

third party billing revenues and state and local general education revenues.^{25, 26}

Local school districts are reimbursed for special education costs as described in the Minnesota section, but a portion of the expenses must be borne by the district. It is increasingly the case that districts must dip into their general education budgets to cover special education costs – referred to as cross-subsidy or encroachment. In Minnesota, cross-subsidy is the difference in actual special education expenses and special education revenue. This difference is due to a variety of factors – increasing numbers of special education students, increasing special education costs overall, districts providing more services than are actually required, and state and federal funding that does not keep up with the actual costs. Some districts that have a very high percentage of special education students, or high number of students with disability categories that are more costly to serve, may have much higher unfunded costs per student.

SECTION FOUR: COST DEFERMENT, EQUITY AND SAVINGS ISSUES

By Karen Cadigan

This section touches on special education cost deferment, equity, and savings issues that are not directly related to the structure of the formula.

Cost Deferment: Third Party Billing

IDEA and Minnesota statutes require school districts to seek payments from a student's health plan when assessments and other services are covered by that plan. To accomplish this mandate, districts must integrate complex health plan requirements with the intricate details of IDEA. Since July, 2000 Minnesota districts have been mandated to access liable third parties. Primarily, these recouped dollars come from federal Medicaid revenue when districts submit claims to Minnesota Health Care Programs (MHCP). According to the Minnesota Department of Education, the total amount Minnesota school districts received from third party billing has increased from \$541,966 in the 2000-2001 school year to \$22,147,406 in the 2007-2008 school year. These amounts are a small percentage of actual expenditures. The net cost recouped can be reduced significantly by the cost of documenting and processing correct paperwork for the many varied health plans. Some districts use outside contractors for the paperwork and this can help reduce the cost of doing third party reimbursement. While these school-based services do not count toward Medicaid or Medicare service limits, they may impact service limits and fees for some private insurance providers. It should also be noted that when the costs are reimbursed by public health plans, it is not a pure cost savings to the public system, rather a deferment from education to health.

Cost Equity: Open Enrolled and Charter School Students

Minnesota's public school system increasingly offers parent and student choice (e.g., charter schools, open enrollment, post-secondary enrollment options). While there are certainly benefits to this model, a consequence for special education funding is that resident districts have little control over what services and what spending occurs in out-of-district and charter school placements, even though resident districts still pay the bill. Those settings are permitted to bill back the resident district whatever costs are not covered by the state. This is different from students enrolled in parochial schools, where the resident district is still the lead in deciding services (and costs) for special education students.

Minnesota Snapshot: Forest Lake

Forest Lake Area Schools has approximately 1000 students who either attend a charter school or are open enrolled into 25 different school districts. Approximately 150 of those students have Individual Education Programs (IEPs).

Although Forest Lake is financially accountable for their programs we have little voice in how those services are delivered. Tuition bills are calculated by MDE based on data that are submitted through MARSS and student IEPs and resident districts are required to pay the "excess cost" or the unreimbursed cost. What that cost is, is unpredictable.

*Deb Wall, Director of Special Education, Forest Lake Area Schools,
President, Minnesota Administrators for Special Education*

Cost Savings: Long and Short Term **Response to Intervention (RTI)**

Response to Intervention is a relatively recent adaptation of longstanding special education and related services practices. Rather than waiting for individual children to demonstrate high levels of failure, and then qualify and start receiving special education services, Response to Intervention is a more dynamic set of practices for monitoring children's achievement, identifying those children who may need some greater level of assistance soon after their achievement problems begin, and allocating more intensive services as needed – increasing services to help struggling learners, and reducing services back to general education levels as those learners' achievement returns to expectations.¹⁰

Major components of RTI include:

- a) a very high quality “Tier 1” classroom, where effective educational practices are implemented to advance achievement for as many students as possible;
- b) a frequent, universal, and relatively low-cost assessment system that marks individual children's progress and identifies those in need of more intensive services;

- c) “Tier 2” services where students with moderate achievement delays can receive extra help to return to Tier 1 levels of achievement; and,
- d) “Tier 3” services, where students with more pronounced achievement delays can receive more intensive special education services again intended to return them to Tier 1 services.

Research conducted to date, primarily with elementary and secondary students and evaluating academic and social behavioral interventions, show that RTI increases achievement and adaptation, reduces special education referrals and placements, and improves school performance against Adequate Yearly Progress (AYP) expectations.⁵

Alternative Delivery of Specialized Instructional Services (ADSIS)

The purpose of ADSIS is to provide instruction and services to K-12 pupils that need additional academic and behavioral supports to succeed in the general education environment and who may eventually qualify for special education if the prevention services were not available. An approved program may provide instruction and services in a regular education classroom or an area learning center to eligible pupils. Pupils may be provided services during extended school days and throughout the entire year. The state application for ADSIS requires the district to propose cost implications from the additional funding and to outline how parents will be involved. For the 2008-2009 school year, 57 charter schools, school districts and other educational service cooperatives are receiving ADSIS, totaling \$8.8 million.

Early Identification and Intervention

Research is clear that in many cases, early identification and appropriate intervention for delays can ameliorate small learning problems before they become larger ones.²² As children become older, changing course is still doable but can be more difficult and more costly. Even for children with lifelong disabilities such as Autism Spectrum Disorders (ASD), appropriate early intervention can keep children closer to the path of typical development.¹⁴ For example, 75-95% of children with ASD who receive early, intensive behavioral interventions develop useful speech by age five²³ and efforts at identifying the markers of ASD early and preventing the full syndrome from developing seem more plausible every year.⁴

Minnesota Snapshot: St. Croix River

The St. Croix River districts have been collecting general outcome measurement data in basic skill areas since 1996. The percentage of students reaching benchmark target scores has increased significantly over the past decade from 35 percent to 70 percent. In the Chisago Lakes School District 2144 in Lindstrom, Minn., the percentage of 2nd grade students reaching benchmark target scores has increased from 38 percent to 82 percent over the past decade.

Over the same period, our district has been tracking the performance of students performing at the 10th percentile. The results indicate that at every grade level, student growth rates in reading have at least doubled and in some instances tripled. For example, the median score of 1st graders at the 10th percentile was 15 words read correctly in one minute in 1996 but had risen to 39 words in 2007.

In addition, the percentage of students reaching the grade-level standard on the statewide assessment increased from 51 percent at the model's inception to 80 percent in 2005. This is a slightly faster increase than that of the state overall. Finally, the percentage of students identified as learning disabled has dropped dramatically over the past decade, by 50 percent.

We believe these data trends provide strong evidence of the preventive nature of the RTI framework. Moreover, with the implementation of a multitiered service delivery model, teachers realize they are able to get effective interventions in place for students without having to request an evaluation for special education services.

Kim Gibbons, Executive Director, St. Croix River Education District

Per the federal Office of Special Education, Minnesota has included early identification numbers as part of the annual Part C Monitoring report. Minnesota identifies and serves infants at rates below national and similar state averages. The expected rate of early identification is the average range for other states that use similar eligibility criteria for developmental delay. (States are permitted to make these early criteria even broader and include children who are at-risk for delay, but due to funding challenges fewer states are doing that).

The most recent data on this population is for fiscal year 2007 when Minnesota’s rate of identification for children up to age one was .62% of the population (450 infants). The national range is .28% - 5.00%, with an average of 1.05% of a state’s infant population. States with eligibility criteria similar to Minnesota’s serve a range of between .62% and 2.29% of infants, with an average of .97%.

Percentage of Minnesota children under age one who were served by Part C				
FFY 2004 Baseline	FFY 2005	FFY 2006	FFY 2007 Target	FFY 2007 Actual
.41%	.46%	.63%	.60%	.62%

Source: Minnesota Department of Education, “Minnesota Part C Annual Performance Report, FY 2007,” Feb. 2009

Likewise, Minnesota has been working to improve the numbers of children from birth to age three who are served by Part C. The most recent data is for fiscal year 2007 when Minnesota’s rate of identification for children up to age three was 1.83% of the population (3,924 infants and toddlers). The national range is 1.19% - 6.94%, with an average of 2.43% of a state’s infant population. States with eligibility criteria similar to Minnesota’s serve a range of between 1.46% and 4.61% of infants, with an average of 2.99%.

Percentage of Minnesota children three years and under who were served by Part C				
FFY 2004 Baseline	FFY 2005	FFY 2006	FFY 2007 Target	FFY 2007 Actual
1.50%	1.56%	1.70%	1.90%	1.83%

Source: Minnesota Department of Education, “Minnesota Part C Annual Performance Report, FY 2007,” Feb. 2009

While Minnesota appears to be making progress on this monitoring goal for infants, for FY 2007 the state fell short of the monitoring goals of 1.90% of infants and toddlers. Even with meeting the set goals, our state would remain in the below average range for numbers of children who receive early intervention services. Though one might conclude that Minnesota has an actual population of infants and toddlers with delays that is below average, it is not clear that this is the case. Given that the early childhood risk factors for Minnesota’s infants and toddlers (e.g., poverty rates, prenatal care, low birth weight) are not significantly different from other states,¹⁵ our state’s population of children three and under with delays is likely to be similar to other states.

