

Special Education Spending Trends in Lexington, FY05-FY08  
Tom Diaz, May 30, 2007, 16:40

People have suggested that I am not providing all the information I have about special education expenses. I'm not keeping any secrets; I don't always have all the financial details I want either, and I often do not have them as soon as I want them. I think the administration does an excellent job all things considered: At many meetings and hearings of the School Committee since last fall, and in recent events like the May 24 TMMA session, people have an opportunity to ask the administration questions and get data on the spot or as soon as the administrators have a chance to follow up. It takes time to locate line item details on previous years, especially because three different business managers are involved. Any errors in this document are, I believe, small and are my own.

In this document I have pulled together special ed spending data from several documents and made some estimates to show the trends in special education spending based on the administration's own numbers, almost all of which are from already published documents. I requested the numbers on special education salaries and wages from the administration last week; other expenses like special ed transportation and tuitions are from previously published reports by Susan Bottan and Ann Giombetti to the School Committee. These are all public documents available on request.

Before I address some of the details I have been asked about, I should reiterate a very good point made by Dr. Ash at the most recent public Q&A session, the May 24 TMMA information session: significant portions of our special education increases are audited by the state Department of Education.

In fact, there are a couple of independent verifications, for those who, for whatever reason, are unwilling to believe that the school district is actually spending special education money on special education. They are:

- Lexington's Appropriation Committee, which is an independent committee with both power and duty to investigate and approve budgets. They have examined the special education situation in particular and found both the process and the product acceptable. As Mr. Levine (its chairman) said at the May 24 session, they did not compare Lexington's increases with other communities, as has the School Committee, but they do agree our expenses are rising rapidly. They continue to work with us, reviewing numbers. Along with the Selectmen, the Appropriation Committee agreed with us on March 29, 2006 that special ed expenses might increase suddenly in mid-FY07 and might have to be covered from the town's financial reserves, to protect regular education programs. A significant part of those reserves are under the direct control of the Appropriation Committee. That is exactly the way we proceeded at the fall 2006 Special Town Meeting—treating this as a town issue, not mischaracterizing it, as some have done, as budget mismanagement by the school administration. Also, fortunately, the fall 2006

overruns were covered mainly by increased state education aid (chapter 70 aid); it was not after all necessary to tap reserves.

- Perhaps more compelling: the state Department of Education audits our special ed records (any district's records) when we apply for extraordinary relief. In FY06 we received a bit more than \$266,000 in extraordinary relief for rapidly rising special ed expenses we incurred in that same year. In FY07 we received a bit over \$103,000 for rapidly rising special ed expenses. This is not a routine or perfunctory audit but is one where state auditors go over every IEP and every other record pertaining to the problem expenses (nearly all related, in our case, to out of district students).

It would be very foolish of us to claim special education spending was going up sharply if we could not provide evidence to these authorities. In the case of the state auditors it would mean their reclaiming the money. We passed that audit in FY06 and FY07.

The table I have referred to at

[http://finance1.doe.mass.edu/SchFin/sped/sped\\_exp\\_budget.aspx?ID=155](http://finance1.doe.mass.edu/SchFin/sped/sped_exp_budget.aspx?ID=155) shows actual expenditures as computed by the state DOE. The DOE computes the numbers from data supplied by Lexington and other school districts after the end of the fiscal year. FY07 data will be compiled and computed there when this fiscal year is over and we and other districts have reported.

The Circuit Breaker program did not exist until FY04. The state created it to try to provide more support for rapidly rising special ed costs, and it also meant paying reimbursements for a portion of out of district costs to the public school districts rather than paying directly to the out-of-district schools. The spending reported by the DOE since FY03 is accurate—at least within the limits of any school district's submitted data—for us and every other school district even though some of the spending is financed by local taxes and some by the circuit breaker funds.

Note that circuit breaker funds reimburse you in, say, FY06, for expenses incurred in FY05—the reimbursement arrives a year after the fact. So if, in fact, your expenses rise substantially or explosively in a given year, you have a big cash flow problem, because your circuit breaker income in FY06 will be based on a fraction of your actual expenses in the calmer year, FY05. Partly for this reason, the state has an additional program, the “extraordinary relief” program, to compensate within the same fiscal year for expenses incurred in that year. I mentioned it at the beginning, and note again that it is audited by the state.

For FY07 and FY08, our special ed budget increases, and our statements about them, are based primarily on three components of the special education budget. All three of these components are well documented, in public. The components are:

1. Spending for three new in-house programs that will try to keep more students in house. These avoid an estimated \$865,000 of out of district costs. More information is available in this document on the school web site:

- <http://lps.lexingtonma.org/SPED.html>. As I said in a previous post, we think this is good policy, and it also illustrates the way expenses, and staff, can grow out of proportion to student headcount, at least for a while. In FY07 as well, the first year budgeted by Dr. Ash and his new administrators, we increased in house personnel significantly, to meet what his staff felt were necessary, mandatory levels.
2. Continuing very large increases in out-of-district tuition expenses. The above three programs will serve some middle and high school children on the autism spectrum, and also some high school children with certain social and emotional disabilities. These expenses are documented in budget documents prepared, revised, and published many times since the budget reviews began in January. For instance, here is the original budget book (out of district expenses summarized on page 163):  
<http://lps.lexingtonma.org/LPS08BudgetFinalJan2207.pdf>. Ms. Dunn and the special ed staff have continued to carefully monitor out of district changes since March 2006, and documents are available summarizing those changes; they were part of the School Committee handouts reviewed at our many public meetings. As of March 21, 2007 we had 123 out of district students, an increase of 12 since the FY07 budget was originally estimated on March 1, 2006. In FY08 we expect 111 out of district students.
  3. Increases in transportation costs. These are related to the out of district growth, although we also have to provide transportation for in-district special needs students in some cases. These expenses are documented in individual budget books and reports, publicly available.

Both the School Committee and the Appropriation Committee had a hard time getting their arms around all the budget information about special education this year, particularly because we wanted to compare next year's special ed appropriation in its entirety with FY07 and the last several fiscal years. We're at a disadvantage (and so, therefore, are you and other interested citizens who are perfectly entitled to information like this). The disadvantages are that the budgets in this area are complicated and permeate so much of the system, and the fact that we have had three different budget managers in the last three years.

Ms. Mary Ellen Dunn is the current manager (assistant superintendent for finance and business), and she is working very hard, having just started in December, to handle FY07, still in progress, the FY08 budget, and a large set of other management tasks. Ms. Dunn is doing her best to come up with complete special ed roll-ups.

Here is a current work in progress; note that she cannot vouch for or answer many details about FY06 and earlier, because she was not here at the time. The FY06 actuals, as it happens, are getting a routine audit by the state, as we speak, so if there are discrepancies between the numbers here and the DOE numbers, we probably will get answers in a couple of weeks.

	Salaries & Wages	Special Education Tuitions*	Transportation	SPED subtotal	FY total	% of FY
FY05 approp.	\$7,812,083	\$3,142,785	\$684,470	\$11,639,338	\$56,688,786	20.5%
FY05 actual	\$8,319,455	\$2,682,387	\$687,730	\$11,689,572	\$56,688,786	20.6%
FY06 approp.	\$7,941,321	\$3,689,726	\$692,744	\$12,323,791	\$60,045,584	20.5%
FY06 actual	\$8,821,184	\$3,645,590	\$845,816	\$13,312,589	\$60,650,688	21.9%
FY07 approp.	\$10,117,999	\$4,479,880	\$872,543	\$15,470,422	\$64,266,228	24.1%
FY07 actual	\$10,290,669	\$4,513,168	\$891,929	\$15,695,766	\$64,225,988	24.4%
FY08 approp.	\$11,089,624	\$4,957,459	\$1,050,179	\$17,097,262	\$68,851,670	24.8%

\*Tuitions for all years are net of circuit breaker revenue. As of 5/22/07, FY07 circuit breaker revenue estimated at \$1,871,185, and FY08 circuit breaker revenue estimated at \$1,954,739.

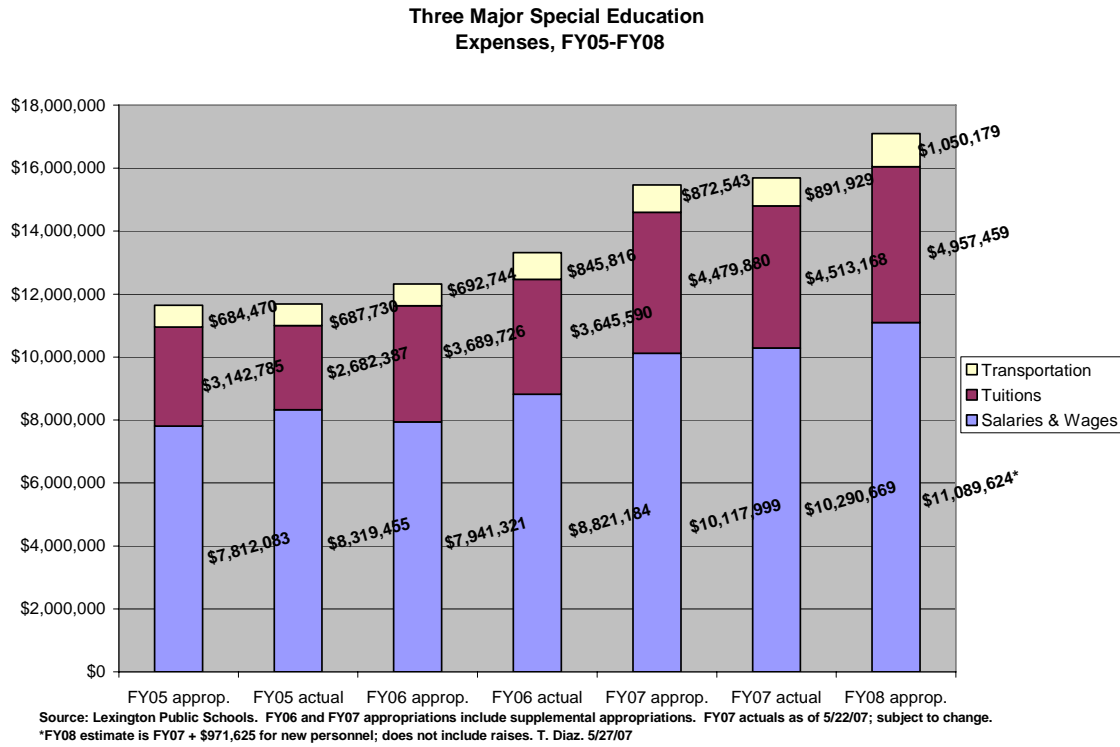
The DOE tabulation of special ed expenses uses a different formula, but these numbers from our own MUNIS system and published reports show the trend. Notice also that the percentage for FY06 actuals (21.9%) is close to the DOE's number of 21.4%. These data indicate the sharp increases seen in Lexington (and, we believe, in many comparable towns) in FY06 and FY07.

There is a chart at the end of this document showing the same data. Notice the increase in salaries between FY07 actual and FY08 appropriation, and the slower growth of out of district tuitions between those two rows (compared with the 06-07 growth in tuitions). The slowdown in tuition growth is partly due the change in student population (students graduating) and partly due to the expected benefit of the new programs corresponding to some of those new salaries. The change in population of students, and tuition increases at various schools, still causes the FY08 number to be higher even though the number of out of district students will probably be lower.

The FY07 salary appropriation includes the large increase I mentioned previously, budgeted when Dr. Ash and his staff took over. The FY07 salary actual is my estimate, adding to the FY07 appropriation the salaries and benefits for 4.2 new FTEs we needed to hire late in the year (after the fall town meeting). The FY08 appropriation includes, among other things, the \$511,000 to fund new in-house programs for autistic children and children with some emotional disabilities, and it includes additional additions for other existing special ed programs, based on needs identified for other children. The upward trends are evident in out of district tuition and in special education transportation (a large component of which is out of district transportation).

Ms. Dunn will be at more of a loss to answer questions about FY05 and FY06, because she started only in December 2006. So, our lack of continuity of budget managers,

combined with a small finance department, makes it difficult to answer certain kinds of historical questions. This fact has complicated our conversations on many points, such as the changing formulae and standards used over the years to translate the time of hourly workers into FTEs. Naturally we will try to answer any questions on this subject, though.



Sources for this report:

Handout to 2007 Town Meeting, dated 4/27/07

Budget Handout for 2006 Town Meeting, dated 4/5/06

FY 2005 First Financial Report and End Year Status, 11/15/04, report by Susan Bottan to School Committee

FY07 report by Mary Ellen Dunn, dated May 22, 2007

Salary and expense data (from MUNIS system) provided on request by Mary Ellen Dunn, 4/24/07, updated 5/23/07. (This is the source for FY05 and FY06 actuals and appropriations, FY07 appropriation. FY07 actuals are estimates by me, produced by adding to FY07 appropriation of the fall 2006 Special Town Meeting the 4.2 staff hired since December 2006. FY08 appropriations are my estimates also, produced by adding \$971,625 to the estimate of FY07 actuals, \$971K being the total personnel expenses we propose adding in this area for FY08.)