



Montana Legislative Services Division

Office of Research and Policy Analysis

TO: LFC Education Subcommittee (HB 657)
FROM: Pad McCracken, LSD Research Analyst
RE: Origin of state special education allowable cost payment distribution percentages and "rural miles"
DATE: December 5, 2019

Special education allowable cost payment distribution percentages

At your September meeting, you requested information on the distribution percentages for the state special education allowable cost payment contained in [20-9-321, MCA](#), when the percentages were implemented, and on what they were based. For review, those percentages are:

- 52.5% for the Instructional Block Grant (IBG)
- 17.5% for the Related Services Block Grant (RSBG)
- 25% for the Disproportionate Cost Reimbursement
- 5% for Co-op Administration and Travel (3% and 2% respectively)

Short answer:

The percentages in 20-9-321, MCA, that distribute the state special education allowable cost payment were instituted in [HB 160 \(2001\)](#):

1. to make the distributions to districts and co-ops more predictable;
2. to limit the amount of the payment going toward the disproportionate cost reimbursement (which had been causing a reduction in the IBG and RSBG; the RSBG reduction was hurting co-ops especially); and
3. based on how the payment was distributed in the year prior, not based on district and co-op expenditures, but simply on how the payment was most recently distributed.

Slightly longer answer:

These percentages were established in House Bill No. 160 (2001). The bill was at the request of the Office of Public Instruction (OPI). The preamble of the bill provides a decent explanation of the reasons the bill was proposed and enacted:

WHEREAS, state funding for special education has not kept pace with school districts' required special education expenditures, which has caused a financial shift under the formula from providing districts with block grants to reimbursing districts for disproportionate special education costs; and

WHEREAS, this financial shift has made a school district's funding level less predictable, and those districts receiving reimbursements for disproportionate costs have not been adequately compensated for extraordinarily high special education costs; and

WHEREAS, a revision of the current special education funding formula is necessary to stabilize the proportion of the state appropriation for special education that is distributed through block grants and for special education cooperative administration and travel.

Reviewing [the legislative history of HB 160](#), including testimony and the [primary exhibit](#) from the bill hearings provides a bit more explanation.

The crux issue appears to be that prior to the changes in HB 160, the disproportionate cost payment was calculated as 65% of any district special education allowable cost expenditures that exceeded the block grants and requisite district match by more than 10%. As district special education expenditures grew faster than the state appropriation, more and more of the appropriation was going to the disproportionate cost reimbursement, driving down the per-ANB instructional and related services block grant amounts. This was making the amount of state support unpredictable and also decreasing the revenue available to special education co-ops.

The fix provided in HB 160 was to revise the calculation of the disproportionate cost payment and set in statute percentages for the four components to roughly reflect the amounts distributed in the prior year. The percentages were not based on costs.

I am basing this conclusion on testimony on HB 160 provided by Bob Runkel¹, who was then State Director of Special Education at the OPI, and on recent conversations and email exchanges with Mr. Runkel. Mr. Runkel also made clear that following the major school funding reforms in HB 667 in 1993, which included major reforms to special education funding, the OPI no longer collected granular budget and expenditure data on special education from school districts and co-ops. This was because of the move away from an expenditure reimbursement model to a block grant model driven largely by ANB. If the subcommittee is interested in gathering more information on the historical changes to special education funding and the reasoning for those changes, I would highly recommend inviting Mr. Runkel to visit with the subcommittee.

If it is possible to determine, based on expenditure data, the proportion of money expended on instruction and on related services, it might be valuable to try and determine whether that proportion has changed over time. The percentages established in 2001 provide a 3:1 ratio (52.5% to 17.5%). Related services are more medical in nature (speech therapy, occupational therapy, psychological counseling, etc.) and because medical costs have increased at a higher rate of inflation than other costs, related services may be a larger proportion of total special education expenditures than in the past. If this is the case, it may warrant adjusting those percentages.

¹ Runkel during hearing on Jan. 10, 2001: "...what this bill will do is lock in, pretty much at the status quo, the share of money that is available from the block grant..."

Runkel during exec action on Jan 15, 2001: "This bill is to try and assure the districts that we are trying to lock in the situation as close to what it is right now."

Rural miles in the co-op travel distribution

You were also curious about the definition of and calculation of “rural miles” in the distribution formula for co-op travel pursuant to [20-9-321\(4\)\(b\)\(iv\), MCA](#), and [ARM 10.16.3812\(4\)\(b\)](#). It appears from OPI data files that the number of rural miles within each co-op’s boundary was established in 2002 and unchanged since then. This came about due to changes made in 2001 in HB 160. When the co-op administration and travel portion of the appropriation was set at 5%, the legislature provided guidelines to OPI on how to distribute that 5%, including “distances” as a factor. From 20-9-321(4)(b)(iv):

Of the amount distributed under subsection (4)(a)(iv) [the 5% for co-op admin and travel], three-fifths [for admin] must be distributed based on the ANB count of the school districts that are members of the special education cooperative and two-fifths [for travel] must be distributed based on distances, population density, and the number of itinerant personnel under rules adopted by the superintendent of public instruction.

OPI adopted its formula for transportation in administrative rule and included “rural miles” as part of the calculation. The formula at ARM 10.16.3812(4)(b) is:

(ii) use the following factors to distribute, on a weighted basis, the figure from (4) (b) (i) [the 2% for co-op travel] among approved cooperatives (weight assigned to each cooperative is determined by dividing the number of rural miles within the boundaries of a cooperative by the total current ANB of member districts within the cooperative and add to that figure the number of member districts and full-time equivalent of itinerant personnel in the cooperative)

So, a co-op’s share of the travel money is based on:

$$(\text{rural miles} \div \text{ANB}) + \# \text{ of member districts}^2 + \text{itinerant FTE}$$

It *appears* that the number of rural miles was established based on the “rural road miles” in each county (excludes national and primary highway system miles) that are used for the fuel tax distribution in [15-70-101\(2\)\(b\)\(i\), MCA](#). This would make sense, using an established metric rather than creating a new one.

An examination of the co-op travel distribution may be warranted. It is important to keep in mind that the state payments for special education are not intended to fully fund any specific expenditures for special education but are meant to provide support for those costs in addition to local and federal funding. It’s also important to realize that the travel distribution is not a large driver for co-op revenues. Still, this distribution (and the percentages discussed earlier) has not been rigorously examined in nearly 20 years. See attached map with several examples of how the current co-op travel distribution works and spreadsheet with info on all the administration and travel distributions for all co-ops.

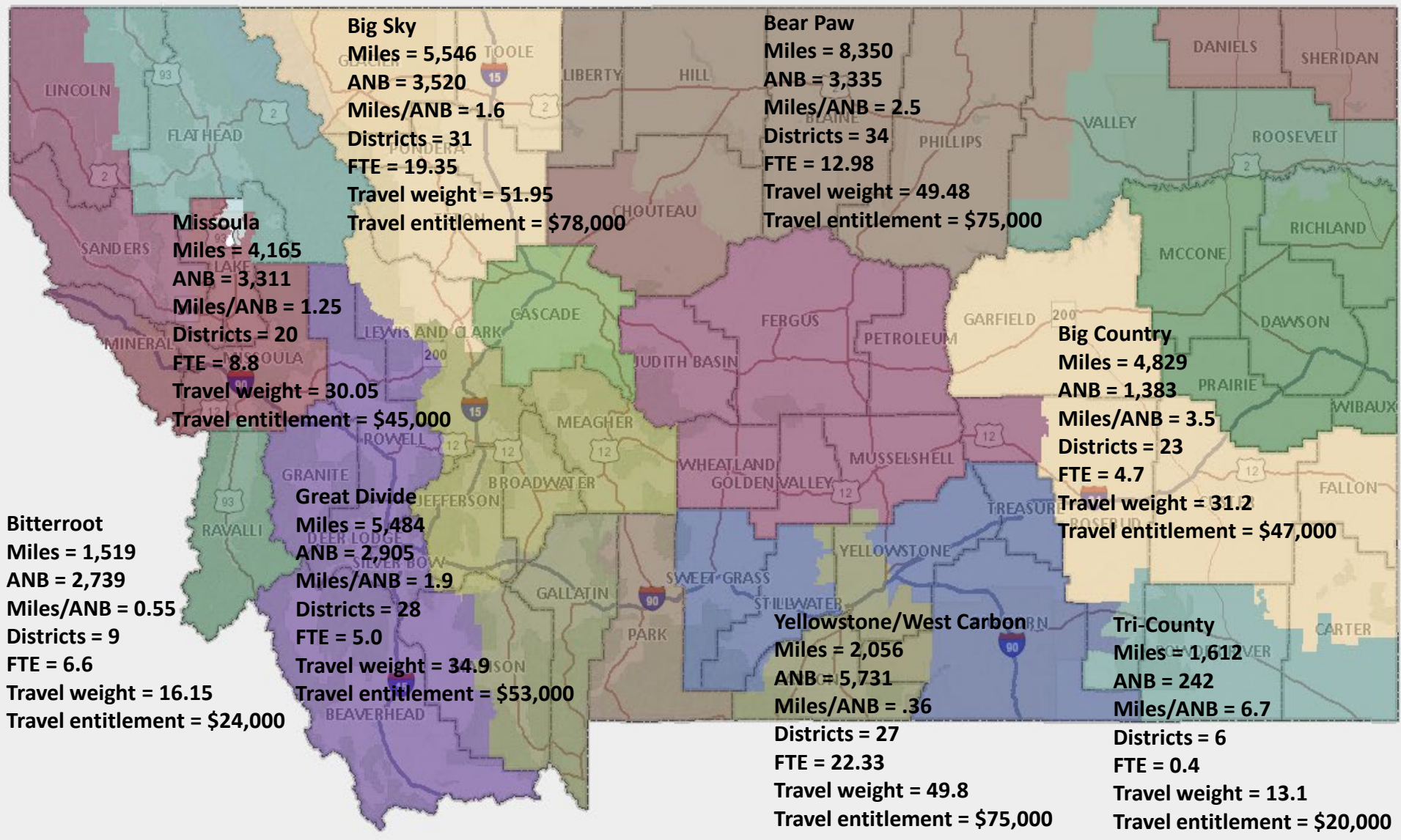
² As pointed out at your September meeting, the inclusion in rule of the number of member districts does not clearly align with statute, and as shown on the attached map and spreadsheet, it is a big driver in calculating the travel distribution.

FY 2020 Travel Data for Select Co-ops

Co-op travel weight = (rural miles ÷ ANB) + # of member districts + itinerant FTE

Statewide travel weight = 581.77

Statewide co-op travel appropriation \$875,000



FY2020 Co-op Admin and Travel								
	Special Education Appropriation:					\$ 43,793,428		
	Co-op member district ANB					47,351		
	Administrative Appropriation (3%)					\$ 1,313,803		
	Per Student Administration Entitlement					\$ 27.75		
	Travel Appropriation (2%)					\$ 875,869		
	Statewide co-op travel weight					581.78		
	Travel weight = (rural miles/ANB) + # of member districts + # of itinerant FTE							
	Travel Entitlement = Co-op travel weight/statewide travel weight * Travel approp							
LE	Co-op Name	ANB	Rural Miles	FTE	Dist in Coops	Admin. Ent.	Travel Ent.	Coop Travel Weight
9689	Bear Paw Cooperative	3,335	8,350	12.98	34	\$ 92,533	\$ 74,498	49.48
9690	Bitterroot Valley Coop	2,739	1,519	6.60	9	\$ 75,996	\$ 24,321	16.15
9691	Central Mt Learn Res Ctr	3,051	5,786	14.13	36	\$ 84,653	\$ 78,326	52.03
9692	Big Country Coop	1,383	4,829	4.70	23	\$ 38,373	\$ 46,959	31.19
9693	Sheridan/Daniels Coop	811	2,570	3.00	8	\$ 22,502	\$ 21,331	14.17
9694	E. Yellowstone Spec. Ser Coop	3,049	2,520	9.04	12	\$ 84,598	\$ 32,920	21.87
9695	Flathead Special Ed. Coop.	2,940	3,682	9.80	16	\$ 81,573	\$ 40,728	27.05
9696	Gallatin/Madison Coop	2,483	2,297	6.80	19	\$ 68,893	\$ 40,235	26.73
9697	Prickly Pear Coop	4,048	3,063	10.17	16	\$ 112,316	\$ 40,538	26.93
9698	Missoula Area Education Coop	3,311	4,165	8.80	20	\$ 91,867	\$ 45,252	30.06
9699	North Ctrl Learn Res Ctr	1,478	1,661	4.40	10	\$ 41,009	\$ 23,371	15.52
9700	Park County Coop	502	892	8.73	7	\$ 13,929	\$ 26,357	17.51
9701	Prairie View Coop	1,189	5,315	5.50	20	\$ 32,990	\$ 45,120	29.97
9702	Sanders County Ed ServicesCoop	1,075	2,573	3.00	9	\$ 29,827	\$ 21,669	14.39
9703	Great Divide Educ Serv	2,905	5,484	5.00	28	\$ 80,602	\$ 52,524	34.89
9704	Stillwater/Swt Grass Coop	1,996	1,667	8.40	17	\$ 55,381	\$ 39,497	26.24
9705	Tri County Coop	242	1,612	0.40	6	\$ 6,715	\$ 19,664	13.06
9707	Yellowstone/W Carbon Coop	5,731	2,056	22.33	27	\$ 159,013	\$ 74,807	49.69
9755	Big Sky Special Needs Coop	3,520	5,546	19.35	31	\$ 97,666	\$ 78,174	51.93
9801	Roose-Valley Sp Ed Coop	1,066	3,357	3.00	14	\$ 29,577	\$ 30,335	20.15
9871	Chouteau Co Joint Service	497	1,432	0.90	9	\$ 13,790	\$ 19,242	12.78
		47,351	70,376	167	371	\$ 1,313,803	\$ 875,869	581.78