

Special Education Cross-Subsidy Continues To Grow

It's well known that the special education cross-subsidy has been a financial stress for AMSD districts.

But 2018-19 may prove to be the most costly yet.

The latest special education cross-subsidy report, for FY 2017, shows that the statewide cross-subsidy rose to \$672.3 million. In just AMSD districts alone, special education costs exceeded state and federal education aid by more than \$427 million.

It's not projected to get better. While the state has made efforts to address the cross-subsidy, the statewide cross-subsidy is projected to grow to nearly \$708 million for 2018 — an increase of more than \$35 million. *And that's just for one year.*

Dr. Tom Melcher, Director of the Program Finance Division for the MN Department of Education, recently [told the Senate Committee on E-12 Education Policy](#) that the average district across the state is seeing higher cross-subsidies than ever before.

By definition, a cross-subsidy is the amount that a school district pays out of its general fund to cover budget shortfalls, after government aid doesn't cover the full amount of mandated programming.

Cross-subsidies are not unique to special education: English learner education, for example, accounts for its own cross-subsidy as well, with myriad mandates from the state and federal government.

A common misperception is that the special education cross-subsidy is primarily a federal issue because the federal government has never come close to covering its 40 percent share envisioned in the original Individuals With Disabilities Education Act. But even if the federal government met its goal of covering 40 percent of special education costs, the special education cross-subsidy would still have been \$249 million last year.

Regardless of who isn't paying, school districts ultimately have to cover the difference — often by enacting [drastic budget cuts](#), as noted recently by the Star Tribune.

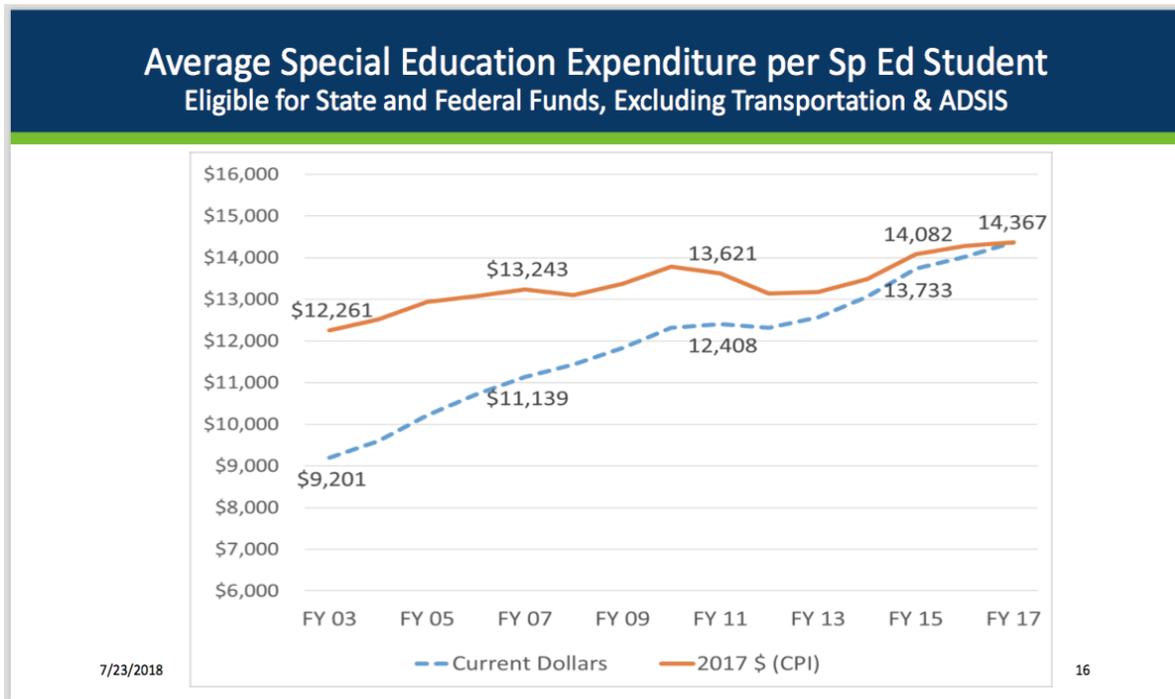
The biggest challenge, said Melcher: cost of service. "The cost of special education is growing," Melcher said.

School districts of all sizes, large and small, are impacted by the growing special education cross-subsidy.

Columbia Heights, for example — with an enrollment of just more than 3,300 students last year — experienced a cross-subsidy of more than \$1,100 per-weighted-pupil, compared to the statewide average of \$757. Osseo, Richfield, Robbinsdale, Roseville, White Bear Lake, St. Cloud and Saint Paul Public Schools also had cross-subsidies of more than \$1,000 per-weighted-pupil. Minneapolis has the highest cross-subsidy of nearly \$1,500 per-weighted-pupil.

There is also the challenge of open enrollment.

Many districts are greatly impacted by what is referred to as "tuition billing." When a student enrolls into a charter school, or a neighboring district, the new district provides the special education service but the resident districts receive a tuition bill to cover



Source: [Program Finance Division Minnesota Department of Education](#)

Continued on page 4

Senate Education Policy Committee Examines Special Education

Continued from page 3

the cost differences for providing the special education in the new district. These costs can include everything from transportation, to enrollment fees, to additional staffing such as paraprofessionals that ride buses with students. That can often amount to thousands of additional dollars.

As Dr. Melcher also told the Senate Education Policy Committee in August:

“The resident district has little opportunity to control the cost of special education services provided to its students who open enroll out of the district,” Melcher said. “And the tuition bills are often higher than what the district’s unfunded costs would be had it served these students within the district.”

Paul Ferrin, of MDE’s Special Education Funding and Data Division of School Finance, told the Committee in September that this tuition billing is frequently among the most confusing — and most costly — challenges for districts.

“The part that gets everyone ... it’s schools not being able to have any input or say in the cost,” Ferrin told the Committee.

The Committee, chaired by Sen. Eric Pratt, has committed to looking into policy changes for a remedy.

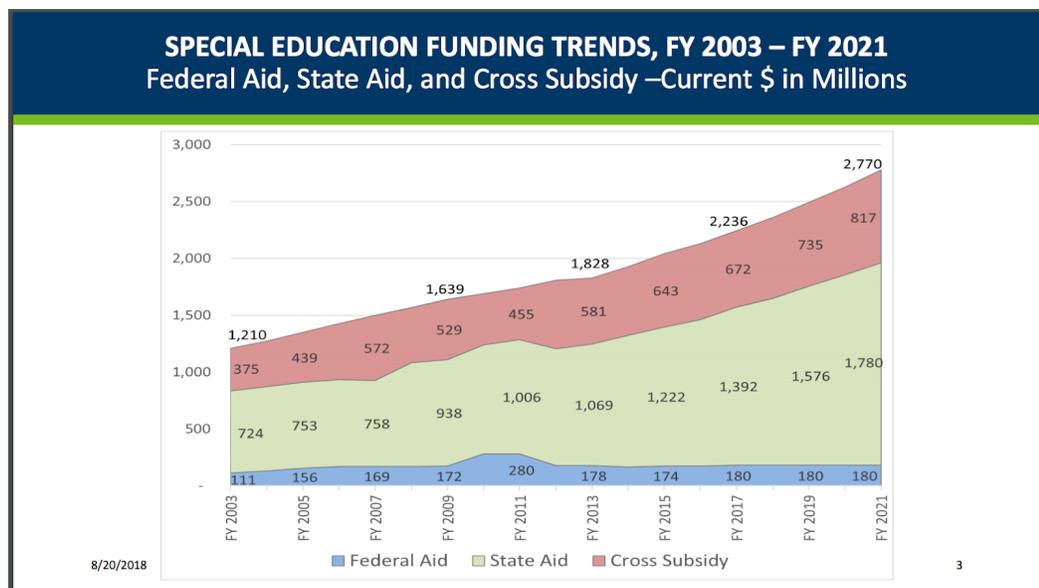
The Committee heard nearly two hours of testimony in September from staff of the St. Croix River Education District, who [gave several examples of how the burden of paperwork](#) often competes with providing direct service.

“Special educators use their prep time to complete paperwork, instead of planning for high quality, effective instruction, and they receive professional learning focused on due process paperwork, instead of on high-leverage instructional practices,” noted co-presenters Jamie Nord and Nicole Woodward.

The Committee is also looking to identify where state mandates for special education exceed federal mandates. Pratt has indicated he would like to see policies better aligned with federal standards when appropriate. “The idea is not to do away with all the mandates that exceed federal law,” Pratt said. “It’s the opportunity to look at what are appropriate and what aren’t. It’s to make sure we are doing what’s right for Minnesota students.”

One challenge, noted Daron Korte, Assistant Commissioner of MDE: Minnesota is one of only five states in the country to offer special education beginning at birth — which exceeds the federal mandate, which starts at age 3.

“We are very proud of the fact that Minnesota is a birth to 21 state,” Korte said. “It is something we would never recommend changing or removing.”



Source: [Program Finance Division Minnesota Department of Education](#)

AMSD Members: Anoka-Hennepin School District, Bloomington Public Schools, Brooklyn Center Community Schools, Burnsville-Eagan-Savage School District 191, Columbia Heights Public Schools, Eastern Carver County Schools, Eden Prairie Schools, Edina Public Schools, Elk River Area School District, Equity Alliance MN (Associate Member), Farmington Area Public Schools, Fridley Public Schools, Hopkins Public Schools, Intermediate School District 287, Intermediate School District 917 (Associate Member), Inver Grove Heights Schools, Lakeville Area Public Schools, Mahtomedi Public Schools, Metro ECSU (Associate Member), Minneapolis Public Schools, Minnetonka Public Schools, Mounds View Public Schools, North St. Paul-Maplewood-Oakdale School District, Northeast Metro Intermediate School District 916, Northwest Suburban Integration District (Associate Member), Orono Schools, Osseo Area Schools, Prior Lake-Savage Area Schools, Richfield Public Schools, Robbinsdale Area Schools, Rochester Public Schools; Rockford Area Schools, Rosemount-Apple Valley-Eagan Public Schools, Roseville Area Schools, Shakopee Public Schools, South St. Paul Public Schools, South Washington County Schools, SouthWest Metro Intermediate District, Spring Lake Park Schools, St. Anthony-New Brighton Independent School District, St. Cloud Area Schools, St. Louis Park Public Schools, St. Paul Public Schools, Stillwater Area Public Schools, Wayzata Public Schools, West St. Paul-Mendota Heights-Eagan Area Schools, Westonka, and White Bear Lake Area Schools.