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Dear Legislator,

We are contacting you today regarding House File 2357 (HF 2357). We are a K-8 Public Charter School of approximately 1,100 students located in Duluth, MN. Our legal name is Duluth Public Schools Academy, 4020-07, doing business as Duluth Edison Charter Schools (DECS). Below is an outline of the key items in HF 2357 we wish to bring to your attention.

**HF 2357 – 1]** would require that charter schools submit a plan to their authorizer on doing third party billing to be eligible for special education aid, **2]** it would also establish rate caps on various components of special education costs, **3]** reduce the amount charter schools could bill back to the resident district to 125% of the state rate caps, and **4]** allow MDE to disallow tuition expenses for a charter school if the department determines that the charter school failed to pursue third party billing for qualifying special education services.

#### **DECS POSITION**

**1]** By law charter schools must comply with statutes and rules relating to the education of students as though it were a district. Given that fact, and the fact that special education is highly regulated by the federal and state governments, requiring a plan to be submitted to an authorizer on third-party billing is both discriminatory and nothing more than bureaucratic paperwork.

**DECS opposes this provision.** No school district is required to submit a plan about how they will do third-party billing to have their students eligible for special education aid. To make this a requirement only for charter schools is discriminatory against students who attend charter schools.

**We support** a requirement that all charter school directors, superintendents be required to take training on third-party eligibility and the process for submitting third-party reimbursements as Minnesota ranks very low in utilizing third-party reimbursement for special education costs. We have been doing third party billing for several years now.

**We support** a requirement that special education monitors include a school or district's capacity and implementation of third-party billing as a program as a factor in their risk assessments of special education programs.

**2 and 3]** Establishing rate caps on various components of special education costs would address the need for cost containment across special education programs given that the increase in special education aid is not growing enough to offset costs. The state does have the capability to determine rate caps by geographic areas of the state. The proposed one-size statewide cap rate of 125% for all charter schools does not consider the significant higher costs in Minneapolis &

St. Paul, nor does it recognize the reality that small schools cannot do economy of scale services when serving one or two students with significant needs.

**DECS does not oppose** the idea of rate caps for various special education costs as a means of promoting cost containment.

**We do oppose a one-size statewide cap rate** as it does not allow for geographic cost differences nor provide a school a process to justify costs beyond a cap rate.

**We support requiring MDE to do a special education program & financial audit** of schools that exceed the Minneapolis/St. Paul or statewide cap rates to ascertain the reasons for the cost difference and provide the school a process to justify costs beyond the cap rate. If there is a determination that the cost is not justifiable the school would create a cost containment plan agreed upon with MDE.

**4]** To allow MDE to disallow tuition expenses for a charter school if the department determines that the charter school failed to pursue third-party billing for qualifying special education services is plain and simply discriminatory – as it does not do that with traditional districts.

**DECS opposes this provision** as it does not treat charter schools as though they were districts as the law states regarding special education. This is an authority MDE does not have over traditional districts and should not have over charter schools. This is clearly a usurping of local responsibility and state takeover of a local authority.

**Finally**, while this legislation does not deal directly with how schools and special education services are funded – it is important to keep in mind that charter schools overall receive less funding than traditional districts because charter schools do not have access to local excessive operating levies, and do not receive equal state funding for some programs (example: extended time revenue). The disparity in funding for charter schools on a statewide level has been documented at about 10-12% less than traditional districts, and in St. Paul and Minneapolis the disparity is even more significant.

In addition, proposing a change in how funding is calculated by introducing a new, non-discussed and untested metric, without knowing the potential impacts to the state budget and or potential impacts to individual schools is bad law making. The simple act of including this new metric in a bill creates uncertainty, and prevents school leaders from continuing their work of developing sound and fiscally responsible budgets for the following year.

Sincerely,

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