



## Year End ERMHS Report

### Background

Per the Allocation Plan, by September 15<sup>th</sup> of each year:

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 formula; and/or
- Indirect costs will be allowed for Level 2.

### Analysis and Assumptions

#### 1. 2018-19 Ending Balance Estimate

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 2018-19 ERMHS ending balance is \$2M. This is \$480K above the upper reserve target of 10% of revenue, which results in a reserve level of 12.6% (lines 12 & 13 of chart below).

2017-18 ended \$1.3M above the 10% target, which resulted in a reserve level of 21%. Each of the last three years have ended closer to the reserve target, and 2018-19 was the second consecutive year where current year expenditures exceeded current year income resulting in a reduction in the reserve balance. The difference between submitted budgets and actual expenditures remains the primary reason for the year-end reserve levels higher than target.

#### 2. 2019-20 Projected ADA

Total SELPA ADA is expected to decrease from 209K to 206K in 2019-20. This results in projected state ERMHS funding of \$13M (line 1), and projected federal ERMHS revenue of \$2.4M (line 2). State ERMHS revenue is based on current year ADA, while federal is based on prior year ADA, which is why there is an increase in this projected amount.

### 3. 2019-20 Projected Level 3 Costs

Referencing lines 5 through 7, Level 3 site-based therapeutic, NPS and NPS residential costs continue to climb. Reported final expenditures for 2018-19 were \$4M, a 27% increase over prior year. The increase is due to two primary factors:

1. The reimbursement percentage across all Level 3 categories was established at 100% in 2018-19 vs. 95% in 2017-18.
2. An increased number of total requests: 85 in 2017-18 and 107 in 2018-19.

With the total ADA for the SELPA remaining close to 2018-19, a 5% increase has been projected for each category of Level 3 expenditures. That figure is then factored down to initial 80%/90% funding levels (column F) until the May finding of sufficiency when more data will be available to determine projected costs.

### 4. 2019-20 Projected Level 2 ERMHS Service Counts

The major indicator of Level 2 costs is the ERMHS service counts. 2018-19 trend data shows that from September to December (the official count date), eligible Level 2 counts rose 9%. The September 2019 count is 6,064. Considering the prior year growth rate, the December 2019 Level 2 service count is projected to be 6,605.

### 5. 2019-20 Projected Level 2 Budget Requests

Based on the December 1<sup>st</sup> SEIS service count, approximately \$2,035 per eligible service was spent in 2017-18. In 2018-19, the average amount spent per service was \$2,021. For 2019-20 budgeting, a per-service cost of \$2,100 is assumed.

### 6. 2019-20 Projected Level 2 Expenditures

Multiplying the service count projection of 6,605 (#4 above) by the assumed \$2,100 per-service cost (#5 above) yields a total of \$13.9M in expected Level 2 expenditures. Applying an 80% reimbursement rate equates to a budget of \$11.1M for Level 2 (line 4).

	A	B	C	D	E	F
Charter SELPA ERMHS	2016-17 Final	2017-18 Final	2018-19 Projected (May 19) @ 100%	2018-19 Final @100%	2019-20 Projected (Sept 19)	Initial Funding Levels
1 State	8,634,623	10,460,970	13,499,489	13,194,599	13,020,489	
2 Federal	1,390,903	1,653,927	1,975,593	1,975,593	2,416,839	
3 Total Income	10,025,526	12,114,897	15,475,082	15,170,192	15,437,328	
4 Level 2	7,043,429	8,899,644	12,153,305	11,169,761	11,096,400	80%
5 Level 3 Therapeutic	334,568	424,503	779,853	706,503	593,880	80%
6 Level 3 NPS	1,267,870	1,199,433	2,640,920	1,628,705	1,539,405	90%
7 Level 3 Residential	906,222	1,500,758	1,131,191	1,723,028	1,809,150	100%
8 SELPA Indirect	287,000	360,730	501,158	456,840	451,165	
9 Total Expenditures	9,839,089	12,385,068	17,206,427	15,684,837	15,490,000	
10 Income less Expenditures	186,437	(270,171)	(1,731,345)	(514,645)	(52,672)	
11 Beginning Balance	2,590,885	2,777,322	2,507,151	2,507,151	1,992,506	
12 Ending Balance	2,777,322	2,507,151	775,806	1,992,506	1,939,834	
13 Reserve % of Revenue	27.70%	20.69%	5.01%	13.13%	12.57%	

## Finding of Sufficiency

Based on the forgoing analysis, SELPA administration makes a finding of sufficiency of funding for 2019-20 to support the following budget decisions:

- The maximum Level 2 per service rate is held at \$3,300.
- \$100K will be available for Level 2 transportation reimbursement.
- Indirect costs will be allowed for Level 2.

Before May 2020, SELPA administration will make a finding as to the ability to fund beyond the initial 80% and 90% parameters established in the Allocation Plan. The significant variables impacting this finding will be the January 2020 Level 2 budget requests and the amount of Level 3 NPS budgets submitted.

## Summary

Based on SELPA administration's September finding of sufficiency of funding, below is a summary of 2019-20 ERMHS funding parameters:

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

- a) \$3,300 per eligible ERMHS SEIS service based on the December 1, 2019 count; or
- b) January 2020 budget request.

The lowest of the two calculated amounts above becomes the maximum Level 2 budget request up to actual expenditures submitted in July 2020.

\$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 for a student placed at an NPS.

## Recommendation

This report is provided for information only. An ERMHS budget update will be presented at the October CEO Council meeting.