

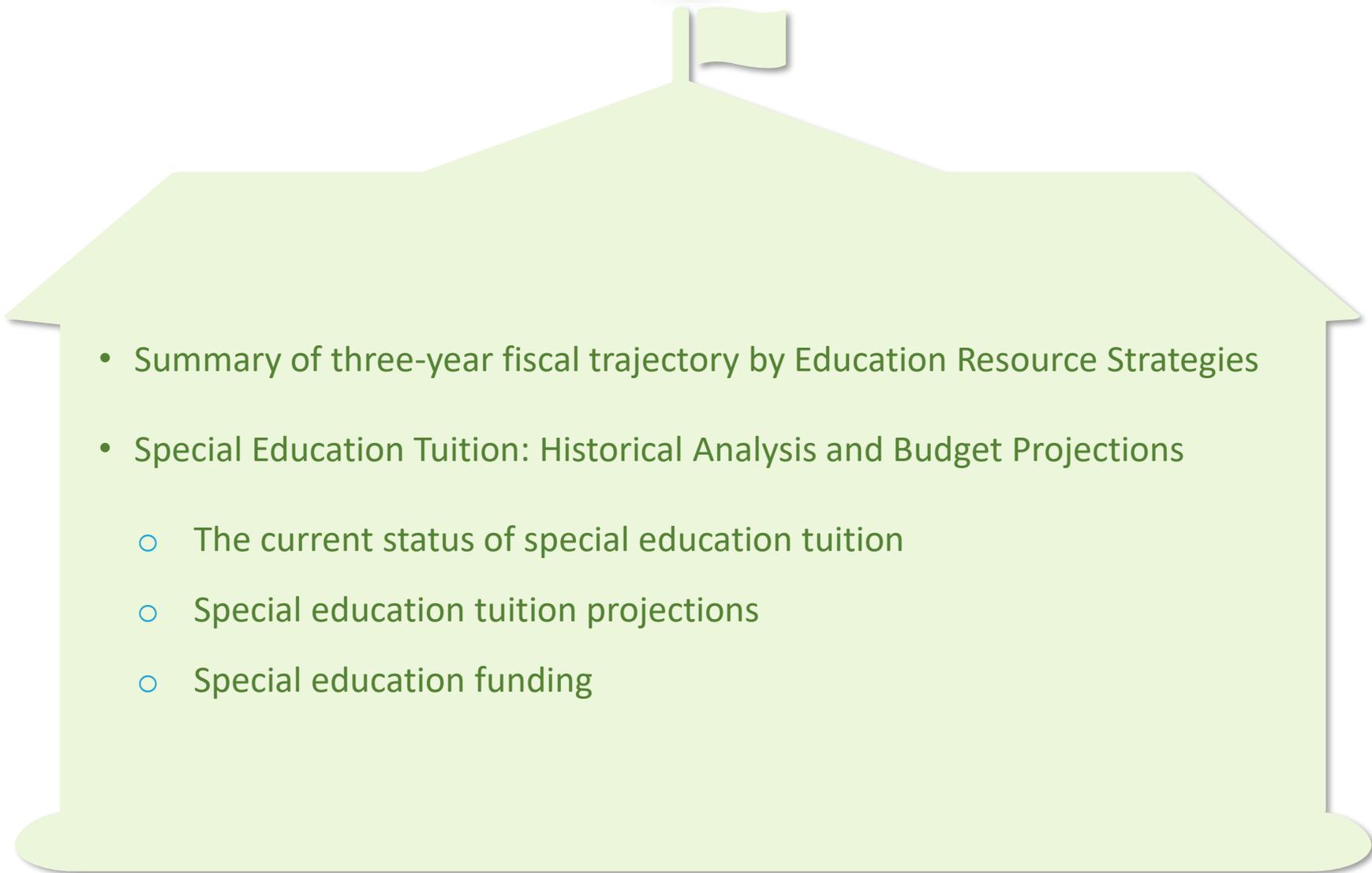


MARB Financial Sustainability Update

Dr. Leslie Torres-Rodriguez, Superintendent

December 19, 2019





- Summary of three-year fiscal trajectory by Education Resource Strategies
- Special Education Tuition: Historical Analysis and Budget Projections
 - The current status of special education tuition
 - Special education tuition projections
 - Special education funding



HPS faces a *triple squeeze*:



A higher bar for student learning and increased needs



Unsustainable cost structures

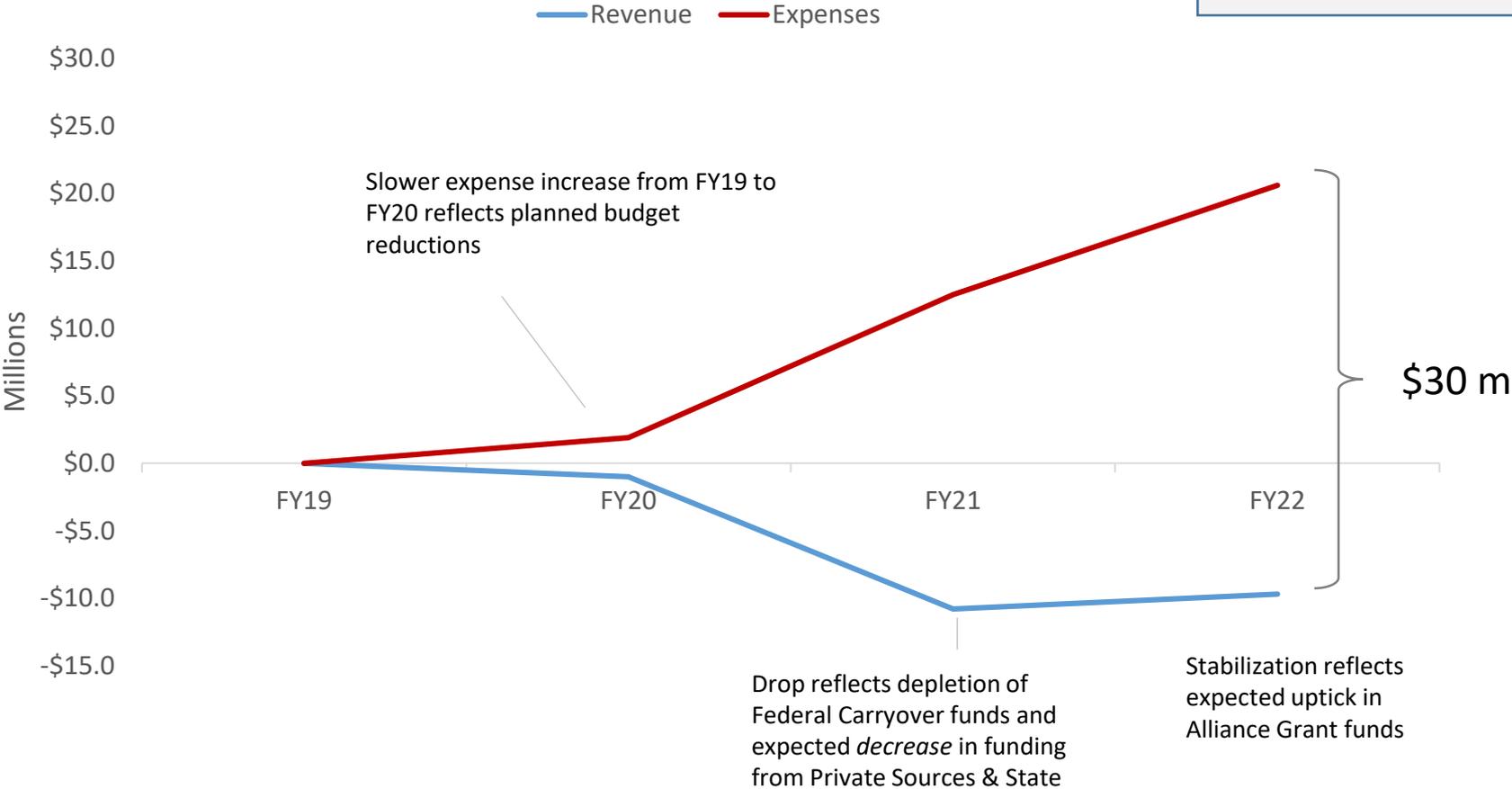


Decreasing enrollment and revenue

If nothing changed by FY22, expenditures in HPS could exceed revenue by ~\$30m

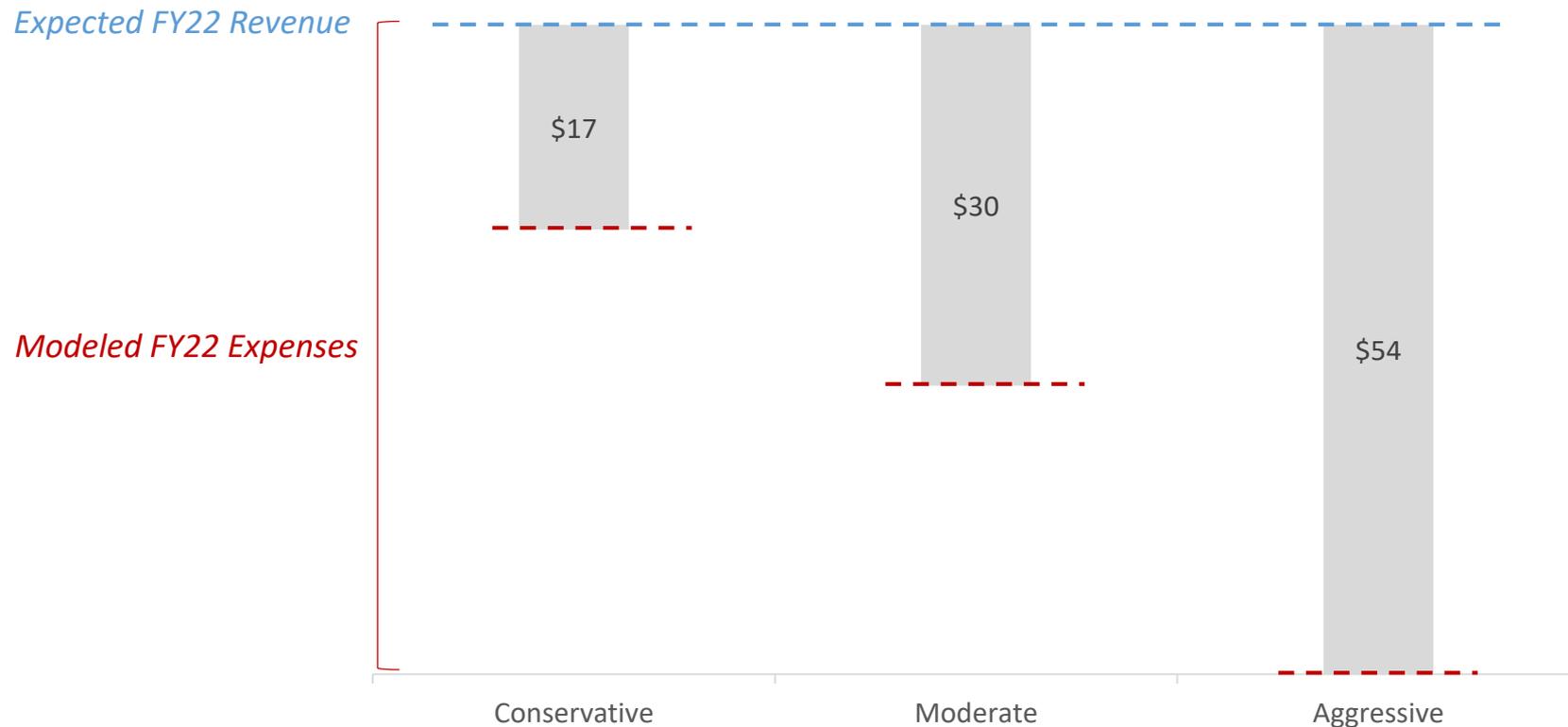
Projected Change in Revenue and Expenditures FY19-FY22

Note: These projections are estimates only and subject to change



HPS' financial trajectory is not set in stone: Even modest shifts in enrollment patterns could swing the deficit by ~\$20M in either direction

Comparison of Three FY22 Fiscal Deficit Scenarios (in Millions)



For the remainder of this presentation, we will focus on the “Moderate” scenario

*Conservative and Aggressive scenarios applies the lowest and highest annual expense changes (respectively) from the last three years for four largest categories of Tuition expenses; as shown on the next slide, these expense categories account for roughly half of the estimated deficit under the “Moderate” scenario.

Our estimates suggest that there are 7 key drivers of HPS' deficit

Summary of HPS Deficit Drivers

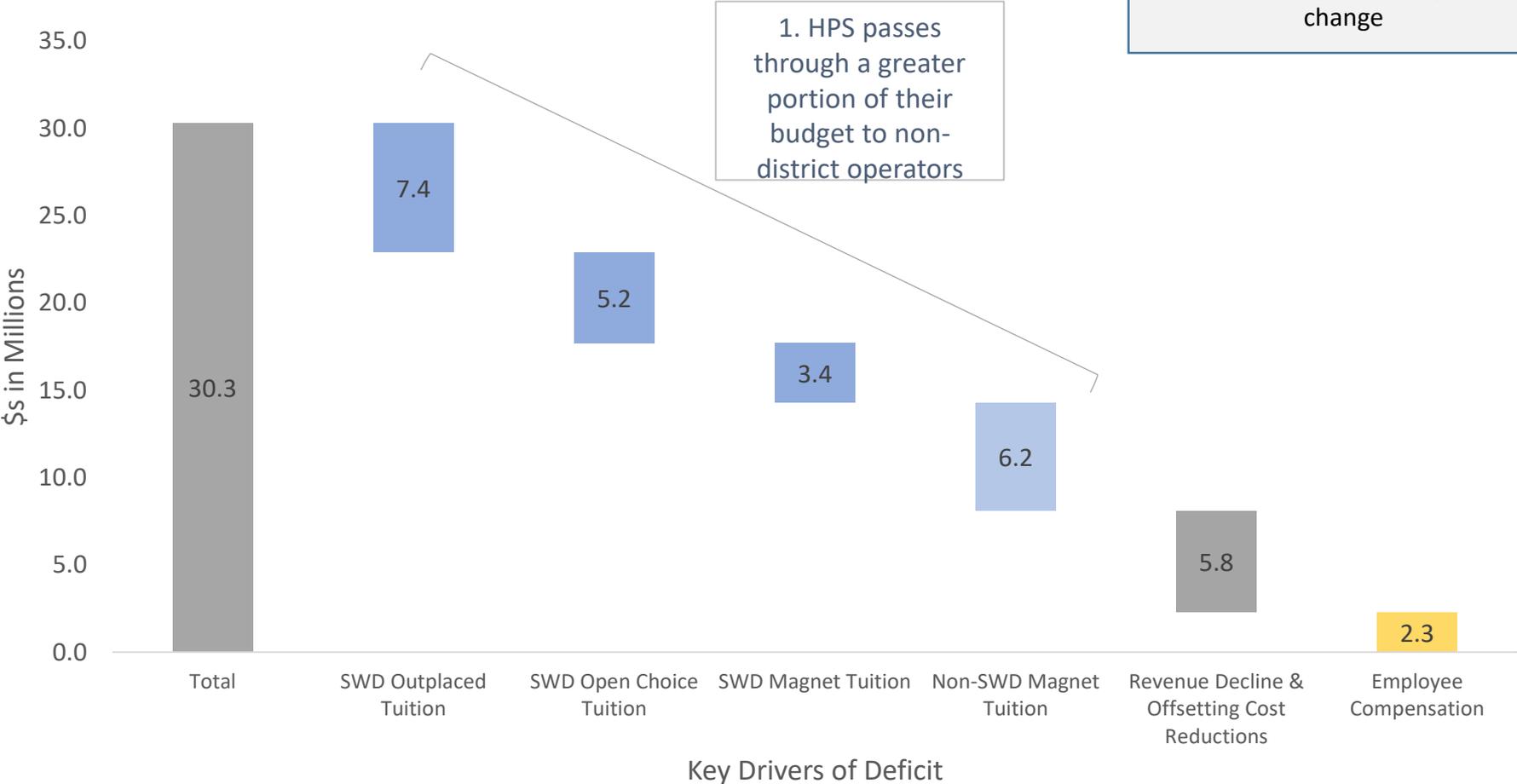
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Each driver is influenced or exacerbated by enrollment decline

Summary of HPS Deficit Drivers

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Summary of HPS Deficit Drivers

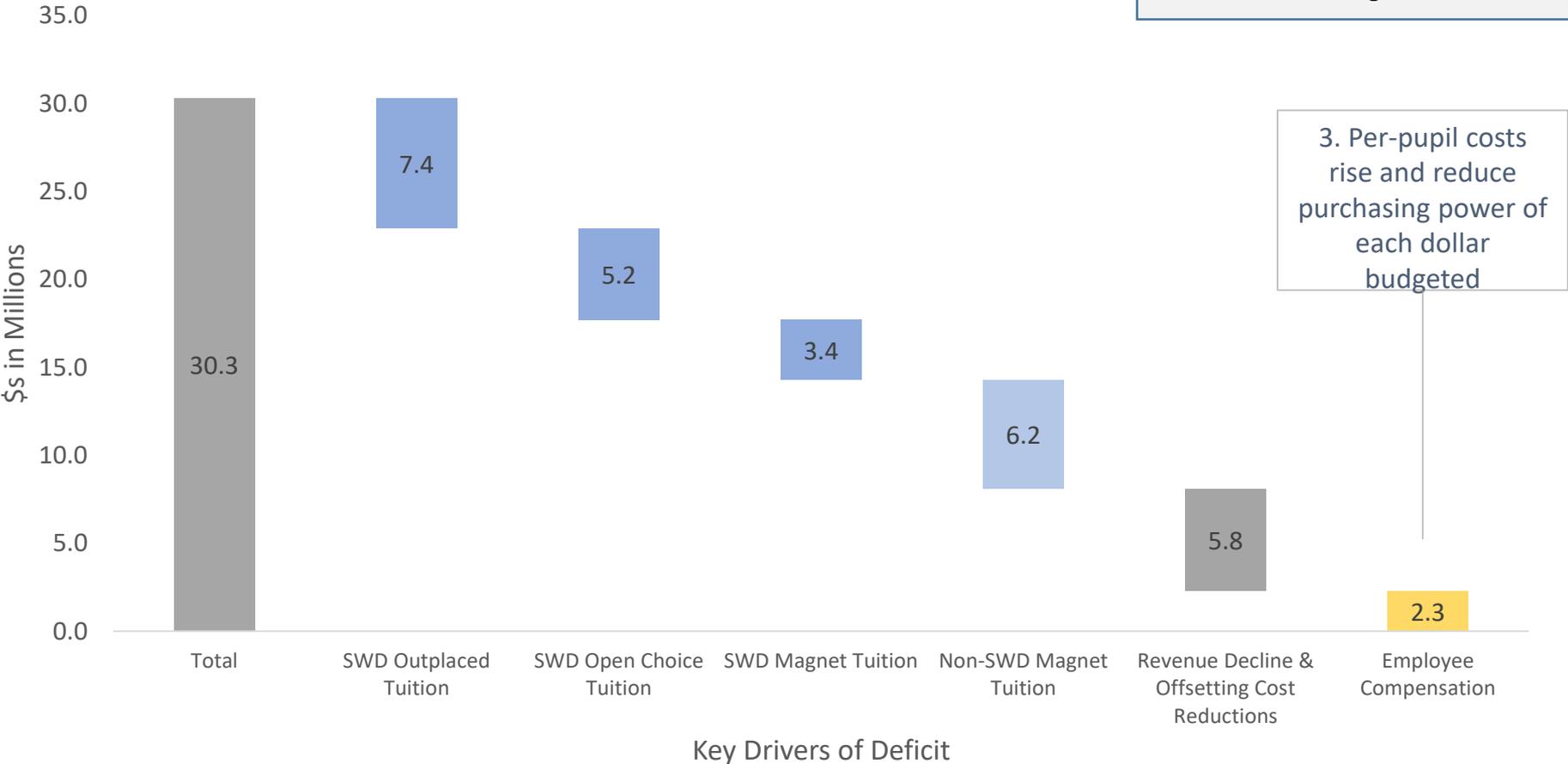
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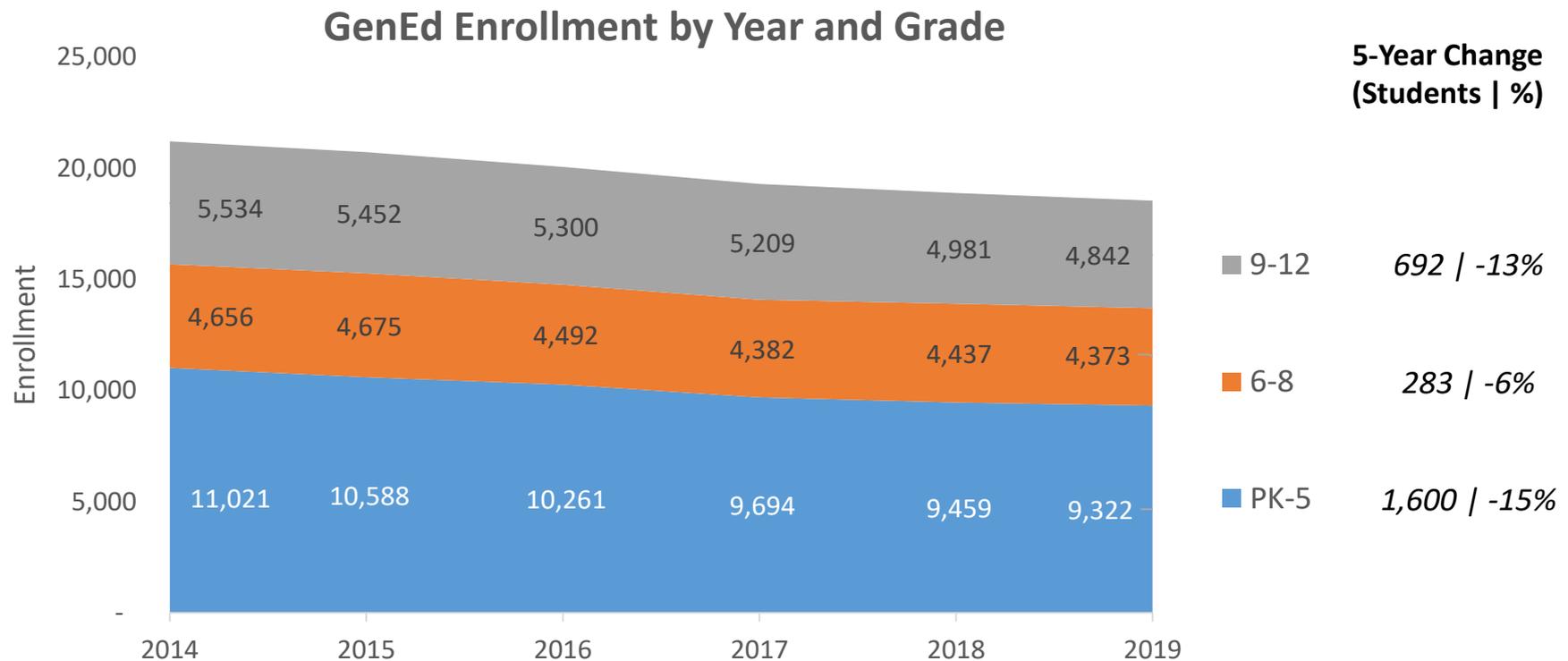
Each driver is influenced or exacerbated by enrollment decline

Summary of HPS Deficit Drivers

Note: These projections are estimates only and subject to change



Enrollment decline spans grades and schools



Source: ERS analysis of October 1st snapshot data, SY14-SY19

Absent a change in enrollment trends, HPS must adjust resource use to...

1. Slow the rate expense increases

- The cost of Tuition for students served outside of the district is increasing rapidly, primarily driven by
 - Increasing per-pupil Tuition costs for SWD served in Private Settings
 - More students leaving the district for Regional Magnets (including SWD, which bear a higher cost)
 - More students with disabilities leaving the district for Open Choice seats
- While *employee salaries* consume the majority of HPS' budget, the rate of increase is modest due in part to high rates of Teacher attrition
- To slow the rate of expense increases, HPS has already made budget cuts for FY20 that have shrunk the deficit in the short-term (e.g. reductions in Transportation and Professional Services costs)

2. Restructure existing resources

- Rethink how and where students with disabilities are served
- Redesign the central office to promote efficiency and effective support

Special Education Tuition: Historical Analysis and Budget Projections



- This analysis includes:
 - All Hartford special education students educated outside of Hartford Public Schools.
 - All tuition expenditures made to support these students.
- Examples of included students
 - Special education student attending Avon Public Schools through Open Choice, with Avon billing HPS for services provided.
 - Special education student outplaced to a private provider such as Adelbrook East Hartford.



Executive Summary

Current Situation

- Special education students out of district have increased 125 percent over the past 10 years, while district-wide enrollment has declined.
- Commensurate with student increases, special education tuition has increased 143 percent over the past 10 years.
- Tuition increases are driven by increases in 1.) the number of Public In State students and 2.) Private In State tuition per pupil.
- Autism, ADD/ADHD, and Emotional Disturbance students responsible for 60+ percent of students and tuition payments for outplacements.

FY 2021 Projection

- Initial projections indicate an increase of \$3.6-6.3 million in tuition expenditures for FY 2021, or an increase of 5.3-9.2%.
- Increase is in line with historical change over time.

SPECIAL EDUCATION TUITION:
Historical Analysis and Budget Projections



Composition of special education tuition



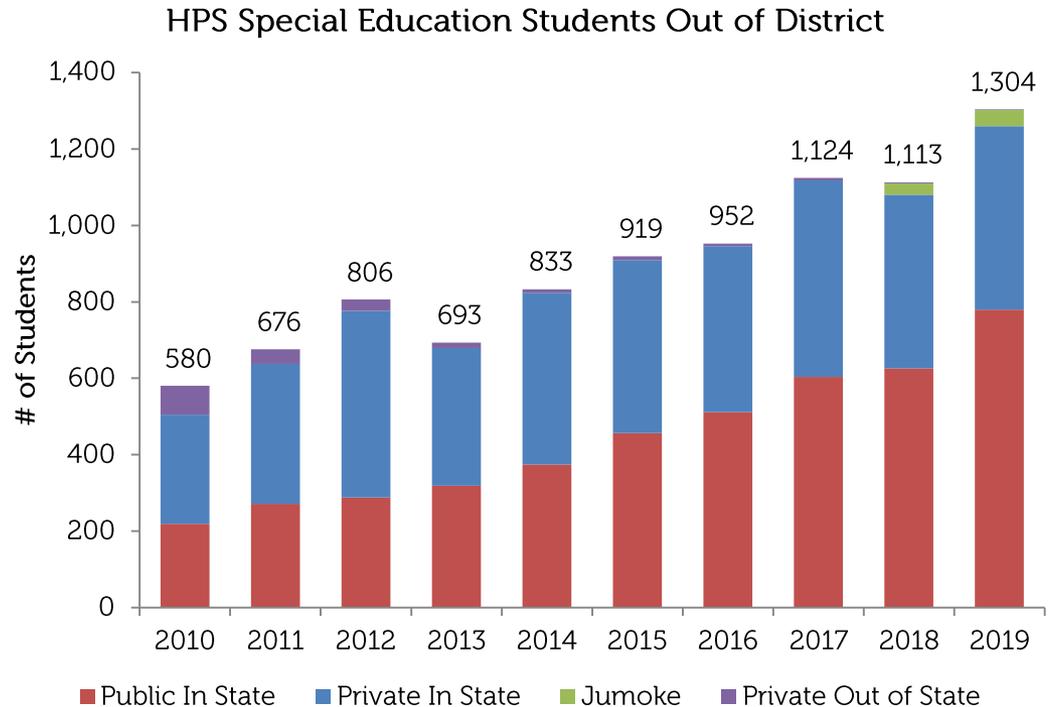
A note on terms used in this presentation

- This analysis includes:
 - **All** Hartford special education students educated outside of Hartford Public Schools.
 - All tuition expenditures made to support these students.
- Terms and definitions
 - **Private Out of State:** students attending private, out of state facilities, and expenditures to support these students.
 - **Private In State:** students attending private, in state facilities, and expenditures to support these students.
 - **Public In State:** students attending private, out of state facilities including students exercising Magnet and Open Choice options, and special education expenditures to support these students.
 - **Jumoke:** students attending Jumoke Charter School, and expenditures to support these students.



Special education students out of district have increased 125 percent over the past 10 years, while district-wide enrollment has declined.

- District enrollment has consistently declined over the past 6 years at an average of 3 percent per year.
- Public In State students have increased from 200 to 780 students over the past 10 years.
- Private In State students have held relatively constant over the past 6 years.

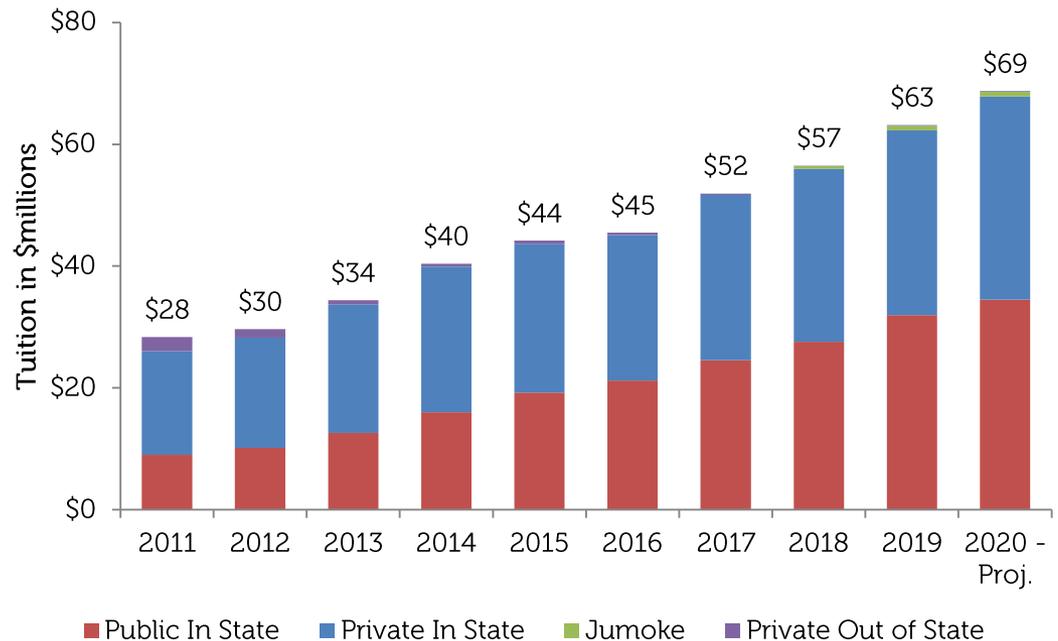




Commensurate with student increases, special education tuition has increased 143 percent over the past 10 years.

- Public In State tuition has increased from \$9 million to \$34 million (2020 projected) over the past 10 years.
- Private In State tuition has increased from \$17 million to \$33 (2020 projected) million over the past 10 years.
- Jumoke and Private Out of State students comprise a minute portion of total special education tuition and are not the focus of this analysis.

HPS Special Education Tuition (\$millions)

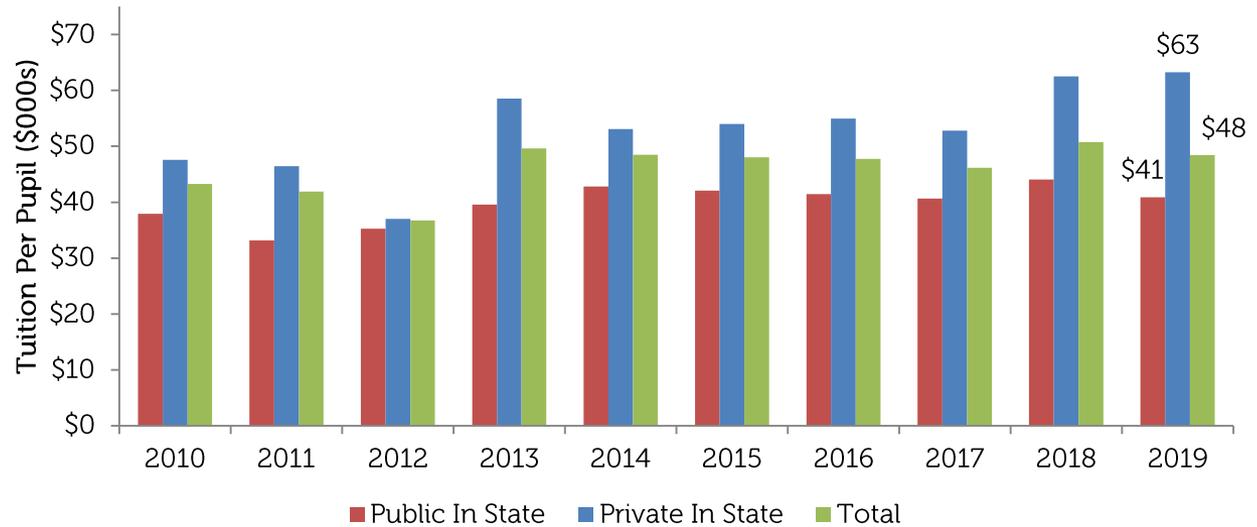




Recent increases in Private In State tuition expenditures per pupil have outpaced Public In State and total tuition expenditures.

- While total special education tuition per pupil has remained relatively constant, Private In State expenditures have increased in recent years.
- Coupled with rising numbers of students in other types of tuition, this drives increases in total expenditure.

HPS Special Education Tuition Per Pupil (\$000s)



SPECIAL EDUCATION TUTION:
Historical Analysis and Budget Projections



Special education outplacements

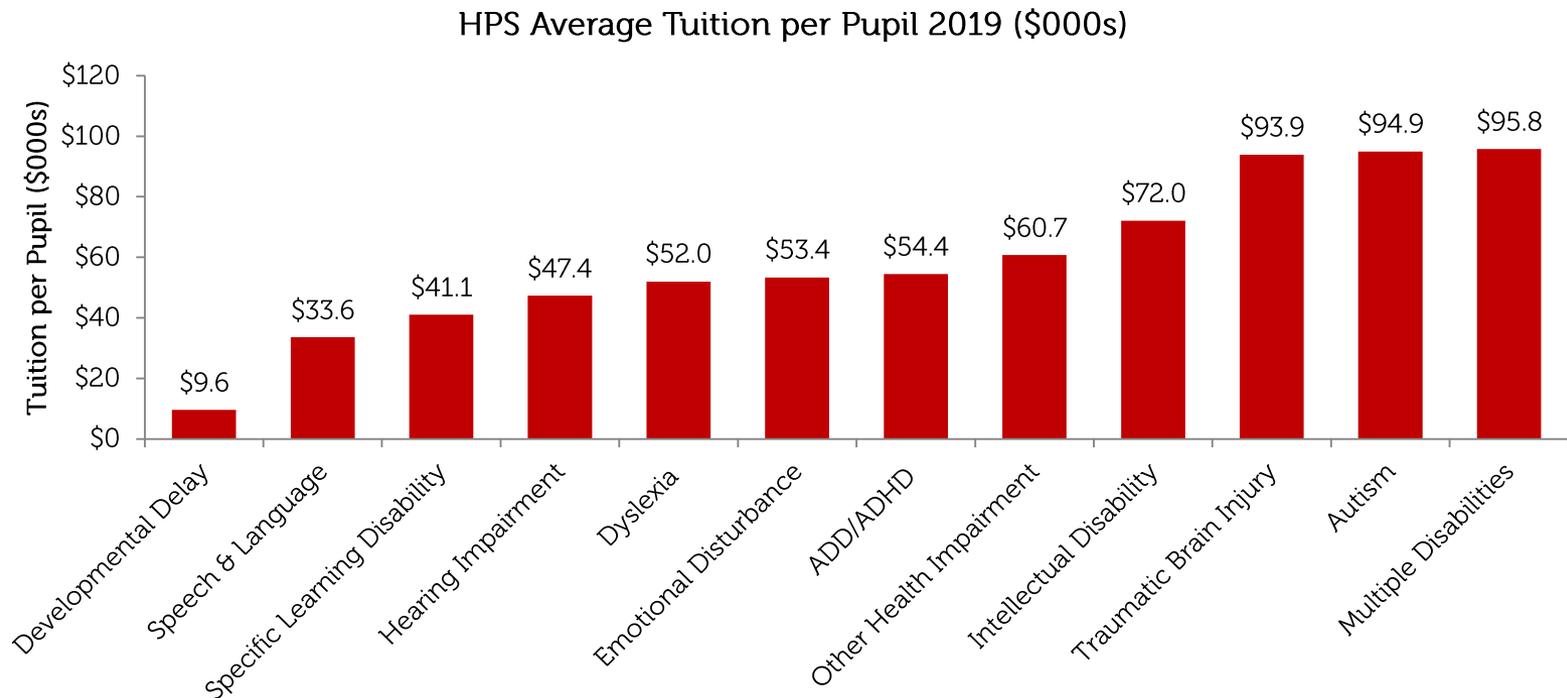


Special Education Outplacements

- This section contains data and analysis on special education outplacements, which are a subset of all special education students receiving services outside of the district.
- Example of excluded student:
 - Special education student attending Avon Public Schools through Open Choice, with Avon billing HPS for services provided.
- Example of included student:
 - Special education student outplaced to a private provider such as Adelbrook East Hartford.



Average Tuition per Pupil by Primary Disability, 2019



SPECIAL EDUCATION TUITION:
Historical Analysis and Budget Projections

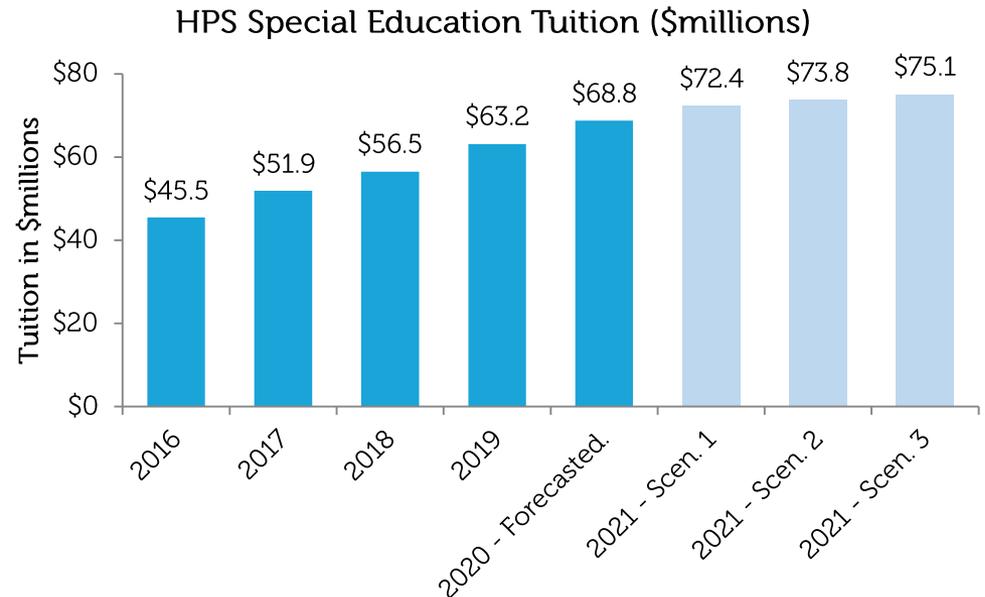


Special education tuition projections for FY 21



Projected tuition increases range from 5.3 to 9.2 percent over the forecasted 2020 expenditure.

- Projected tuition increases are in line with historical data.
- A number to keep an eye on is the Private In State expenditure, which increased 9.9% from 2019-2020 (budgeted).





Projecting special education tuition is fraught with challenges.

- Characteristics of HPS that hinder other projections are also present in special education tuition.
 - Hartford students have high mobility.
 - Composition of choice enrollment varies from year to year.
- HPS does not have granular insight into students attending districts through Magnet / Open Choice paths, which obscures changes within this student group over time.

SPECIAL EDUCATION TUITION:
Historical Analysis and Budget Projections



Special Education Funding



Hartford Public Schools receives state funding to educate special education students

Source	Description	Grant to Hartford (2018-19)
State Education Cost Sharing (ECS) Grant	<ul style="list-style-type: none"> This is the primary state funding source for the district. This grant is composed of 2 parts: the ECS grant, and the Alliance District components. Special education funding was incorporated into in the ECS foundation amount in 1995. Currently, the state attributes 20-22 percent of ECS funding in aggregate to special education expenditures. 	\$202.4 million total (\$188.6 in ECS entitlement, \$13.9 in Alliance District)
State Special Education Excess Cost Grant	<ul style="list-style-type: none"> This grant reimburses the district for high-cost special education outplacements. For local placements, districts are reimbursed for costs above 4.5x the district's per pupil expenditure. For state agency placements, districts are reimbursed for costs above the district's per pupil expenditure. The total state grant funding is capped by statute, which means that district excess cost reimbursements are pro-rated to 73 – 80 percent of eligible costs depending on the amount of statewide excess costs each year. 	\$10.1 million



Hartford Public Schools also receives federal funding to educate special education students

Source	Description	Grant to Hartford (2018-19)
Federal Individuals with Disabilities Act (IDEA) Grant	<ul style="list-style-type: none">• The federal government mandated that school districts provide a free appropriate public education to all students in 1975.• The federal government provides funding to states, which distribute funding to districts through formulas or competitive grants.• IDEA Part B supports special education programs in grades K through 12 (95% of IDEA funding).• IDEA Part C supports special education programs for infants and toddlers with disabilities.	\$6.6 million



Hartford requests Excess Cost reimbursement for high-cost placements: Example A

SPED Service Arrangement	<ul style="list-style-type: none">• Student is placed at a particular facility by DCF, and receives SPED services totaling \$40,000 which HPS pays as tuition.
Excess Cost Grant Request	<ul style="list-style-type: none">• As this student was placed by the State/DCF, HPS is only eligible for reimbursements which exceed \$19,138 (i.e. the District's Net Expenditure Per Pupil in FY 17-18).• HPS files for reimbursement under the Excess Cost Grant for \$20,862 (i.e. $\\$40,000 - \\$19,138$).
Excess Cost Grant Funding	<ul style="list-style-type: none">• The State reimburses the district \$15,188 (i.e. $\\$20,862$ eligible reimbursement x 72.8% state funding level).• HPS's actual reimbursement is \$5,674 less than the amount eligible for reimbursement from the State (i.e. $\\$20,862$ eligible reimbursement - \$15,188 actual reimbursement received).



Hartford requests Excess Cost reimbursement for high-cost placements: Example B

SPED Service Arrangement	<ul style="list-style-type: none">• Student is placed at a particular facility by HPS, and receives SPED services totaling \$100,000 which HPS pays as tuition.
Excess Cost Grant Request	<ul style="list-style-type: none">• HPS is only eligible for reimbursements which exceed \$86,121 (i.e. 4.5 times the District's Net Expenditure Per Pupil in FY 17-18 of \$19,138).• HPS files for reimbursement under the Excess Cost Grant for \$13,879 (i.e. \$100,000 - \$86,121).
Excess Cost Grant Funding	<ul style="list-style-type: none">• The State reimburses the district \$10,104 (i.e. \$13,879 eligible reimbursement x 72.8% state funding level).• HPS is only receiving 10% reimbursement (i.e. \$10,104 reimbursement divided by \$100,000 tuition cost) for a student with high-cost needs.



Hartford requests Excess Cost reimbursement for high-cost placements: Example C

SPED Service Arrangement	<ul style="list-style-type: none">• The student is a Hartford resident attending a neighboring district as part of the Open Choice program.• The receiving district has the governing right to recommend the type or level of services as part of the SPED Planning and Placement Team (PPT) process.
Excess Cost Grant Request	<ul style="list-style-type: none">• The receiving district decides that at private facility, costing \$50,000, is the proper placement for the student.• HPS is required to pay the tuition for that student.• HPS would file for reimbursement under the Excess Cost Grant.
Excess Cost Grant Funding	<ul style="list-style-type: none">• HPS would be denied reimbursement because the cost of the tuition did not exceed the 4.5 times the District's Net Expenditure Per Pupil in FY 17-18 of \$19,138.• HPS did not have a decision-making seat in the PPT process.• HPS is financially obligated for the SPED tuition costs.