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To: District Superintendents, Superintendents and Executive Directors of Approved Preschool Programs Serving Students with Disabilities, and County Officials

From: Suzanne Bolling

Subject: Tuition Rate Setting Methodology for 2016-17 Tuition Rates for Preschool Students with Disabilities

Date: September 6, 2016

This memorandum communicates the 2016-17 tuition rate setting methodology to service providers operating approved preschool special education programs under section 4410 of the Education Law and other interested parties.

Section I: Rate Setting Methodology – Special Class and Special Class Integrated Setting Programs

The following methodology components may be used in whole or in part, pursuant to Section 200.9 of the Regulations of the Commissioner, to establish the 2016-17 tuition rates for approved preschool special class and special class in an integrated setting programs. Generally, the 2016-17 tuition rates for programs that were in operation during the 2014-15 school year are based on reported 2014-15 financial data. Any approved appeal items from prior and current school years will be reviewed and, if appropriate, included in the calculation of the 2016-17 rate. As in previous years, each provider’s financial data is reviewed by staff of the Rate Setting Unit (RSU) and any necessary adjustments are made in accordance with Section 200.9 of the Commissioner’s Regulations and the Reimbursable Cost Manual (RCM), as applicable. This process is completed prior to the application of cost screens. The basic components of the tuition rate setting methodology and various factors used to calculate the 2016-17 tuition rates for special class and special class integrated programs are described below:

A. Prospective Trend Factor

A 2.0 percent trend factor is approved for the 2016-17 school year for preschool special class and special class in an integrated setting programs. A factor of 4.04 percent which represents the compounding of the approved prospective trend factors of 2.0 percent for the 2015-16 and 2.0 percent for the 2016-17 school years is applied to reimbursable 2014-15 base year direct care and non-direct care costs, excluding interest, depreciation, and expenses related to one-time waivers as appropriate.

B. Non-direct Care Cost Parameter

The non-direct care cost parameter limits the amount of non-direct care costs that will be reimbursed through the tuition rate to 30 percent of the reimbursable costs after adjustments. The reimbursable limit for non-direct care costs can be calculated by multiplying adjusted direct care costs by .4286, which is the ratio of 30/70 for non-direct care/direct care costs.

C. Applied Revenues

Applied revenues will be subtracted from total adjusted costs after the application of the non-direct care cost parameter.

D. Total Cost Screen

1. The hold-harmless component of the total cost screen is not applied in the calculation of 2016-17 tuition rates for preschool programs.
2. The 2016-17 prospective tuition rate per diem cannot increase by more than 4.04 percent from the 2014-15 reconciliation tuition rate per diem.
3. The 2016-17 reconciliation tuition rate per diem cannot increase by more than 2.0 percent from the 2015-16 reconciliation tuition rate per diem.

E. 2016-17 Reconciliation Process

- A. Approved preschool special class and special class in an integrated setting programs will receive reconciliation rates for 2016-17 equal to the lower of:
 - a. The 2016-17 reconciliation tuition rate per care day; or
 - b. The 2015-16 reconciliation tuition rate plus 2.0 percent.

F. Excessive Teacher Turnover Prevention Program

Funding for the Excessive Teacher Turnover Prevention Program (ETTPG) for eligible preschool programs will be incorporated directly into the 2016-17 prospective tuition rates for qualifying providers based on a distribution formula for awards, as outlined in the 2016-17 enacted state budget. A Chief Administrator's Certification statement will be needed to attest to the use of the funds and will include an assurance statement that additional revenues generated from these expenditures will continue to be used to supplement teacher compensation and remain in the school's base year costs. Upon review of such reports, annual cost reports, or as a result of field audit, if SED determines funds were not spent in compliance with stated purpose of supplemental teacher compensation, such expenditures will be recouped via a reconciliation rate or a final audit rate. Schools may also be required to repay current year funds if it is determined that prior funds were not spent in compliance with the stated purpose or the school does not continue to use these funds to supplement teacher compensation.

G. Special Class Programs – Tuition Rates for Initial Years of Operation

1. Special class programs that operated initially in 2014-15 will have the prospective reconciliation tuition rates for 2016-17 established using the general rate setting methodology detailed in this memo based on required financial statements and reports.
2. Special class programs that operated initially in 2015-16 will have the prospective tuition rate for 2016-17 established at the 2015-16 level with no trend applied. For 2016-17 reconciliation, the program's per diem rate will be limited to the lower of the per diem based on the school's reimbursable costs or the 2015-16 reconciliation per diem rate plus 2.0 percent trend factor.
3. Special class programs that are seeking initial approval in 2016-17 will receive prospective tuition rates based on the 2016-17 regional weighted average per diem tuition rate and on reconciliation will be held to the lower of the per diem based on the school's reimbursable costs or the 2016-17 regional weighted average per diem rate.

Notwithstanding the above provisions, approved private special class programs will be subject to the provisions of Section 200.9 (f)(2)(viii) of the Commissioner's Regulations. This section of the Regulations states that if a new approved private program's student enrollment is not equal to or greater than the minimum number required in Section 200.7 (c)(3), then that program shall continue to receive the regional weighted average per diem tuition rate for the rate year until such time that the program's actual base year enrollment equals or exceeds the required minimum number of full-time-equivalent students.

"Regional weighted average per diem" used in the 2016-17 reconciliation process is the weighted average per diem developed on a regional basis for full and half-day segregated special class programs and can be found in Attachment I. Separate regional weighted average per diem tuition rates shall be used for preschool half-day and full-day programs. The 2016-17 rates equal the approved 2015-16 rates plus 2.0% growth.

H. Preschool Special Class Programs in an Integrated Setting - Tuition Rates for Initial Years of Operation

1. Special class programs in an integrated setting that operated in 2014-15 with both preschool students with disabilities and students without disabilities who are enrolled in the same program, will receive 2016-17 prospective and reconciliation tuition rates using the general rate setting methodology detailed in this memo based on required financial statements and reports. After application of the non-direct care cost parameter, reported expenditures are reduced by the greater of actual revenues received for students without disabilities or an amount calculated by multiplying the reported FTE enrollment of students without disabilities (not prorated for program hours per day) times a regional day care rate or a proration of a regional day care rate for children ages 3 to 5, as published in 18 NYCRR 415.9, applicable to the time period for which the program operated. The total cost screen

is then applied to the resulting expenditures to determine the total reimbursable costs for the preschool students with disabilities.

2. Special class programs in an integrated setting that operated initially in 2015-16 will have the prospective tuition rate for 2016-17 established at the 2015-16 rate with no trend applied. For 2016-17 reconciliation, the program's per diem rate will be limited to the lower of the per diem based on the school's reimbursable costs or the 2015-16 reconciliation per diem rate plus 2.0 percent trend factor.
3. Special class programs in an integrated setting seeking initial approval in 2016-17 will have the established 2016-17 reimbursement methodology applied to the submitted budgetary data. Related statistical and historical data for other approved programs operated by a provider or similar programs operated by other providers may also be used to establish rates for these newly approved programs. For 2016-17 reconciliation, the program's per diem rate will be limited to the lower of the per diem based on the school's reimbursable costs or the 2016-17 prospective budget-based tuition rate.

I. Interim Rates for Special Class and Special Class Integrated Programs

For the 2016-17 school year, interim rates will be issued to approved programs, if warranted. These rates are in effect until the prospective 2016-17 rates are calculated and approved. The interim rates are intended to provide cash flow until such time as the 2016-17 prospective tuition rates, using the above methodology, are processed. Interim rates are posted at the Rate Setting Unit website at the following:

http://www.oms.nysed.gov/rsu/Rates_Methodology/Rates/home.html.

J. 1:1 Aide Add-On Rates

The 2016-17 regional weighted average 1:1 aide add-on rates are listed in Attachment II. These rates will be added to the approved tuition rate(s) of the program in which the student is enrolled. The 2016-17 1:1 aide add-on rates are not subject to reconciliation. The 2016-17 rates are based on 2015-16 regional rates plus 2.0% growth. The rates are to be effective through December 31, 2016.

K. Minimum Wage

The Department will work with the Division of the Budget on the distribution of additional funding in order to comply with the recently enacted minimum wage law, including added fringe benefit costs. For providers impacted by minimum wage law changes, SED intends to issue amended tuition rates before the first increase takes effect on January 1, 2017.

Section II. Rate Setting Methodology – Special Education Itinerant Services

The following methodology components may be used in whole or in part, pursuant to Section 200.9 of the Regulations of the Commissioner, to establish the 2016-17 tuition rates for

approved programs providing special education itinerant services (SEIS) to preschool students with disabilities, as defined in Section 200.16 (i)(3)(ii) of the Regulations.

Rates for SEIS programs are established as half-hour rates and billing by programs to municipalities must be done in half-hour units of time. Pursuant to Chapter 56 of the Laws of 2014, and section 200.9(f)(2)(ix)(d) of the Regulations of the Commissioner, 2016-17 SEIS rates are to be paid for each unit of service delivered, not to exceed the recommendations for such services in the student’s individualized education program (IEP). See Policy on Make-Up Services of Missed Special Education Itinerant Services (SEIS) Sessions in the October 2015 Field Advisory:

<http://www.p12.nysed.gov/specialed/publications/2015-memos/SpecialEducationItinerantServicesforPreschoolChildrenwithDisabilitiesSEIS.html>

Pursuant to Chapter 56 of the Laws of 2015, the 2016-17 SEIS rates represent the second year of a four year phase-in to regional tuition rates based on average actual costs. The regions designated for the SEIS regional rates are the labor force regions of New York State, which are used in the calculation of the 2012 regional cost index, and are listed in Attachment III. Each SEIS program’s regional rate is based on the region in which its program administrative office is located.

The 2016-17 SEIS individual rates continues the phase-in of the SEIS regional rates calculated in 2015-16. The SEIS individual regional rates calculated in 2015-16 were calculated by dividing the 2011-12 reimbursable expenditures within a region, after adjustments, by 93 percent of the 2011-12 mandated billable units of service within the corresponding region. 2016-17 SEIS individual rates represent “Year Two Phase-In Rates” calculated as a program’s “base year rate” minus 40 percent of an amount derived by subtracting the approved SEIS regional rate from a program’s “base year rate.” The specific components and formulas used for the calculation of the SEIS individual regional rates, including the definition of base year rate, are described in detail in the 2015-16 SEIS methodology memo:

http://www.oms.nysed.gov/rsu/Rates_Methodology/MethodLetters/CurrentYear/201516/201516MethodologyMemoPreschoolSEIT.pdf

A. 2016-17 Regional Rates for Individual Sessions

The approved SEIS individual regional rates are as follows:

	SEIS Regional Rates
Long Island/New York City	\$46
Hudson Valley	\$40
Capital District	\$36
North Country	\$32
Mohawk Valley/Central/Southern Tier	\$33
Finger Lakes	\$34
Western	\$32

The individual SEIS session regional rates are phased-in over a four year time period beginning with school year 2015-16 thru 2018-19; during this time, SEIS programs will continue to be issued differentiated rates.

B. 2016-17 Regional Rates for Group Sessions

In instances where the IEP indicates that the student may receive group SEIS, the SEIS provider is to bill for each session at the applicable regional group rate corresponding to the number of students in attendance in the group when the service is provided. For example, if SEIS is delivered to a group of three students, the program may bill at the applicable group regional rate for three students in attendance, prorated equally among the students in attendance, and then bill to the appropriate municipality based on each student’s municipality of residence. If SEIS is delivered to a group of two students, the applicable group regional rate for two students in attendance is to be prorated equally among the two students and then billed to the appropriate municipality based on each student’s municipality of residence. In the case were SEIS is provided to one student, the provider is to bill at the individual group regional rate for one student in attendance, which is equivalent to the SEIS regional rate for the region where the provider’s administration offices are located.

The approved SEIS group regional rates are as follows:

Region	Group Regional Rate One Student in Attendance	Group Regional Rate Two Students in Attendance	Group Regional Rate Three or More Students in Attendance
Long Island/New York City	\$46	\$68	\$90
Hudson Valley	\$40	\$58	\$78
Capital District	\$36	\$52	\$69
North Country	\$32	\$48	\$60
Mohawk Valley/Central/Southern Tier	\$33	\$50	\$63
Finger Lakes	\$34	\$50	\$66
Western	\$32	\$48	\$63

The group SEIS session regional rates as listed above are effective for all SEIS programs in 2016-17.

C. Programs Granted Initial Approval in 2016-17

SEIS programs granted initial approval in 2016-17 will have their individual SEIS 2016-17 rate established at the SEIS regional rate applicable to the region in which their administration offices are located.

D. 2016-17 Reconciliation Process

The 2016-17 year two phase-in rates to SEIS regional rates will not be subject to reconciliation.

E. Rates Based on Audit

The 2016-17 year two phase-in rates shall be subject to adjustment based on a final audit of actual program expenses, revenues, enrollment and other relevant program information. The final audit report shall be used to establish tuition rates based on audit, which shall not exceed a provider's 2016-17 year two phase-in rate. The rates based on audit shall be developed by the Commissioner and certified by the Director of the Budget. Upon the certification of rates based on audit, any overpayment will be reimbursed to the appropriate municipality by the approved program, or any underpayment will be paid by the appropriate municipality to the approved program. Any overpayment or underpayment to the appropriate municipality by the state shall be adjusted accordingly upon certification of the rates based on audit.

Section III. Multidisciplinary Evaluation Programs

A. Preschool Evaluation Rates

The 2016-17 school year Evaluation Rates are listed in Attachment IV. The 2016-17 rates equal the approved 2015-16 rates that were promulgated by the Department of Health.

Section IV. Teacher Certification Funds

A. Teacher Certification Funds for 2016-17

Instructions and required forms for applying for these monies are available on the Rate Setting Unit website. Please note that related costs and revenues are to be reported in a separate program cost center, and not in any rate program cost center. These monies are not to be used to increase base year costs for future rate setting.

Section V. Reimbursable Cost Manual and Rate Setting Unit Contact Information

The July 2016 Reimbursable Cost Manual (RCM), which defines reimbursable costs for the 2016-17 school year, is available at the Rate Setting Unit's website:

http://www.oms.nysed.gov/rsu/Manuals_Forms/Manuals/RCM/home.html

Inquiries regarding 2016-17 tuition rates should be directed to the RSU staff accountant who is assigned to process the school's 2014-15 financial reports. RSU staff telephone numbers and e-mail addresses are available at the Rate Setting Unit's Website at

http://www.oms.nysed.gov/rsu/Contact_Us/employees.html

2014-15 RSU staff school assignments are available at the Rate Setting Unit's Website at

http://www.oms.nysed.gov/rsu/Contact_Us/SchoolAssignments.html

The general RSU office information is listed below:

New York State Education Department
Rate Setting Unit
Room 302 Education Building
89 Washington Avenue
Albany, New York 12234
Phone: (518) 474-3227
Fax: (518) 486-3606

Enclosures:

- Attachment I: 2016-17 Regional Weighted Average Per Diem Tuition Rates
- Attachment II: 2016-17 Regional Weighted Average 1:1 Aide Add-On Rates
- Attachment III: 2012 Regional Cost Index – Revised Department of Labor Regions
- Attachment IV: 2016-17 Rates Multidisciplinary Evaluation Programs

ATTACHMENT III
2012 REGIONAL COST INDEX- REVISED DEPARTMENT OF LABOR REGIONS

CAPITAL DISTRICT
Albany

MOHAWK VALLEY
Fulton

Columbia
Greene
Rensselaer
Saratoga
Schenectady
Warren
Washington

CENTRAL

Cayuga
Cortland
Madison
Onondaga
Oswego

FINGER LAKES

Genesee
Livingston
Monroe
Ontario
Orleans
Seneca
Wayne
Wyoming
Yates

HUDSON VALLEY

Dutchess
Orange
Putnam
Rockland
Sullivan
Ulster
Westchester

LONG ISLAND/NEW YORK CITY

Nassau
New York City
Suffolk

Herkimer
Montgomery
Oneida
Otsego
Schoharie

NORTH COUNTRY

Clinton
Essex
Franklin
Hamilton
Jefferson
Lewis
St. Lawrence

SOUTHERN TIER

Broome
Chemung
Chenango
Delaware
Schuyler
Steuben
Tioga
Tompkins

WESTERN

Allegany
Cattaraugus
Chautauqua
Erie
Niagara