

The 2019-20 Charter Member Rate is currently set at \$543/CY ADA. Due to the impact of the funding reduction, SELPA administration has determined it is not possible to maintain this rate. The two sources available to cover this loss in funding are the Rate Smoothing Pool and the Set-Aside Risk Pool. The Set-Aside Risk Pool is projected to end the year with a balance of \$786,378. As a result of a very small current year deficit applied at P-1, the year-end projected balance of the Rate Smoothing Pool is \$4,699,142. Further, since the new special education funding legislation in the Governor’s budget eliminates the deficit next year and beyond and is likely to pass, the need to mitigate fluctuations of the state rate throughout the year with the Rate Smoothing Pool should no longer be necessary.

The table below describes three scenarios for dealing with the funding decline by:

1. absorbing the full loss in the current year rate;
2. applying the entire balance of the Rate Smoothing Pool and all but \$250,000 of the Set-Aside Risk Pool; or
3. utilizing the entire balances of both the Rate Smoothing Pool and the Set-Aside Risk Pool.

See Line 12 for the resulting 2019-20 rate. The dollar amount of the reduction from the current \$543/ADA rate appears on line 13.

FUNDING RECOVERY SCENARIOS		Scenario 1	Scenario 2	Scenario 3
1	Excess Revenue Recovered from A3	642,801	642,801	642,801
2	Set-Aside Risk Pool Dollars Used	-	536,378	786,378
3	Rate Smoothing Pool Dollars Used	-	4,699,142	4,699,142
4	Total Available to Cover Loss	\$ 642,801	\$ 5,878,321	\$ 6,128,321
5	Total Funding Loss	(6,906,241)	(6,906,241)	(6,906,241)
6	Total Available to Cover Loss	642,801	5,878,321	6,128,321
7	Shortfall	(6,263,440)	(1,027,920)	(777,920)
8	2019-20 ADA @ P-1	209,095.94	209,095.94	209,095.94
9	Per ADA Adjustment	(\$29.95)	(\$4.92)	(\$3.72)
10	Current 2019-20 Rate	543.00	543.00	543.00
11	Current Rate - Adjustment	513.05	538.08	539.28
12	Revised 2019-20 Rate	\$ 513.00	\$ 538.00	\$ 539.00
13	2019-20 Rate Reduction	\$ 30.00	\$ 5.00	\$ 4.00

While CEO Council policy delegates the authority to SELPA administration to make these decisions, we believe it to be appropriate and necessary for the Council to formally act. Additionally, given the significance and the extraordinary nature of this situation, it is essential that we honor our shared values of transparency and shared decision making.

Recommendation

It is recommended that the CEO Council approve Scenario 2: using the entire balance of the Rate Smoothing Pool and all but \$250,000 of the Set-Aside Risk Pool. Charges against the Set-Aside Risk Pool have been \$47K and \$22K in the past two years. It would not be advisable to drain all funds from the Set-Aside Risk Pool and rely on building it back up over time with the one-time \$5/ADA contribution from new charters. The \$1.00 difference in rate between Scenarios 2 and 3 is seen as a prudent tradeoff.