

**SET-ASIDE RISK POOL BUDGET UPDATE****ISSUE**

An annual report will be provided to CEO Council on the use of funds and the balance available in the Set-Aside Risk Pool.

BACKGROUND

Starting in 2016-17, the member owned set-aside formula was converted to a Set-Aside Risk Pool.

- \$5 per ADA one-time contribution in the first year of entry for all new charters.
- \$2.50 per ADA contribution for members in the SELPA in 2015-16 and returning in 2016-17.

The 2015-16 member owned set-aside fund was closed out in 2016-17, with return of balances to charter members. The 2016-17 Set-Aside Risk Pool ending balance is estimated to be \$554K.

	Charter SELPA Set-Aside Pool Closed 2016-17 to -0-	2015-16	2016-17 Close Fund	2016-17 Budget New Set-Aside Risk Pool	2017-18 Budget
1	Income				
2	Contributions	227,255			
3	Contributions from 2015-16 Charters \$2.50 per PY P-2 ADA (one-time)			271,521	
4	Contributions from new charters \$5 per ADA (one-time)			82,777	50,000
5	Interest	11,622			
6	One-time transfer from Legal Risk Pool			200,000	
7	Total Income	238,877	-	554,298	50,000
8	Expenditures				
9	Return to charters (vested)	6,952			
10	Return to 2015-16 Charters (close out pool)		1,106,630		
11	Transfer Legal Risk Pool (set-asides not vested)	7,388	54,852		
12	Total Expenditures	14,340	1,161,482	-	-
13	Income less Expenditures	224,537	(1,161,482)	554,298	50,000
14	Beginning Balance	936,945	1,161,482	-	554,298
15	Ending Balance	1,161,482	-	554,298	604,298



USE OF FUNDS IN THE SET-ASIDE RISK POOL (ALLOCATION PLAN LANGUAGE)

The intent of the risk pool is to provide a funding source when SELPA funding declines because of the action of a member, and there is no recourse to recover the funds from the member. Charter SELPA leadership will make all due diligence attempts to recover funds from the member, but in the case of a closure or bankruptcy, this may not be possible. Issues that might arise:

- *Funding adjustments as a result of disallowed ADA with no ability to recover from the member.*
- *Funding adjustments as a result of disallowed expenditures at the state/federal level with no ability to recover from the member.*
- *Funding adjustments as a result of other actions from a member, with no ability to recover from the member.*

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SELPA leadership is committed to an ongoing monitoring process of SELPA members which attempts to identify charters at risk of unexpected closure with the possibility of undocumented special education expenditures. Additional reporting procedures added in 2016-17 included collection of state and federal expenditures as of December 31, 2016. This reporting provided interim documentation as well as an early indicator of charters who may be at risk of not spending current year revenues.

RECOMMENDATION

This is an information item only.

An annual report will be provided to CEO Council on the use of funds and the balance available. As of May 2017, there were no expenditures from the set-aside risk pool. The estimated ending balance at the close of 2016-17 is \$554K.