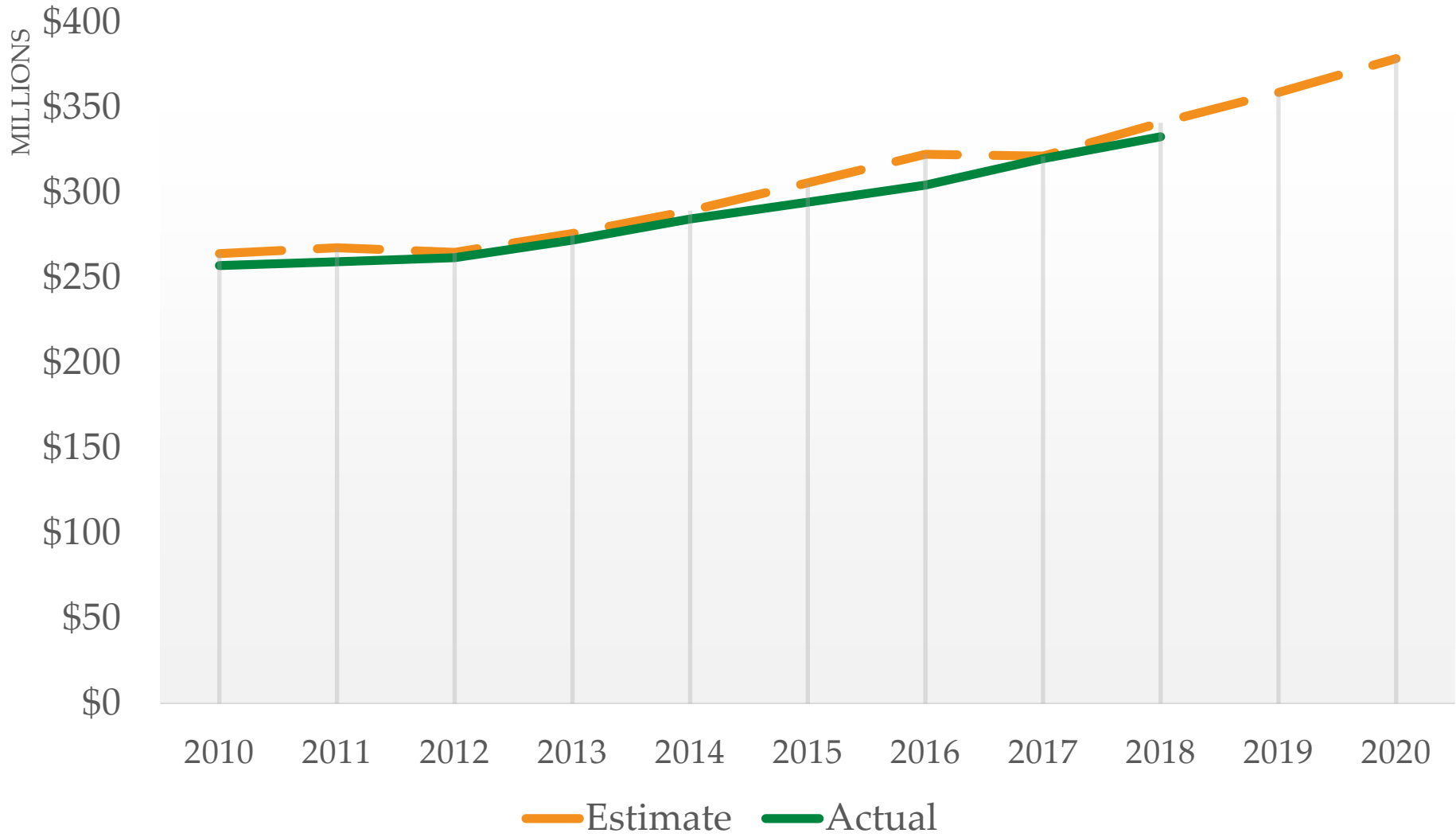


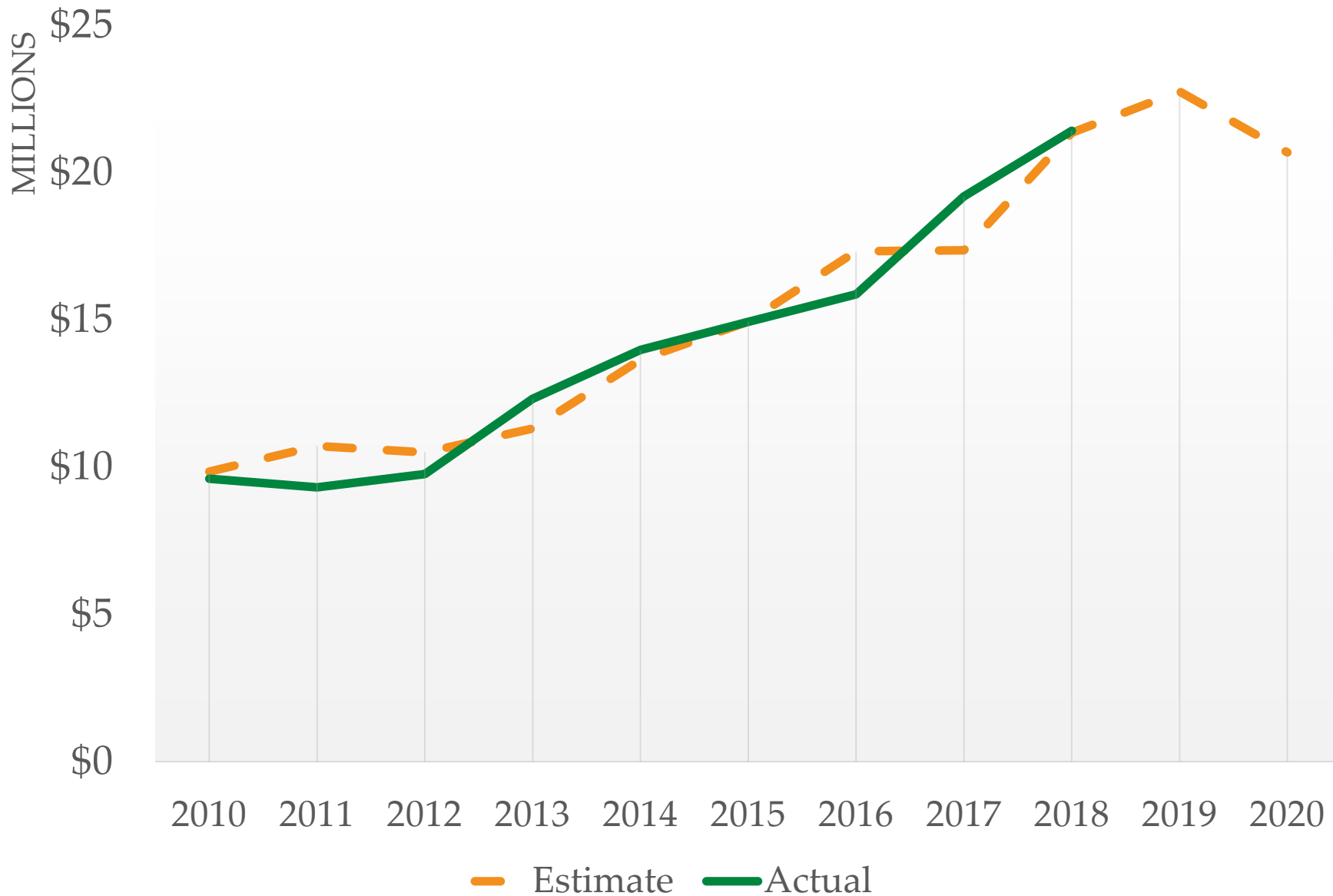
Special Education Finance and Act 173 Update

Emily Byrne, Chief Financial Officer
January 22, 2019

Special Education Spending Estimates vs. Actuals



Extraordinary Costs Estimates vs. Actuals



Appropriation For Special Education

- Made up of the following components (FY2019 Estimates in Millions):
 - Mainstream Block Grant (\$31.9)
 - Special Education Reimbursement to Schools(\$143.7)
 - Extraordinary Cost Reimbursement (\$19.2)
 - Grants to School and other entities to support the provision of Special Education (\$3.7)
- Total = \$198.5M

Estimating Special Education Spending: Service Plans

- SU Submit budget projections, known as service plans, to the AOE per 16 VSA §2964 in October annually
- AOE reviews and finalizes the projections for the following fiscal year by December 15th annually
 - Service plans submitted in the fall of 2018 reflect projected spending in FY 2020

Calculating the State Share of Special Education

- Per 16 VSA §2967 the state pays for 60% of **Total** Special education spending in the state after accounting for federal funding
 - 90% Reimbursement for Extraordinary Cost Students above \$60,000
 - Grants to non-state entities for services
 - Grants to school for professional development
 - Calculated percentage of reimbursement for remaining eligible special education costs

FY 2020 Education Fund Appropriation

- The appropriation from the Education Fund reflects the state share of the **estimated** spending on Special Education
- Actual payments in FY 2020 will reflect the actual reimbursement earned by schools
- A reduction to the state reimbursement for extraordinary expenditures is expected, in part, to be offset by an overall increase in service plans due to the change in the threshold
- Uncertainty/Investments around Act 173

Special Education Payment

- AOE sends half the block grant and 15% of the service plan to SUs in August
- In November and February SUs submit reimbursement requests to AOE
- AOE pays schools in December, March and, depending on available funds, in June.
- Final payments based on actual earning are sent to SUs in the late summer/early fall

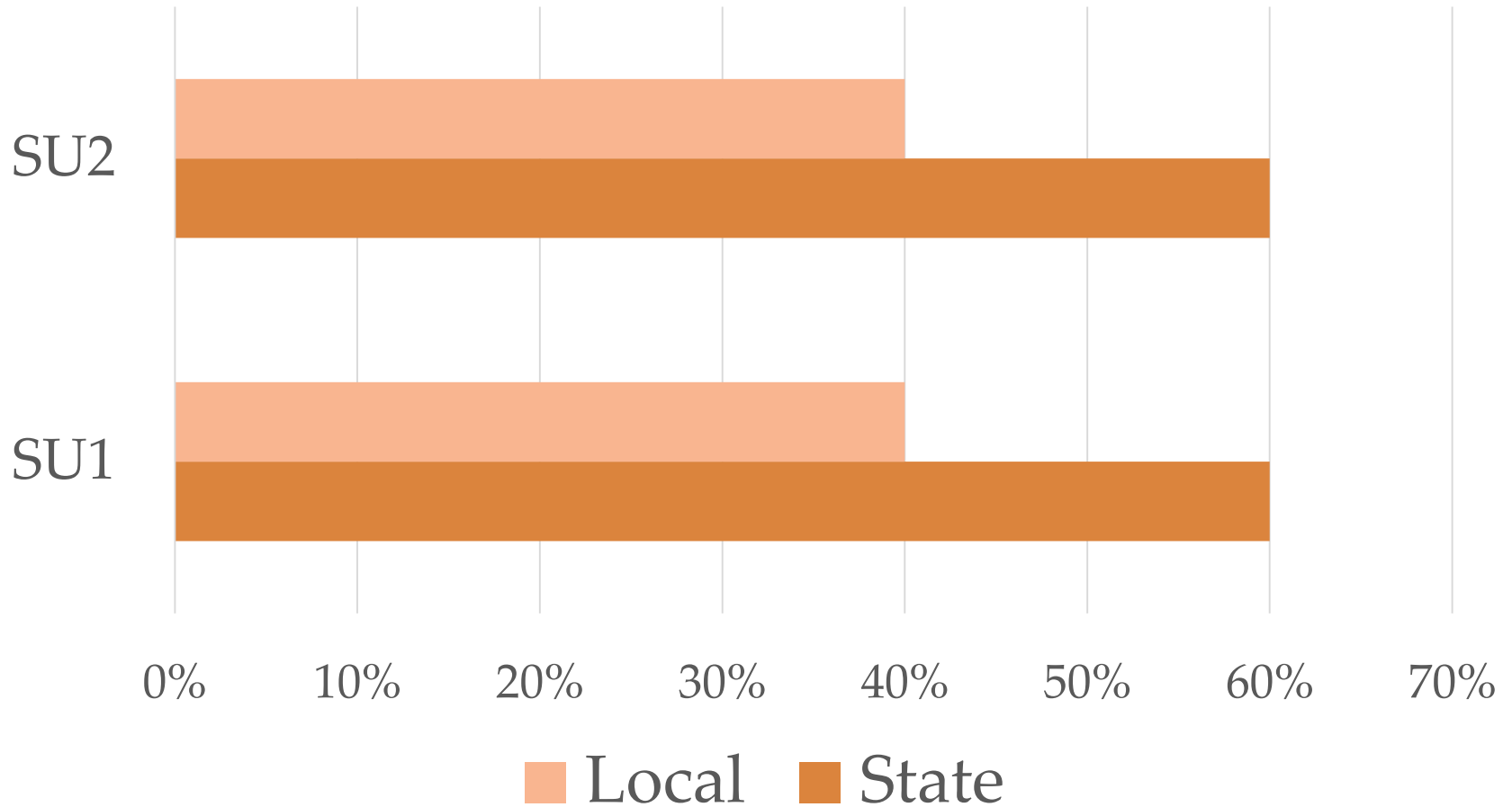
Genesis of Act 173

- Informed by two studies issued by the General Assembly to review funding and practice in part due to increasing growth in state spending on special education
- Goals of Act 173:
 - Increase flexibility for SUs for spending for students who require additional supports
 - Reduce administrative burden
 - Bring predictability and transparency to the special education appropriation by shifting to a census based block grant

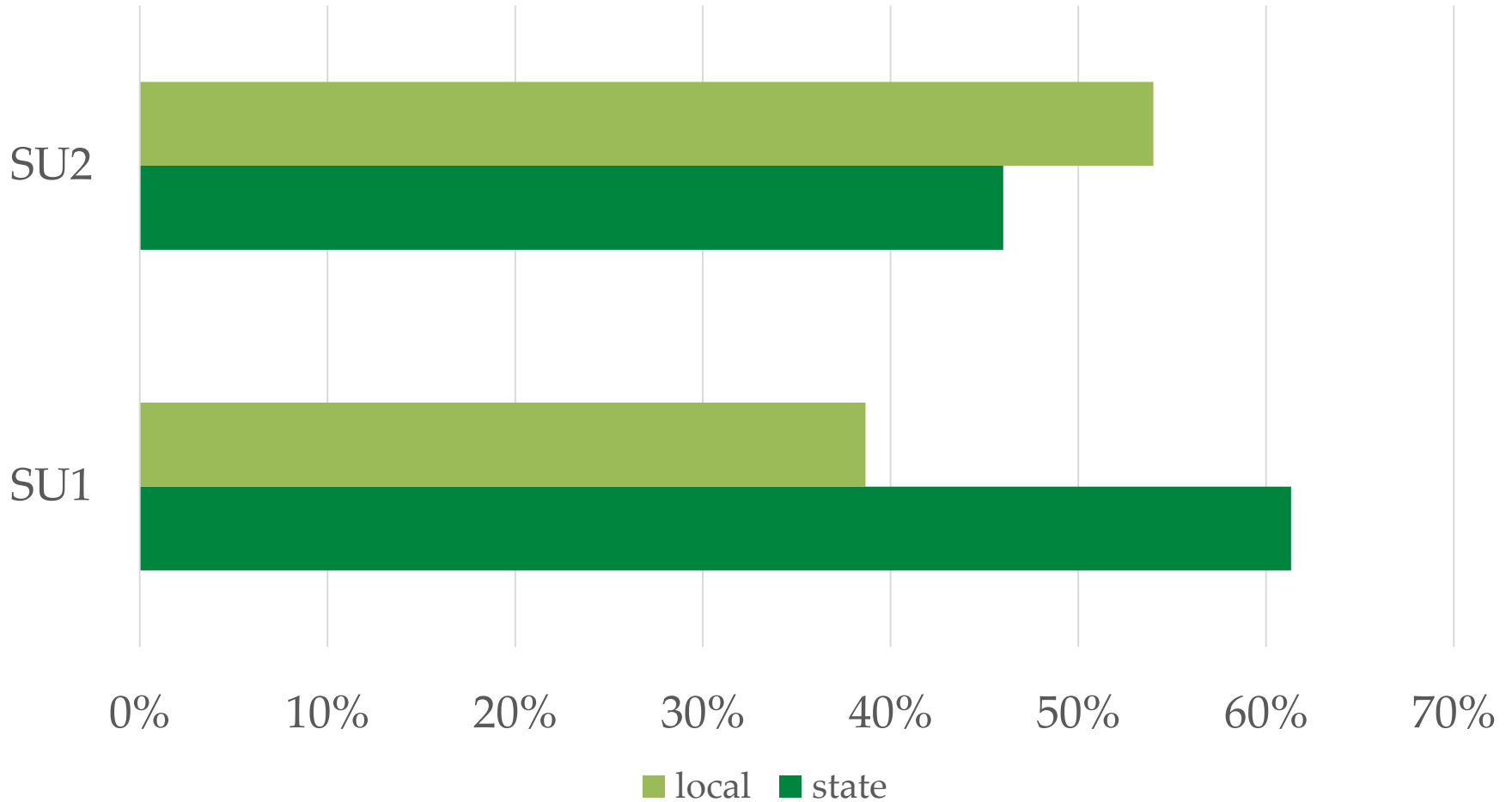
Act 173 Funding Model

- A fixed amount will be given to each SU on a per ADM basis, the balance of special education costs will be picked up by local budgets (replacing the current 40% local share)

State vs Local Spending Reimbursement Model



State vs Local Spending Census Model



Census Grant Variables

- The share of total spending on special education spending provided by the state will vary for each SU
 - Impacted by
 - ADM
 - Total Spending locally
- Once the state census grant has been exhausted additional spending to ensure FAPE must be provided by SUs

Act 173: Special Education Funding Unchanging

- Portion of Special Education expenditures previously covered by the State at 60%
 - Grants to non-state entities for services
 - Grants to school for professional development
- Other special education funding mechanisms
 - State-placed students: state reimburses special education expenditures at 100%
 - Residential placement: state pays 100% of special education costs
 - PreK Special Education Block Grant (EEE)

FY 2020 to FY 2021 Transition

- Maintenance of Fiscal Support
- FY 2020 Reimbursement Tail and reconciliation

Maintenance of Fiscal Support

- Federal IDEA law requires that State make available the same amount or more for special education than was provided in the prior year

FY 2020 Reimbursement Tail and Reconciliation

- In FY 2021 the state will need funds for:
 - The reconciliation of FY 2020 final earned Payments (Tail)
 - The full year of the FY 2021 Census grant amount
- Appropriating the full projection in FY 2020, will allow the AOE to carryforward funds to pay out the final FY 2020 payments in early FY 2021