



Association of Metropolitan School Districts

2 Pine Tree Drive, Suite 380, Arden Hills, MN 55112 • 612-430-7750 • www.amsd.org

AMSD 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.
- The 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.
- Minnesota schools have been leaders in providing extracurricular opportunities to special education students outside of special education funding.

(SEEP) estimates that it costs 1.9 times more to educate the average special education student than the average student without special needs.¹

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.² The 2013 Legislature made some progress in addressing these 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.

More recently, the 2019 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 2020 and 6.43 percent of the cross-subsidy for FY 2021 and later. The special education aid cap was phased out and eliminated in FY 2021 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 2020 and 80 percent in FY 2021 and later.

Despite these recent actions, the graph on the next page clearly shows that the special education cross-subsidy continues to present enormous budget challenges for school districts.

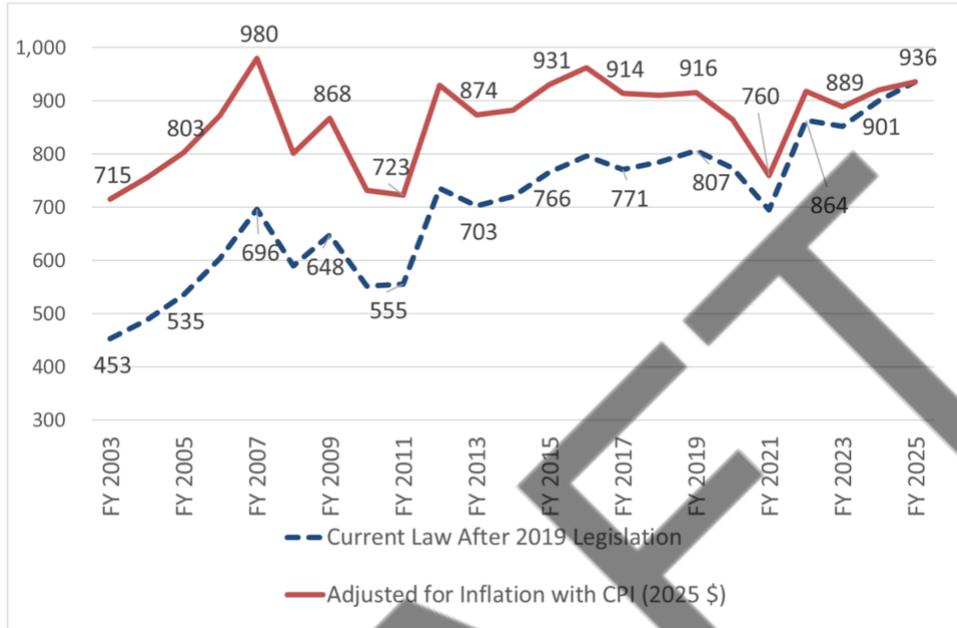
BACKGROUND

The federal government first 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 the ages of 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



Association of Metropolitan School Districts Special Education Cross-Subsidy per ADM

Figure 1



Source: Minnesota Department of Education
2021 Special Education Cross-Subsidy Report

The special education cross-subsidy (funding shortfall) is the result of federal and state mandates, inadequate state and federal funding and the high level of services needed by and delivered to Minnesota’s special education students.³

According to the Minnesota Department of Education’s FY2021 cross-subsidy report data, special education costs exceeded state and federal special education aid by almost \$404 million for AMSD member districts. The statewide cross-subsidy was more than \$591 million in FY 2021 and is projected to grow to more than \$748 million by FY 2022. At the start of the 2021 legislative session, the Minnesota Department of Education projected that \$70 million was needed just to prevent the cross-subsidy from growing. However, the 2021 Omnibus E-12 Education Bill provided just \$10.425 million in one-time funding in FY 2022 for cross-subsidy reduction aid.⁴

Figure 1 shows the amount per pupil (ADM) school districts divert from their general education revenue to cover unreimbursed special education expenditures. Amounts are shown in current dollars and in FY2025 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, follow closely with the trends in the total cross-subsidy. When adjusted for inflation, the cross-subsidy per ADM is projected to remain essentially unchanged between FY 2017 and FY 2025.

Endnotes

¹ Special Education Expenditure Project, “What Are We Spending on Special Education Services in the United States, 1999-2000?” June 2004, Report funded by the United States Department of Education.

² Minnesota Office of the Legislative Auditor, Evaluation Report: Special Education, available at: <http://www.auditor.leg.state.mn.us/ped/pedrep/sped.pdf>

³The special education cross-subsidy refers to the amount of general education revenue that a school district uses to pay for its special education program. In other words, the cross-subsidization estimate describes how much additional revenue a district needs to fund special education at the mandated level and still maintain funding for regular education programs. AMSD uses the adjusted net cross subsidy in its calculations.

⁴ Minnesota Department of Education, updated numbers from “Special Education Cross-Subsidies Fiscal Year 2021: Report to the Legislature.” Available: <https://www.amsd.org/wp-content/uploads/2022/09/FY21-Special-Education-Cross-Subsidies.pdf>