



BUDGET UPDATE (STATE AND FEDERAL RATES) INCLUDING RATE SMOOTHING POOL

ISSUE

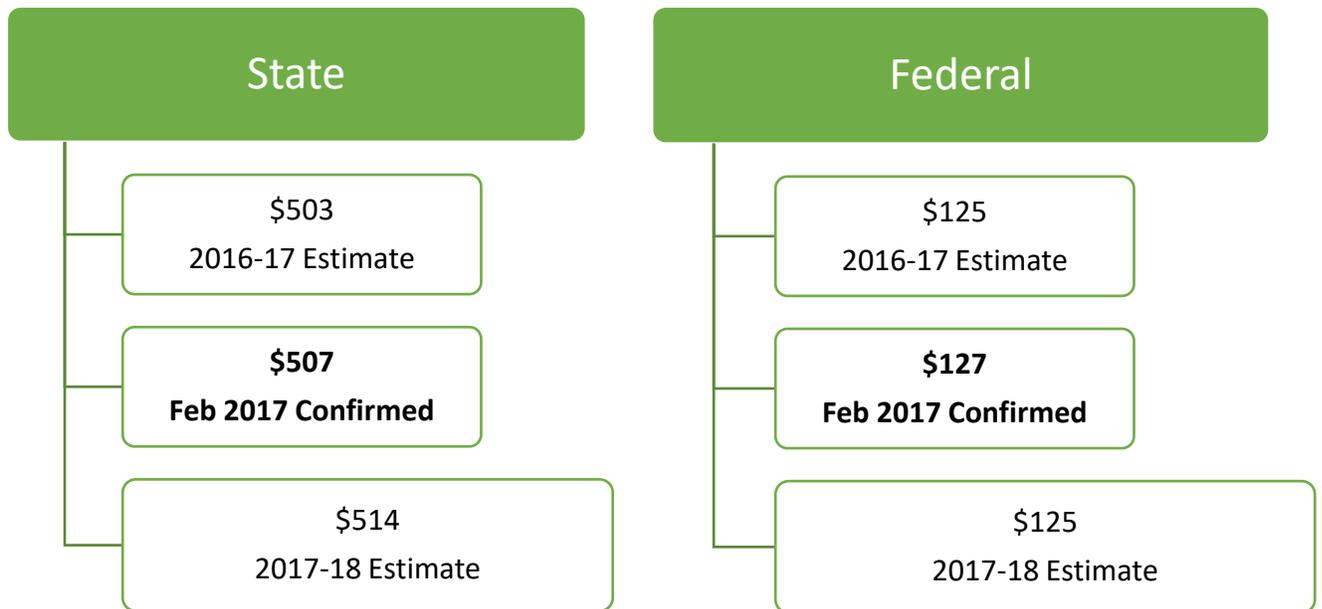
Allocation Plan language requires CEO Council to review 2016-17 funding rates, set 2017-18 rates, and receive a report on the status of the rate-smoothing pool that was established in 2015-16.

BACKGROUND

Special education funding deficits at the state level have resulted in unpredictability of funding. To provide predictability, the Charter SELPA CEO Council established Allocation Plan language that does the following:

- Establishes a per ADA rate for budgeting that incorporates a reasonable deficit projection.
- When funds are restored at subsequent certification periods, the restored funds are placed in a rate smoothing pool, with the primary intention of being used to cover any deficit shortfalls in the following year. Uses beyond deficit shortfalls will require CEO Council action.

Funding Projections



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Deficit Update for 2015-16

On February 17, 2017, CDE released the final calculation of 2015-16 deficit. As anticipated, additional funds were restored, \$646K.

Deficit Update for 2016-17

The 2016-17 deficit as of February 2017 resulted in a rate of \$500. It is anticipated that the deficit as of June 2017 will increase to a rate of \$503, with final funding rate in February 2018 of \$507.

					Funding to SELPA Members
1	2015-16 Funding/Deficit			\$ 516.93	
2	Feb-16	96.2735%	3.7265%	497.67	
3	Jun-16	97.2903%	2.7097%	502.92	\$ 505
4	Feb-17	98.2980%	1.7020%	508.13	
5					
6	2016-17 Funding/Deficit			\$ 516.93	
7	Feb-17	96.7027%	3.2973%	\$ 500.00	
8	Estimated June 2017	97.2903%	2.7097%	\$ 503.00	\$ 507.00
9	Estimated February 2018	98.0000%	2.0000%	\$ 507.00	

2016-17 Projections updated based on the following assumptions:

State \$507. Sufficient 2015-16 deficit restoration dollars have been received to plan a rate of \$507 (up from \$503).

Federal February 2017 CDE Grant Calculations with adjustments for eligible partners (e.g. LEAs with unspent funds in the prior year greater than 25% are not eligible, and some LEAs may opt out voluntarily). Note that the rate is \$125, but the impact of some partners not receiving federal funds results in a rate of \$127.

2017-18 Projected funding based on the following assumptions:

State Projecting a state rate of \$514 per current year ADA. Based on a 1.56% COLA and a final deficit of 2%.

Federal Projecting a \$125 rate. Assumes no significant changes to federal grant dollars – base rate of \$120 + \$5 per CBEDS from partners not eligible due to unspent funds.

	2017-18 Projected Rate		Charter SELPA Member Rate	SELPA PS/RS Portion	Statewide Target Rate
1					
2	State Rate/Charter Rate		\$ 516.93	\$ 15.75	\$ 532.68
3	COLA	1.56%	\$ 8.06	0.25	8.31
4	2017-18 Estimated Rate	no deficit	\$ 524.99		
5	2017-18 Estimated Deficit	2.00%	\$ 514.00		

BUDGET UPDATE (STATE AND FEDERAL RATES) INCLUDING RATE SMOOTHING POOL**2016-17 Funding and use of the Rate Smoothing Pool**

Historical trends suggest that the June 2017 deficit will be 2.7% with the final deficit in February 2018 at 2%. Statewide property tax collections allocated to special education, reported in August 2017, are the reason for the final deficit improving to 2% when all data is certified by CDE February 2018. The rate smoothing pool will use \$564K in June 2017, with the anticipation it will be restored in February 2018.

2017-18 Funding and use of the Rate Smoothing Pool

The same assumptions on deficit trends is incorporated in the rate of \$514. The rate smoothing pool will provide \$600K in June 2018, with the anticipation it will be restored in February 2019.

	Charter SELPA Rate Smoothing Pool	2015-16	2016-17 Budget March	2017-18 Budget Estimate
1	Income			
2	2014-15 deficit restoration	1,156,737		
3	2015-16 deficit restoration		636,782	
4	2016-17 deficit restoration			564,000
5	Total Income	1,156,737	636,782	564,000
6	Expenditures			
7	2015-16 rate guarantee \$505	250,638		
8	2016-17 rate guarantee \$507 June 2017		564,000	
9	2017-18 rate guarantee to \$514			600,000
10	Total Expenditures	250,638	564,000	600,000
11	Income less Expenditures	906,099	72,782	(36,000)
12	Beginning Balance	-	906,099	978,881
13	Ending Balance	906,099	978,881	942,881

SELPA leadership recommends maintaining the current balances in the rate smoothing pool, projected to be \$942K at the close of 2017-18. \$942K is approximately 1.3% of total SELPA state funding (\$75M).

Deficit restoration for the past three years has been consistent because of statewide property tax growth. Should property tax collections weaken, the deficit restoration would be impacted. As a result, an ideal balance in the rate smoothing pool is approximately 1% of total SELPA state funding.

CEO Executive Committee has reviewed this recommendation and provided input.



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RECOMMENDATION

CEO Council to set rates as follows:

2017-18

The state funding rate is set at \$514 per P-2 ADA (before admin fee/set-aside for new charters).

The federal funding rate is set at \$125 per prior year enrollment (before admin fee/set-aside for new charters).

Further, SELPA administration may adjust these rates based on approved governmental budgets, future grant determinations and changes in the 2016-17 deficit percentage.

If the budgeted rates above are adjusted, CEO Council will be advised at the October 2017 CEO Council meeting of the change and rationale for the change.