



Financial Update Special Education Funding

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Special Education Services – Overview

- School districts are required by state law to provide appropriate and necessary special education to children with disabilities from birth through the child's 22nd birthday.
- Special instruction and services for children with disabilities must be based on an assessment of the child's educational needs and the Individualized Education Plan (IEP) developed in response to the initial assessment.



Special Education Services – By the Numbers



- As of December 1, 2023:
 - **Statewide:** a total of 165,285 students (19.3 %), received some special education services
 - **SoWashCo Schools:** a total of 3,865 students, (19.6 %), received some special education services



Introduction to Special Education Funding



Special education services are funded by the following:

- State special education aid
- Federal special education aid
- Third-party billing revenue

School districts must rely on undesignated General Fund revenue (including state and local funds) to cover remaining unfunded costs.



State Special Education Aid

- State special education aid is provided to partially fund the specialized instruction and services provided to children who receive special services.
- The aid helps offset direct expenditures that are necessary and essential to providing these required services.
- The multi-step hybrid formula is largely based on prior year expenditures.



State Special Education Aid

The seven components of state special education aid formula are:

- Initial aid
- Excess cost aid
- Special transportation aid
- Tuition-billing adjustment
- Hold harmless
- Cross-subsidy reduction aid
- Homeless transportation aid

Initial Aid

Initial Aid is the **least** of the following options:

- **Option 1 – Old Formula Expenditures**
 - 62% of the district’s prior year expenditures for salaries, contracted services, supplies and equipment
- **Option 2 – Non-federal Expenditures**
 - 50% of the district’s prior year expenditures for all option 1 expenditures plus benefits
- **Option 3 – Census-Based**
 - 56% of a statutory calculation; provides differing levels of reimbursement based on the district’s characteristics and the students’ category of disability

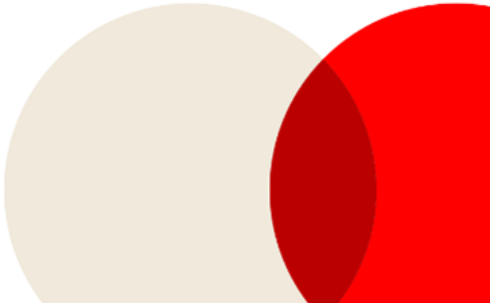
SoWashCo Schools usually receives Initial Aid under Option 1.

Excess Cost Aid

- Excess cost aid is designed to target additional aid to districts with high levels of special education expenses not reimbursed with regular special education initial aid.
- Based on the difference between:
 - Special education costs not reimbursed with initial aid; and
 - The sum of a percentage of general education revenue that is specified in law, plus a certain amount of general education revenue.
- The formula uses the prior year's data.

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Special Transportation Aid

- Includes costs associated with providing transportation for the following:
 - Students with an Individualized Education Plan (IEP)
 - Students placed in Care and Treatment programs
 - Students who are homeless
 - Students who have a Section 504 accommodation plan
 - Also includes a vehicle depreciation component.
 - The formula uses prior year data.
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- Two large overlapping circles are located in the bottom right corner of the slide. The left circle is a light beige color, and the right circle is a bright red color.

Tuition Billing Adjustment

- Reflects a charge-back of 80% of the unreimbursed special education costs to the resident district for resident students served by other school districts.
- Most districts have both negative adjustments for resident students served elsewhere and positive adjustments for nonresident students served.
- State special education aid is increased or decreased by the net amount of these adjustments.
 - Districts may use their federal special education funds to pay eligible tuition billing amounts.
 - This reduces the adjustment to state special education aid.
- Since 2007, the Minnesota Department of Education (MDE) has been responsible for tuition billing.

Hold Harmless



- Ensures that a school district will not receive less aid than they would have received under the old formula.
- Adjusted for changes in enrollment and includes an inflationary factor.
- **SoWashCo Schools generally do not receive hold harmless aid.**



Cross-Subsidy Reduction Aid

- The “cross-subsidy” is the amount of general education dollars used to cover the unfunded costs of providing special services.
- This aid was created to reduce the the gap between expenditures for special education and revenue provided for special education purposes.
- This aid is a statutorily-specified percentage of the cross-subsidy:
 - 44% through 2025-26
 - 50% beginning in 2026-27
- Cross-subsidy reduction aid is based on the previous year’s cross-subsidy.

Homeless Transportation Aid

- This aid was created to ensure costs accrued by school districts for providing special transportation are covered.
- Includes students who are homeless, attend Care and Treatment Programs or whose Section 504 accommodation plan includes special transportation.
- School districts receive this aid if the following apply:
 - Their state special education aid is funded off their hold harmless amount, and
 - Their prior year eligible expenditures are greater than their 2015-16 eligible expenditures.
 - The aid is the difference of those expenditures.
- **SoWashCo Schools generally does not receive homeless transportation aid.**

Funding for Fiscal Year 2023-24 (actual)

Initial aid (<i>Option 1</i>)	\$22,568,340.55
Excess cost aid	\$7,238,024.32
Special transportation aid	\$12,336,635.99
Tuition billing adjustment***	(\$1,752,859.42)
Hold harmless	- 0 -
Cross-subsidy reduction aid	\$10,328,652.72
Homeless transportation aid	- 0 -
Gross Special Education Aid	\$50,718,794.16
Proration Factor	100%
State Special Education Aid	\$50,718,794.16

Funding for Fiscal Year 2024-25 (estimated)



Initial aid (<i>Option 1</i>)	\$27,386,882.73
Excess cost aid	\$11,202,637.62
Special transportation aid	\$13,417,322.73
Tuition billing adjustment***	(\$3,934,559.77)
Hold harmless	- 0 -
Cross-subsidy reduction aid	\$14,262,420.13
Homeless transportation aid	- 0 -
Gross Special Education Aid	\$62,334,703.44
Proration Factor	95%
State Special Education Aid	\$59,685,478.54

Federal Special Education Aid

- Federal special education aid is provided under the Individuals with Disabilities Education Act (IDEA).
 - The total amount of federal funding is determined by the United States Congress each year.
- These aids are to assist states in providing a Free Appropriate Public Education (FAPE) to students with disabilities.
- The funding is provided first to the state, then allocated to districts largely based on a three-part formula - base amount, poverty and enrollment.

Federal Special Education Aids

- Under the Individuals with Disabilities Education Act (IDEA), we receive three categories of federal special education aids:
 - IDEA Part B Section 611 – for ages 3 through 21
 - IDEA Part B Section 619 – for ages 3 through 5
 - IDEA Part C – for ages birth through 2



Third-Party Billing Revenue

- Federal and state law require all public Minnesota schools to request payment for Individualized Education Plan (IEP) health-related services from public and private health insurers.
- Minnesota Health Care Programs (MHCP), which includes Medical Assistance (MA) pays the federal share of covered health-related services described in a child's IEP or Individualized Family Service Plan (IFSP).
- The revenue may be used for eligible expenditures.

Third-Party Billing Revenue

- Reimbursable services include assessments and services such as the following:
 - Physical therapy
 - Occupational therapy
 - Speech-language-hearing
 - Mental health
 - Nursing



Other Special Education Funding Recap



Federal Special Education Aids		
	2023-24 Actual	2024-25 Revised Budget
IDEA Part B Section 611	\$3,947,843.60	\$3,898,176.00
IDEA Part B Section 619	\$74,421.46	\$61,759.00
IDEA Part C	\$224,829.24	\$211,615.00
Total	\$4,247,094.30	\$4,171,550.00
Third-Party Billing Revenue		
	2023-24 Actual	2024-25 Revised Budget
Total	\$2,027,097.59	\$2,000,000.00

Expenditure Reporting & Reconciliation

- Special education expenditures are reported to the Minnesota Department of Education in two ways:
 - Uniform Financial and Reporting System (UFARS)
 - Provides summary financial information
 - Special Education Data Reporting Application (SEDRA)
 - Provides detailed expenditure information
 - Ensures expenditures are allowable
 - Used to calculate aids
- Before November 30, we reconcile SEDRA to UFARS for the prior fiscal year to ensure we receive the aid to which we are entitled.

Questions?