October 2024 Busine$$ Report **BY MARC CAMPBELL**

How can districts control the growing costs of special education? *– September 23, 2024*
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One K-12 finance expert suggests districts scrutinize their special education budgets to get a hold on rising related costs, such as staffing.

NASHVILLE — The cost of special education is rising as more students are being identified for these services, taking up a larger portion of school budgets and forcing tough decisions over cuts.

That's why school districts need to pay more attention to their special education spending, said Maggie Cicco, a research fellow at Georgetown University's Edunomics Lab, told attendees during a Thursday session at the Association of School Business Officials International annual conference.

"Once you lock in that money, because of maintenance of effort, you're going to have to consistently spend that much money year over year," Cicco said. "So we're asking, 'Are these increases actually delivering value?'"

The number of students identified for special education is growing rapidly nationwide — increasing from 6.4 million to 7.5 million between the 2012-13 and 2022-23 school years, according to the National Center for Education Statistics. This represents an increase from special education students making up 13% of total public school enrollment to 15% over that decade.

But Edunomics Lab's analysis comparing the percentage of students identified for learning disabilities with 2019 reading scores on a statewide basis suggests that the identification of more students does not necessarily ensure that they see better academic outcomes, Cicco said.

In one example from this data, Cicco pointed out that New Mexico school districts diagnosed 7.5% of students with a learning disability — a high rate compared to most states — but reading scores for students with disabilities in that state were still low.

One factor that's driving the cost structure of special education is increased staffing, Cicco said, adding that the ratio of special education staff to students with disabilities varies by state. Since 2007, the number of special education teachers rose 12%, while specialist and paraprofessional staffing surged 35% and 37%, respectively. Cicco added that the overall growth in special education staffing nationwide stems from an increase in paraprofessionals and specialists.

In another Edunomics Lab analysis, Cicco said, the organization's data found that higher special education staffing does not equate to better outcomes for students with disabilities. In Florida, for instance, there's generally fewer special education staff compared to other states, but its special education students still outperformed most other states in reading, Cicco said.

Ann Williams, deputy superintendent of operations at U-46 School District in Streamwood, Illinois, shared during the session that hiring support staff — not teachers — is driving up costs for the district's annual budget. Some of those additional support roles include family engagement liaisons, social workers and behavior analysts, she said.

Scrutinize your special education budget

Before making major investment decisions to enhance special education services through staffing or other avenues, district leaders should outline what outcomes are expected from these additions to the budget, Cicco said. Then, they should check in and make sure those investments are leading to desired outcomes.

“Scrutinize your special ed budget,” Cicco said. “Think about what you’ve been investing in, cross reference those with any outcomes you want to see for students, and if you haven’t been collecting data … I would start that conversation.”

If possible, district and state leaders should try to compare special education costs and outcomes to their peers, she said. That can be challenging, however, given how much that kind of data differs across districts and states.

Though not solely specific to its special education budget, U-46 School District is beginning to implement a “fiscal equity budgeting methodology” that requires instructional staff to examine programs on an annual basis to see if they’re meeting set goals for certain student groups.

This new approach for the district comes as Illinois implements a new funding model that allocates additional funding for special education students, English learners and low-income students, Williams said. While these recent investments will takes years to measure and implement, the district will undergo an annual evaluation to track progress.

“With that allocation, we hold the administration accountable at the end of the year,” Williams said, adding that the district will be asked questions such as: How was that money spent, and what outcomes were found?

“Because when the time [comes] to prepare for the budget next year, if we haven’t made outcomes, I expect your entire budget to change because that didn’t work,” Williams said.

U.S. job creation totaled 254,000 in September, much better than expected *– October 4, 2024*
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The U.S. economy added far more jobs than expected in September, pointing to a vital employment picture as the unemployment rate edged lower, the Labor Department reported Friday.

Nonfarm payrolls surged by 254,000 for the month, up from a revised 159,000 in August and better than the 150,000 Dow Jones consensus forecast. The unemployment rate fell to 4.1%, down 0.1 percentage point.

With upward revisions from previous months, the report eases concerns about the state of the labor market and likely locks in the Federal Reserve to a more gradual pace of interest rate reductions. August’s total was revised up by 17,000 while July saw a much larger addition of 55,000, taking the monthly growth up to 144,000.

Strength in job creation spilled over to wages, as average hourly earnings increased 0.4% on the month and were up 4% from a year ago. Both figures were ahead of respective estimates for gains of 0.3% and 3.8%.

Restaurants and bars led job creation for the month, with the hospitality industry adding 69,000 positions in September after averaging just 14,000 over the previous 12 months.

Health care, a consistent leader in job growth, contributed 45,000, while government grew by 31,000. Other gainers included social assistance (27,000) and construction (25,000).

A more encompassing measure of unemployment that includes discouraged workers and those holding part-time jobs for economic reasons dropped to 7.7%. The share of the workforce either working or looking for work, known as the labor force participation rate, held steady at 62.7%.

The survey of household employment, which is used to calculate the unemployment rate, showed an even stronger picture, with a gain of 430,000 as the employment-to-population ratio increasing to 60.2%, an increase of 0.2 percentage point.

Futures market pricing shifted sharply after the report, with traders now assigning a strong chance of consecutive quarter percentage point interest rate cuts from the Federal Reserve in November and December.

The report comes with questions over the labor market's strength and how that will impact the Fed's approach to lowering interest rates.

Earlier this week, Fed Chair Jerome Powell characterized the jobs picture as "solid" but said it has "clearly cooled" over the past year.

There have been scant signs of a stepped-up pace of layoffs, as new claims for unemployment benefits have held steady but hiring rates have cooled. Business surveys, including the Fed's own "Beige Book" summary of business conditions, indicate that companies are holding head counts fairly steady.

Powell and other Fed officials have indicated a willingness to continue lowering interest rates following last month's half percentage point cut in the overnight borrowing level. However, there's considerable debate within the market about how quickly the central bank will move, and Powell said Monday he expects the Fed to move in quarter-point increments at least through the end of the year.

Economic News Briefs…

- ***Market and Economic Highlights: October 2024***
    - The S&P 500 index gained for a fifth straight month in September
    - September began with a selloff on growth and employment concerns
    - The Fed cut rates by 50 basis points at its September meeting
    - Consumer confidence and spending reports missed estimates
    - China provided strong stimulus to support its weakening economy

    Source: FactSet, Bloomberg
- ***Strong Bond Returns:*** Third quarter bond returns were the strongest since the 4th quarter of 2023. Bond yields declined during the quarter as Fedspeak leaned dovish with the Fed refocusing attention on risks to the labor market. In September, the Fed completed its pivot with a more aggressive than expected 50 basis point rate cut. While bond returns have been bumpy over the past two years, the Intermediate Aggregate bond index generated returns over 5% in 2023 and the index generated a return of 4.64% through the first three quarters of 2024. Staying fully invested, recognizing the challenges of timing the market, allows investors to maximize returns through market cycles. *Sources: FactSet, Bloomberg*

    Taken from the ISDLAF+ Market Update October 2024 prepared by PMA Asset Management, LLC

DPS Business Department Briefs…

- Tax Levy: In October, the Business Office begins the process of preparing the tax levy. There are a couple of changes and important details that will impact the levy and the process this year.
    - The Dixon Central Business District TIF has ended. This means there will be new EAV dollars hitting the rolls and will increase our levy. We are working with the county at this time to make sure we get an accurate assessment of the amount.
    - Truth-in-Taxation Notice: As of August 9, 2024 website notices of the hearing should be posted for a period of not less than 30 consecutive days prior to the hearing. Additionally, the notice must appear on the website banner.
    - Public Act 103-0394 (SB 1994) – Requires in the 2024-2025 school year and in each subsequent school year: 1) any district that does not receive federal impact aid to calculate the combined, annual average expenditures of its operational funds for the previous three fiscal years, as reported in the school district's most recently audited annual financial reports. 2) that school boards annually present a written report

covering the annual average expenditures of its operational funds (education, transportation and operations and maintenance) for the previous three fiscal years at a board meeting. 3) If a district's combined cash reserve balance of its operational funds exceeds 2.5 times annual average expenditures of its operational funds for the previous three fiscal years, the school board shall adopt and file with the State Board of Education a written operational funds reserve reduction plan by December 31. - Also requires the State Board of Education to publish these plans on its Internet website.

- Public Act 103-0394 (SB1994) in Relation to Miller Ratio - Requires:
- Public Act 103-0394 - Legislation
  - Operating Funds combined - Education, Transportation, and Operations and Maintenance
  - Calculation combining average annual expenditures of three Operating Funds for calculations into (Operational Funds)
  - Annual presentation/report required
  - Considers Excess of 2.5 times annual average expenditures
  - If Excess exists added steps are required by law for a Reserve reduction plan and publishing of information on ISBE website
- Miller Ratio - Case Law
  - Operating Funds individually - Education, Transportation, and Operations and Maintenance
  - Calculation of average annual expenditures per individual Operating Fund
  - No required reporting
  - Considers Excess of 2 times annual average expenditures
  - If Excess exists levying bodies are subject to Tax Objection lawsuits

Countywide Sales Tax – June FY 24 receipts were $186,000 (received in October). June receipts have traditionally been some of the strongest throughout the years. Again, June 2024 represents one of the larger amounts in the history of the program. The amount was $5,400 (3.89%) greater than FY 23. This amount also closes the CFST calendar year at a total of $2,024,000 which was $114,000 greater than FY 23 and $201,000 greater than FY 22. The CFST receipts are three months in arrears so the funds received in October represent the taxes paid by consumers in June. This increase is representative of the actions taken by consumers as summer is beginning; yard work, opening pools, buying summer clothes, and other warm weather activities. Also, it is important to remember that these funds cannot be spent on anything other than facilities improvement. The summary below outlines a summary of the receipts over the life of the program with a comparison of FY 23 vs. FY 24.

Countywide Sales Tax Revenues					
					Difference
	FY 21	FY 22	FY 23	FY 24	FY 23 v. 24
July	$121,288.35	$154,600.29	$167,736.37	$166,297.20	-$1,439.17
August	$115,594.84	$151,914.91	$157,646.19	$171,178.89	$13,532.70
September	$116,334.97	$147,769.08	$160,407.90	$175,220.50	$14,812.60
October	$112,275.12	$149,779.51	$162,719.99	$165,535.70	$2,815.71
November	$106,429.79	$151,772.24	$157,766.14	$168,001.90	$10,235.76
December	$128,684.07	$173,545.72	$167,486.45	$178,755.19	$11,268.74
January	$111,992.06	$120,886.90	$134,425.96	$141,195.76	$6,769.80
February	$99,477.24	$116,109.65	$123,815.53	$141,802.17	$17,986.64
March	$148,655.02	$148,860.94	$154,850.14	$165,591.32	$10,741.18
April	$143,327.16	$151,074.10	$159,801.14	$168,718.21	$8,917.07
May	$156,683.58	$176,921.12	$182,291.57	$195,620.51	$13,328.94
June	$159,221.58	$179,688.24	$181,283.06	$186,682.55	$5,399.49
	$1,519,963.78	$1,822,922.70	$1,910,230.44	$2,024,599.90	$114,369.46

The next payment obligation for 2018A & 2019A Alternate Revenue Bonds will be a principal and interest payment in January 2025. The payment will be allocated out of CFST receipts on a monthly basis to meet the obligation. Then in July 2025, an interest payment will be made on the bonds. In general, the obligation amount is $90,000/month. Any amount above this amount, represents opportunity for future facility improvements.

Treasurer's Report – September 2024

In your Board Packet, you will find the Treasurer's Reports for September 2024. The summary graphs represent FY 25 fund balances through September 2025. Balances for the funds for the first two quarters of each year reach their highest balances due to property tax revenue receipts. During the second half of the year, cash flow and revenue are traditionally low, while expenses for salaries and basic operations remain consistent throughout the year. This month saw a total increase in fund balances of $1.35 million primarily due to property tax receipts in September. The operating funds increased by only $484,000. Cash flow is strong as we are in the first quarter of the year. However, the minimal increase in the operating funds is primarily due to a decrease in Transportation fund. Also it is important to note that the Capital Fund has gone negative as final payments for contracts have been made.