

Attachments to the Agency of Education Budget Presentation referenced in the PowerPoint by Emily Byrne and Secretary Rebecca Holcombe.

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Education Fund and Agency Operations

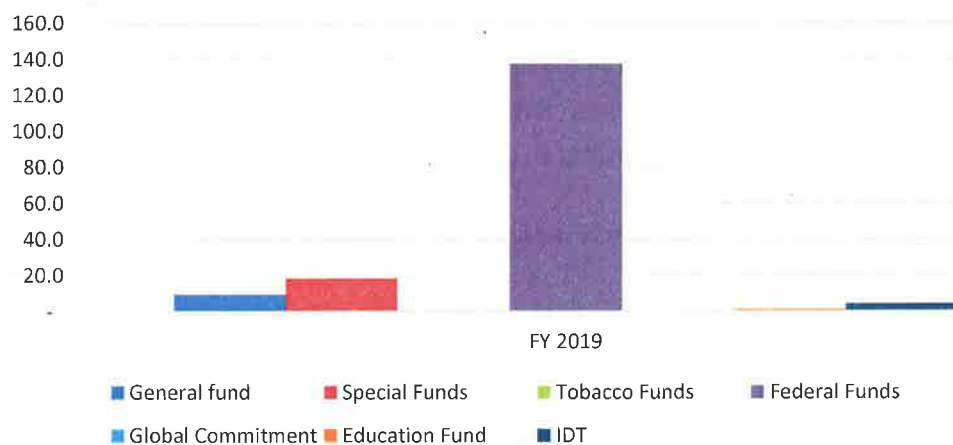
By statute, Education Fund dollars cannot be used for state level activities, and thus cannot support AOE operations or activities.

The funds appropriated to the Agency from the Education Fund in B.500 reflect the Education Fund's share of internal service fund costs (VISION) and the audit allocation.

Federal Funds

Federal dollars fund almost all education initiatives at the AOE, including AOE staff for support of Career and Technical Education, Accountability, Education Quality and School Improvement, Farm-to-School, and nutrition support for day cares, PKs, schools and adult care programs. Of the dollars appropriated to the Agency, approximately 80% of the two operating appropriations comprises federal funds.

Agency of Education FY 2019 Budget By Fund - Including Grants to Schools (in Millions)



When the state accepts federal funds, we accept the responsibility to execute and monitor the grants on behalf of the federal government. Much of the work of the Agency is to ensure that Vermont continues to be good stewards of allocated federal dollars. The majority of these federal dollars are granted to school districts to support many of Vermont's most vulnerable students. The only way that districts can continue to receive these funds is if the Agency provides the federally required fiscal monitoring and oversight.

In addition to federal funds, the Agency relies on Medicaid funds to support operations at the Agency, innovation grants to school districts, and to supplement revenues in the Education Fund. School districts generate this revenue through billing at the local level. Uncertainty around the future of Medicaid may impact this funding source in the future, with implications for operations at both AOE and AHS.

To support administration of federal funds, the federal government provides a "small state minimum" allocation, however, this small state minimum has not increased in about 20 years and has not been adjusted for inflation. Thus, AOE has many fewer staff administering federal funds than it did 20 years ago, and tight staffing does increase the risk of audit findings. To the extent this threshold does not change as administrative costs increase and absent support from State funds, the Agency will continue to face challenges in meeting its federal requirements.

The breadth of federal grants provided by the Agency are outlined in the specific team budgets throughout this document.

Summary of Agency of Education Appropriations with and without Grants

<i>(Dollars in Millions)</i>	Including Grants		Without Grants		Difference
General Fund	9.5	5.5%	7.6	25.4%	1.90
Special Funds	18.5	10.8%	4.1	13.7%	14.39
Tobacco Fund	0.8	0.4%	0.2	0.7%	0.55
Federal Funds	137.5	80.1%	13.9	46.7%	123.61
Global Commitment	0.3	0.2%	-	0.0%	0.26
Education Fund	1.0	0.6%	1.0	3.3%	-
IDT	4.2	2.4%	3.0	10.2%	1.17
Total	171.7		29.8		141.9

General Funds to Support Education

Vermont invests substantially in education. A FY 2019 Summary of General Fund appropriations indicates that nearly 30% of the General Fund is appropriated to support education related activities (\$456.7M). The 30% dedicated to education includes the cost of the General Fund transfer to the Education Fund (\$322.7M), as well as costs related to the teachers' pension system and retired teachers' health care (\$123.9M), and costs to support Adult Education (\$600K). The remaining funds, \$9.5M or 2% of General Funds for Education, is allocated to the Agency to support operations at the Agency, including the allocation of the Education Fund and activities to support Vermont's public school system. The table below provides a high level summary of the General Fund support for education.

General fund for Education (in millions)	
	FY2019
	Gov Rec
Total	456.7
Less Transfer to the Education Fund	322.7
Less Teachers' Pension/Healthcare	123.9
Less support for Adult Education	0.6
Total Non-Agency GF funding for Education	447.2
Remainder for AOE	9.5
Finance & Administration	3.8
Education Services	5.7
Total Agency General Funds	9.5
AOE percentage Education GF	2%

General Fund at the Agency: the General Fund supports the following activities:

- The Secretary's office and the State Board of Education,
- Our finance division (to manage and allocate state and federal dollars),
- Provides the required minimum state matches to retain federal dollars, and
- Administration of several programs including: Drivers Education, Oversight of Home Schooling, Independent School review and approval, Act 77/Flexible Pathways work, Instructional Technology Support, and Adult Education and Literacy.

- Add an experiential, self-directed environmental program in which students will research and explore the natural world:
 - Greater affordability at the middle and high school levels will protect the elementary programs in both towns. In addition, because teachers can move between the buildings, however, these small elementary schools will now have a broader array of programming, including music, world languages, arts and STEM.

Financial Notes:

The Agency of Education does not have enough data to analyze how and if saving have been realized locally beyond anecdotes such as those mentioned above. It is important to remember that only 4 Supervisory Unions have completed a full fiscal year of operations under their new governance structures.

The following table summarizes what has been allocated to districts to help support the implementation of Act 46.

	Exploration Grant		Planning Grant		Transition Facilitation Grant	
	Granted	Spent	Granted	Spent	Granted	Spent
FY16	110,000	48,383	520,000	195,147	555,528	425,528
FY17	20,000	27,171	340,000	281,336	947,790	864,253
FY18	-	-	-	122,839	653,044	251,784
Total	\$ 130,000	\$ 75,555	\$860,000	\$ 9,322	\$ 2,156,363	\$ 1,541,565

Summary	
Total Awarded	3,146,363
Total Spent	2,216,442
Difference	929,921

* some FY 2017 grants cross into FY 2018

Uniform Chart of Accounts – School District Data Management System

History: Act 179 Sec. E.500.1 of 2014 as amended by Act 58 of 2015 required that the Agency of Education work to implement a uniform chart of accounts (UCOA) to be used by all school districts in the state. The goal of this endeavor is to provide the Agency and the General Assembly the financial data necessary to do fiscal analysis of Vermont's schools to inform policy decisions. Per the law, school districts shall transition to the UCOA by July 1, 2019 for Fiscal Year 2020.

The Agency worked with supervisory unions to determine the best way to achieve the legislative goal. Through this work, the Agency decided to begin an RFP process for a Statewide School District Data Management System (SSDDMS) to provide a centralized mechanism to manage the chart of accounts and provide the Agency with a means to collect school finance and personnel data more efficiently.

Supervisory Unions/Districts will have the option of opting into using the system to achieve the implementation of the UCOA. The supplemental property tax relief fund was reauthorized in the FY 2018 budget adjustment act to provide the Agency with resources to support the implementation of the project. If an SU/SD chooses to adopt the centralized system, the Agency will use these funds to support local implementation of the SSDDMS.

The Agency is currently undergoing an independent review of the project and hopes to enter a contract this spring.

Future challenges: The SSDDMS will provide the Agency and school districts with a centralized system for financial data collection. There are several benefits to the state from this project including higher quality and more consistent comparable school finance and personnel data, centralized contract management and economies of scale, and easier fiscal consolidation following mergers.

However, the funding stream to support this project is one-time in nature. The special fund does not have a revenue source and it only anticipated to support the project for a few fiscal years. Additionally, the position created to support this project is limited service.

In the coming years, an ongoing funding source for this project will need to be identified and resources at the Agency made permanent. If a state funding source is identified, districts that have adopted the SSDDMS will be able to eliminate the costs of a local system from their budgets. The Agency hopes to work with the legislature to address these issues once the independent review has been presented to the Joint Fiscal Committee.

FY 2019 Budget Request: The FY 2019 budget was finalized before the General Assembly adopted the FY 2018 Budget Adjustment. Based on the Governor's original budget adjustment proposal, the Agency did not need to include an appropriation for this purpose in the FY 2019 budget. The BAA includes the reinstatement of the special fund for this project, in order to align the FY 2019 budget with the decision in the FY 2018 BAA, an appropriation from the special fund will be requested when the amount needed in FY 2019 is finalized.

More information can be found on the AOE informational Website: [UCOA Website](#).

Special Education Funding Change

Reports:

2016 Acts and Resolves No. 148 Sec. 3 charged the Agency of Education to contract for a study to review the special education funding formula and review the feasibility of implementing a census based funding formula. UVM completed a study per this recommendation, and the study was submitted to the legislature in December.

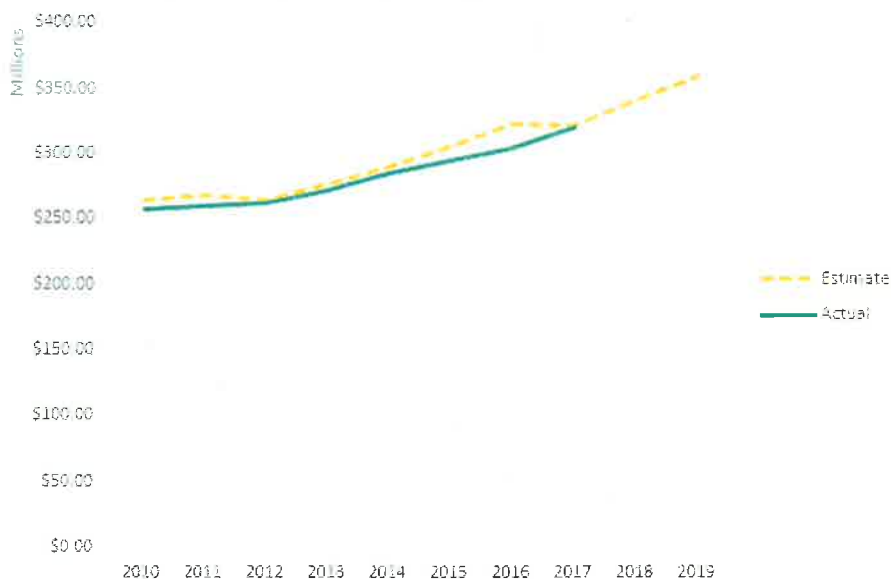
Simultaneously, the Agency was asked to review supports for struggling learners, including students with IEPs, in a representative sample of supervisory unions/districts to evaluate how Vermont schools currently support struggling students. The District Management Group worked with several supervisory union/districts systems to review and assess current practices as well as how these current practices relate to research-supported best practices. This report was delivered to the legislature in November.

These reports, delivered in tandem, suggests that Vermont could improve how it provides support for struggling learners and students with disabilities, as well as how it finances those services. The UVM study found that Vermont spends nearly two times the national average per IEP. And, some evidence suggests that some ineffective practices may be pervasive because of how the current special education funding model incentivizes decisions. Providing additional flexibility through the funding formula may give school systems the tools necessary to implement the best practices recommended by DMG to improve outcomes for struggling students.

Special Education Funding Trends:

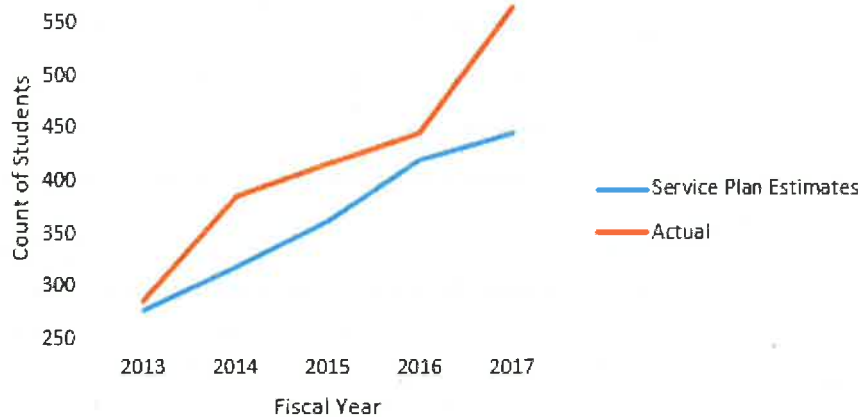
Special education in Vermont is funded through a combined block grant and reimbursement system, where the state provides 60% of total special education costs to supervisory unions/districts. In FY 2015 and FY 2016 there was divergence between the projected budget for special education and the actual local spending, generating significant reversions to the Education Fund. This window coincided with the final, legislatively-mandated push to consolidate special education services at the supervisory (not district) level. The Agency wonders if in the state-mandated transfer of special education services to the supervisory level from the district level, districts had trouble predicting costs and so overestimated costs while making projections. In FY 2017, actual expenditures closely aligned with projected need.

Special Education Spending Estimates vs. Actuals



In addition, the number of students with disabilities whose total services cost more than \$50K (students with substantial need for services) has increased significantly over time. This is part due to the fact that threshold for extraordinary cost reimbursement, \$50K, has not changed since the late 1980s. Results of the reports indicate, anecdotally, that an arbitrary threshold has driven IEP team behaviors that drive costs for individual students who are near the threshold.

Extraordinary Student Growth 2013-2017



Special Education Funding Proposal

The legislature is currently examining a proposal that would shift state support for special education from a block grant and reimbursement model to a census-based grant. The Agency is supportive of changing the way that we fund special education. Benefits will come in the form of increased flexibility for supervisory unions/districts in how they allocate resources to support struggling students, including early intervention activities that reduce challenges in subsequent grades. If the changes are made, we also anticipate administrative efficiencies at both the Agency and supervisory unions/districts associated with eliminating the current reimbursement model. These changes will provide a funding model that is more transparent, flexible and predictable and which may result in long term cost savings for the state.

The Agency will work with the legislature this session to review proposed legislation to ensure that service delivery to students is improved and funded effectively, that federal maintenance of effort requirements are met, and that supervisory unions/districts have the resources that they need to provide services that align with best practices.

Building Capacity at the Agency of Education

The AOE continues to evaluate capacity and look for ways to proactively increase capacity within resource constraints. Our two primary functions on behalf of the state are collecting and presenting data the General Assembly needs to make good policy choices, and efficiently distributing dollars to intended recipients.

The following represent long-term commitments to strengthen these core operations and meet statutory requirements more effectively within the constraints of current staffing

Grants Management System

The Agency is in the process of retiring its grants management system and implementing a new tool. The Agency is responsible for managing several hundred grants, mostly with local school districts. A grants management system is critical for efficient and effective allocation, monitoring and implementation of grant programs. When fully implemented, this new system will save districts time by bringing all grants together in one system, prepopulating fields out of a centralized data storage, and bringing applications and monitoring together in one system. It will save the AOE time by streamlining monitoring processes.

State Longitudinal Data System (SLDS)

With the help of ADS, we are in the final stages of standing up a system that will house all the AOE data, and connect in real time to districts. This system will make it easier to store data safely, merge data sets, ensure quality and consistency of data, and support various reporting and analytical functions.

Education Quality Data Dashboard

This dashboard will connect to the SLDS, and will provide “Annual Snapshots” of selected district data that speak to quality and equity of academic outcomes, postsecondary participation, personalization, school culture and climate, and fiscal efficiency.

Dual Enrollment Platform

The AOE reduced cost and increased efficiency and accuracy of the administration of Dual Enrollment by standing up a statewide platform to register students for Dual Enrollment. The enhanced data collected in the platform will support better evaluation long term of this state-mandated initiative.

Capital Bill Request – Funding for Adult Technical Education Programs

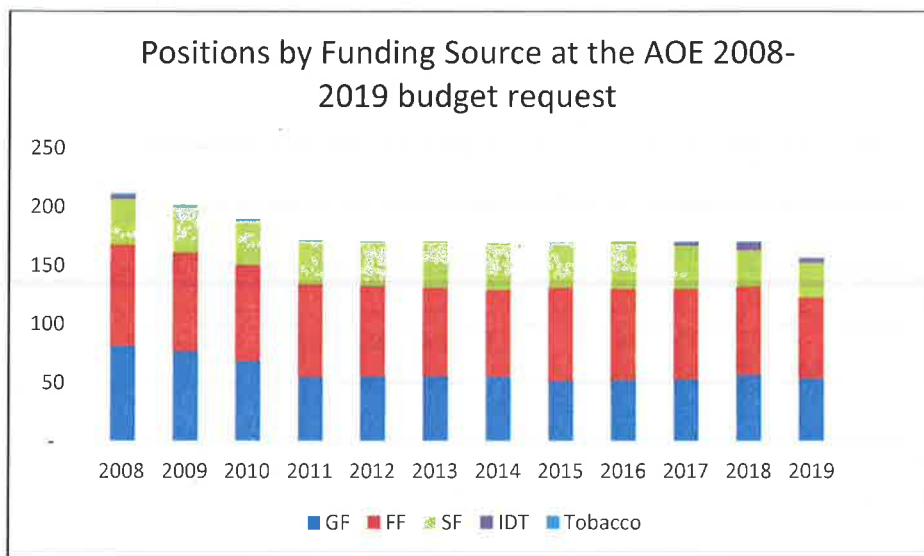
The Governor’s recommended FY 2018/2019 capital bill adjustment includes \$500K to support investments in technical education centers to support Adult Technical Education Programs. The Agency will work closely with the Department of Labor on the deployment of these funds to support the Governor’s policy priorities around technical education and workforce development.

Position Summary

The FY 2019 Executive budget recommendation includes funding for 156 positions at the AOE. This is down from 171 positions in FY 2018. The changes occurred due to:

1. 10 positions were transferred from the AOE to the Agency of Digital Services. These positions are still located at AOE and perform work primarily for the AOE. The money to fund these positions is part of the AOE budget.
2. 3 positions that had been vacant for more than 6 months were swept to the position pool by the Administration.
3. 2 positions are limited service positions that are expiring and no longer will have federal funding available. These positions are currently vacant.

Positions at the Agency are supported by a variety of funding sources. The following figure displays the change in positions by funding source over time.



In aggregate, the Agency has 55 less positions that it did in 2008. In the interim, the AOE has taken on new work associated with new statutory mandates. It is important to recognize that in any one year there will be changes, associated with reorganization of government (creation of ADS) and the acceptance and expiration of Federal Grants that include limited service positions.

