

TESTIMONY

Testimony To: House Committee on Ways and Means
Respectfully Submitted by: Nicole Lee, Director of Education Finance
Subject: Legislative Education Costs Survey Summary
Date: February 27, 2024

Thank you for the opportunity to provide an update on the Legislative Education Costs Survey Summary

Background

In late January a survey was sent out to request a one-time data set from districts. Responses were received from late January through the first part of February. The topics were: special education, capital costs, FTEs, health insurance, ESSER, and mental and behavioral health. Questions were asked based on budget data for fiscal year 2024, early budget data fiscal year 2025, and a three-year lookback for mental and behavioral health.

This data was collected before districts rewarmed budgets. It is based on late January budget data. In some cases, the expectation is the sum of components equals the total. Data was used as reported, totals may not be exactly equal all the pieces. Data was requested from general fund transactions. Effectively, ed fund liability, not funds otherwise used, except for ESSER.

Responses were received from 43 of 52 Supervisory Unions/Districts. We can draw trends from this response rate of 82.7 percent however, it is imperative to keep in mind, extrapolation poses its own set of issues and we're using data received to factually inform discussion.

Disclaimer

The Agency of Education, specifically the School Finance team, is aware that the two items presented today February 27th tell two different stories for similar data points. The data underlying these estimates are different. The intent of both is the quantify some of the primary drivers for a \$200M plus ed spend increase from FY 2024 to FY 2025.

The legislative survey data (provided to House Ways and Means) is a collection of responses from over 80% of supervisory unions.

The FY 2025 preliminary summary (provided to Senate Finance) includes other sources such as the state auditor's office, a February 26, 2024 updated education spending statewide projection, and estimates based on average inflation at a statewide level.



Summary Data:

Special Education

Comparing respondents budgeted costs/funding for FY25 to FY24

	Total costs for special education	Federal Funding for Special Education	Extraordinary Reimbursement	Census Block Grant and EEE Funding	State Placed Funding	Local Special Education Funding	CALCULATION ED SPEND Special Education Need
FY24 budget	398,282,118	34,246,300	46,411,138	197,357,219	2,048,086	55,899,354	58,753,920
FY25 budget	438,285,256	33,037,927	60,340,404	198,777,515	1,796,653	67,159,109	76,287,148
change	40,003,138	(1,208,374)	13,929,266	1,420,296	(251,433)	11,259,755	17,533,228

Total costs for Special Education, forcing FY 2025 to be 52/52 SU/SDs: **530,019,379.17**

Notes:

- Special education is an SU cost. There is a small portion of district cost for paraprofessional hired by districts.
- Unduplicated costs were reported in at both the SU and district level, depending on where they were budgeted.
- The FY25 budgeted costs for 43 SU/SDs is \$438M compared to the entire state FY22 projection of **\$409,881,177**.
- Beginning in FY23, probably too late for FY24 budgeting, a new component of extraordinary was added to the calculation.
- **The 13,929,266** is likely in the actuals of FY23 and FY24, but not showing up in budgets until FY25.
- The census block grant is growing at a flat rate based on the FY23 - FY26 transition schedule
- Local special education funding is growing by 17%, this could be attributed to more regional programs
- hosted by districts where one public school is paying another public school to provide special ed services.
- Even with increased extraordinary and local funding, the data shows, for the respondents, a \$17.5M
- increase to the ed fund for special education. Extrapolated to 100% of districts, potentially \$21.2M.

Waiting Placements

Districts were asked for the FY24 Maximum count of students waiting for alternative placements (single point in the year) and of n=24 respondents, the total is 140.

We continue to hear that placements are hard to find or have waitlists. The 140 reported in, they could have been 14 per month for 10 months. What's displayed here represents that there is unmet need in the districts for students in need of alternative placement. There is a cost to the district when they are unable to find placements.

Capital Improvements

	" Capital Improvement Costs (likely in function 4000)	Capital Costs Funded by Bonds	Capital Costs Funded by Capital Reserves	Capital Costs Funded by General Fund	What amount of Total Capital Costs are related to Immediate Health/Safety	What amount of Total Capital Costs are related to Delayed Maintenance	What amount of Total Capital Costs are related to New Initiatives
FY24 budget	120,828,873	77,792,015	24,196,483	16,200,610	5,535,820	5,680,323	70,068,467
FY25 budget	159,608,157	114,216,274	17,526,018	29,573,012	1,980,694	26,640,295	102,933,305
change	38,779,284	36,424,259	(6,670,465)	13,372,402	(3,555,127)	20,959,972	32,864,838

Capital improvement costs, forcing FY25 to be 52/52 SU/SDs: **46,895,877.83**

Notes:

- This is based on budget data for 43 of 52 SU/SDs late January budgets, which may change with H.850.
- From the respondents, budgeted capital improvement costs are increasing \$38.8M.
- Extrapolated to all districts, YoY budget change is \$46.9M.
- The funding source options given on the survey were bond, reserves, and general fund.
- The primary increase in funding source is bonds, increasing \$36.4M year-over-year.
- Capital costs reported are primarily for new initiatives, but some is also related to delayed maintenance. The data gets a little squishy because PCBs could be a new initiative with remediation completed on items over the end of their usable life.

In that case, the remediation of PCBs could fall into any of the three categories listed.

Health Insurance

	Health Insurance Costs	HRS/HSA Costs	Dental Insurance Costs
FY24 budget	200,449,313	32,863,457	12,660,629
FY25 budget	228,376,235	32,409,220	13,530,760
change	27,926,922	(454,238)	870,131

Health Insurance Costs, forcing FY25 to be 52/52 SU/SDs: **33,772,092**

Notes:

- Insurance increases are set by VEHI for statewide plans
- VEHI health insurance increase is 16.4% for FY25. Utilization is high and VEHI needs to replace and retain reserves. This cost is outside of district control

ESSER

	FTEs Paid for with ESSER funding	ESSER Salary	ESSER Benefits	Costs as a result of ESSER, retained by the district and no longer supported by ESSER
FY24 budget	512	29,298,210	12,453,788	10,018,240
FY25 budget	62	2,637,219	788,124	25,452,322
change	(450)	(26,660,990)	(11,665,665)	15,434,082

Ongoing costs as a result of ESSER, no longer supported, forcing FY25 to be 52/52 SU/SDs: **30,779,552.45**

Notes:

- Important: a federal award of ESSER funds does not mean that districts were or will be able to obligate funding before the 9/30/2024 deadline.
- Liquidation extensions and federal flexibility to spending obligated funds relies on obligations by 9/30/2024.
- ESSER funding, ESSER 1, ESSER 2, or ARP ESSER did need to be used to respond to or prepare for COVID-19.
- Lingering challenges from COVID-19 mean that districts are retaining staff as student need is still high.
- It is notable that of the respondents, 512 positions were paid for in FY24 down to 62 for the same respondents in FY25. ESSER funding will be available for July 1, 2024 - Sept 30, 2024, a small portion of FY25.

Mental and Behavioral Health

	B	C	D	E	F
	Total employed FTEs by FY25 related to direct and indirect (1 net new position per year for 3 years, would be reported as 3)	FY25 Salary Costs Related to FTEs	Contracted costs for Mental and Behavioral Health	FY25 Total Direct Mental and Behavioral Health FTEs	FY25 Direct Total Mental and Behavioral Health Salary Costs
FY25 budget	648	34,158,583	6,953,604	790	43,684,956
forcing FY25 to be 52/52 SU/SDs:		41,308,054.26	8,409,009.92		52,828,319.18

This data responds to: what positions and/or what contracts have been added over the past 3 (FY23, FY24, FY25) years of budgeting, even if you were unable to fill it, that your district attributes to mental and behavioral health needs?

It was important to understand what is employed positions, column B and C versus contracted positions D added to the education system over 3 years. If the 43/52 that responded were extrapolated and employed and contracted costs were summed up, that \$50M in cost to the system.

Columns E and F represent the total FTEs and salary costs for all mental and behavioral health positions in the districts that responded, notable that of the 790 reported 648 are new within the past three years. Said differently, 142 existed in FY22 versus 790 that are in the education system going into FY25.

Primary job classes for direct mental and behavioral positions, for respondents, by title were: behavioral interventionist, behavioral assistant, mental health clinician, psychologist, guidance counselor, social workers, SEL support

Primary job classes for indirect mental and behavioral positions, for respondents, by title were: assistant principal, drivers (vans, buses), case managers, SEL directors

FTES

	Total FTEs	Total Salaries	Total Benefits
FY24 budget	14,769	874,265,718	324,304,801
FY25 budget	14,765	943,719,613	431,853,155
increase / (decrease)	(4)	69,453,895	107,548,354
forcing FY25 to be 52/52 SU/SDs:		83,990,756.16	130,058,474.56

Notes:

- This is related to general fund FTEs and salaries, ed fund liability.
- This is very difficult to pull apart. It shows that in a system of flat employees, the salary and benefits costs rose \$177M. To give context salaries and benefits are estimated to be 75% of total school budgets. So, for a \$2B ed fund, that's \$1.5B, which \$214M, the extrapolate sum of salaries and benefits is 14.3%
- However, it is likely that ESSER covered some portion of these increases in a prior year, but not in FY25, collective bargaining agreements that were not settled in FY24 budgeting were settled during FY24, so FY25 is catching up the too low FY24 and moving into the FY25 year-two increase.
- Job classes were provided for each FTE break outs to ensure consistent reporting

	Teacher FTEs	Teacher Salaries	Paraprofessional FTEs	Paraprofessional Salaries	Contracted Staff Costs (likely in object 300)
FY24 budget	6,912	493,910,785	2,921	86,391,406	34,347,538
FY25 budget	7,046	541,244,291	2,982	95,046,594	38,285,659
increase / (decrease)	135	47,333,507	61	8,655,188	3,938,121
forcing FY25 to be 52/52 SU/SDs:		57,240,519.57		10,466,739.48	4,762,379.47

Notes:

- We can begin to see that while total FTEs out of the general fund, for the respondents is flat, increases within the system did occur for teachers and paras.
- The survey did not ask type of teacher or para within the category detail
- The average increase for teachers and paras is approx. 7.5% YoY.