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

From: Suzanne Bolling

Subject: Tuition Rate Setting Methodology for 2015-16 Rates for School-Age Providers Serving Students with Disabilities

Date: August 10, 2015

The 2015-16 tuition rate setting methodology provides a 4.0 percent trend factor for the 2015-16 school year and continues a number of modifications adopted as part of the 2014-15 approved methodology to enhance funding stability for private and special act school district school-age providers serving students with disabilities.

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. 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

School-Age Programs

A 4.0 percent trend factor is approved for the 2015-16 school year for school-age programs. A factor of 7.95 percent which represents the compounding of the approved prospective trend factors of 3.8 percent for the 2014-15 and 4.0 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.

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 school-age programs.

2. For the 2015-16 Prospective Rate:
   a. For school age programs that operate both summer and school year programs the 2015-16 prospective rate cannot exceed the greater of:
      i. The 2013-14 reconciliation per diem rate plus 7.95 percent.
      ii. The 2014-15 prospective per diem rate plus 4.0 percent.

      Provided that i. will be used where ii. incorporates expenses for capital, interest or depreciation, that were added to ii. via a waiver to the approved tuition methodology; or where a prior year’s rate based on audit has been issued subsequent to the issuance of the 2015-16 prospective per diem rate which would otherwise impact the calculation of ii. The Department also reserves the right to apply i. if the application of ii. would result in inappropriate benefit, as determined by SED, under the specific circumstances applicable at the time the reconciliation rate is being calculated.

   b. For school age providers that operate summer only programs, the 2015-16 prospective per diem rate cannot exceed the 2013-14 reconciliation per diem rate plus 7.95 percent.

3. For the 2015-16 Reconciliation Rate:
a. For school age programs that operate both summer and school year programs:

i. In most cases, the 2015-16 reconciliation per diem rate cannot exceed the greater of:

1. The 2014-15 reconciliation per diem rate plus 4.0 percent.
2. The 2015-16 prospective per diem rate.

ii. However, if the 2015-16 enrollment-to-capacity percent decreases by 10 percentage points or more from the prior three year average enrollment-to-capacity percent, then the 2015-16 reconciliation per diem rate cannot exceed the greater of:

1. The 2014-15 reconciliation per diem rate plus 4.0 percent,\(^1\) plus per diem costs removed by the total cost screen that are added back by using the lesser of the three year average enrollment-to-capacity percent or 90 percent of reported enrollment capacity care days in the total cost screen calculation.

2. The 2015-16 prospective per diem rate, plus per diem costs removed by the total cost screen that are added back by using the lesser of the three year average enrollment-to-capacity percent or 90 percent of reported enrollment capacity care days in the total cost screen calculation.

Provided that in both (i) and (ii) stated above, 1. will be used where 2. incorporates expenses for capital, interest or depreciation, that were added to 2. via a waiver to the approved tuition methodology; or where a prior year’s rate based on audit has been issued subsequent to the issuance of the 2015-16 prospective per diem rate which would otherwise impact the calculation of 2. The Department also reserves the right to apply 1. if the application of 2. would result in inappropriate benefit, as determined by SED, under the specific circumstances applicable at the time the reconciliation rate is being calculated.

\(^1\) The 2015-16 reconciliation per diem to be used in the calculation of the 2016-17 reconciliation and 2017-18 prospective tuition rates will be exclusive of any amount that may be added back to the 2015-16 reconciliation rate due to an enrollment-to-capacity percent decline of 10 percentage points or greater.
Provided further that in (ii) above, if the school age program has not been issued a reconciliation rate/adjustment factor for the previous three (3) years, then 1. will be calculated as the 2014-15 reconciliation rate plus 4.0 percent.

b. For school age providers that operate summer only programs, the 2015-16 reconciliation per diem rate cannot exceed the 2014-15 reconciliation per diem rate plus 4.0 percent.

E. 2015-16 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 2015-16 school year costs for all approved school age programs as follows:

1. Approved school age special class programs will have reconciliation adjustment factors included in the calculation of 2017-18 prospective tuition rates unless the 2015-16 reconciliation per diem rate differs from the 2015-16 prospective per diem rate by less than 1 percent in which case the 2015-16 prospective rate will become the final rate upon audit and the 2017-18 prospective rate will be issued without a 2015-16 reconciliation adjustment factor.

2. As also described above for the 2015-16 reconciliation adjustment factor/reconciliation rate total cost screen calculation, for school age programs that operate both summer and school year programs, the 2015-16 reconciliation tuition rate per diem cannot exceed the greater of:

   a. The 2014-15 reconciliation per diem rate plus 4.0 percent; or

   b. The 2015-16 prospective per diem rate.

For providers that operate summer only programs, the 2015-16 reconciliation tuition rate per diem will be a maximum of the 2014-15 reconciliation per diem rate plus 4.0 percent

3. Funding for the Excessive Teacher Turnover Prevention Program for eligible school age 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.

- “Regional weighted average per diem”\(^2\) used in the 2015-16 reconciliation process is the weighted average per diem developed on a regional basis from the 2015-16 prospective rate data for full-day segregated special class programs operating at greater than 2.5 hours.

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

- Reported enrollment capacity care days” is the number of students per the approved classroom ratio multiplied by the approved number of classrooms multiplied by the number of session days).

- “Enrollment-to-capacity percent” is total care days used in the tuition rate calculation divided by reported enrollment capacity care days.

- “Three year average enrollment-to-capacity percent” is the sum of the total care days for each of the three years preceding the tuition rate year divided by the sum of the reported enrollment capacity care days for each of the three years preceding the tuition rate year.

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:

\(^2\) These regional per diems will be developed using the 2015-16 prospective rate data and will be calculated as soon as sufficient data is available.
1. Special class programs that operated initially in 2013-14 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 that operated initially in 2014-15 and have met the minimum enrollment requirement will have the tuition rate for 2015-16 established at the 2014-15 level with no inflation or growth applied.

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 school age and preschool programs. A list of the 2015-16 regional weighted average per diem tuition rates are listed in Attachment II.

B. 1:1 Aide Add-On Rates

The 2015-16 regional weighted average 1:1 aide add-on rates are listed in Attachment III. 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. Interim Rates

For the 2015-16 school year, interim rates may be issued to approved programs if necessary. 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.

D. 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 2015 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.

E. 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 and subject to a verification process performed by STAC. The 2015-16 regional weighted average School Age - Non Special Class rates are listed on Attachment IV. The 2015-16 School Age - Non Special Class rates are not subject to reconciliation. The Rate Setting Unit will be reviewing reported actual cost data for 2015-16 for the School Age - Non Special Class programs as part of an effort to rebase these rates for a future year.

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 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:

New York State Education Department  
Rate Setting Unit  
Albany, New York 12234  
Phone: (518) 474-3227  
Fax: (518) 486-3606

Enclosures:
• Attachment I: 2015-16 Reconciliation Process
• Attachment II: 2015-16 Regional Weighted Average Per Diem Tuition Rates
• Attachment III: 2015-16 1:1 Aide Add-on Rates
• Attachment IV: 2015-16 School Age Non-Special Class Regional Rates

cc: Elizabeth Berlin
    James DeLorenzo
    Steven Wright