

## **Extraordinary Cost Funding Fiscal Year 2018**

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*Synopsis: In 1997, a new formula to allocate special education funding for our South Dakota public school districts was implemented. This new formula is based on allocating special education aid on a student count and average cost per disability to serve special education students. Included in this legislation was a companion piece of supplemental aid for which districts may apply called Extraordinary Cost Funds (ECF).*

*The 2013 legislative session and new South Dakota administrative rules made significant changes to special education formula funding and the extraordinary cost funds application process. The intent of this funding brief is to provide an explanation of the ECF application process beginning in 2014.*

### **Funding Available for ECF (SDCL 13-37-40)**

Prior to 2014 ECF available funding was based on any funds remaining after the formula aid was fully funded and a set aside of 5.75% of the special education appropriation.

Beginning in fiscal year 2014 the appropriation for ECF was legislatively set at the amount of four million dollars (\$4,000,000) of the special education appropriation. Legislation also allowed any remaining funds not expended to be carried over to the next fiscal year, however the total amount available for ECF expenses in each fiscal year may not exceed \$5,500,000.

Ten percent of total appropriation for ECF shall be used to fund applications for supplemental aid. This ten percent is the maximum amount which can be used to fund applications for supplemental aid. If the applications are in excess of the ten percent the secretary may adjust or prorate the requested amounts. The maximum allowable school district request for supplemental aid may not exceed \$50,000. (ARSD 24:05:33.01:11)

### **Application Process (ARSD 24:05:33.01:06)**

A school district may be eligible to receive ECF if the district:

- Is levying for the special education fund at the maximum levy authorized by SDCL 13-37-16;
- Is not participating in Coordinated Early Intervening Services Program (CEIS using either state/local or federal funds); and
- Does not have any outstanding deficiencies pursuant to ARSD chapter 24:05:20.

An eligible school district may apply for ECF on forms provided by the Department of Education on the following web site: <http://www.doe.sd.gov/ofm/exordincost.aspx>

There are three types of applications that may be submitted by a school district to receive ECF:

- High Cost Student (expenditures for the student must exceed twice the funding level)
- High Cost Program (request must exceed \$50,000)

- Supplemental Aid (requests may not exceed \$50,000)

A district may apply for ECF based on both a high cost student and supplemental aid. However a district may not apply for ECF for both a high cost program and supplemental aid and may not apply for ECF based on both a high cost student and a high cost program.

Priority for ECF will be given to high cost student applications.

### **Extraordinary Cost Fund Board (ARSD 24:05:33.01)**

The department secretary shall appoint seven members to the ECF review board. Appointments to the board are limited to a maximum of five years. The secretary may also appoint board alternates to vote in place of the voting members who may have a conflict of interest.

The membership of the ECF board shall include representation from each of the following groups:

- Department of Education;
- School districts with an average daily membership of 2,000 or greater;
- School districts with an average daily membership of 360 to 1,999; and
- School districts with an average daily membership of less than 360.

The ECF board shall meet at least once annually to review all applications and shall recommend to the secretary those districts which should be approved for funding, as well as those districts which should not be approved for funding.

School districts not recommended or approved for funding may request a reconsideration of their application by submitting a written request to the department secretary. This request must be postmarked within ten days of receipt of the secretary's decision. The secretary shall respond within ten days of receipt of district request for reconsideration.

The application timeline for fiscal year 2018 is as follows:

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|----------------------------|---|
| • April 1 through April 30 | School districts complete and submit applications |
| • May 9th                  | ECF board meets to review all applications        |
| • May State Aid Payment    | Districts approved for ECF funding paid           |
| • June State Aid Payment   | Approved district reconsiderations paid           |

### **Fund Balance Limitations (SDCL 13-37-44, ARSD 24:05:33.01:10)**

An ending special education fund balance in a school district receiving ECF shall not exceed ten percent of the annual expenditures of the special education fund. A school district may reduce the amount of an approved request before payment or may repay an amount to the department of education to ensure a fund balance that meets the aforementioned fund balance limitation.

ECF shall be used to solely fund special education expenditures which occur in the fiscal year in effect when the district submits its application.

## History of ECF Funding since 2014

<b>New Extraordinary Cost Fund Application Process:</b>	Appropriation	Requested	Expended	# of Requests
School Year 2013-2014	\$4,000,000	\$3,191,277	\$3,171,335	36
School Year 2014-2015	\$4,828,665	\$3,104,864	\$3,104,864	24
School Year 2015-2016	\$5,500,000	\$4,559,803	\$4,559,803	26
School Year 2016-2017	\$4,940,197	\$4,973,283	\$4,845,535	29
School Year 2017-2018	\$4,094,662			