



Date: March 1, 2012

To: Senator Julianne Ortman, Chair
Senator Claire A. Robling, Chair
Senator Richard J. Cohen
Senator John Marty

Representative Mary Liz Holberg, Chair
Representative Greg Davids, Chair
Representative Lyndon Carlson
Representative Ann Lenczewski

From: Margaret Kelly *MK*
State Budget Director

RE: HF 1202 (Greiling): Modifying Early Intervention Criteria

On January 12, 2012, Minnesota Management & Budget (MMB) received a request to prepare a local impact note on HF 1202 (Greiling): Modifying early intervention criteria. We have completed our analysis and a copy of the note is attached.

Local impact notes are similar to the fiscal notes that you are familiar with, but they focus on the fiscal impact of proposed legislation on local governments rather than the State. This process is described in Minnesota Statutes 3.987 and 3.988. This statute requires MMB to gather and analyze information on local costs of legislation when requested by the chair or ranking minority member of the House and Senate Tax committees, the Senate Finance committee and the House Ways and Means committee.

Whenever possible, MMB works with local governments, including school districts, to estimate costs. In this case, MMB was not successful in receiving enough information from school districts to create a reliable statewide estimate. Instead, MMB used school district expenditure data housed in the Department of Education's statewide tuition billing system, which districts use to bill other school districts for eligible expenditures, to estimate school district costs statewide. From this data, we were able to estimate the per pupil cost the school districts incur to serve the additional students identified in this bill. In addition, MMB received county level cost estimates related to counties' additional staff time spent referring identified children to school districts. As a result, a statewide increased cost to local governments of \$1,290,000 in FY 2013 was calculated.

If you or your staff has any questions about the local note process feel free to contact Executive Budget Officer Kerstin Larson (651) 201-8045 or Emily Engel (651) 201-8029.

cc: Representative Mindy Greiling
Legislative Staff

March 1, 2012

HF 1202 (Greiling, Abeler, Mack, Hosch and Slawik):

Relating to children; modifying early intervention criteria; amending M.S. 125A.30.

Explanation of the Bill

This bill modifies M.S. 125A.30 (b) (2) by expanding the population of children to be referred for services under Interagency Early Intervention Committees (IEICs) for children with disabilities. The duties of the IEICs include the implementation of child find systems that are designed to identify and refer infants and children who either have disabilities or who may be at risk of developing disabilities. The amendment changes the current language from requiring IEICs to seek out, identify and refer for screening a child under age three who is “involved in a substantiated case of abuse or neglect” to a child who is “the subject of a child maltreatment report.”

Local Fiscal Impact*

Net Expenditure/Revenue Change

Dollars in Thousands, State Fiscal Years

	FY 2012	FY 2013	FY 2014	FY 2015
Statewide Impact	\$ -	\$ 1,290	\$ 1,778	\$ 2,267

*Estimates may vary depending on the number of children screened and evaluated and the number of students determined to need special education services as a result of the evaluation.

Local Impact Analysis Methodology

To estimate the statewide local government impact of the changes included in HF 1202, MMB:

- Interviewed Department of Education’s early childhood education services.
- Worked with MDE’s special education program finance staff to estimate local costs using MDE’s tuition billing system.
- Coordinated assumptions with Department of Education’s special education finance division and Department of Human Services using the fiscal note completed for HF 1202.
- Worked with Department of Human Services Child Protection staff.
- Researched county impact with contacts at the Association of Minnesota Counties and Scott County Human Services.
- Contacted a sampling of school districts to develop cost estimates. However, MMB did not receive adequate response to incorporate these sources into the analysis.

Analysis

MMB estimates that there will be three primary drivers of cost at the local level.

- 1) The cost related to the increased number of screenings and evaluations districts will do on all children under three who’ve been the subject of a child maltreatment report, instead of the current practice required by law, which requires screening of all children under three who’ve been the subject of a substantiated child maltreatment report.
- 2) The cost incurred by districts as a result of having an increased number of children under three who will be identified as needing special education services.
- 3) The staff costs incurred by counties as a result of an increase in the number of cases they need to report for assessment.

Part 1. Estimating costs to school districts

Assumptions:

- The bill significantly expands the population to be served under early intervention services.
 - Based on the Minnesota Child Welfare Report, it is estimated that this would increase the number of children referred from 1,000 to 6,000 annually.
 - Of the additional 5,000 children referred, it is estimated that 20% will be evaluated for special education services. Since the program is not mandatory, and considering the circumstances under which a child will have been referred (the filing of a child maltreatment report), participation is likely to be low. This number will remain constant.
 - Of the children evaluated, 80% will be determined to be eligible to receive special education services. This number will remain constant.
- Children identified through this process would receive mild to moderate level of services as those children receiving significant services would already have been identified through the typical child find process.
- Children who have been evaluated and assessed and receive special education services will generate state general education revenue.
 - .014 ADM was generated in FY 2011 per Early Childhood Special Education evaluation record.
 - All children receiving special education services will generate .28 ADM.
- Districts may have to hire additional staff or contract for services for the additional evaluations and services.
 - Costs for child find, screening and evaluations are eligible for state special education aid.
 - Costs for additional services are eligible for federal Part C Funds.
- Districts will receive third party reimbursement for Medicaid-eligible costs.
- In FY 2011, 82% of children receiving services under Birth -2 criteria continued to receive special education services after they turn three years old. Therefore, 82% of children receiving services for FY 2013-15 will continue receiving services.
- Non-resident students and resident students under three are not substantively different from each other.
- There will be no additional costs from identifying these children once the children reach age five, because they would have been identified under current screening and evaluation practices at age five.
- This note assumes an effective date of July 1, 2012. If the effective date precedes this date, monthly costs for FY 2012 would be one-twelfth of the costs shown for FY 2013.

Calculations

Based on the assumptions above, 5,000 additional children will be referred for screening and evaluation each year. Since the program is not mandatory, a 20% participation rate is assumed. As a result, school districts will conduct an additional 1,000 screenings and evaluations of children under age three each year. Of those evaluated, 800 are estimated to be eligible to receive special education services.

Table 1. Number of Students served

1	Additional Children Referred	5,000
2	Percent of referred children evaluated	20%
3	Children evaluated (1 x 2)	1,000
4	Percent of evaluated children eligible for services	80%
5	Screened Children (3 x 4)	1,000
6	Children Eligible for Special Ed Services	800

School districts receive at least four different payment streams to fund screening, evaluation and the provision of special education services to children under three including federal funds, state general education revenue, special education revenue and local levy dollars. To isolate the increase in local cost as a result of this law change, MDE

pulled data from its Tuition Billing System. If a school district is providing education services to a non-resident special education student, MDE uses the tuition billing system to calculate a bill for the unreimbursed costs after special education aid has been applied and transfers that amount from the resident district to the non-resident district through an adjustment to state special education aid. The Tuition Billing System reflects all local costs that districts incur as a result of serving non-resident children in their district, including costs incurred to provide services to children under age three.

Because the Department of Education does not track local costs to districts for serving students under age three, and there is no other statewide data available to estimate the annual per-student costs associated with students under three, the tuition billing system provides a subset of data that MMB can use to extrapolate the per-student cost of the students that will be referred for screening and evaluation as a result of this bill.

For children under age three, during FY 2011, serving districts billed resident districts \$3,219,621 in unreimbursed costs for 1,237 invoiced students. This number is net of reimbursement from federal payment streams, including Medicaid. Resident districts received state special education revenue, special education excess cost revenue and general education revenue for these children in the amount of \$1,745,367 during that year. As a result, this analysis estimates the total unreimbursed local cost to school districts serving children under three as \$1,474,254. Divided by the number of students invoiced (1,237) generates an average annual cost of these students under three as \$1,192.

Table 2. Per student costs of serving children under three

		FY 2011
1	Total Costs incurred by all Serving Districts	\$ 3,219,621
2	Costs covered by State Aid	\$ 1,745,367
3	Total Local Costs incurred by Districts (1 minus 2)	\$ 1,474,254
4	Number of students invoiced	1,237
5	Average cost per student (3/4)	\$ 1,192

The unreimbursed cost included in the tuition billing system includes all costs that could be incurred as a result of the increase in screening and evaluation, including both the costs related to the increased number of evaluations each school district will complete, as well as the increased amount of special education services that district will provide to newly identified children under three.

Table 3. Statewide school district costs – Birth through two year olds

	FY 2013			FY 2014			FY 2015		
	Age 0-1	Ages 1-2	Total	Age 0-1	Ages 1-2	Total	Age 0-1	Ages 1-2	Total
Average Cost Per Student	\$1,192	\$1,192		\$1,192	\$1,192		\$1,192	\$1,192	
Number of Students Served	500	500		500	500		500	500	
Average Cost Per Student	\$1,192	\$1,192		\$1,192	\$1,192		\$1,192	\$1,192	
Total Statewide Cost	\$596,000	\$596,000	\$1,192,000	\$596,000	\$596,000	\$1,192,000	\$596,000	\$596,000	\$1,192,000

This analysis also estimates the additional longer-term costs incurred as a result of identifying more children under three: presumably, this will result in more children ages three to five receiving special education services. Currently, 82% of children under age three receiving special education services go on to receive special education services after they turn three. The same assumption is made here. However, since it is assumed that the children found eligible as a result of these referrals will require mild to moderate levels of service, they will likely be slightly less eligible for services provided to three to five year olds under current law, which may reduce the percent of additional children receiving services as a result of the bill in that age group. However, MMB is not able to determine the size of such a reduction. Moreover, because MMB is unable to isolate local cost within the tuition billing system for children ages three to five, it is assumed that average per child costs for children in that age group will be the same as children ages 0-2 years old.

Finally, while costs will increase between FY 2013 through FY 2015, they will plateau in FY 2016. Once the newly identified children reach age five they will not generate increased local costs as a result of the bill, because they would have already have been identified by that age, and therefore would already be incurring costs, under current law.

Table 4. Statewide school district costs – three through five year olds

	FY 2013	FY 2014	FY 2015
	<u>Ages 3-5</u>	<u>Ages 3-5</u>	<u>Ages 3-5</u>
Average Cost Per Student	\$1,192	\$1,192	\$1,192
Number of Students Served	0	410	820
Average Cost Per Student	\$1,192	\$1,192	\$1,192
Total Statewide Cost	\$0	\$488,720	\$977,440

Some school districts may incur a higher cost because they will have to expand their capacity to complete the additional screening and evaluations that will occur as a result of the bill. This will in large part be determined by the size of special education staff within a district. However, the estimated 1,000 additional screened and evaluated students represent a comparatively small number of total students served. On average, it will represent an additional three students per school district who will go through the screening and evaluation process, with an average of 2.4 students going on to receive special education services.

Part 2. Estimating Costs to Counties

Assumptions:

- HF1202 changes what children under the age of three will be referred for assessment from those with a “substantiated abuse” to those with a “maltreatment report.” According to the Minnesota Department of Human Services (DHS), this will change the number of referred children from 1000 to 6000—an increase of 5000.
- County human services departments are responsible for communicating maltreatment (and substantiated abuse) reports to school districts. According to the Association of Minnesota Counties (AMC), reporting a case involves two steps. The first step requires reporting the case to the school district which they can do electronically, on the phone, or through the mail. The second step involves completing county paperwork to document that they completed the referral for assessment. These two steps require at least 30 minutes of staff time per case.
- County human services representatives are members of the Interagency Early Intervention Committees (IEIC). These committees’ workloads are not expected to increase, because their responsibilities are primarily process development and oversight. For this reason, MMB does not anticipate increased costs relating to the IEIC’s work as a result of this change.

- This note assumes an effective date of July 1, 2012. If effective date precedes this date, monthly costs for FY 2012 would be one-twelfth of the costs shown for FY 2013.

Calculations:

Based on the assumptions above, reporting 5000 more cases will increase county workload by 2500 hours (5000 reports x 30 minutes divided by 60 minutes). According to DHS, fifty percent of maltreatment cases occur in the metro area, where child protection social workers have a higher hourly wage than their out-state peers. This note therefore weights the estimate geographically to more accurately reflect local impact.

For the metro area, this note uses an hourly wage of \$34.47 plus 30 percent for benefits. This wage reflects the midpoint for Ramsey County’s Child Protection Worker, Sr. Using Ramsey County’s salary information should be a reasonably reliable measure for the metro area since Hennepin and Ramsey counties alone will handle 32 percent of the reports.

For the out state area, this note assumes an hourly rate of \$25.66 plus 30% for benefits. This wage is a statewide average of the two job classifications that would make the reports. The number is based on salary information collected by DHS that includes 72 counties. The counties not included in this average are Anoka, Beltrami, Benton, Blue Earth, Carver, Dakota, Hennepin, Itasca, Olmstead, Ramsey, Scott, Sherburne, Stearns, Washington, and Wright Counties.

METRO AREA	50% x 2500 hours x (\$34.47 per hour + 30% benefits)	= \$56,013
OUT STATE	50% x 2500 hours x (\$25.66 per hour + 30% benefits)	= \$41,698
TOTAL STATEWIDE INCREASED SALARY COSTS		= \$97,711

Table 5. Salary Impact for County Human Services Departments

	FY 2012	FY 2013	FY 2014	FY 2015
County Salary Costs		\$97,711	\$97,711	\$97,711

Table 6. Total Local Costs from All Local Units of Government

	FY 2013	FY 2014	FY 2015
School District Costs – Children Under Three	\$ 1,192,000	\$ 1,192,000	\$ 1,192,000
School District Costs – Children Three through Five Year Olds	\$ -	\$ 488,720	\$ 977,440
County Costs	\$ 97,711	\$ 97,711	\$ 97,711
Total Local Costs	\$ 1,289,711	\$ 1,778,431	\$ 2,267,151

Sources:

- HF 1202 Consolidated Fiscal Note
- Carol Hokenson and George Holt, MDE Program Finance Division
- Debbykay Peterson and Lisa Backer, MDE Office of Early Learning
- MDE’s Statewide Tuition Billing System
- Julie Ring, Association of Minnesota Counties
- Judith Brumfield, Scott County Human Services
- Dave Thompson, Minnesota Department of Human Services