



ERMHS REPORT: 2016-17 YEAR END & 2017-18 BUDGET

BACKGROUND

Per the Allocation Plan, by September 15th of each year, the:

Charter SELPA administration will make a finding of sufficiency of Level 2 funding based on the following variables:

- Prior year ERMHS ending balance
- Projected current year ADA
- Projected current year Level 3 projected costs
- Projected current year Level 2 service counts

Based on this finding of sufficiency:

- The per mental health service reimbursement amount for Level 2 will be established between \$2,000 and \$3,000; or
- A higher amount if the prior year ending balance is sufficient to assure SELPA members of predictable funding with no shortfalls.

And, if there is an adequate finding of sufficiency of funding:

- \$100K will be available for Level 2 transportation – outside of the service cap/ADA formula; and/or
- Indirect costs will be allowed for Level 2.

ANALYSIS AND ASSUMPTIONS

1) 2016-17 Ending Balance

The Allocation Plan directs administration to manage annual ERMHS funding decisions toward a goal of maintaining an ending balance (reserve) in the 5% to 10% of revenue range. The 2016-17 ERMHS ending balance is \$2.76M or 27.5% (lines 13 & 14 of chart below). This is **\$1.76M above the upper reserve target of 10%**. The ending balance was higher primarily because final Level 3 reimbursement requests were significantly below estimates, which were based on budget requests submitted by partners.

2) 2017-18 Projected ADA

The overall SELPA ADA is expected to increase to 155,616 ADA in 2017-18. Along with the 1.56% COLA included in the approved state budget, projected state ERMHS funding is \$9.59M (line 1). Based on PY enrollment of 148,493, federal ERMHS revenue is projected to be \$1.65M (line 2).

3) 2017-18 Projected Level 3 Costs

Referencing lines 6 through 9 (of chart below):

- Based on submitted budgets, 2016-17 Level 3 costs were projected to be \$3.3M, more than double prior year Level 3 costs.
- Reported final expenditures for 2016-17 were \$2.5M, 24% lower than submitted budgets, but still a 62% increase over prior year.
- The 2017-18 Level 3 budget is projected to be \$3.5M, a 40% increase over 2016-17 actuals. We are not projecting as significant an increase as we saw last year.

4) 2017-18 Projected Level 2 ERMHS Service Counts

The major indicator of Level 2 costs is the ERMHS service counts. Trend data shows that from September to December (the official count date), eligible Level 2 counts rose 19%. The September 2017 count is 4,309. Considering the prior year growth rate, the December 2017 Level 2 service count is projected to be 5,000.

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Based on the December 1st SEIS service count, approximately \$1,700 per eligible service was spent in 2015-16. In 2016-17, the average amount spent per service dropped to \$1,650. For 2017-18 budgeting, a per-service cost of \$1,700 is assumed.

6) 2017-18 Projected Level 2 Expenditures

Multiplying the 5,000 service count projection (#4 above) by the assumed \$1,700 per-service cost (#5 above) equates to a budget of \$8.5M for Level 2 expenditures (line 4 of chart below).

FINDING OF SUFFICIENCY

Based on the forgoing analysis, SELPA leadership makes a finding of sufficiency of funding for 2017-18 to support the following budget decisions:

- The maximum Level 2 per service rate is established at \$3,300.
- \$100K will be available for Level 2 transportation reimbursement – outside of the Level 2 service cap/ADA formula. The intent is to provide 80% funding for eligible costs. If \$100K is not sufficient, funding will be pro-rated based on claims submitted at year end.
- Indirect costs will be allowed for Level 2.

Beginning the year with a projected 13.5% reserve level (line 14) provides sound protection for unforeseen cost increases. By May 2018, SELPA leadership will make a finding as to the ability to fund beyond the 80% and 90% parameters established in the Allocation Plan. The significant variables impacting this finding are the January 2018 Level 2 budget requests submitted and the Level 3 NPS budget requests submitted throughout the year.

	Charter SELPA ERMHS	2015-16 Final	2016-17 Projected (March CEO Exec) @ 90%	2016-17 Final	2017-18 Projected (Oct 17)
1	State	7,295,390	8,592,000	8,634,623	9,587,219
2	Federal	1,196,061	1,391,000	1,390,903	1,647,005
3	Total Income	8,491,451	9,983,000	10,025,526	11,234,224
4	Level 2	5,356,467	7,574,000	7,012,011	8,500,000
5	Level 2 Transportation		40,000	45,815	100,000
6	Level 3 Therapeutic	37,245	360,000	334,568	465,000
7	Level 3 NPS	971,774	1,449,000	1,267,874	1,775,000
8	Level 3 Residential	541,788	1,430,000	906,222	1,270,000
9	SELPA indirect	254,744	300,000	287,000	365,000
10	Total Expenditures	7,162,018	11,153,000	9,853,490	12,475,000
11	Income less Expenditures	1,329,433	(1,170,000)	172,037	(1,240,776)
12	Beginning Balance	1,259,373	2,588,806	2,588,806	2,760,843
13	Ending Balance	2,588,806	1,418,806	2,760,843	1,520,067
14	Reserve % of Revenue	30.5%	14.2%	27.5%	13.5%



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SUMMARY

Per the Allocation Plan and based on SELPA leadership's September finding of sufficiency of funding, below is a summary of 2017-18 ERMHS funding parameters for charter members based on the above:

The Level 2 formula provides 80% of the lesser of:

- a) \$3,300 per eligible ERMHS SEIS count based on the December 1 count; or
- b) January 2017 Budget request (updated with final expenditures July 2017); or
- c) \$250 per current year P-2 ADA.

The lowest of the three calculated amounts above becomes the maximum Level 2 budget request.

\$100K is allocated for Level 2 transportation, and indirect costs for Level 2 are allowed.

Level 3 Site Based Structured Therapeutic Program (80% funded)

Costs that may be claimed are restricted to services that are required to be performed by certificated staff. Staff may be contracted through an NPA or hired by the charter. Books and supplies may be claimed. Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability. A budget request for Level 3 site based structured therapeutic program reimbursement must be filed with the Charter SELPA by November 1.

Level 3 NPS ERMHS (90% funded)

Costs that may be claimed are the ERMHS for a student in an NPS placement. The educational costs are the responsibility of the charter member and are not reimbursed. The educational costs, however, must be reported and must be, at a minimum, equal to the charter's LCFF per ADA funding amount. Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability.

Level 3 NPS Residential Room and Board (100% funded)

All criterion and reimbursement parameters applicable to non-residential placements listed above apply. Additional costs that may be claimed are the residential room and board costs related to a student in an NPS placement.

REVISED LEVEL 3 REPORTING

As noted above, the rising costs of Level 3 placements is a particular focus area in managing the overall ERMHS budget. Funding guidelines for NPS and NPS residential placements have been amended to provide for more frequent expenditure reporting and cash flow distributions in 2017-18. This will increase the frequency of cash flow for partners and allow the SELPA to track these highly variable costs more closely.

RECOMMENDATION - NONE

This report is provided for information only. No action is required.