

# BEDFORD PUBLIC SCHOOLS



TO: Cliff Chuang, Superintendent  
FROM: Julie Kirrane, Director of Finance  
DATE: January 11, 2024  
SUBJECT: Special Education Stabilization Fund - **Additional Information, Operational and Policy Considerations**

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School Business Officials and statewide school finance experts shared the following information with Bedford, as we work to provide additional information on the experience of neighboring communities, best practices and operational and policy considerations related to the proposed Special Education Stabilization Fund that is embedded within the FY25 Superintendent's Proposed Budget.

Stabilization Funds have been established in a number of communities including, and not limited to: Arlington, Belmont, Cohasset, Framingham, Lexington, Lowell, Reading, Salem, Swampscott, Tyngsborough, Wayland, Wellesley, and Winchester.

The purpose of the fund is to provide the school district with a safety net to respond to unforeseen special education needs in any given year without adversely impacting the delivery of instruction to students in other programmatic areas, thereby ensuring adequate resources are available for all students.

## Advantages

- ensures a reliable level of reserves is available should either the State be unable to meet its circuit breaker obligations, or the Schools experience unanticipated out-of-district placements or other extraordinary expenses
- fund balance can carry into future fiscal years and remain in the fund until needed
- Allows multi-year planning and provides a mechanism to smooth uneven single year expenditures
- Town Treasurer may invest the money in the manner authorized in section 54 of chapter 44 and any interest earned thereon shall be credited to and become part of the fund.
- Complements other town and school local reserve mechanisms

## Use of Funds

Recent examples of unbudgeted (or inadequately budgeted) or unanticipated expenses in Bedford include:

- Out-of district tuition costs
- Special education transportation
- Extraordinary expenses related to staffing coverage

## Sources of Funds

Practices in other communities include:

- Transfer from Free Cash
- Transfer of year-end school operating budget surplus funds
- Transfer from the school operating budget (not at year end)
- Transfer from Medicaid reimbursement
- Raised and Appropriated

## Operational Best Practices

- Annual request for funds to be considered in conjunction with the school operating budget request (required)
- Regular reporting on the expenditures from and year-end balance of the fund
- Joint School Committee and Selectboard meeting to discuss and vote on proposed use of stabilization funds
- Related Circuit Breaker reserve practices - established clear guideline for reserve level
- Related tuition budgeting - limited budgeting for unassigned students

## Governing Policies

The School Committee has established reserves policies for some but not all reserves, and the Town of Bedford has Financial Policies under which the School Committee operates and is a joint signatory. Next steps might include:

- Addressing gaps where policies are not specific or all-inclusive
- Working collaboratively collaborative with the town and school leaders to develop policies around reserve limits and policies in advance of March Town Meeting

## Sample Reporting



### **SPECIAL EDUCATION RESERVE / STABILIZATION FUND (Fund 0083)**

Director/Program Coordinator:	Assistant Superintendent for Finance and Operations
Program Description:	The law enables municipal districts to establish a reserve fund that can be used in future years for unanticipated or unbudgeted costs of special education, out of district tuition or transportation.
Fee Structure:	No fees associated with this program
Fund Restrictions:	Funds may only be distributed or expended from the reserve fund after a majority vote of the School Committee and a majority vote of the Select Board. The balance in the reserve fund cannot exceed two percent of the actual net school spending of the school district.
Fund Balance Evaluation Rating:	D. Fund Balance Outside Guidelines

<b>Stabilization Fund</b>	<b>FY'21 Actual</b>	<b>FY'22 Actual</b>	<b>FY'23 Actual</b>	<b>FY'24 Proj.</b>	<b>FY'25 Proj.</b>
Beg. Balance	\$789,808	\$1,427,061	\$1,410,044	\$1,687,559	\$1,727,559
Revenue					
Town Contributions	\$500,000	\$0	\$170,667	\$0	\$0
Municipal Medicaid Receipts	\$112,490	\$57,000	\$104,333	\$50,000	\$50,000
Interest Earned	\$27,387	(\$58,847)	\$12,271	\$0	\$0
Expenditures					
Other Expenses	\$0	\$0	\$0	\$0	\$0
Municipal Medicaid Expenses	\$2,624	\$15,170	\$9,757	\$10,000	\$10,000
Ending Balance	\$1,427,061	\$1,410,044	\$1,687,559	\$1,727,559	\$1,767,559

## Sample Warrant Article Language (Transfer and Establishment)

### Belmont 2018

That the Town transfer the sum of \$57,000.00 (FIFTYSEVEN THOUSAND DOLLARS) from Free Cash, certified as of July 1, 2020 (representing an amount equal to Medicaid reimbursements for FY2021), to the Special Education Reserve Fund, established by the vote taken under Article 10 at the 2017 Annual Town Meeting, to pay for unanticipated or unbudgeted costs of special education, out-of-district tuition or transportation

### Lexington 2023 Article 23: Establish Special Education Reserve Fund

The first part of this article seeks to establish a new Special Education Reserve Fund which is allowable under Chapter 40, Section 13E of the Massachusetts General Laws. This Special Education Fund will act as a reserve to cover unexpected or extraordinary costs in the School Department's special education, out-of-district tuition or transportation budgets during the fiscal year. The balance of the reserve fund can be accessed by a recommendation of the School Department and joint approval of the School Committee and Select Board, without further appropriation by Town Meeting. The new Special Education Reserve will supplement the existing Special Education

Stabilization Fund and allow the School Department more flexibility when needs arise during the fiscal year.

The second part of this article requests an appropriation of \$750,000 into the new Special Education Reserve Fund from available Free Cash. This funding will remain in the Special Education Reserve until spent, and will carry over into future fiscal years if not utilized. It should be noted that appropriations into the Special Education Reserve fund are limited to 2% of the Town's annual Net School Spending as determined by the Department of Elementary and Secondary Education. The Select Board unanimously supports passage of Article 23.