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April 14, 2017

Mr. Ed Durivage
Assistant Chief Budget Examiner
Division of the Budget
State Capitol, Room 140
Albany, New York 12224

Mr. Ed Durivage:

The Department has enclosed for your consideration the proposed 2017-18 school year rate setting methodology for school-age providers.

Tuition Increase

The Board of Regents has approved as priority legislation (A6514/Nolan and S5246/Marcellino) to create a statutory growth index for the tuition rates, and authorize a general reserve fund, for Special Act School Districts and in-state approved private schools serving students with disabilities (853 Schools). We believe that these measures provide long-term predictability and stability for the programs that serve students with the most severe disabilities in our state. As these measures have not been adopted into law, the Department submits its administrative recommendation that the 2017-18 tuition rate setting methodology for school-age providers include a 5.2% growth factor.

The basis for our 5.2% growth recommendation is to provide parity in state aid growth to school districts and additionally address a funding gap in approved reimbursement compared to reported gross costs.¹ As the demand for additional funding via a tuition waiver increases, the Department believes that this investment will better protect the fiscal viability of our schools and ensure quality educational and related services for our students.

Excessive Teacher Turnover Prevention Funding

Federal and Department data of recent years have evidenced a shortage of Special Education Teachers and Bilingual Special Education Teachers in New York State. Our state's approved special education programs are especially challenged as regional averages show that salary differentials between public school teaching staff and comparable staff teaching in approved programs range from approximately 20% to 50%. As a result of this salary differential, teacher turnover has become a significant problem for our approved programs eroding their ability to maintain qualified faculty.

¹ Analysis of the most recent available rate data indicates that the tuition rates established by the state are reimbursing a declining amount of reported expenses. Tuition rates covered 95.85% of Special Act School District and 853 schools' gross costs for 2012-13 as compared to 96.94% in 2008-09.

The Department therefore recommends that \$8 million be included in 2017-18 tuition rates specifically targeted to increase teacher compensation. As in prior years, this \$8 million would be distributed via an allocation that considers existing salary levels and would be made available to both preschool and school-age providers.

Minimum Wage Increase

The Department is designing a reporting instrument similar to a survey conducted by the Department of Health with the purpose of obtaining information from each program to determine the specific dollar amount needed to satisfy the new minimum wage law. The Department looks forward to continuing our work with the Division of the Budget to ensure that the new reports will direct additional funding, as appropriate, to programs' prospective and reconciliation tuition rates.

Continuation of Methodology Reforms

The Department recommends the continuation of the administrative reforms to the tuition rate setting methodology that were approved in 2014-15, specifically:

1. An enrollment adjustment factor to be applied as part of the rate reconciliation process to stabilize tuition revenue on a time-limited basis.
2. Utilization of the higher of two rates from different points in time (adjusted for approved trend factors) as the basis of the total cost screen calculation.
3. Elimination of final rate reconciliations where providers would experience less than a one percent change in the per-student reimbursement rate.

With respect to the 2017-18 reconciliation rates, the Department recommends that it authorize a reconciliation rate if a provider indicates that such rate is needed to provide the Excessive Teacher Turnover Prevention or Minimum Wage funding, as calculated as part of its 2017-18 prospective rate.

Interim Plus Rates

In last few years, the Department's tuition rate processing time has significantly increased. This is due to staff turnover combined with increasing tuition waiver requests, audits of preschool special education providers, capital project applications, and demands for technical assistance from our providers. In addition to this work, in 2017-18 staff resources will need to be directed to establishing a new special class in an integrated setting (SCIS) methodology and creating a database for special education provider data as provided in the enacted state budget. Because our current rate processing time results in many programs waiting until the end of the school year to receive approved funding increases, the Department recommends that Interim Plus rates be issued for 2017-18. These rates would be calculated as Interim Rates (a carryforward of a prior certified rate) plus approved growth, Excessive Teacher Turnover Prevention funds, and Minimum Wage dollars. Interim Plus rates are vital to our programs receiving these intended and essential investments while the Department works to improve its processing time and meet other expectations.

Summer Programs operated by Boards of Cooperative Educational Services (BOCES) and Public School Districts

In order to redirect staff resources to improving processing time for Special Act School Districts and 835 schools, the Department recommends that it not calculate 2015-16 reconciliation rates for public and BOCES school-age summer only programs (July and August).

We look forward to working with the Division of the Budget on the above initiatives. Department staff and I are available to answer any questions you may have and to discuss the initiatives further at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth R. Berlin".

Elizabeth R. Berlin

c: Suzanne Bolling
Christopher Suriano