

**Financial Structure of the
Minnesota Academy for the Deaf and
Minnesota Academy for the Blind**

**Prepared for the State Planning Agency
by the Department of Finance**

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Specific recommendations relative to long term financing of the Minnesota Academy for the Deaf and the Minnesota Academy for the Blind at Faribault can be made only within the context of explicit mission statements, governance proposals and programming criteria. Because other sections of this report deal with these concerns either by providing a range of possible options without stating a specific recommendation or by providing generalized statements of future mission and trends, specific financing options cannot be recommended at this time. Rather the Department of Finance section of this report will: a) provide background information concerning present and past financing of the academies; b) discuss incentives which might be included in any future funding options; and c) raise several program questions which should be addressed before specific funding or governance options can be considered.

A. Background

The Academies are funded largely through separate biennial program based state appropriations made to the Department of Education. Total appropriation is \$5,888,200 in FY 1986 and \$5,736,600 in FY 1987 with a full-time equivalent state staff of 194.7 in FY 1986 and 186.7 in FY 1987. In addition to these appropriations, the Academies receive about \$200,000 in federal funds per year under the Title I - Handicapped and child nutrition programs. Currently, federal funds support 16.0 full-time instructional staff positions. Private gifts and endowments provide limited additional revenue. Besides state, federal and private funds available for program operations, the Academies receive approximately \$30,000 each year from fees and other payments made by students. Such funds are dedicated to specific student activities and accounts and are not available for general operating purposes.

The trend of state and federal support since FY 1976 is shown in Table 1 on the following page. Expenditures are adjusted for price level increases using the Consumer Price Index (CPI) deflator.

When considered in relation to enrollments in the far right column of Table 1, the data shows an increase of 23 percent in real spending per student between FY 1978 and FY 1986 and a 7 percent increase in total real spending between FY 1976 and FY 1986. This increase has occurred despite periodic budget reductions brought about by the state's 1981-83 budget retrenchment and by other attempts to reduce costs at the two Academies.

Table 2 augments Table 1 by showing change in per student instructional expenditures between FY 1983 and FY 1986. Data for FY 1983 are taken from a 1984 report prepared by the Office of the Legislative Auditor.

TABLE 1
FARIBAULT ACADEMIES
OPERATING BUDGET EXPENDITURES
MAJOR FUNDING SOURCES (a
Constant 1985 Dollars (b
1976 - 1987

YEAR	MINNESOTA STATE ACADEMY FOR THE DEAF			MINNESOTA STATE ACADEMY FOR THE BLIND			TOTAL EXPENDITURES	TOTAL ENROLLMENT	TOTAL COST PER STUDENT
	STATE	FEDERAL	TOTAL	STATE	FEDERAL	TOTAL			
1976	3,695,878	215,086	3,910,964	1,718,008	273,194	1,992,001	5,902,965	N/A	N/A
1977	4,103,300	170,877	4,282,256	2,056,438	214,565	2,271,003	6,553,259	N/A	N/A
1978	4,192,293	197,012	4,389,305	1,793,538	186,714	1,980,252	6,369,557	238	26,763
1979	3,804,700	255,160	4,139,860	1,765,267	180,249	1,945,516	6,085,377	226	26,926
1980	3,687,701	242,384	3,930,085	1,704,323	157,182	1,861,504	5,791,589	204	28,390
1981	3,559,816	259,822	3,819,638	1,583,240	137,423	1,720,663	5,540,301	219	25,298
1982	3,887,693	235,880	4,123,573	1,741,399	119,794	1,861,193	5,984,766	240	24,937
1983	3,786,673	228,849	4,015,522	1,799,222	113,670	1,912,892	5,928,415	228	26,002
1984	4,113,921	226,814	4,340,734	1,935,241	107,537	2,042,778	6,383,512	224	28,498
1985	4,047,200	178,346	4,225,546	1,886,100	68,400	1,954,500	6,180,046	190	32,527
1986 (c)	4,092,452	158,797	4,251,249	2,003,381	51,038	2,054,418	6,305,668	192	32,842
1987 (c)	N/A (d)	202,806 (e)	202,806	N/A (d)	94,110 (e)	94,110	6,411,535	N/A	N/A

- a) The Academies do generate some small income from gifts and endowments not reflected in this table.
- b) Consumer Price Index used to adjust expenditures to 1985 dollars.
- c) Estimated - includes salary supplement and comparable worth.
- d) Legislature did not give intent by academy. Budget has not been adopted by academy management for FY 1987 at this time.
- e) Estimates are taken from the 1985-87 biennial budget.

Table 2
Faribault Academies
Fiscal Year 1983 and 1986 Comparison
(Constant 1985 Dollars - CPI Deflator)

	Academy for the Deaf		Academy for the Blind	
	FY 83/86	% Change	FY 83/86	% Change
Enrollment	179/140	-22%	49/52	6%
Instructional Cost per Student	\$9,346/12,847	37%	\$15,624/16,477	5%
Total Cost per Student	\$22,272/29,410	32%	\$37,722/38,252	1%
Staff FTE Complement	154/139	-10%	76/70	-9%

State appropriations to the Academies are normally made without explicit reference to achieved or anticipated enrollments. Rather, new appropriations are usually made incrementally by adjusting a base year budget to provide for salary and other price level increases. Any adjustments from the base level plus inflation are made for specific programmatic or other purposes. Set aside appropriations are provided for repairs and betterments, equipment and, on occasion, for other specified items. In making its 1985-87 biennial appropriations, the legislature made targeted cuts intended to reduce costs at the Academies. These cuts were not specifically related to a given enrollment level or any desired program changes; rather the reduction was based on the savings from vacant positions and a general across the board adjustment.

Except for set aside appropriations, the Academies have wide latitude in allocation of resources to specific programs and functions. The actual pattern of FY 1986 allocations by function are shown in Table 3 on the following page. Although the data by function are taken from the statewide accounting system, they are not based on rigorously compiled cost accounting data and reflect all authorized staff positions even though some positions are currently vacant. Nonetheless, they do give a general indication of current expenditure and staffing levels for each major function at the Academies.

As the foregoing data indicate, the Academies have experienced substantial real increases in cost per student during the past decade. Although some of this increase might be attributable to qualitative changes in program,

TABLE 3
 PARIBOLTY ACADEMIES
 ESTIMATED EXPENDITURES AND STAFF COMPLEMENT BY FUNCTION
 FISCAL YEAR 1986
 (State and federal funding only)
 Current Dollars

Minnesota State Academy for the Deaf					
Activity	Expenditure (Estimated)	% Student	Cost per Student *	FTE Staff Complement	Ratio Student/ Staff
Instruction	\$1,861,649	44%	\$13,297	56.15	2.5
Residential	652,836	15%	5,061	33.5	3.9
Food Service and Health	479,740	11%	3,427	16.6	8.4
Maintenance and Equipment	967,109	23%	6,900	26	5.4
Administration and Other	300,164	7%	2,144	7	20.0
TOTAL	\$4,261,498	100%	\$38,439	139.25	1.0

*Enrollment of 140 students, 11 are day only.

Minnesota State Academy for the Blind					
Expenditure (Estimated)	% Student	Cost per Student **	FTE Staff Complement	Ratio Student/ Staff	
\$886,827	43%	\$17,054	28.5	1.8	
505,693	25%	10,320	24.5	2.0	
224,015	11%	4,300	8.25	6.3	
283,509	14%	5,454	4.5	11.6	
150,632	8%	3,051	4	13.0	
\$2,050,756	100%	\$39,591	70	0.7	

**Enrollment of 52 students, 3 are day only.

Total State Academies					
Expenditure (Estimated)	% Student	Cost per Student	FTE Staff Complement	Ratio Student/ Staff	
\$2,748,476	43%	\$14,315	85	2.3	
1,158,529	18%	6,509	58	3.1	
703,755	11%	3,665	25	7.7	
1,258,690	20%	6,514	31	6.3	
450,796	7%	2,390	11	17.5	
\$6,320,254	100%	\$32,918	209	0.9	

influence is the incentives built into state funding formulas. As noted, enrollments and per capita costs are not normally taken into account in the Academies' biennial state appropriations. Further, school districts referring students for residential placement pay tuition equal to the district's foundation aid allowance plus \$1,000 per student. Tuition payments are considered as non-dedicated receipts and deposited in the general fund, therefore, not directly impacting the budgets of the Academies. Total tuition receipts are currently about \$550,000 per year and amount to about \$3,200 per secondary student and about \$2,600 per elementary student. These amounts, which represent a little more than 10 percent of the per pupil cost at the Deaf Academy and about 8 percent of the per pupil cost at the Blind Academy, appear to provide some school districts, particularly districts with few handicapped children, little incentive to keep students in the district of residence or to seek more cost-effective ways of providing services to deaf and blind students. Further because the state does not offset tuition payments against appropriations, the academies are given no incentive to reduce costs if enrollments decline.

From the Department of Finance viewpoint, therefore, it is essential that any future funding option provide strong cost containment incentives. Given such incentives, the academies and the states' school districts might seriously consider programming options such as shorter residential stays allowing students to master specific skills before returning to their district of residence and greater use of instructional and other facilities available in the Faribault public school district. Such incentives might also result in efforts to downsize the existing physical plant, reduce administrative overhead and otherwise pare back fixed costs. Besides increasing school district tuition charges and offsetting tuition income against state appropriations, financing options could also include relating state appropriations more specifically to direct instructional costs per student and/or limiting state appropriations at some specified per capita maximum. However a specific funding package cannot be recommended until other more fundamental policy decisions have been made relative to the mission and governance of the Academies.

C. Program Concerns

As part of its review of the financial aspects of the Academies' operations and programs, Department of Finance analysts were made aware of several issues which could have dramatic long range implications for the mission, and ultimately, for state funding of the Academies. The first of these issues is basically demographic: What are the long term enrollment prospects at the Academies? Even without major changes in funding and mission, will the Academies

continue to attract enough students to maintain their viability as state institutions? Although the Department of Finance cannot answer such questions, it must emphasize the need for others to do so.

A second issue, closely related to the first, pertains to emerging federal attitudes toward residential placement of handicapped students. Federal mandates clearly tend toward placement in a least restrictive environment, which is being interpreted to mean placement as close to the student's home as possible. These mandates, if applied by the federal courts to state programs by virtue of their involvement in Public Law 94-142 and other federal programs, could require school districts to maintain programs in the district of residence or in near-by regional facilities. Impact of such a change would probably be further reduction in students attending the Academies and/or greater emphasis on the Academies as a southeast Minnesota regional facility. Although it will probably be several years before the federal mandates are clarified with respect to their impact on state programs, this concern should be recognized and addressed. If the Academies are likely to become more and more regional in scope and mission, state funding policies could be seriously altered.

In another section of this report the Department of Administration recommends that a task force be created to explore the consolidation of services to multiply handicapped children between the Department of Education and the Department of Human Services. This is another factor that may have a significant impact on the numbers of students served by the Academies and on the cost of providing state services for the handicapped.