015, 1.0 for fiscal year 2016, 1.046 for fiscal year 2017, and the product of 1.046 and the program growth factor for the previous year for fiscal year 2018 and later.

Appendix A provides detailed UFARS definitions of the disabilities used in this report.

Table 2 shows the child count for SFY 16 by disability and includes the total reported expenditure for each disability. Program 420 is used to represent serving three or more disabilities rather than breaking the cost out amongst all served. For example, the special education director for an LEA is coded to Program 420 because they support the entire program and it would not be beneficial to break their cost out amongst each disability. However, students must be reported in Minnesota Automated Reporting Student System (MARSS) according to their primary disability and therefore no students are reported with Program 420. MDE then takes the total expenditure reported in UFARS under Program 420 and allocates the amount to each of the primary disabilities based on the number of students served under that disability. The total cost after allocation by disability is then divided by the Child Count to get the Average Cost by Disability with Allocation. The current funding amounts are then included for comparison.

Disabilities 401, 407, 410 and 414 (Funding Level 1) do not have a separate amount per Child Count and instead are included in the following calculation under Minnesota Statutes, section 125A.76, Subdivision 2a (1)(i):

“the product of the district's average daily membership served and the sum of:

(A) \$450; plus

(B) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(C) .008 times the district's average daily membership served;”

Note that the calculations for funding level 1 are based on \$450 for every student in Average Daily Membership (ADM) and not just those with an Individualized Education Program (IEP) and that additional amounts per ADM are provided based on concentration of poverty and district size. To analyze the average amount generated by the funding level 1 formula per funding level 1 Child Count, MDE has taken the total amount generated under this part of the calculation prior to application of the 56 percent reimbursement rate and divided it by the Child Count of students represented under Programs 401, 407, 410 and 410.

Lastly, data reported in UFARS and MARSS for SFY 16 will be used in calculating State Special Education Aid for SFY 17. Therefore, the values provided per Statute for FY 2016 funding have been increased by the “Program Growth Factor” to align the SFY 16 cost data with the current law formula rates for the year that this data will drive funding.

TABLE 2
 SPECIAL EDUCATION STATEWIDE AVERAGE EXPENDITURE
 FY 2016 Final

| Disability | 2016 Child Count | 2016 Cost by Disability | Allocate 420 by Child Count | Average cost by Disability | Average cost by Disability w/ Allocation | 2017 Funding Amount | 2016 Funding Level |
|------------|------------------|-------------------------|-----------------------------|----------------------------|--|---------------------|--------------------|
| 403 | 1,997 | \$96,730,722 | \$4,364,660 | \$48,438 | \$50,624 | \$28,242 | 4 |
| 404 | 1,614 | \$36,559,409 | \$3,527,572 | \$22,651 | \$24,837 | \$28,242 | 4 |
| 402 | 5,588 | \$116,825,832 | \$12,213,180 | \$20,907 | \$23,092 | \$28,242 | 4 |
| 406 | 467 | \$9,689,299 | \$1,020,679 | \$20,748 | \$22,934 | \$28,242 | 4 |
| 408 | 14,955 | \$280,860,868 | \$32,685,775 | \$18,780 | \$20,966 | \$18,828 | 3 |
| 409 | 83 | \$1,266,519 | \$181,406 | \$15,259 | \$17,445 | \$28,242 | 4 |
| 405 | 2,534 | \$34,500,169 | \$5,538,332 | \$13,615 | \$15,801 | \$18,828 | 3 |
| 416 | 1,481 | \$19,232,571 | \$3,236,886 | \$12,986 | \$15,172 | \$10,878 | 2 |
| 411 | 17,653 | \$212,851,539 | \$38,582,547 | \$12,058 | \$14,243 | \$10,878 | 2 |
| 412 | 16,761 | \$169,760,700 | \$36,632,984 | \$10,128 | \$12,314 | \$10,878 | 2 |
| 407 | 30,329 | \$258,834,134 | \$66,287,320 | \$8,534 | \$10,720 | \$8,295 | 1 |
| 401 | 21,123 | \$117,425,643 | \$46,166,608 | \$5,559 | \$7,745 | \$8,295 | 1 |
| 414 | 450 | \$2,009,048 | \$983,524 | \$4,465 | \$6,650 | \$8,295 | 1 |
| 410 | 18,794 | \$79,879,828 | \$41,076,326 | \$4,250 | \$6,436 | \$8,295 | 1 |
| 420 | | \$292,497,800 | | | | | |

After reviewing the actual SFY 2016 expenditures per Child Count by program, no changes are recommended in the assignment of programs to funding levels. With the exception of Program 409 (deaf-blind), all programs in funding level 4 have higher average cost per child count than the programs in funding level 3, all programs in funding level 3 have higher average cost per child count than the programs in funding level 2, and all programs in funding level 2 have higher average cost per child count than the programs in funding level 1. While the SFY 16 data for Program 409 might suggest moving it from funding level 4 to funding level 3, such a change would be premature because it appears that expenditures may be underreported for this program. This is due to there not being a specific license for deaf-blind and most LEAs only having one or two students with this primary disability. LEAs provide services to these students generally with licensed speech pathologist, deaf/hard of hearing specialists and emotional behavioral disorders teachers. They should be allocating part of the staff member's time and expenditure to Program 409 based on the time spent with the student but most LEAs are just coding 100 percent of the salary/service to the person's license. Program 414 (traumatic brain injury) has a similar problem as most LEAs are allocating more resources to these students than what the average cost appears. MDE has been working with LEAs for the past year to focus on more accurate reporting of expenditures by the student's primary disability served.

Table 3 shows the total cost including a column for allocating Program 420 and then creates an Average Cost by Funding Level. Lastly, there is a column showing the percentage of increase over the previous year. This was computed by taking the average cost by funding level for SFY 16 and dividing by the SFY 15 averages.

Minnesota Department of Education
Division of School Finance

TABLE 3
SPECIAL EDUCATION STATEWIDE AVERAGE EXPENDITURE
FY 2016 Final

January 2017

| Funding Level | 2017 Funding Amount | SFY 2016 Child Count | Total Cost by Funding Level | Allocate Program 420 | Total Cost including Allocation | 2016 Average Cost by Fund Level | Increase over Previous Year's Cost |
|---------------|---------------------|----------------------|-----------------------------|----------------------|---------------------------------|---------------------------------|------------------------------------|
| 1 | \$8,295 | 70,696 | \$458,148,652 | \$154,513,779 | \$612,662,431 | \$8,666 | 3.70% |
| 2 | \$10,878 | 35,895 | \$401,844,810 | \$78,452,417 | \$480,297,227 | \$13,381 | 3.61% |
| 3 | \$18,828 | 17,489 | \$315,361,037 | \$38,224,107 | \$353,585,145 | \$20,218 | 3.04% |
| 4 | \$28,242 | 9,749 | \$261,071,781 | \$21,307,497 | \$282,379,278 | \$28,965 | 2.69% |

Table 4 shows that without any change to the formula beginning in SFY 18 the rates currently in statute for each funding level would be misaligned with the LEAs' actual expenditures and student data. This is assuming that the average cost for each funding level increases at the same rate for SFY 17 as the increase for SFY 16. The last column labeled, "Statutory Rate needed to Fund Projected Average Cost" was calculated by:

- (1) Taking the actual average costs by funding level using SFY 16 expenditures and multiplying by the "Increase over Previous Year's Cost" percentage to estimate the "2017 Projected Average Cost."
- (2) Discounting the 2017 Projected Average Cost by the program growth factor for SFY 18 (1.046*1.046) to set the statutory rates at the amounts necessary to generate funding for SFY 18 consistent with the 2017 Projected Average Cost.

Minnesota Department of Education
Division of School Finance

TABLE 4
SPECIAL EDUCATION STATEWIDE AVERAGE EXPENDITURE
FY 2016 Final

January 2017

| Funding Level | 2016 Funding Amount | Annual Program Growth Factor | 2016 Average Cost by Fund Level | Increase over Previous Year's Cost | 2017 Projected Average Cost | Statutory Rate needed to Fund Projected Average Cost |
|---------------|---------------------|------------------------------|---------------------------------|------------------------------------|-----------------------------|--|
| 1 | 7,894 | 1.046 | 8,666 | 3.70% | 8,987 | 8,200 |
| 2 | 10,400 | 1.046 | 13,381 | 3.61% | 13,864 | 12,700 |
| 3 | 18,000 | 1.046 | 20,218 | 3.04% | 20,831 | 19,000 |
| 4 | 27,000 | 1.046 | 28,965 | 2.69% | 29,744 | 27,200 |

For example: The average cost to serve a student with a funding level 2 disability in SFY 16 was \$13,381. From SFY 15 to 16 the average cost increased 3.61 percent. Using that rate to project the cost to SFY 17 MDE calculates the average cost to serve a funding level 2 student to be \$13,864 (13,381 * 1.0361). The statutory language is such that to use the Program Growth Factor; all rates must be equivalent to SFY 16 which uses prior year data. Therefore, the projected cost of \$13,864 for SFY 17 needs to be discounted by the Program Growth Factor. Again, since the statute is for SFY 16 but references using prior year data MDE takes \$13,864 / (1.046^2) to get \$12,700 (rounded to the nearest hundred dollars). The current funding level

2 value is \$10,400. By changing the value to \$12,700 for SFY 18 and later, the formula will use the Annual Growth Factor of 1.046 to increase the value to \$13,896 ($12,700 * 1.046^2$) which will be more closely aligned to actual expenditures.

For funding level 1, MDE compared the \$8,200 above with the \$7,894 produced by the current \$450 and \$400 factors, and increased those two factors by the ratio of $\$8,200 / \$7,894$ or 3.9 percent to arrive at \$467 and \$415 respectively.

Options for Aligning Special Education Funding with SFY 16 Cost Data

The commissioner offers the following options for aligning the assignment of disability areas to funding categories and the rates for each category with the latest expenditure data:

- (1) No change is recommended in the assignment of disability areas to funding categories.
- (2) The rates for each funding category should be adjusted as outlined below to better align the pupil-driven portion of the special education funding formula with actual expenditures:

Minnesota Statutes, section 125A.76, Subdivision 2a, is amended to read:

For fiscal year ~~2016~~ 2018 and later, a district's special education initial aid equals the sum of:

(1) the least of 62 percent of the district's old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures, 50 percent of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures, or 56 percent of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:

(i) the product of the district's average daily membership served and the sum of:

(A) ~~\$450~~ \$467; plus

(B) ~~\$400~~ \$415 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(C) .008 times the district's average daily membership served; plus

(ii) ~~\$10,400~~ \$12,700 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

(iii) ~~\$18,000~~ \$19,000 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus

(iv) ~~\$27,000~~ \$27,200 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind;

Appendix A

SPECIAL EDUCATION STATEWIDE AVERAGE EXPENDITURE SFY 2016

The UFARS program dimensions are defined as follows:

401 Speech/Language Impaired

Specialized instruction and services for pupils with a communication disorder, such as stuttering, impaired articulation, language impairment, or voice impairment which adversely affects an individual's educational performance; includes speech-impaired, speech-disabled, and communicatively impaired (field usage). This program corresponds to the Special Education Disability Code 01 used in MARSS reporting.

402 Developmental Cognitive Disabilities: Mild-Moderate

Consists of special instruction and services for the mild to moderately disabled individual whose development rate is two-thirds to one-half of the average rate in the intellectual and adaptive behavior domains. Formerly known as educable mentally handicapped. Includes the terms educable mentally retarded, mentally handicapped, and mildly mentally handicapped. This program corresponds to the Special Education Disability Code 02 used in MARSS reporting.

403 Developmental Cognitive Disabilities: Severe-Profound

Special instruction and services for the individual whose development rate is one-half to one-third of the average rate in the intellectual and adaptive behavior domains. Formerly known as trainable mentally handicapped. Includes trainable mentally retarded, mentally retarded, mentally handicapped, moderately mentally handicapped and sometimes severely multiply impaired. This program corresponds to the Special Education Disability Code 03 used in MARSS reporting.

404 Physically Impaired

Specialized instruction and services for pupils with a severe physical impairment which adversely affects an individual's educational performance. The term includes impairments caused by congenital anomaly (e.g., clubfoot, absence of some member, etc.), and impairments caused by disease or injury (e.g., cerebral palsy, amputations, fractures or burns which cause contractures). Includes physically handicapped, orthopedically handicapped, and orthopedically impaired. This program corresponds to the Special Education Disability Code 04 used in MARSS reporting.

405 Deaf/Hard-of-Hearing

Hearing loss ranging from so severe that the child is impaired in processing linguistic information through hearing, with or without amplification; to hearing impairment, whether permanent or fluctuating, that adversely affects a child's education performance but which is not included under the definition of deafness. This program corresponds to the Special Education Disability Code 05 used in MARSS reporting.

406 Visually Impaired

Specialized instruction and services for a partially sighted individual having a visual condition with a best correction in the better eye of 20/70 or less which adversely affects an individual's

educational performance. Includes blind individuals and individuals who exhibit a limited visual field of 20 degrees or less. Includes the terms blind, visually impaired, visually disabled, and partially sighted. This program corresponds to the Special Education Disability Code 06 used in MARSS reporting.

407 Specific Learning Disability

Special instruction and services to pupils with disorders in the basic psychological processes involved in understanding or using spoken or written language which may impair their ability to listen, think, speak, read, write, spell or to do mathematical calculations. Includes such conditions as perceptual disabilities, brain injury, minimal brain dysfunction, dyslexia, and development aphasia. Does not include individuals who have learning problems that are primarily the result of visual, hearing or motor disabilities, or due to environmental, cultural, or economic disadvantage. Includes the terms special learning disabilities, learning disabled, exceptional learning disabilities and specific learning disabilities. This program corresponds to the Special Education Disability Code 07 used in MARSS reporting.

408 Emotional/Behavioral Disorder

Special instruction and services for a condition exhibiting the following characteristics over a period of time and to a marked degree that adversely affects educational performance: an inability to learn which cannot be explained by intellectual, sensory or health factors; an inability to build or maintain satisfactory interpersonal relationships with peers and teachers; a general pervasive mood of unhappiness or depression; or a tendency to develop physical symptoms or fears associated with personal or school problems. Does not include individuals who are socially maladjusted, unless it is determined that they are seriously emotionally disturbed. This program corresponds to the Special Education Disability Code 08 used in MARSS reporting.

409 Deaf-Blind

Concomitant hearing and visual impairments, the combination of which causes such severe communication and other developmental and educational problems that they cannot be accommodated in special education programs solely for children with deafness or children with blindness. This program corresponds to the Special Education Disability Code 09 used in MARSS reporting.

410 Other Health Disabilities

Special instruction and services which address limited strength, vitality, or alertness, due to chronic or acute health problems which adversely affects educational performance. Such conditions include: heart condition, tuberculosis, rheumatic fever, nephritis, asthma, sickle cell anemia, hemophilia, epilepsy, lead poisoning, leukemia, or diabetes. This program corresponds to the Special Education Disability Code 10 used in MARSS reporting.

411 Autistic Spectrum Disorders

Special instruction and services to individuals diagnosed with the disorder of autism. This program corresponds to the Special Education Disability Code 11 used in MARSS reporting.

412 Developmentally Delayed

Developmentally Delayed education includes activities for children from birth through age six. Includes special education instruction or services for individuals who are hearing impaired; physically, neurologically or other health impaired; seriously emotionally disturbed; have an identifiable syndrome known to hinder normal growth or development; have significant delay or impairment in cognitive speech or language development. This program corresponds to the Special Education Disability Code 12 used in MARSS reporting.

414 Traumatic Brain Injury

Special learning experiences for children with brain injuries caused by external physical force, or by internal occurrence such as stroke or aneurysm, resulting in impairments that adversely affect educational performance. Does not include children with brain injuries that are congenital or degenerative or caused by birth trauma. This program corresponds to the Special Education Disability Code 14 used in MARSS reporting.

416 Severely Multiply Impaired

Special instruction and services for a pupil who has severe learning and developmental problems resulting from two or more disability conditions determined by assessment. The assessment team shall determine that a pupil is eligible as being severely multiple impaired if the pupil meets the entrance criteria for two or more of the following disabilities: hearing impaired, physically impaired, moderate-severe mentally impaired, visually impaired, emotional or behavioral disorders or autism. This program corresponds to the Special Education Disability Code 16 used in MARSS reporting.

420 Special Education – Aggregate (three or more disabilities)

Use this program for personnel or contracted services, excluding teachers, who provide or coordinate special education or related services when three or more disability categories are served and the disability categories cannot be disaggregated. Also use this program for materials that are purchased for specialized instruction or related services for three or more disability areas when the disability categories cannot be easily disaggregated. Excludes the educationally disadvantaged (Program Code 216) and gifted and talented (Program Code 218). Activities of directors and assistant directors, supervisors are coded to this program.