Northern Suburban
Special Education District

TO: NSSED Executive Committee
NSSED Governing Board

FROM: Tim Thomas

DATE: October 8, 2014

RE: Finance Committee Update: Alternate Billing Structures

The purpose of this memorandum is to provide you an update on the work of the Finance Committee related to Alternate Billing Structures for NSSED Programs, Services and Administrative Costs.

Approximately four years ago a number of districts suggested that NSSED program costs needed to be more transparent and reflective of actual costs. This led to considerable work by the Finance Committee resulting in substantial changes made in 2011-2012. More specifically, all NSSED retained IDEA funds that lowered the program costs were transferred from program costs to membership costs. This addressed making the programs reflective of direct costs. In addition to this outcome, the difference in membership costs between elementary and high school districts was equalized and NSSED's retention of IDEA funds was reduced from 40% to 30%.

This past spring, as a result of some districts expressing an interest in exploring the possibility of a multi-tiered membership structure, the NSSED Governing Board charged the NSSED Administration and the Finance Committee with reviewing the current membership costs and billing structure for programs and services. Therefore the NSSED Administration spent considerable time reviewing possible alternatives and generating some options which have been reviewed by the Finance Committee. The following is intended to provide a summary of this work.

Guiding Philosophy

The NSSED Administration understood that it is important to remember the original philosophy of why districts banded together in forming the cooperative. Simply put, students will have greater opportunity and greater continuity of support if districts band together creating an economy of scale to sustain quality programs and services over time. While this remains true today, the Administration recognized that districts want to pay for this in a fair and equitable manner. In consideration of this the NSSED Administration utilized the following two guiding core concepts:

1. Costs should be allocated in a manner that ensures high level quality of programming and services available to students.
2. A cost allocation method should allow districts to benefit whether they use the programs extensively or not.

Additionally the NSSED Administration recognized that the member districts expect NSSED to provide (a) high quality programs and services, (b) leadership related to innovative practices and (c) general quality control of programming and services.

Exploration of Models

The NSSED Administration reviewed existing alternate models from other special education joint agreement cooperatives. In particular, the Special Education District of McHenry County (SEDOM) served as a starting point for this analysis. Models ranged from having different tiers of membership to assessing districts fees based on size and/or capacity. Each model that was examined was viewed in the context of the Guiding Philosophy noted above.

Finance Committee Directive

After considerable discussion, the Finance Committee requested that the NSSED Administration prepare a model that includes the following changes:

1. IDEA Funds returned to all districts at a higher than current rate and differentiated based on district size. This results in decreased IDEA funds retained for NSSED.
2. General Assessment Fee (Membership) increased slightly and these fees used to pay for Executive Administrative Costs.
3. Program Tuition costs to increase compensating for decreased NSSED IDEA funds as well as to maintain the quality of the programs. The increase also reflects the shifting of some current administrative costs associated with the programs from Executive Administration into the Program Tuition costs.
4. Clearly demarcate the different expenditures that are offset by Membership fees, IDEA dollars retained and Tuitions.

Communication Process

The first step in the communication process is to share these key concepts with the Governing Board to ensure that this direction meets the expectations of districts. In addition, we have scheduled a series of three meetings inviting all Superintendents, Business Officials, Directors of Special Education and District Board Members to receive more detailed information on the process and current alternate billing structure. Additionally, we invited districts to have the NSSED Cabinet provide differentiated more detailed information based on their unique needs. Our hope is to gather feedback from you and additional stakeholders so that the Finance Committee can further analyze an alternate billing structure. As a result it is possible that a recommendation for an alternate billing model would then be provided to the Governing Board as an information item at the November Governing Board meeting.

The NSSED Administration supports working toward a financial model that allows us to continue to remain committed to the possibilities in every child. We look forward to your input on this important issue.

PROPOSED BILLING STRUCTURE:

Tuition +4.5% / Non-Member +4.5% / Membership Fees +$2.61 / IDEA Retained Small 25% and Large 15%

Member Gen Ed ADE vs NSSED ADE

Dist	Gen. ADE	NSSED ADE	NSSED /Gen Ed
SD 106	174	5.0	2.9%
SD 29	494	6.5	1.3%
SD 38	542	1.0	0.2%
SD 31	846	23.2	2.7%
SD 65	869	2.0	0.2%
SD 30	1,094	16.5	1.5%
SD 27	1,208	20.0	1.7%
SD 35	1,268	11.6	0.9%
SD 28	1,676	37.4	2.2%
SD 115	1,686	3.0	0.2%
SD 36	1,822	14.1	0.8%
SD 67	1,939	7.0	0.4%
SD 109	3,045	9.0	0.3%
SD 113	3,757	41.1	1.1%
SD 203	4,241	18.4	0.4%
SD 112	4,268	13.5	0.3%
SD 34	4,734	36.1	0.8%
SD 225	4,823	64.5	1.3%
MembTBD		28.3	
NonMem		36.2	
Total	38,486	394.4	0.9%

FY15 Revenue Using Current Billing Structure

Dist	Primary Program Tuition	Member Fees ($ 13.83)	IDEA Retained by NSSED		*Other Program Revenue	Total Programs & Memb
SD 106	$ 196,587	$ 2,406	31%	$ 12,264	$ 9,790	$ 221,048
SD 29	$ 241,995	$ 6,832	31%	$ 33,332	$ 16,026	$ 298,185
SD 38	$ 33,949	$ 7,496	31%	$ 30,228	$ 3,180	$ 74,853
SD 31	$ 975,378	$ 11,700	31%	$ 61,165	$ 42,843	$ 1,091,086
SD 65	$ 99,513	$ 12,018	31%	$ 63,283	$ (0)	$ 174,815
SD 30	$ 641,428	$ 15,130	31%	$ 70,877	$ 38,275	$ 765,710
SD 27	$ 860,611	$ 16,707	31%	$ 110,441	$ 34,533	$ 1,022,292
SD 35	$ 459,366	$ 17,536	31%	$ 79,215	$ 17,929	$ 574,046
SD 28	$ 1,424,266	$ 23,179	31%	$ 121,279	$ 93,709	$ 1,662,433
SD 115	$ 149,270	$ 23,317	31%	$ 108,544	$ 0	$ 281,132
SD 36	$ 612,985	$ 25,198	31%	$ 142,957	$ 13,221	$ 794,361
SD 67	$ 296,101	$ 26,816	31%	$ 162,831	$ 11,194	$ 496,942
SD 109	$ 427,229	$ 42,112	31%	$ 199,667	$ 8,342	$ 677,350
SD 113	$ 1,730,911	$ 51,959	31%	$ 211,208	$ 42,748	$ 2,036,826
SD 203	$ 910,103	$ 58,653	31%	$ 320,034	$ 462	$ 1,289,252
SD 112	$ 655,909	$ 59,026	31%	$ 295,662	$ 16,308	$ 1,026,905
SD 34	$ 1,344,066	$ 65,471	31%	$ 330,840	$ 69,891	$ 1,810,269
SD 225	$ 2,340,584	$ 66,702	31%	$ 241,440	$ 114,337	$ 2,763,063
MembTBD	$ 1,303,792	$ (3,028)	31%	$ 45,244	$ 2,402,919	$ 3,748,927
NonMem	$ 2,157,970				$ (98,413)	$ 2,059,557
Total	$ 16,862,012	$ 529,233		$ 2,640,512	$ 2,837,295	$ 22,869,052

Changes to Current Billing Structure

Dist	Primary Program Tuition (4.5%)	Non-Member Programs (4.5%)	Member Fees ($ 2.61)	Reduction to IDEA Retained by NSSED		Net Change: Member Cost Incr./(Decr.)
SD 106	$ 8,846		$ 454	-6%	$ (2,374)	$ 6,927
SD 29	$ 10,890		$ 1,289	-6%	$ (6,451)	$ 5,728
SD 38	$ 1,528		$ 1,415	-6%	$ (5,851)	$ (2,908)
SD 31	$ 43,892		$ 2,208	-6%	$ (11,838)	$ 34,262
SD 65	$ 4,478		$ 2,268	-6%	$ (12,248)	$ (5,502)
SD 30	$ 28,864		$ 2,855	-6%	$ (13,718)	$ 18,001
SD 27	$ 38,727		$ 3,153	-6%	$ (21,376)	$ 20,505
SD 35	$ 20,671		$ 3,309	-6%	$ (15,332)	$ 8,649
SD 28	$ 64,092		$ 4,374	-16%	$ (62,596)	$ 5,871
SD 115	$ 6,717		$ 4,400	-16%	$ (56,023)	$ (44,905)
SD 36	$ 27,584		$ 4,755	-16%	$ (73,784)	$ (41,445)
SD 67	$ 13,325		$ 5,061	-16%	$ (84,042)	$ (65,657)
SD 109	$ 19,225		$ 7,947	-16%	$ (103,054)	$ (75,881)
SD 113	$ 77,891		$ 9,806	-16%	$ (109,011)	$ (21,314)
SD 203	$ 40,955		$ 11,069	-16%	$ (165,179)	$ (113,155)
SD 112	$ 29,516		$ 11,139	-16%	$ (152,600)	$ (111,944)
SD 34	$ 60,483		$ 12,356	-16%	$ (170,756)	$ (97,917)
SD 225	$ 105,326		$ 12,588	-16%	$ (124,614)	$ (6,700)
MembTBD	$ 58,671		$ -	-16%	$ (23,352)	$ 35,319
NonMem		$ 97,109				$ 97,109
Total	$ 661,682	$ 97,109	$ 100,448		$ (1,214,198)	$ (354,959)
NSSED reductions needed						*$ (354,959)*

Notes:

This table shows the FY15 Budget ADE for each member district. Column "E" shows the ratio of NSSED ADE to General ADE for each district. Overall this ratio is 1%.

This table takes the FY15 Primary Programs and Membership Revenue and groups them into columns by billing type. The total $22,869,054 matches the total of Membership and Programs from the FY15 Budget.

*Other Program Revenue includes One-to-one Nurses and Aides, ESY Summer Program, and Vocational Programs offered at job sites

This table was created for calculating the billing shifts that would result from modifications to the Memebrship Rate, Increases to Primary Program Tuition for Members and Non-Members as well the NSSED Percentage of IDEA retained.

Member Tuition X 15.0% = Non-Member Tuition Premium