Improving the Processes for Budgeting, Managing, and Forecasting Special Education Spending

Special education is a significant and complex element of spending in public education. Special education budgets cover a wide range of services from an equally wide range of providers, including district employees, out of district schools, and contracted vendors, some of which work with the district full time, and some which are only brought in on an ‘as-needed’ basis. In South Orange and Maplewood, for example, some special education services are provided by in district employees such as special education teachers, while other services, like Occupational Therapy and Physical Therapy, are entirely provided by contracted vendors. Still other services, such as Speech and Language, are actually provided by a mixture of district staff and contracted vendors.

Managing special education spending is perhaps the most complex part of any school district budget, because it requires the skills from three departments (special education, the business office, and HR) and the level of services and staff needed can fluctuate throughout the year. Given that special education services are vital to the students who rely on their support and represent a significant share of district spending, it is essential to have a comprehensive and effective process for managing them.

As part of our work to help raise achievement while controlling costs in the South Orange and Maplewood School District, the District Management Council examined the current processes for developing budgets, managing spending, and forecasting year end expenditures for special education services. The findings are based on interviews with district staff, on observations derived from DMC’s other work in the district, and generally accepted best practices from across the country.

This report establishes four goals that are fundamental to successful budgeting and spending management, and identifies several opportunities for the district to improve its current practices to reach these goals.

The recommendations are divided into two sections, reflecting two major categories of spending in special education. The first category pertains specifically to district employees—such as special education teachers, school psychologists and social workers,
and some speech and language therapists. The second category includes all services provided by non-district employees—contracted service providers, out of district schools, and special education transportation services.

**Part I: Setting staffing levels and building assignments for special education staff that are district employees**

**Defining Success**

Setting staffing levels requires a separate process from managing services not provided by district employees, because the staff levels do not typically change during the school of the year, but student needs at specific schools can change significantly year to year. Given that salaries for district staff represents the largest piece of the special education budget, and that staffing levels cannot easily be changed once the budget is set, it is important that the district have an effective process in place to determine appropriate staffing levels and building assignments for special educators.

**Staffing for elementary reading**

Currently, the department of curriculum and instruction is responsible for managing the elementary reading program, even though many of the reading teachers are also special education teachers. Building principals also have an active role in requesting, staffing, and scheduling reading teachers.

The district had not historically had accurate data on student need and clear guidelines for how much staff is needed. Without this information, schools may be under or over staffed, may feel over or understaffed and can be forced to make difficult and time-consuming adjustments at the beginning of the year to provide services.

An effective system must have the following processes in place to determine how many students need support, how support will be provided, and how many teachers will be necessary to provide that support.

1. **Determine the number of struggling students:** Using formative assessment data and district wide grade-level benchmarks for entry into and exit are best practices that the district has incorporated into its elementary reading program. The district should use formative assessments at each grade level to determine how many students are struggling in reading by grade and school.

2. **Set the group size and number of sessions taught per teacher:** In order to determine how many teachers will be necessary to provide elementary reading support, the district needs to determine the size of intervention groups and the
number of intervention blocks each teacher will be expected to teach per day. Group size may vary by grade level, from as few as 3 students per group in grades K-2 to 5 students per group in grades 3-5. Recommended teaching loads could be either eight or ten 30 minute intervention blocks each day.

3. **Allocate staff to buildings using the tool provided by DMC:** DMC has provided a tool that calculates staffing requirements based on the number of struggling students as well as the desired group size and number of sessions taught per teacher. Once the district has determined how many students need support and has decided upon a group size and number of sessions per teacher, it can use the tool to allocate the appropriate number of staff to each school.

**Staffing for in class support**

This can be a complex process due to the wide variation in service requirements by student.

The special education office is currently in charge of determining staffing for in class support. However, the department does not have a system in place to easily calculate what supports are necessary at each grade level and school.

One challenge in the current system is that special education works separately from human resources regarding staffing for in class support, which makes it very difficult for human resources to know exactly how many staff are needed at each and how many staff are available for reassignment. In addition, the process for determining staff allocation for the coming year needs to be expedited in order to allow human resources to meet the May 15th deadline for notifying staff whether their positions will carry over into the following year.

The district should have the following processes in place to determine what student needs are, how those needs will be met, and how many staff will be required.

1. **Determine the number of students requiring support:** Throughout the course of each school year, students are identified for in class support by each school’s Child Study Team (CST). Each year, the district must analyze the IEP data to determine how many students require in class support, what supports each student requires, and how often support must be provided.

2. **Create class lists based on student services:** Thoughtful student grouping is an important budgeting tool because it allows the district to provide in class support more efficiently. The district should make sure that it groups students with similar needs together in order to allow staff to support students as efficiently as possible.
3. **Determine direct service hours per teacher:** A third variable in managing in class support is knowing how many minutes per day a teacher is expected to teach. The district should decide upon a standard direct service expectation for special education teachers.

4. **Allocate staff to buildings using the tool provided by DMC:** DMC has developed a tool that will allow the district to calculate staff by grade level and school based on the number of students requiring support (as determine by student IEPs), student groupings, and the direct service guidelines for teachers. The district should use this tool to allocate the appropriate number of staff to each school.

**Staffing other positions**

The special education office manages all other positions related to special education services. Similar to in class support, one of the key shortcomings of the current system is that the special education office manages staff almost entirely independently from the human resources office, meaning that the human resource office does not have the ability to help manage staffing levels across buildings. In addition, results from this fall’s dmPlanning schedule collection indicated that the district has made little progress in improving the consistency or efficiency of how staff are used across the district, suggesting that the district could use staff more cost effectively.

The district needs to have a process in place to understand how staff allocate their time, and to determine how much time it expects staff in each position to spend working with students, and how many students’ staff should see at once.

1. **Collect staff schedules using dmPlanning:** dmPlanning is the proprietary software developed by DMC to collect information on staff schedules through an online portal. The district should use dmPlanning 2 or 3 times a year to ask staff members to share what a ‘typical week’ looks like in order to determine how much time staff currently spend with students, and what is the typical group size.

2. **Set direct service and group size expectations:** For each role, the district should determine what percentage of time it expects staff to spend in direct service to students, and in what should be typical size groups. Both variables, but especially group size, will depend on the role.

3. **Calculate the number of staff needed:** Based on the target direct service percentage and group size, the district should calculate how many staff will be necessary to meet identified student needs.
Who does what

The steps outlined will likely seem common sense and are consistent with emerging practices. DMC, however, recommends, a reasonable significant shift not in “what is done”, but “who does what”. To improve the, budgeting and cost effectiveness of staffing, the district must first establish clear roles and responsibilities that strategically align with the skill sets and functions of each department. This will involve the curriculum and instruction, special education, and human resources offices, as well as the Superintendent. The following table delineates the recommended responsibilities for each office.

The plan calls for a more direct role by HR in setting staffing levels, like they do in general education and the superintendent (with input from others) establishing clear workload and group size guidelines. While special education, of course, is an active participant in all steps of the process, they do not own the entire process. This is not a negative reflection on the department, but rather an effort to treat special education staffing more like all other staffing in the district. It is unfair and not the best use of skills and resources to ask the special education department to function like a self-contained district, handling all aspects of HR and budgeting.

Recommended responsibilities determining staffing levels and building allocations

<table>
<thead>
<tr>
<th>Elementary reading</th>
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<tbody>
<tr>
<td>Determine number of struggling students</td>
<td>Curriculum and Instruction</td>
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<tr>
<td>Set group size and # of sessions per teacher</td>
<td>Superintendent</td>
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<tr>
<td>Allocate staff to buildings using DMC tool</td>
<td>Human Resources*</td>
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<th>Other positions</th>
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<tbody>
<tr>
<td>Conduct dmPlanning schedule collection</td>
<td>Special Education</td>
</tr>
<tr>
<td>Set direct service and group size expectations</td>
<td>Superintendent</td>
</tr>
<tr>
<td>Calculate how many staff are needed</td>
<td>Human Resources*</td>
</tr>
</tbody>
</table>

* With input from special education

Note
Assumes that psychologists and CST are level staffed until a detailed study to redesign work expectation and systems
Part II: Managing services not provided by district employees

Defining success

Services that are not provided by district employees are very complex to manage, because of the number of different providers involved, and the specialized knowledge of both special education and business practices that is required. An effective system for managing this spending must have processes in place to achieve the following goals and assigns tasks to the departments and staff with the requisite skills and accountability.

1. **Ensure high-quality, cost effective services**: When working with service providers who are not district employees, it can be difficult to monitor the services as they are being provided. Furthermore, vendors set their own rates, meaning that there is not necessarily a uniform cost for each type of service from different vendors. Additionally, the selection of vendors is, in some instances, constrained by where the student will be receiving the service; for example, if a student attends an out of district school, that school may have its own list of vendors, and those costs may or may not be included in the student’s tuition. In order to ensure quality and cost effectiveness, it is essential that the district have a process to vet its providers for quality, as well as a process to negotiate rates to control cost.

It is very important that a district have the ability to know whether contracted vendors are providing high-quality services at a reasonable cost. There are three essential processes necessary to do this effectively:

- **Decide whether or not a service should be subcontracted or provided in district**: depending on the specific need and the volume of demand, it will either make sense to identify existing staff in district to provide the service, hire more in district staff, or to subcontract the service to a vendor

- **Vet providers for quality**: the district should ensure that it is choosing only high quality vendors to serve students, to ensure that student needs are properly met

- **Vet providers for cost and business operations**: separate from determining whether or not the vendor provides high-quality service, the district should also make sure that the vendor’s business practices are transparent, and that the cost of the service are reasonable
2. **Track and approve spending**: In order to ensure that money is being spent properly and within the established budget, the district must have a straightforward and transparent process for recording and vetting invoices received and payments processed. This can be especially complex as student needs change frequently, and many vendors provide services in varying quantities each week, due to these shifting student needs. Such a system will help the district make sure that money is spent properly, avoid exceeding its budget, and have reliable data when budgeting spending for future years. In order to monitor spending it is important the district carefully reviews each invoice. This involves the following:

- **Confirming that services are needed**: Because the requirements for services change throughout the year, it is important to make sure that the district knows exactly what services it is *supposed* to be paying for; the system should keep detailed records of exactly what services are needed, and which vendors are supposed to provide them to which students.

- **Confirming that services have been provided**: Depending on the service, this could include monitoring attendance records for students and providers, and also making sure that if a vendor provides multiple services that the detail is sufficient to track by service, which is critical for forecasting, budgeting, and evaluation if cost effective alternatives might exist.

- **Confirming that invoicing is correct**: This involves making sure that the provider has billed the district the appropriate amount for required services, and that payment is processed and recorded according to district procedures.

3. **Forecast likely year end spending, each month**: The need for special education services fluctuates throughout the year, as new students are identified as needing services and previously identified service requirements change. In order to monitor its budget accurately, the district must be able to have a clear and current picture of what total expenses it can expect to incur during the full school year. At the end of each month the district can know for certain spending to date, and with updated student by student estimates, can forecast spending for the remainder of the year. Together these figures will provide an ever more accurate year end forecast.

The ability to forecast likely total spending for a year has implications for both current and future budgets, since the information in an accurate year end forecast allows the district to manage other funds as necessary in order to avoid deficits while at the same time providing valuable information that can improve the accuracy of future budgets. The following processes are necessary to provide high quality monthly forecasts:
• **Sum year to date spending**: Knowing what has been spent to date is not a simple matter, given that some vendors are slow to invoice and that some funds are encumbered for a full year.

• **Update based on the best available information student requirements for the remainder of the year**: Since student IEPs change throughout the year, new information about student needs becomes available each month.

• **Produce the forecast**: Based on the amount spent to date and the level of services that remains to be provided, the district can project the amount of money it will spend for the full year, and compare to the annual budget.

4. **Accurately budget following year spending**: A common theme among districts that DMC has worked with is that budgeting in special education is challenging because it is hard to predict exactly what services will be required. Having a process to track total year-to-date spending and a process to predict what unforeseen expenses might occur will help clarify the budget requirements for the coming year, which can help avoid costly budget shortfalls and budget surpluses.

Inaccurate budgeting can cause much anguish. Unexpected shortfalls place a strain on other areas of a district’s budget, while unnecessary surpluses mean that money was set aside that could have been spent on other district priorities. To create accurate budgets, the district should use the following processes (while recognizing it is impossible to budget with 100% accuracy, because IEPs do change after the budget is set):

• **Total year-to-date spending**: Having a running total of the amount spent and the services received will allow the district to assess the accuracy of previous budgets and help form the basis of future budgets,

• **Update remaining student requirements**: The district should consistently update what services will be provided to students in the future, since future needs are a more accurate driver of spending than past needs and some students will leave the district and thus no longer need services.

• **Have a contingency plan for unforeseen or unknowable services**: Because new students will be identified for service throughout the year, the business office must determine how much money to set aside to cover these costs. It can be helpful when building a budget to separate costs associated with students already in the district and the set aside for potential new students.
- **Draft a budget**: With the data from the steps above and deliberate decisions on how much buffer is needed, a thoughtful budget can be prepared.

**Current situation**

1. **Ensure high-quality, cost effective services**

Currently, the Special Education Department bears most of the responsibility for vetting vendors for service quality, price and business practices. However, the department does not currently have sufficient capacity or the skill set to do this fully, and lacks leverage to negotiate cost in many situations.

Overall there seems to be little concern over the quality of the subcontracted providers and the vast majority of providers have very reasonable rates making them cost effective compared to in district staff.

Shortcomings arise when some vendors have higher rates than similar providers, and many of the vendors’ billing practices make it very difficult to accurately track and approve spending and very difficult to accurately forecast future spending. A number of very large vendors have business practices that could lead to overbilling or providing more services than needed. There is no indication that this is happening, but current business practices of some vendors make it difficult to monitor.

2. **Track and Approve Spending**

In the South Orange and Maplewood school district, the special education department is responsible for tracking spending. Invoices are sent to the special education department, where a member of the admin team responsible for the type of service involved logs the invoice on a tracking sheet, updates the account balance, and files a copy of the invoice before sending the approved copy to the Business Office, where Accounts Payable processes payment. This function, for the most part, process invoices rather than evaluates them.

There is no formal checking that the actual quantity of services billed was provided or needed. This is in large part due to the lack of details in the invoices received and the type of information available at the central office. Perhaps a greater concern is that vendors may be billing the appropriate rates for actual services rendered, but that fewer hours of service might have been needed if the contracted staff was more tightly managed, scheduled, and supervised. A more detailed recommendation, implementation plan, and cost benefit analysis has been provided in a companion document.
One additional challenge is that the special education office does not necessarily organize invoices in the same manner as the business office, and does not follow the same procedure for managing the paperwork. As a result there is no effective system of checks and balances.

Interviews indicated that all involved took very seriously their role of financial stewards of tax payer money.

3. Forecast likely year end spending each month

Because the special education department bears the primary responsibility for tracking spending, the business office in the South Orange and Maplewood School district does not have immediate access to the information necessary to provide a detailed forecast.

In addition, the current system for encumbering funds and tracking spending does not provide sufficient detail for precise forecasting; for example, many providers send invoices in infrequent batches, meaning that in December, the district might be spending money on services rendered in October, with little visibility into what expenses will be billed in the future. So, while the special education Department has clear documentation of the bills they have received, there is little documentation about what expenses they have not received.

In addition, neither the special education department nor the business office makes a regular practice of following up with vendors who have not submitted invoices in a timely fashion. Since funds are encumbered for vendors that provide services on an as needed basis (so called ‘ad hoc providers’) it can be very difficult to know how much of the budget is still available.

Finally, it is not currently the practice to regularly update anticipated student needs and produce best guess estimates of year end spending. This may lead to building in larger than needed buffers in future budgets or risking deficits from over spending the budget.

Based on the interviews, this function does not have a clear “owner” and the systems are lacking to quickly produce accurate monthly year end forecasts. With proper systems such a report would take 1-2 hours to prepare.

4. Accurately budget following year spending

While the business office is ultimately responsible for producing the special education budget line items, like all other parts of the budget, the business office lacks sufficient
knowledge of special education spending to inform the budget process. The special education department is asked to provide fairly high level estimates for future spending. The special education department lacks expertise in financial forecasting, has insufficient data to determine all line items, and limited bandwidth.

Additionally, the district has no explicit system for budgeting for unknown students’ needs, which adds a great deal of anxiety to the budgeting process.

Finally, the business office does not currently have the ability to fully understand spending fluctuations. While the business office does attempt to analyze trends in historical spending, the special education budget is largely based on what was budgeted the previous year, especially since the current process for encumbering funds and tracking spending makes forecasting next year’s budget very difficult.

**Recommendations**

To improve the managing, budgeting, and cost effectiveness of Managing services not provided by district employees, a few overarching needs emerge. 1) Set clear roles and responsibilities, some in the special education office and some in the business office and 2) ensure sufficient bandwidth and skill sets for all key tasks.

1. **Strategically assign management responsibilities to the business and special education offices.**

One of the largest obstacles in the district’s current process is that the special education department is responsible for performing functions best suited to the skill set of the business office, while the business office is asked to make decisions without sufficient context or data from the special education office.

Each department will need to set clear expectations, developed in collaboration, as to what data will be received and provided to the other. Success will require single point responsibility but cross departmental planning and collaboration. The following table outlines the recommended delineation of roles and responsibilities:
**Recommended roles and responsibilities for managing services not provided by district employees**

**Ensure high quality, cost effective services**

<table>
<thead>
<tr>
<th>Full time</th>
<th>Ad hoc</th>
<th>Paraprofessionals</th>
<th>Out of district tuitions</th>
<th>Special education transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decide if in house or subcontracted</td>
<td>Business Office</td>
<td>Business Office</td>
<td>Business Office</td>
<td>SPED Office</td>
</tr>
<tr>
<td>Vet providers for quality</td>
<td>Special Education</td>
<td>Special Education</td>
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<td>Special Education</td>
</tr>
<tr>
<td>Vet providers for cost and business operations</td>
<td>Business Office</td>
<td>Business Office</td>
<td>Business Office</td>
<td>SPED Office</td>
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</tbody>
</table>

**Track/approve spending during the year**

| Confirm services needed | Special Education | Special Education | Special Education | Special Education | Special Education |
| Confirm services provided | Special Education | Special Education | Special Education | Special Education | Special Education |
| Confirm invoicing is correct | Special Education | Business Office | Business Office | Business Office | Business Office |

**Forecast likely year end spending each month**

| Sum year to date spending | Business Office | Business Office | Business Office | Business Office | Business Office |
| Update remaining student requirements | Special Education | Special Education | Special Education | Special Education | Special Education |
| Produce forecast | Business Office | Business Office | Business Office | Business Office | Business Office |

**Accurately budget following year spending**

| Sum year to date spending | Business Office | Business Office | Business Office | Business Office | Business Office |
| Update remaining student requirements | Special Education | Special Education | Special Education | Special Education | Special Education |
| Set contingency for unknown students and services | Business Office | Business Office | Business Office | Business Office | Business Office |
| Produce budget | Business Office | Business Office | Business Office | Business Office | Business Office |
Four areas will require more than just clearer roles and responsibilities.

- Working closely with vendors to ensure inviting has sufficient detail to enable tight management of spending.
- Actively managing and scheduling contracted staff
- Creating or using a tool to track by student required services
- Establishing budget guidelines for services for unknown students who will move into the district or new IEPs.

2. **Create a part time Special Education Business Analyst position.**

One of the major challenges in managing spending on special education services is that information has to be shared across two departments – special education and business – that require different skill sets. The Special Education Business Analyst addresses this challenge by creating a position in the business office for an individual who is deeply familiar with business practices but who also understands special education. This individual will be responsible for keeping track of expenses related to contracted services and ensure accurate budgeting and forecasting. He/she should be housed in the business office but should have a working knowledge of special education in order to clearly understand the services provided. His/her responsibilities will include ensuring adherence to contracts, following up on outstanding invoices and generate recommendations on efficient scheduling and allocation of staff (including speech and language therapists employed directly by the school) across buildings. The Special Education Business Analyst would be responsible for the following:

- Manage the schedules and workload of subcontracted staff and in district speech and language staff (since this service is partially in district staff and subcontracted).
- Meet weekly with special education central office to receive updates on current and anticipated spending/student needs
- Manage the business processes for contracted vendors, including paraprofessionals
- Track spending
- Provide accurate monthly forecasts

The district should expect this position to cost approximately $30,000 a year, which will be a worthwhile investment in a position that will help ensure both the quality and cost-effectiveness of services provided.
If the district wishes to more aggressively manage the assignment, schedule and role of paraprofessionals, then an additional part time person, in the special education office, would be required.

It is important to note that the Special Education Business Analyst is tasked with managing current practices more cost effectively, and thus would be part of the business office, while the part time paraprofessional coordinator would be tasked with changing how paraprofessionals are assigned and how IEPs are written, and as such would be part of the special education office.