



Association of Metropolitan School Districts

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Position on Special Education

The Association of Metropolitan School Districts supports increased state funding for special education to ensure that all students have the resources and opportunities necessary to achieve state and federal standards.

AMSD BELIEVES

- Special education services provided by Minnesota’s public schools are critical to the education and quality of life of students with special needs.
- Reductions in children’s health services provided by the state and counties have created a system where public schools are the frontline of children’s mental health services.
- A growing number of students are coming to school with increasingly complex special education disabilities and extraordinary mental health needs.
- State special education funding and policy must ensure a safe learning environment for both students and staff.

BACKGROUND

The federal government mandated special education in 1975 when Congress required states to provide a free and appropriate education in the least restrictive environment to all children with disabilities from 3 to 21. While the 1975 law authorized federal funding of “up to 40 percent of the national average per pupil expenditure for each special education student,” the federal government has never come close to providing that level of funding. The Special Education Expenditure Project (SEEP) estimates it costs 1.9 times more to educate the average special education student than the average student without special needs.

In March of 2013, the Minnesota Office of the Legislative Auditor (OLA) released a comprehensive evaluation report on special

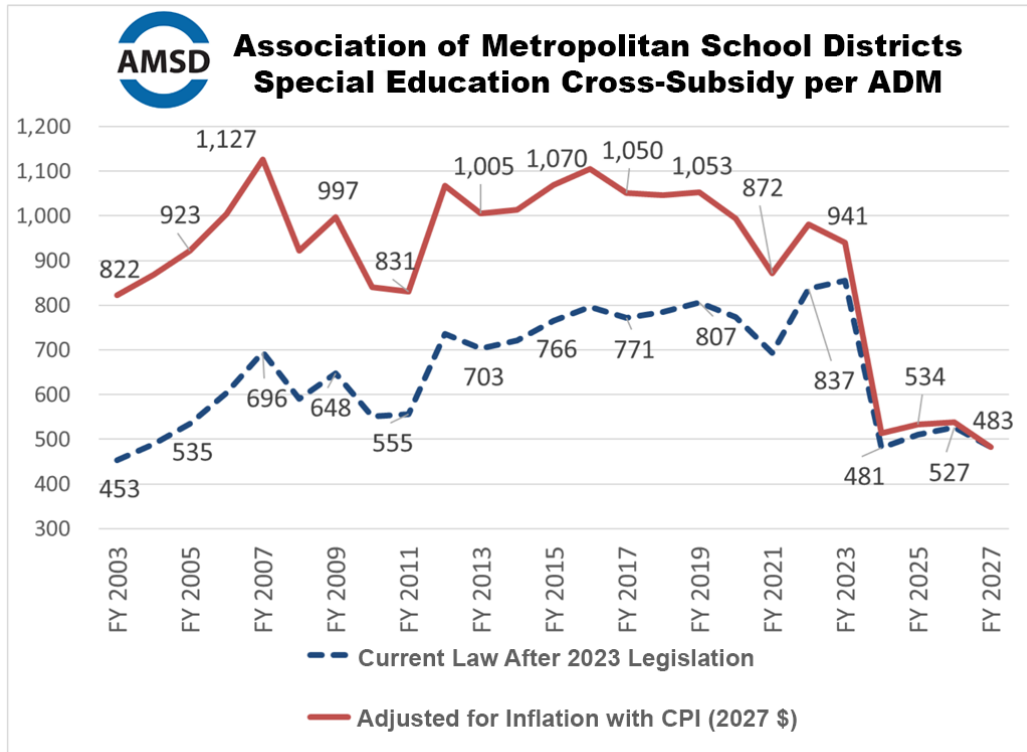
education. Among the key findings were that many school districts are diverting state general education aid and referendum revenue to pay for mandated special education. The amount districts divert from their general education funds to pay for the shortfalls created when state and federal governments do not fully fund these mandated services is often referred to as a “special education cross-subsidy.” The 2013 Legislature made some progress in addressing the OLA findings by approving \$40 million for special education cross subsidy aid and requiring the serving school district to pay 10 percent of the costs for the non-resident special education students they serve.

In 2019, the Legislature took further action by adding a new component to the special education formula — cross-subsidy reduction aid — equal to 2.6 percent of unreimbursed costs for FY 20 and 6.43 percent of the cross-subsidy for FY 21 and later. The special education aid cap was phased out and eliminated in FY 21 and later. It also reduced the portion of unreimbursed special education costs the serving district can bill back to the resident district from 90 percent to 85 percent in FY 20 and 80 percent in FY 21 and later.

The 2023 Legislature made major progress toward addressing the overwhelming special education shortfalls faced by school districts. The 2023 Education Bill increased special education cross subsidy reduction aid from 6.43 percent to 44 percent for the next three years. In FY 27, cross-subsidy reduction aid will increase to 50 percent.

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Figure 1



Source: Minnesota Department of Education, July 2023

MDE is required to annually submit a cross-subsidy report to the legislative committees having jurisdiction over K-12 Education showing the amount each district is cross-subsidizing special education costs with general education revenue. The recently released [FY 22 Special Education Cross-Subsidies report](#) shows how important it was for the Governor and Legislature to make this investment.

MDE calculated the final overall FY 22 statewide cross-subsidy at more than \$712 million — with more than half (\$477 million) [specifically in AMSD member districts](#). The cross-subsidy was projected to rise to more than \$729 million in FY 23. As the graph above shows, following the passage of the 2023 education bill, MDE projects that the FY 24 cross-subsidy will decline to \$410.6 million in FY 24 then slightly increase in FY 25 and FY 26 before dropping to \$408.6 million in FY 2027 when cross-subsidy reduction aid increases to 50 percent.

Further complicating the challenge for school districts is the issue of “tuition billing,” whereby charter schools may bill back significant portions of special education costs to a student’s public school home district. Insufficient special education funding has a tremendous financial impact on AMSD member school districts, with average cross-subsidies ranging from \$854 per pupil to more than \$1,300 per WADM. In comparison, the average per pupil cross-subsidy for charter schools is just \$160. In 2022-23, AMSD districts spent nearly \$60 million of their general education revenue on special education costs for resident students attending charter schools.

The investments to address the special education cross-subsidy provide some welcome financial relief. At the same time, even after the 2023 Education Bill is fully implemented a significant shortfall will remain.

Figure 1 shows the cross-subsidy per ADM in current and FY 2027 dollars, adjusted for inflation using the Consumer Price Index (CPI). The trends in cross-subsidy per ADM in current dollars, shown in the dashed line, closely follow the trends in the total cross-subsidy with a dip in FY 2010 and FY 2011, due to the federal stimulus funding and gradual increases projected for FY 2017 through FY 2023, as funding growth is projected to lag slightly behind expenditure growth. The impact of the 2023 Education bill can be seen in the sharp decline beginning in FY 2024.