

HOUSE RESEARCH

Bill Summary

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Subject: 100% State Funding for Special Education Costs

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Overview

School districts are required by state and federal law to provide appropriate and necessary education services to students with disabilities from birth to 21 years of age. Approximately 110,000 students (roughly 10.5%) of the K-12 pupils in Minnesota receive some special education services. Preliminary data for FY 2000 shows that Minnesota school districts spent \$981 million on special education services.

Special education is funded through a combination of state and federal programs. For FY 2000, Minnesota school districts received a total of \$536 million from the state funding formulas and \$62 million in federal categorical aid. Each year, the department of children, families and learning prepares a report analyzing the "cross-subsidy" created by the difference between categorical special education revenue and total special education expenses. The report attributes general education revenue earned by special education students in two different ways to arrive at a net cross-subsidy and an adjusted net cross-subsidy. For FY 2000, the net cross-subsidy is \$239.5 million and the adjusted net cross-subsidy is \$305.6 million. The cross-subsidies are the amounts that a school district must use from its undesignated general fund in order to provide special education services.

H. F. 541 eliminates the cross-subsidy by fully funding special education services.

- 1 Definitions.** Modifies the definition of program growth factor to reflect the actual increase in special education costs from the second previous year to the previous school year.
- 2 Special education base revenue.** Increases the percent of salary for each essential person providing special education services from 68% of salary to 100% of salary for fiscal years 2002 and later.
- 3 State total special education aid.** Increases the statewide statutory cap on special education aid from \$474 million to \$697 million.
- 4 Excess cost aid; definitions.** Eliminates the program growth factor from the excess cost formula.
- 5 Excess cost aid.** Increases the excess cost aid from 75% of the difference between the district's

unreimbursed special education costs and 4.36% of the district's general education revenue to 100% of the district's unreimbursed special education costs.

6 Repealer. Repeals three subdivisions that cap the amount of excess cost aid available to school districts.