



219 North Main Street, Suite 402
Barre, VT 05641 (p) 802-479-1030 | (f) 802-479-1835

MEMORANDUM

SUBJECT: Governor's Budget Proposal – funding AOE central IT using the Education Fund
FROM: Daniel M. French, Ed.D., Secretary of Education
Emily Byrne, Chief Financial Officer, Agency of Education
DATE: February 21, 2019

The FY 2020 Governor's recommended budget includes a proposal to fund two central Education IT projects using the Education Fund. These two systems, the Statewide School District Data Management System (SSDDMS, the state wide school financial system) and the Statewide Longitudinal Data System (SLDS), are both managed centrally and provide critical functions for the funding of Supervisory Unions/Districts (SU/SD s). It is the Administration's position that using the Education Fund to pay the contractual obligations for these functions is appropriate due to the nature of the activities that are supported by the systems.

Financial System – SSDDMS

In Sec. E.500.1 of Act 11 of the 2018 Special Session, the General Assembly required that all SU/SDs adopt the same school finance and financial data management system selected by AOE. The implementation of the system is funded with a special fund comprised solely of onetime funds. This fund does not have sufficient resources to support the project in the long term, and an on-going funding source must be identified.

Currently, each SU/SD purchases its own local financial system from one of five vendors, some with multiple systems. The result of over 50 differently configured systems results in significant variability in the types of systems used locally, the business processes employed locally, and the ability to utilize technology to improve processes and information sharing. The estimated costs of these systems across all SU/SD is approximately \$1.9M. The central financial system will replace the local systems currently used by all SU/SDs and will bring about standardization in the systems used throughout the state as well as leverage the economies of scale and associated savings that is derived from a statewide bid.

As funded today, by a state special fund, when a SU/SD eliminates a local system and implements the central system, the SU/SD is able to drop the local contractual costs from their budget. The Education Fund has historically paid for school financial systems as part of education spending. Given that the method for obtaining the service is being aggregated centrally, the funding should follow accordingly.

Data System – SLDS

The US Department of Education (USDOE) provides nearly \$100M to Vermont schools to support public education. In order to receive these funds, the Agency of Education is required to collect data and report to the federal government. Additionally, the Agency has to collect data from schools in order to calculate tax rates and allocate dollars to both school districts and SU/SDs in accordance with state statute.

In FY 2012, the USDOE provided federal funds to support the implementation of statewide longitudinal data systems to improve the collection and reporting of education data. The AOE has been working to implement this system. Beginning in FY 2020, the federal funds to support the system will be exhausted and the on-going maintenance and operations of the system must be supported with state dollars.

Unlike the Financial System, the SLDS is not a cost currently born by the Education Fund through local spending. However, it is a critical tool that makes it possible for the State to receive nearly \$100M in federal funds, effectively reducing the local cost of education, as well as ensuring that the Agency has the information to ensure the accurate calculation and allocation of Education Fund dollars. For these reasons, it is appropriate that these costs be allocated to the Education Fund.

Proposed Appropriation to support the systems

The Agency is proposing to add an appropriation to the Education Fund and corresponding language to allow the Agency to make the contractual payments to Vendors that currently support these system.

FY 2020 Proposed Appropriations

SSDDMS (Financial System) - \$1M

SLDS (Data System) - \$700K

The Agency has also proposed to shift the balance of the Education Financial Systems Special fund that currently supports the implementation of the SSDDMS to the Education Fund at the end of FY 2019 (approximately \$2.1M). Initially, this transfer will cover the costs of the system. However, on-going costs will be picked up by the Education Fund. The Agency anticipates that the on-going cost of the finance system will decrease over time as the project is currently in its implementation phase. Once all SU/SDs have implemented the system, the contractual obligation will be reduced to approximately \$750K.

This request only reflects the contractual obligations for these systems. These appropriations do not reflect Agency staffing or operating costs.

The Agency believes that this is the most efficient and cost effective way to pay for these systems on an ongoing basis.

Proposed Budget Language

Sec. C.102 2018 Acts and Resolves (Special Session) No. 11, Sec. D.101, as amended by 2019 Acts and Resolves No. XX, otherwise known as the 2019 Budget Adjustment Act, is further amended to read:

(a) Notwithstanding any other provision of law, the following amounts are transferred from the funds indicated:

(5) The full amount of any unencumbered balance in the Education Financial System Fund, established by 32 V.S.A. § 6075a, fund number 21244, shall be transferred to the Education Fund.

Sec. E.500 32 V.S.A. Sec. 6075a is repealed in its entirety: ~~There is created a special fund to be called the "Education Financial Systems Fund." The purpose of the Fund is to provide for implementation of a uniform chart of accounts by the Agency of Education as provided in 2014 Acts and Resolves No. 179, Secs. E.500.2 and E.500.3, and Sec. E.500.1 as amended by 2015 Acts and Resolves No. 58, Sec. E.500.1. [REPEALED]~~

Sec. E.500.1 16 V.S.A. Sec. 4025(b) is amended to read:

(5) To make payments for contracted services to support statewide administrative education systems, including the costs of the statewide school finance and financial management data system to complete the reporting required by 16 V.S.A. § 242(4) and pursuant to 2018 Special Session Act 11, Sec. E.500.1.