

HF18 - 1A - School District Special Education Services Funding

Chief Author: **Dan Wolgamott**
 Committee: **Education Finance**
 Date Completed: **1/18/2023 11:29:03 AM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	751,848	902,527	938,616	984,828	
Total	-	751,848	902,527	938,616	984,828	
Biennial Total			1,654,375		1,923,444	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 1/18/2023 11:29:03 AM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	751,848	902,527	938,616	984,828
Total	-	751,848	902,527	938,616	984,828
Biennial Total			1,654,375		1,923,444
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	751,848	902,527	938,616	984,828
Total	-	751,848	902,527	938,616	984,828
Biennial Total			1,654,375		1,923,444
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill changes the special education cross-subsidy aid ratio from its current amount (6.43%) to 100% and thus fully funding special education costs for school districts.

Assumptions

The special education cross-subsidy aid was enacted for SFY 20 and later years. It currently funds 6.43% of the prior year unreimbursed district special education costs.

Expenditure and/or Revenue Formula

Nov 22 Forecast

	FY24	FY25	FY26	FY27
PY Cross Subsidy	916,629,569	971,292,922	1,007,596,541	1,058,825,815
Current Law Cross- Subsidy Aid	58,942,135	62,454,135	64,788,458	68,082,500
Unfunded Cross Subsidy	857,686,854	908,838,787	942,808,084	990,743,315
Current Year 87.66%	751,848,297	796,688,081	826,465,566	868,485,590
Prior Year 12.34%	0	105,838,558	112,150,706	116,342,518
	751,848,297	902,526,639	938,616,272	984,828,108

Long-Term Fiscal Considerations

The increase of the cross-subsidy aid factor to 100% could cause the cross-subsidy to grow, increasing the cost to the state over time, especially if districts are not incentivized to control costs. Because the formula for special education cross-subsidy aid relies on prior year spending, any one-time large drop in spending could lead to future Maintenance of Financial Support for the state. In SFY21, LEA spending significantly decreased while aid (based on FY20 spending) remained mostly unchanged. If this bill had been enacted prior to that drop, the state would have seen a \$80m drop in special education funding in FY22, which could have caused an MFS issue.

Local Fiscal Impact

School districts would have their special education expenditures fully funded.

References/Sources

Agency Contact: Paul Ferrin 651-582-8864

Agency Fiscal Note Coordinator Signature: Melissa Stirn

Phone: 651-582-8690

Date: 1/18/2023 11:25:15 AM

Email: melissa.stirn@state.mn.us