

**Senator Pogemiller introduced—**

**S.F. No. 2588: Referred to the Committee on Education.**

A bill for an act

relating to education; reporting special education litigation costs; amending  
Minnesota Statutes 2004, section 125A.75, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 125A.75, is amended by adding a  
subdivision to read:

Subd. 9. Litigation costs; annual report. (a) By August 1, a school district must  
annually report the district's special education litigation costs, including due process  
hearings, to the commissioner of education. The district must submit an itemized list of  
actual special education litigation costs, including attorney fees, for hearings completed  
during the previous fiscal year.

(b) By October 1 of each year, the commissioner shall report school district special  
education litigation costs to the house of representatives and the senate committees having  
jurisdiction over kindergarten through grade 12 education finance.

Senators Stumpf, Kelley, Bonoff and Clark introduced-  
S.F. No. 2744; Referred to the Committee on Finance.

1.1 A bill for an act  
1. relating to education finance; adding a program growth factor for regular special  
1.3 education; increasing regular special education aid; amending Minnesota Statutes  
1.4 2004, section 125A.76, subdivision 1; Minnesota Statutes 2005 Supplement,  
1.5 section 125A.76, subdivision 4; Laws 2005, First Special Session chapter 5,  
1.6 article 3, section 18, subdivision 2.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2004, section 125A.76, subdivision 1, is amended to  
1.9 read:

1.10 Subdivision 1. **Definitions.** For the purposes of this section, the definitions in this  
1.11 subdivision apply.

1.12 (a) "Base year" for fiscal year 1998 and later fiscal years means the second fiscal  
1. year preceding the fiscal year for which aid will be paid.

1.14 (b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2.  
1.15 For the purposes of computing basic revenue pursuant to this section, each child with a  
1.16 disability shall be counted as prescribed in section 126C.05, subdivision 1.

1.17 (c) "Essential personnel" means teachers, cultural liaisons, related services, and  
1.18 support services staff providing direct services to students. Essential personnel may also  
1.19 include special education paraprofessionals or clericals providing support to teachers and  
1.20 students by preparing paperwork and making arrangements related to special education  
1.21 compliance requirements, including parent meetings and individual education plans.

1.22 (d) "Average daily membership" has the meaning given it in section 126C.05.

1.23 (e) "Program growth factor" means 1.046 for fiscal year ~~2003~~, and 1.0 for fiscal  
1.24 year ~~2004~~ 2008 and later.

2.1 Sec. 2. Minnesota Statutes 2005 Supplement, section 125A.76, subdivision 4, is  
2.2 amended to read:

2.3 Subd. 4. **State total special education aid.** The state total special education aid for  
2.4 fiscal year ~~2004~~ 2006 equals ~~\$530,642,000~~ \$528,787,000. The state total special education  
2.5 aid for fiscal year ~~2005~~ 2007 equals ~~\$529,164,000~~ \$655,125,000. The state total special  
2.6 education aid for later fiscal years equals:

2.7 (1) the state total special education aid for the preceding fiscal year; times

2.8 (2) the program growth factor; times

2.9 (3) the greater of one, or the ratio of the state total average daily membership for the  
2.10 current fiscal year to the state total average daily membership for the preceding fiscal year.

2.11 Sec. 3. Laws 2005, First Special Session chapter 5, article 3, section 18, subdivision 2,  
2.12 is amended to read:

2.13  
2.14 Subd. 2. **Special education; regular.** For special education aid under Minnesota  
2.15 Statutes, section 125A.75:

2.16

2.17 \$ 528,846,000 ..... 2006

2.18 ~~527,446,000~~

2.19 \$ 635,290,000 ..... 2007

2.20

2.21 The 2006 appropriation includes \$83,078,000 for 2005 and \$445,768,000 for 2006.

2.22

2.23 The 2007 appropriation includes \$83,019,000 for 2006 and ~~\$444,427,000~~

2.24 \$552,271,000 for 2007.

2.25

- 1.1 Senator ..... moves to amend S.F. No. 2744 as follows:
- 1.2 Page 2, line 4, delete "\$528,787,000" and insert "\$529,341,000"
- 1.3 Page 2, line 17, strike "528,846,000" and insert "559,485,000"
- 1.4 Page 2, line 19, delete "635,290,000" and insert "642,547,000"
- 1.5 Page 2, line 21, strike "\$445,768,000" and insert "\$476,407,000"
- 1.6 Page 2, line 23, strike "\$83,019,000" and insert "\$52,934,000"
- 1.7 Page 2, line 24, delete "\$552,271,000" and insert "\$589,613,000"

**Five-Year Analysis:  
State Special Education Funding  
Northfield Public Schools  
and  
Stillwater Area Schools**

**Total State  
Special Education Aid  
FY 2002 – 2006**

<b>Fiscal Year</b>	<b>State Total Special Ed Revenue <sup>1</sup></b>	<b>Percent Change</b>	<b>State Total Excess Cost Aid <sup>2</sup></b>	<b>Percent Change</b>
2002	510,363,230		90,805,000	
2003	530,903,000	+ 4.02%	92,112,000	+ 1.44%
2004	530,642,000	- 0.05%	92,067,000	- 0.05%
2005	529,164,000	- 0.28%	91,811,000	- 0.28%
2006	529,341,000 <sup>3</sup>	+ 0.03%		

<sup>1</sup> Data from yearly Special Education Aid Entitlement Reports - Actual

<sup>2</sup> Data from yearly Special Education Aid Entitlement Excess Cost Report - Actual

<sup>3</sup> Data from Special Education 05-06 Special Education Entitlement Report - Estimate

## Northfield Special Ed Revenue FY 2002 – 2006 <sup>1</sup>

<b>Fiscal Year</b>	<b>Adjusted Base Revenue What We're Supposed to Receive</b>	<b>Prorated Special Ed Aid What We Actually Received</b>	<b>Percentage Received</b>
2002	\$1,684,353.51	\$1,640,732.89	97.41%
2003	\$1,797,830.26	\$1,734,767.37	96.49%
2004	\$2,247,103.99	\$2,064,232.39	91.86%
2005	\$2,443,626.42	\$2,137,485.58	87.47%
2006 <sup>2</sup>	\$2,363,033.75	\$1,994,766.92	84.42%

## Northfield Excess Cost Revenue FY 2001 – 2005 <sup>3</sup>

<b>Fiscal Year</b>	<b>Initial Excess Cost Aid What We're Supposed to Receive</b>	<b>Prorated Excess Cost Aid What We Actually Received</b>	<b>Percentage Received</b>
2001	\$49,016.60	\$49,016.60	100.00%
2002	\$594,710.36	\$594,710.36	100.00%
2003	\$757,086.71	\$757,086.71	100.00%
2004	\$354,563.77	\$292,826.05	82.59%
2005	\$269,554.91	\$171,272.06	63.54%

Note: If funding in 2005 were at the same percentages as 2003 (96.49% Special Ed, 100% Excess Cost), Northfield Public Schools would have received an additional \$318,652 in special education aid – enough to employ an additional 6.4 classroom teachers.

<sup>1</sup> Data from yearly Special Education Aid Entitlement Reports - Actual

<sup>2</sup> Data from Special Education 05-06 Special Education Entitlement Report - Estimate

<sup>3</sup> Data from yearly Special Education Aid Entitlement Excess Cost Report - Actual

## Stillwater Regular Special Ed Revenue FY 2002 – 2006 <sup>1</sup>

<b>Fiscal Year</b>	<b>Adjusted Base Revenue What We're Supposed to Receive</b>	<b>Prorated Special Ed Aid What We Actually Received</b>	<b>Percentage Received</b>
2002	\$4,878,740	\$4,752,393	97.41%
2003	\$15,363,281	\$5,175,152	96.49%
2004	\$5,848,077	\$5,372,155	91.86%
2005	\$5,947,523	\$5,202,409	87.47%
2006 <sup>2</sup>	\$6,080,627	\$5,132,922	84.42%

## Stillwater Excess Cost Revenue FY 2001 – 2005 <sup>3</sup>

<b>Fiscal Year</b>	<b>Initial Excess Cost Aid What We're Supposed to Receive</b>	<b>Prorated Excess Cost Aid What We Actually Received</b>	<b>Percentage Received</b>
2001	\$677,729	\$677,729	100.00%
2002	\$1,029,140	\$1,029,140	100.00%
2003	\$739,937	\$739,937	100.00%
2004	\$578,900	\$478,100	82.59%
2005	\$1,042,869	\$662,626	63.54%

Note: If funding percentages in 2005 had been at the 2003 level, Stillwater Area Schools would have received enough additional aid to employ 15 more classroom teachers. For 2006, that estimate jumps to an equivalent of at least 18 teachers. Essentially, half of the additional foundation aid provided to our district by the legislature for 2006 is used up by the reduction in special education aid.

<sup>1</sup> Data from yearly Special Education Aid Entitlement Reports - Actual

<sup>2</sup> Data from Special Education 05-06 Special Education Entitlement Report - Estimate

<sup>3</sup> Data from yearly Special Education Aid Entitlement Excess Cost Report - Actual

**Fiscal Note – 2005-06 Session**

**Bill #:** S2744-0 **Complete Date:** 03/17/06

**Chief Author:** STUMPF, LEROY

**Title:** SPEC ED PRG GROWTH; APPROP. INCR

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Education Department

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
<b>Expenditures</b>					
General Fund		(498)	114,386	154,280	185,663
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
General Fund		(498)	114,386	154,280	185,663
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
General Fund		(498)	114,386	154,280	185,663
<b>Total Cost &lt;Savings&gt; to the State</b>		(498)	114,386	154,280	185,663

	FY05	FY06	FY07	FY08	FY09
<b>Full Time Equivalent</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

Section 2 of this bill establishes the State Total Special Education Aid for F.Y. 2006 at \$528,787,000 and for F.Y. 2007 at \$655,125,000. Section 1 provides an inflation factor for state total special education aid of 1.046 beginning in FY 2008.

**Assumptions**

Special Education Regular Program revenue was established by the 1995 session of the legislature with an aid amount established in statute for F.Y. 1996 and 1997. The aid for future years has been equal to:

1. the state total special education aid for the preceding fiscal year; times
2. the program growth factor; times
3. the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

Through F.Y. 2001, the legislature established the revenue amount in statute. This amount consistently reflected a growth factor of approximately 2%. The 2001 Session of the Legislature established the growth factor at 1.08 for F.Y. 2002 and 1.046 for F.Y. 2003. The 2003 Session of the Legislature established the revenue amount in statute for F.Y. 2004 and 2005 and set the growth factor for F.Y. 2004 and later years at 1.0. The 2005 Session changed the 3<sup>rd</sup> component of the above formula, effective for revenue in F.Y. 2008, as follows:

3. the greater of one, or the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

Basis for the entitlement and appropriation comparisons below is February Forecast. If full funding based on February Forecast data is assumed for FY 2006, the entitlement would be \$529,341,000. This would eliminate the revenue loss in FY 2006 and resulting appropriation savings in FY 2006 and FY 2007.

**Expenditure and/or Revenue Formula**

<b>Special programs state totals</b>		<b>CHANGE FROM 2006 FEB</b>	
<b>FY</b>	<b>ADM</b>	<b>Special Education Target</b>	<b>Special Education Target</b>
<b>Aid</b>		<b>Incl Trans</b>	<b>Incl Trans</b>
<b>Entitlement</b>			
2006	820,698	528,787,000	(554,000)
2007	818,569	655,125,000	127,157,000
2008	816,449	685,260,750	157,292,750
2009	814,870	716,782,745	188,814,745

**90-10 Appropriation Computation based on Above Entitlements:**

2006	558,988,000	(498,000)
2007	642,492,000	114,386,000
2008	682,248,000	154,280,000
2009	713,631,000	185,663,000

**Long-Term Fiscal Considerations**

School district costs continue to grow between 4 and 5% annually. With costs continuing to grow, if revenues are held flat, districts can be expected to increasingly draw on general education revenues to fund special education services.

**Local Government Costs**

Districts will receive additional revenue.

Agency Contact Name: Landers, Mike 651-582-8810  
FN Coord Signature: AUDREY BOMSTAD

Date: 03/16/06 Phone: 582-8793

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: BRIAN STEEVES

Date: 03/17/06 Phone: 296-8674



# Schools for Equity in Education

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## 2006 Legislative Platform

### Equity

Ensure taxpayer equity by increasing the equalizing factors on education-related levies. In the 2005 education bill, an estimated \$140 million in new local property tax levies were added through the expansion of current levies, a change in the equalizing factor for total operating capital, and the establishment of new levies. The effects of these changes are different in each district, but are particularly difficult for low-property wealth districts that have a higher sensitivity to property taxes.

- To remedy this, the referendum and debt service equalization factors, unchanged since 1993, must be increased to reflect inflation.
- Equalizing factors for the newly-established Q-Comp and deferred-maintenance levies along with the existing health and safety must be significantly increased and set at the same level to promote both fairness and simplicity. The change in the equalizing factor for total operating capital should also be revisited.

Provide the resources necessary to make certain that all interested districts will have an opportunity to participate in the newly-established alternative compensation program. Currently, the revenue available for the program will only cover approximately half of the districts in the state. This is inequitable.

### Adequacy

Continue working toward the establishment of a standards-based funding formula that will meet the needs of all Minnesota students.

- A coalition of education groups, including SEE, have joined together to build on the work of the Governor's Education Finance Task Force and determine the funding necessary for every Minnesota student to have the opportunity to meet federal, state, and local learning requirements and promote high levels of student achievement.
- The results of this work should be used to re-design the state education funding formulas creating a new funding system that will provide all students with the resources necessary to meet high standards and expectations.

Provide funding mechanisms to make certain students are provided with the support services they need to succeed.

- Higher energy costs make it necessary for districts to receive more financial support to help them provide quality transportation and maintain healthy and secure learning environments.
- A new revenue category for technology expenditures for acquisition and replacement should be implemented.
- Revenue for the total operating capital program should be dramatically increased.
- These vital support services are necessary to providing a quality education and should be counted as such when determining the amount of revenue that is attributed to the classroom.

#### **Provide adequate funding for special education.**

- The continued and uneven growth of special education costs throughout the state requires additional resources for special education. The 2005 Legislature did not address special education resources beyond what is required by federal law.