

**A Recent History of Missouri's Public Placement Fund:
The "Excess Cost" Education Reimbursement of Non-/State-Domicile Students**

By Angela M. Hull, Ph.D.

"The Public Placement Fund is reimbursement for educating both IEP and non IEP students placed within a non-domicile district ... Funding is available when the educational costs of these students exceed the revenues received by the serving district" (Department of Elementary and Secondary Education (DESE), 2010). Missouri distributes PPF reimbursements in the state fiscal year following the school year when the students were served.

This policy brief explores several dynamics that affect the recent disparity between the reimbursement requests and actual funds paid to cover the 'excess costs' of educating students placed in domiciles in school districts.

First, the past two years has seen an increase in the number of districts requesting reimbursement (and likewise an increase in the number of students covered). The appropriation amounts have remained steady over several years.

Second, the FY 2010 reimbursement fund (2008-09 school year) decreased 9.3% off of the initial appropriation of \$10.09M, because of a one-time \$941,880 payment error correction from the previous year. The remaining funds covered only 71.8% of requested reimbursements. This appears as a large one-time anomaly; in DESE's records, no other year shows a correction, and as of winter 2011, such future corrections were not anticipated. However, in the spring of 2011, reimbursements were only 73% of requested reimbursements, with little to no explanation offered.

Going forward, those advocating for children served via PPF could regularly track the requests and actual reimbursements, paying close attention to increased use of the fund, as well as broader school finance policy. And continued monitoring and advocacy for PPF appropriations can continue, as to date the Missouri Legislature has largely upheld its commitment to PPF.

Missouri's Public Placement Fund (PPF) Background & History

DESE's Division of Special Education Funds Management FY11 PPF Manual states the following:

The Public Placement Fund (PPF), commonly referred to as the "Excess Cost" fund, was established pursuant to the Revised Missouri State Statutes (RSMo), Section 167.126(4).

4. In cases where a child whose domicile is in one district is placed in programs or facilities operated by the department of mental health or resides in another district pursuant to assignment by that department or is placed by the department of social services or a court of competent jurisdiction into any type of publicly contracted residential site in Missouri, the department of elementary and secondary education

shall, as soon as funds are appropriated, pay the serving district from funds appropriated for that purpose the amount by which the per-pupil costs of the educational services exceeds the amounts received from the domiciliary district except that any other state money received by the serving district by virtue of rendering such service shall reduce the balance due.

The Public Placement Fund is reimbursement for educating both IEP and non IEP students placed within a non-domicile district by the Division of Family Services (DFS)/Children's Division (CD), the Department of Mental Health (DMH), the Division of Youth Services (DYS), or a Court of Competent Jurisdiction. Funding is available when the educational costs of these students exceed the revenues received by the serving district.

Non-domicile refers to a district outside of where the parent(s) or legal guardian(s) reside. Non-domicile is also considered to be when the parent/legal guardian lives out of state, the parent/legal guardian is homeless, the parent/legal guardian is deceased, or if the parent/legal guardian is incarcerated.

This fund may also apply to state domicile students. State domicile refers to a student who has become a ward of the state due to the termination of parental rights or when the domicile information is truly unknown.

ELIGIBILITY CRITERIA

In order for the serving district to apply for reimbursement, students must meet two criteria:

- The student must be non-domicile or state-domicile
- The student must have been publicly placed by DFS/CD, DMH, DYS or a Court.

DUE DATE

The PPF application is due January 31 following the year in which services were provided. For example, the application would be due January 31, 2011 for services provided during the 2009-10 school year. The Division will make every attempt to have the application available in November.

Special School District and the Component School Districts will complete the same version of the application that regular districts complete. It is up to SSD and the component districts on which entity will claim which students and which costs, as long as both districts don't claim the same student.

REIMBURSEMENT METHODOLOGY

The PPF application used the methodology shown in the calculation below in determining reimbursement, or excess costs. Excess costs refer to those costs that are above and beyond the revenues that the district received for these students.

Educational Costs – Revenues = Excess Cost (Reimbursement)

Historical financial reports show the following timeline:

- FY99: fund opened to DYS and Court placed students.
- FY03: the financing calculation changed.
- FY05: the application changed and revenues/costs were calculated differently.
- FY06: the foundation formula calculation changed, affecting the amount of revenue deducted.
- FY07: DSS stopped paying adoption subsidy, DESE absorbed this cost.
- From 1996-2006: paid reimbursement does not include amount of adoption subsidy paid by DFS.
- FY10: while appropriation amount was \$10,099,337, the Division had to pay out 941,880 off the top for payment errors in FY09 (making available appropriation 9,157,456).
- FY11: As of May 2011, DESE determined reimbursements at 73% of requests.

Proration: PPF Requests Exceed Reimbursements

The PPF has not always covered 100% payment of DESE-approved district requests. In the early 2000's, when the State revenues declined (and school districts were receiving prorated basic state aid payments), and also more recently, the requests have exceeded the funds appropriated (Tables 1 and 2).

The 2010 disparity between requests and reimbursement stemmed in part from an uncommonly large correction for previous year payments; a 9.3% adjustment that took \$941,880 off the top of the initial FY10 \$10.09M appropriation, leaving \$9.15M left to distribute among the 82 district requests.

Table 1.

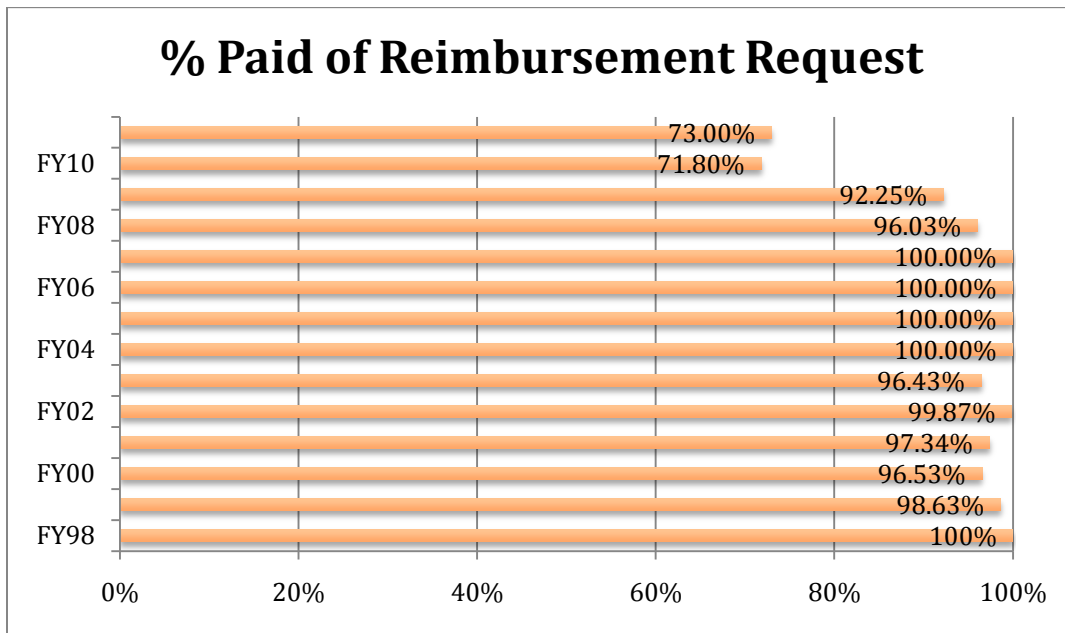
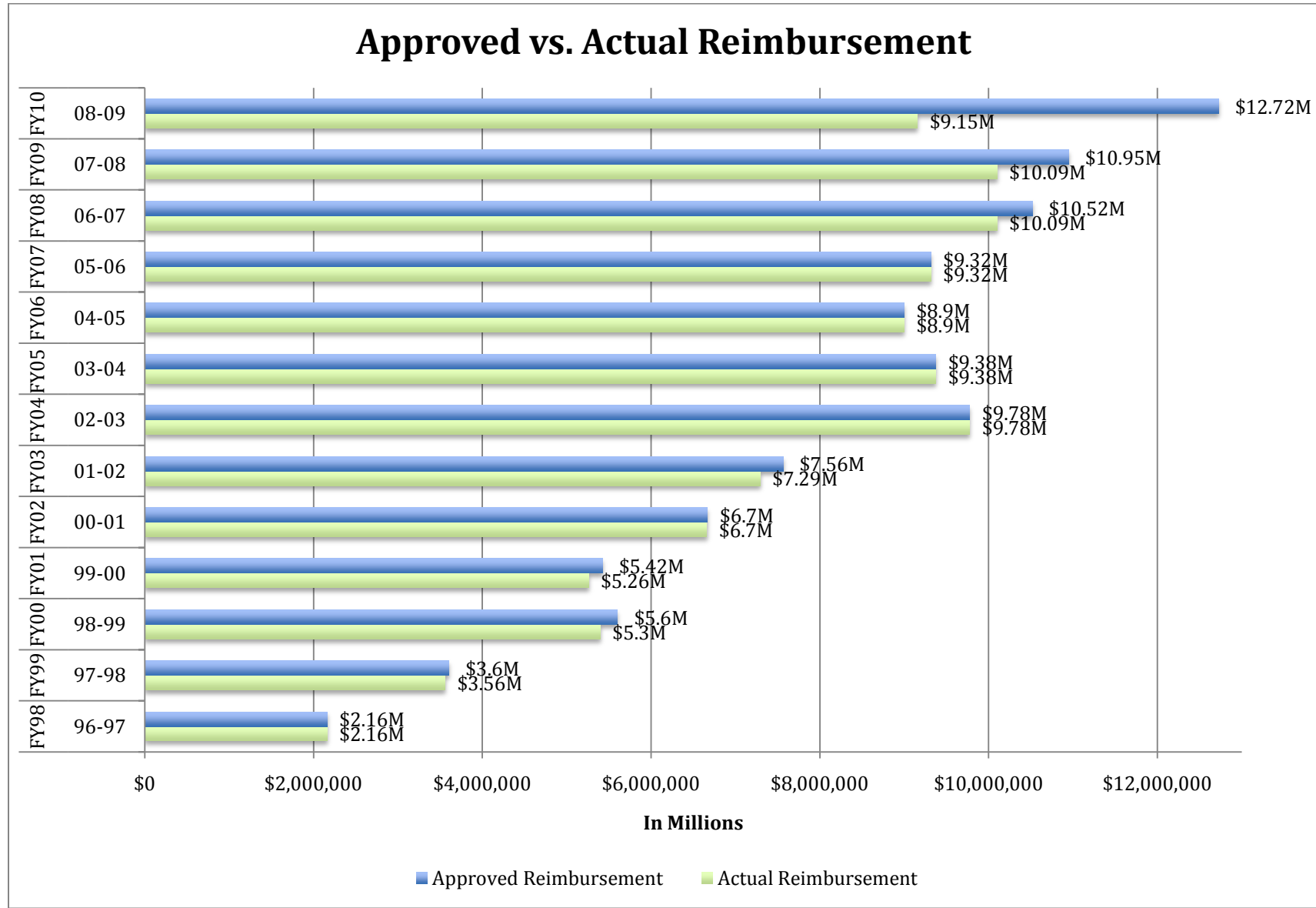


Table 2.



Increase in District Requests and PPF Students

Over the past ten years, PPF reimbursements covered between 3200-3400 students, and increased over 500 more students to 3,794 in FY10. Around 40 school districts had received PPF funds during the 2000's, with a sharp increase between the FY08 and FY09 school years. See Tables 3 and 4.

Table 3.

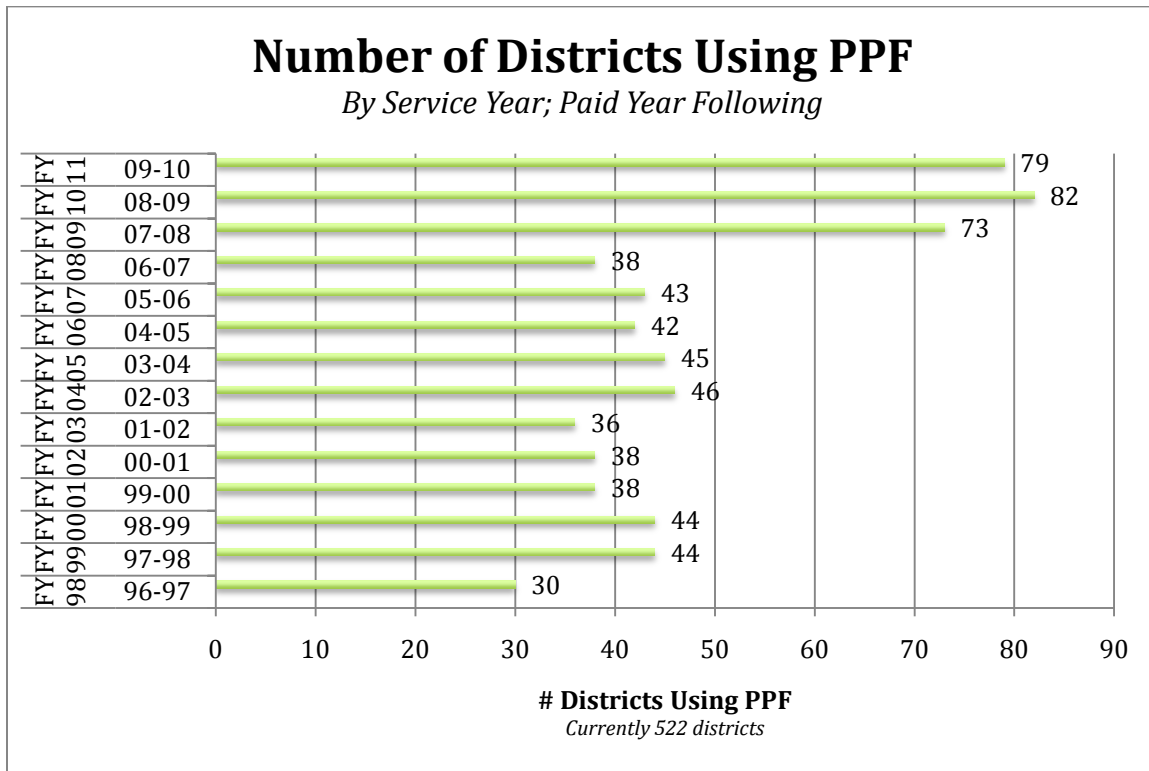
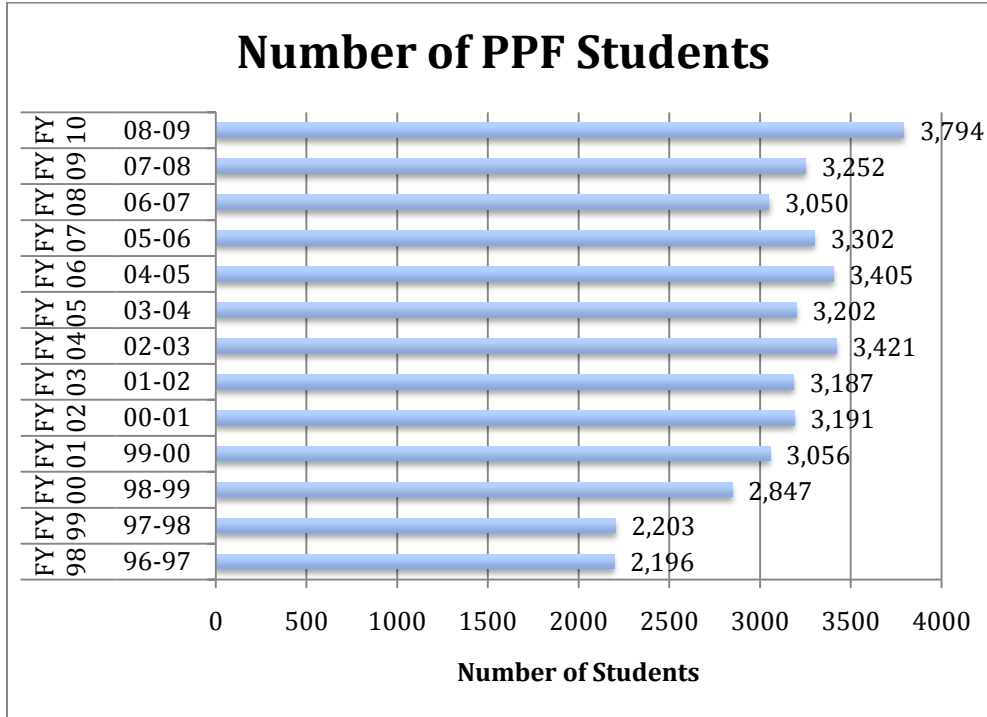


Table 4.



Policy Implications

Advocates for children served by the excess cost fund have several short- and long-term policy implications to consider.

Short-term Issues

The surging demands on the PPF are not surprising in tight budgetary times, when school districts have limited ability to leverage additional formula funds, and are subject to local voter decisions and assessment and land valuation practices that affect revenue.

The lower percentage of FY10 actual reimbursements compared to requests is likewise unsurprising given the tight economic climate leading to a slightly lower appropriation followed by a one-time 9.3% correction, reducing the payout amount. The PPF has actually fared quite well, relative to other lines in the Missouri budget.

Long-term Issues

The PPF Appropriation

To date, the appropriation for PPF has remained steady, although districts are increasingly drawing on the PPF for funds during tight times. Like all state-funded endeavors, the 2011 financial picture may affect the PPF.

The Foundation Formula

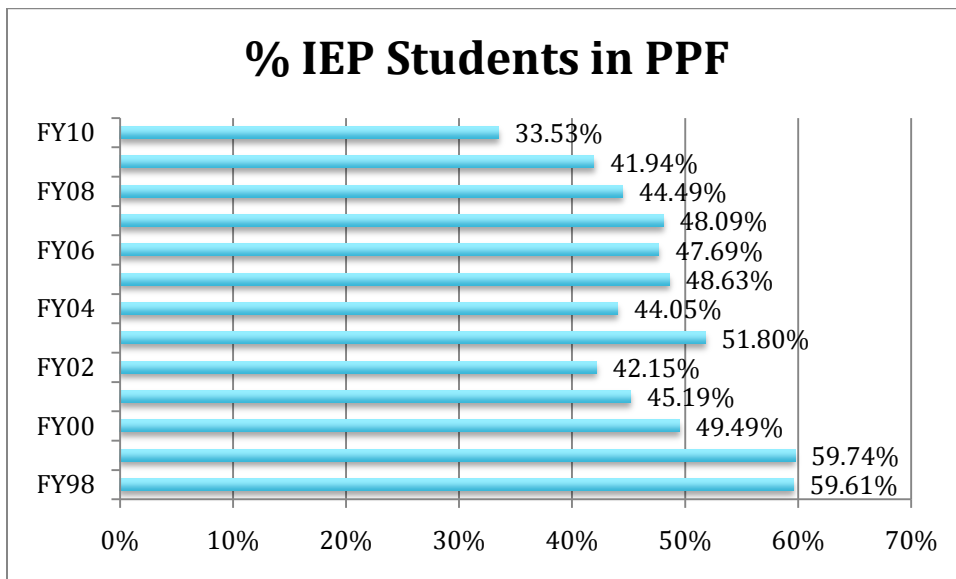
The Missouri Constitution carries the student rights for equitable and adequate education; that is, student access to a particular standard of education called “adequate.” The foundation formula (also called basic state aid) most often measures a State’s offering of equitable and adequate education. In 2009, the Missouri Supreme Court upheld the current formula after a challenge from school district plaintiffs claiming inequity and inadequacy. Foundation formulas may be prorated, but policymakers are loathe to take this approach because it exposes the State to district lawsuits.

Missouri’s current formula, authored in 2005 (phase-in 2005-2012), provides additional funding for students whose learning is at-risk: English Language Learners (ELL), special education (IEP) and free-reduced lunch (FRL, a common educational measure of poverty).

Arguably, non- or State-domicile students are at-risk as well, and although many of these students have individual education plans (IEP), not all do (see Table 5). Given these students’ mobility across domiciles (which research shows negatively affects education, but is hard to measure), there may be an argument to add these students directly to the formula, for immediate year payment. But this may not be a common practice across states.

Because the fundamental purpose of formulas is to equalize revenue across districts, not all would benefit from this formula addition, because some receive very few State education dollars. Currently, PPF funds are subject to ‘held harmless’ formula provisions (e.g., receiving no less than the FY06 total state payment). Politically, hold harmless versus non-hold harmless is a contentious school finance issue.

Table 5.



Standing Line Item

Like any stand-alone line item, the PPF is subject to legislative scrutiny, far more so than the formula line, which once statutorily outlined and annually calculated, tends to remain unchanged because of its ties to constitutional standards.

However, line items provide transparency and accountability for these high-need students. If lumped into a multi-billion dollar formula, the expenditures become more difficult to track. And currently, the PPF functions so that all districts have access to the PPF. Thus, the increasing requests and decreasing reimbursement percentages during tight times.

About the Author

Angie Hull has a master's in public administration (MPA) and a doctorate (Ph.D) in education policy from the University of Missouri-Columbia, where she studied school finance and published nationally. She lobbied for several Missouri K-12 organizations, consults full-time in education policy and research, and is an adjunct assistant professor at MU. She is the executive director of the Association for Education Finance and Policy.