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

From: Ann M. Marsh
Director of the Rate Setting Unit

Subject: Tuition Rate Setting Methodology for 2013-14 Tuition Rates for Students with Disabilities

Date: August 15, 2013

This memorandum communicates the 2013-14 tuition rate setting methodology to service providers operating programs under Articles 81 and 89 of the Education Law and other interested parties. The July 2013 Reimbursable Cost Manual (RCM), which defines reimbursable costs for the 2013-14 school year will be available at the Rate Setting Unit's website; <http://www.oms.nysed.gov/rsu/>. Until such time, the July 2012 RCM is in effect.

Section I: General Rate Setting Methodology

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 2013-14 tuition rates. Generally, the 2013-14 tuition rates for programs that were in operation during the 2011-12 school year are based on reported 2011-12 financial data. Approved appeal items from prior years and any approved for the 2013-14 school year will be reviewed and, if appropriate, included in the calculation of the 2013-14 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, as applicable. This process is completed prior to the application of cost screens. The basic components of the tuition rate setting methodology and variable factors used to calculate the 2013-14 tuition rates are described below:

A. Prospective Trend Factor

School-Age Programs

For the 2013-14 school year, a 3.0 percent trend factor will be applied to reimbursable 2011-12 base year **Direct Care** costs, excluding expenses related to one-time waivers as appropriate, for all **school-age** special class programs. An example of how this methodology will be applied may be found on the Rate-Setting Unit's website at: www.oms.nysed.gov/rsu.

For the 2013-14 school year, no trend factor will be applied to reimbursable 2011-12 base year **Non-Direct Care** costs for all **school-age** special class programs.

Preschool Programs

For the 2013-14 school year no trend factor will be applied to reimbursable 2011-12 base year costs for all **preschool** programs.

B. Nondirect Care Cost Parameter

The nondirect care cost parameter limits the amount of nondirect care costs that will be reimbursed through the tuition rate to 30 percent of the reimbursable costs after adjustments. The reimbursable limit for nondirect care costs can be calculated by multiplying adjusted direct care costs by .4286, which is the ratio of 30/70 for nondirect care/direct care costs. For school-age programs, please refer to Section D(1) below regarding the calculation of the 2013-14 prospective tuition rate.

C. Applied Revenues

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

Article 28 clinics that have a less-than-arm's-length relationship with an approved preschool (Section 4410 of the Education Law) and that bill Medicaid for preschool services must report the actual full cost of the IEP related services incurred by the clinic on the New York State Consolidated Fiscal Report (CFR) in the related preschool cost center in which the student is placed. The associated Medicaid revenue must be reported in the same manner. Medicaid revenues will be offset against reported program expenses in the calculation of 2013-14 tuition rates.

D. Total Cost Screen

1. School-Age Programs

For the calculation of the 2013-14 prospective tuition rates, the 2011-12 direct care reconciliation per diem generated from the 2011-12 reconciliation adjustment calculations or reconciliation rate calculations, modified as necessary for any appropriate adjustments such as a proportionate share of the total-cost screen incurred, offsetting revenues, and non-recurring allowable base year expenditures, will be allowed a trend factor of 3%. The non-direct care component of the per diem will be allowed a trend factor of 0.0%. The resultant direct care per diem plus the non-direct care per diem will be the maximum per diem for purposes of calculating the 2013-14 prospective total cost screen.

2. Preschool Programs

For preschool programs, including segregated special class programs operating at greater than 2.5 hours per day that are operating 12:1:1 classroom ratios, the 2013-14 prospective tuition rate per diem cannot exceed the 2011-12 reconciliation tuition rate per diem unless the program is eligible for a total cost screen waiver in the calculation of the 2013-14 prospective rate.

E. 2013-14 Reconciliation Process

Refer to Attachment I for a diagram that details the following 2013-14 reconciliation process. The reconciliation process, as defined in Section 200.9 (f)(3)(iii) of the Commissioner's Regulations, will be applied in the reconciliation of the 2013-14 school year for all approved school age programs and approved preschool programs as follows:

1. Approved school age and preschool programs will receive reconciliation rates for the 2013-14 school year.
2. For segregated special class preschool programs operating at greater than 2.5 hours per day, whose 2013-14 reconciliation tuition rate per care day before calculation of the total cost screen exceeds the 2013-14 regional per diem, the reconciliation tuition rate per care day that will be used in the calculation of the 2013-14 reconciliation rate will be determined to be equal to the lowest of (a), (b), or (c) below:
 - (a) The greater of the program's 2013-14 prospective per diem rate or the program's 2012-13 reconciliation rate per care day; or
 - (b) The program's 2013-14 reconciliation tuition rate per care day; or
 - (c) The 2012-13 reconciliation tuition rate per care day multiplied by 1.0
3. Segregated preschool special class programs operating at greater than 2.5 hours per day and operating at 12:1:1 classroom ratios that received a total cost screen waiver in prior years will be reconciled for the 2013-14 school year without the modification stated in E (2) of this section.
4. Segregated preschool special class programs operating at greater than 2.5 hours per day **that have never applied** for a total cost screen waiver under the reconciliation provisions for prior years may request a waiver to the modification in 2 (a), (b) or (c) above for the 2013-14 reconciliation rate if they can demonstrate that they serve severely disabled students as evidenced by staffing ratios that are more intensive than 12:1:1 (i.e., 12:1:4, 6:1:1). These ratios must have been approved in writing by the Department and be in effect prior to July 1, 2013. Schools will need to provide the Department with a narrative description of the severity of the students served and a class by class listing demonstrating the approved ratio of students to teacher to classroom paraprofessionals for the 2012-13 and 2013-14 school years.

Approval of this waiver will result in the calculation of the 2013-14 reconciliation tuition rate without the modification stated in E (2) of this section. Any waivers for the 2013-14 reconciliation process must be submitted no later than June 30, 2014 and are subject to approval by the State Division of the Budget.

5. For school age programs, the 2013-14 reconciliation tuition rate per diem cannot exceed the sum of the following: The lower of the 2013-14 reconciliation non-direct care (NDC) per diem rate or the 2012-13 reconciliation NDC per diem rate plus 0.0 percent **plus** the lower of the 2013-14 reconciliation direct care (DC) per diem rate or the 2012-13 reconciliation DC per diem rate plus 3.0 percent.

The 2013-14 regional weighted average per diem (RWAPD) tuition rate issued for school age programs that did not operate in 2012-13 will be held to the RWAPD rate on 2013-14 reconciliation.

6. Funding for the Excessive Teacher Turnover Prevention Program for eligible school age and preschool programs has been provided in the State Budget. The 2013-14 grant process will include a Chief Administrator's Certification statement to attest to the use of grant funds and an assurance statement that additional revenues generated from these expenditures will continue in the 2013-14 year to be used to supplement teacher compensation. All funds awarded under this grant for all years must remain in the school's base year costs and must always be used for the specific purposes required by the grant. 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 grant 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 grant purpose or the school does not continue to use these funds to supplement teacher compensation.

Reconciliation Glossary

- "Reconciliation tuition rate per care day" is the per care day rate after adjustments to reported costs made on desk review and after offsetting applied revenues and application of the nondirect care cost parameter and the total cost screen.
- "Regional per diem"¹ used in the 2013-14 reconciliation process is the weighted average per diem developed on a regional basis from the 2013-14 prospective rate data for full-day segregated special class programs operating at greater than 2.5 hours.

¹ These regional per diems will be developed using the 2013-14 prospective rate data and will be calculated as soon as sufficient data is available.

- “Reconciliation adjustment factor” is the adjustment to be added to or subtracted from the prospective tuition rate on a per diem basis.

Section II. Specific Provisions to the Rate Setting Methodology

A. Special Class Programs

The general rate setting methodology detailed in Section I applies to special class programs with the following additional provisions:

1. Special class programs that operated initially in 2012-13 will be subject to the provisions of Section 200.9 (f)(2)(viii). This section of the Regulations states that if a new 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 a rate based on the regional weighted average per diem tuition rate previously approved for that program. Upon reconciliation, for programs failing to meet the minimum number of students, the program’s per diem rate will be limited to the lower of the per diem based on the school’s actual costs or the regional weighted average per diem rate initially established.
2. Special class programs initially approval in 2013-14 will receive tuition rates based on the 2013-14 regional weighted average per diem tuition rate. Separate regional weighted average per diem tuition rates shall be used for school age and preschool programs. A list of the 2013-14 regional weighted average per diem tuition rates are listed in Attachment II.
3. Special class programs that operated initially in 2012-13 will have the tuition rate for 2013-14 established at the 2012-13 level with no inflation or growth applied.

B. Preschool Special Class Programs in an Integrated Setting

The general rate setting methodology detailed in Section I applies to preschool special class programs in an integrated setting with the following additional provisions:

1. Special class programs in an integrated setting that operated in 2011-12 with both preschool students with disabilities and those students without disabilities who are enrolled in the same program, will receive tuition rates based on reported 2011-12 financial data. After application of the nondirect 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 the regional day care rate or a proration of the regional day care rate for children ages 3 to 5, as published in 18NYCRR 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 2012-13 will have the tuition rate for 2013-14 established at the 2012-13 rate with no growth applied.
3. Special class programs in an integrated setting seeking initial approval in 2013-14 will have the established 2013-14 reimbursement methodology applied to the submitted budgetary data. Such new programs must have received a waiver from the Department regarding the moratorium on new or expanded programs. 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.

C. Special Education Itinerant Teacher (SEIT) Service Programs

For programs providing SEIT services to preschool students with disabilities as defined in Section 200.16 (h)(3)(ii) of the Regulations, the 2013-14 tuition rates are established using the general rate setting methodology detailed in Section I, with the following additional provisions:

1. Rates for SEIT programs are established as half-hour rates and billing by providers to municipalities must be done in half-hour units of time.
2. SEIT programs that operated in 2011-12, the 2013-14 half-hour rates are calculated by dividing the 2011-12 reimbursable expenditures by the greater of the actual billable units in 2011-12 as reported to RSU or 66 percent of the SEIT teacher(s)' total employment hours multiplied by two. These 2013-14 SEIT rates will be subject to reconciliation.
3. SEIT programs that operated initially in 2012-13 will have the half-hour rate for 2013-14 established at the 2012-13 rate with no inflation or growth factor applied. These 2012-13 and 2013-14 SEIT rates will be subject to reconciliation.
4. SEIT programs seeking initial approval in 2013-14 will have their 2013-14 rate established at the SEIT rate listed in Attachment III. Such new programs must have received a waiver from the Department regarding the moratorium on new or expanded programs. Attachment III rates have been calculated based on 2009-10 reconciliation rates plus zero percent increases. These 2013-14 SEIT rates will be subject to reconciliation.

D. 1:1 Aide Add-On Rates

The 2013-14 regional weighted average 1:1 aide add-on rates are listed in Attachment VII. These rates will be added to the approved tuition rate(s) of the program in

which the student is enrolled. The 2013-14 1:1 aide add-on rates are not subject to reconciliation.

E. Interim Rates

For the 2013-14 school year, interim rates may be issued to approved programs if necessary. These rates are in effect until the prospective 2013-14 rates are calculated and approved. The interim rates are intended to provide cash flow until such time as the 2013-14 prospective tuition rates, using the above methodology, are processed.

F. Preschool Evaluation Rates

The 2013-14 school year Evaluation Rates are listed in Attachment IV.

G. Reimbursement for July/August Session Days

This is to remind all providers that consistent with Section 4408 of Education Law, funding for school age programs operated during July and August of 2013 will be based on thirty days of service.

Programs that operate more than thirty days during July and August will only be funded for thirty days and will be subject to total cost screens if they choose to operate longer sessions.

H. BOCES & Public Summer School Age Only Programs

School Age July/August Home Instruction (9022-9024), Related Service with Specialized Instruction (9025) and Specialized Instruction (9029) are now combined with the previous Related Service Only programs under program code 9015 and renamed School Age - Non Special Class. This program will be reimbursed with 1/2 hour rates per unit of service, directly through the STAC (System to Track and Account for Children) system. The 2013-14 regional weighted average School Age - Non Special Class rates are listed on Attachment VI. The 2013-14 School Age - Non Special Class rates are not subject to reconciliation.

I. Teacher Certification Funds for 2013-14

Instructions and required forms for applying for these monies are available on the Rate setting Unit Web Site. 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.

Inquiries regarding 2013-14 tuition rates should be directed to the RSU staff accountant who processed the school's 2011-12 financial reports. RSU staff telephone numbers and e-mail addresses are listed on Attachment V. The general office information is listed below:

New York State Education Department
Rate Setting Unit

Albany, New York 12234
Phone: (518) 474-3227
Fax: (518) 486-3606
Website: <http://www.oms.nysed.gov/rsu/>

Enclosures:

- Attachment I: 2013-14 Reconciliation Process
- Attachment II: 2013-14 Regional Weighted Average Per Diem Tuition Rates
- Attachment III: 2013-14 Special Education Itinerant Teacher Regional Average Rates
- Attachment IV: 2013-14 Rates for Preschool (4410) Evaluations
- Attachment V: Internet and RSU Staff Information
- Attachment VI: BOCES and Public School District Non Special Class Rates
- Attachment VII: 2013-14 1:1 Aide Add-on Rates

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