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

From: Suzanne Bolling

Subject: Tuition Rate Setting Methodology for 2015-16 Tuition Rates for Preschool Students with Disabilities in Special Class and Special Class in an Integrated Setting Programs

Date: 10/1/15

This memorandum communicates the 2015-16 tuition rate setting methodology to service providers operating approved preschool special class and special class in an integrated setting programs under section 4410 of the Education Law and other interested parties. The July 2015 Reimbursable Cost Manual (RCM), which defines reimbursable costs for the 2015-16 school year will be available at the Rate Setting Unit's website; <http://www.oms.nysed.gov/rsu/>

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 2015-16 tuition rates for approved preschool special class and special class in an integrated setting programs. Generally, the 2015-16 tuition rates for programs that were in operation during the 2013-14 school year are based on reported 2013-14 financial data. Approved appeal items from prior years and any approved for the 2015-16 school year will be reviewed and, if appropriate, included in the calculation of the 2015-16 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 variable factors used to calculate the 2015-16 tuition rates are described below:

A. Prospective Trend Factor

A 2.0 percent trend factor is approved for the 2015-16 school year for preschool special class and special class in an integrated setting programs. A factor of 2.0

percent which represents the compounding of the approved prospective trend factors of 0.0 percent for the 2014-15 and 2.0 percent for the 2015-16 school years is applied to reimbursable 2013-14 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.

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 2015-16 tuition rates.

D. Total Cost Screen

1. The hold-harmless component of the total cost screen is not applied in the calculation of 2015-16 tuition rates for preschool programs.
2. For the 2015-16 Prospective Rate, the 2015-16 prospective tuition rate per diem cannot increase by more than 2.0 percent from the 2013-14 reconciliation tuition rate per diem.
3. For the 2015-16 Reconciliation Rate, the 2015-16 reconciliation tuition rate per diem cannot increase by more than 2.0 percent from the 2014-15 reconciliation tuition rate per diem.

E. 2015-16 Reconciliation Process

1. Approved preschool special class and special class in an integrated setting programs will receive reconciliation rates for 2015-16 equal to the lower of:
 - a) the 2015-16 reconciliation tuition rate per care day; or
 - b) the 2014-15 reconciliation tuition rate plus 2.0 percent.

2. Funding for the Excessive Teacher Turnover Prevention Program for eligible preschool programs has been provided in the State Budget. The 2015-16 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 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 non-direct care cost parameter and the total cost screen.

- "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. Preschool Evaluation Rates

The 2015-16 school year Evaluation Rates are listed in Attachment I.

B. 1:1 Aide Add-On Rates

The 2015-16 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 2015-16 1:1 aide add-on rates are not subject to reconciliation.

C. Special Class Programs

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

1. Special class programs that operated initially in 2013-14 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 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. For 2015-16 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 2014-15 reconciliation per diem rate plus 2.0 percent growth factor.
2. Special class programs that operated initially in 2014-15 will have the tuition rate for 2015-16 established at the 2014-15 level with no trend or growth applied. For 2015-16 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 2014-15 reconciliation per diem rate plus 2.0 percent growth factor.
3. Special class programs that are seeking initial approval in 2015-16 will receive tuition rates based on the 2015-16 regional weighted average per diem tuition rate. Separate regional weighted average per diem tuition rates shall be used for preschool half-day and full-day programs. For 2015-16 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 regional weighted average per diem rate.

"Regional weighted average per diem" used in the 2015-16 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 III.

D. 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 2013-14 with both preschool students with disabilities and those students

without disabilities who are enrolled in the same program, will receive 2015-16 prospective tuition rates based on reported 2013-14 financial data. 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 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. For 2015-16 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 2014-15 reconciliation per diem rate plus 2.0 percent growth factor.

2. Special class programs in an integrated setting that operated initially in 2014-15 will have the tuition rate for 2015-16 established at the 2014-15 rate with no trend or growth applied. For 2015-16 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 2014-15 reconciliation per diem rate plus 2.0 percent growth factor
3. Special class programs in an integrated setting seeking initial approval in 2015-16 will have the established 2015-16 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 2015-16 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 prospective budget-based tuition rate.

E. Interim Rates

For the 2015-16 school year, interim rates have been issued to approved programs, if warranted. These rates are in effect until the prospective 2015-16 rates are calculated and approved. The interim rates are intended to provide cash flow until such time as the 2015-16 prospective tuition rates, using the above methodology, are processed.

F. Teacher Certification Funds for 2015-16

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.

The July 2015 Reimbursable Cost Manual (RCM), which defines reimbursable costs for the 2015-16 school year will be available at the Rate Setting Unit's website; <http://www.oms.nysed.gov/rsu/>. Inquiries regarding 2015-16 tuition rates should be directed to the RSU staff accountant who processed the school's 2013-14 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. The general office information is listed below:

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Enclosures:

- Attachment I: 2015-16 Rates for Preschool (4410) Evaluations
- Attachment II: 2015-16 1:1 Aide Add-on Rates
- Attachment III: 2015-16 Regional Weighted Average Per Diem Tuition Rates

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