

**Special Education Cost Model Task Force
Minutes of Meeting
March 12, 2019**

Call to Order

Pursuant to notice filed with the Secretary of the State, the Special Education Cost Model Task Force met on Tuesday, March 12, 2019 in Meeting Room C, of the State Office Building, 450 Columbus Boulevard, Hartford, Connecticut.

Matthew Galligan, chair, called the meeting to order at 2:06 PM.

Task force members in attendance:

- Kathy Demsey, Chief Financial Officer, State Department of Education
- Stephen DiCenso, Consulting Actuary, Milliman, Inc.
- Liz Donohue, Designee of the Secretary of the Office of Policy and Management
- John Flanders, Executive Director, Connecticut Parent Advocacy Center
- Matthew Galligan, Town Manager, South Windsor (Chair)
- Marie Salazar Glowski, Assistant Executive Director, Connecticut Association of Schools
- Michael Grove, Assistant Superintendent for Operations and Finance, Meriden Public Schools
- Jeffrey Kitching, Executive Director, EdAdvance
- Patrice McCarthy, Deputy Director and General Counsel, Connecticut Association of Boards of Education
- Jan Perruccio, Superintendent, Old Saybrook Public Schools
- David Scata, Executive Director, Connecticut Council of Administrators of Special Education

Task force members participating by video conference:

- Jeyaraj Vadiveloo, Director, Goldenson Center for Actuarial Research, University of Connecticut

Task force members absent: None

Others in attendance:

- Kyle Abercrombie, Connecticut School Finance Project
- Rakesh Beniwal, Morgan Lewis, LLP
- Michelle Cook, State Representative, 65th House District
- Martha Deeds, Connecticut School Finance Project
- Lisa Hammersley, Connecticut School Finance Project
- Steven Hernandez, Commission on Women, Children and Seniors
- Mary Glassman, Capitol Region Education Council
- Daniel Giungi, Connecticut Conference of Municipalities
- Leah Grenier, Office of Policy and Management
- David Lenihan, Connecticut Association of School Business Officials
- Bryan Klimkiewicz, State Department of Education Bureau of Special Education
- Sheila McKay, Connecticut Association of Boards of Education

- Tina Mohr, Office of Legislative Management (by teleconference)
- Emily Parker, Education Commission of the States (by teleconference)
- Fran Rabinowitz, Connecticut Association of Public School Superintendents
- Orlando Rodriguez, Connecticut Education Association (by teleconference)
- Katie Roy, Connecticut School Finance Project
- CJ Strand, Connecticut School Finance Project
- Amy Sestito, AON
- John Shule, AON
- Scott Sobel, AON
- Mark Sommaruga, Pullman & Comley, LLP (by teleconference)

1. Review and acceptance of minutes

Task force members reviewed the draft meeting minutes from the January 31, 2019 meeting by teleconference. Ms. Perruccio suggested a minor technical change to an incomplete sentence in section three of the minutes, which was accepted by the task force.

Mr. Flanders moved, and Ms. Perruccio seconded a motion to accept the minutes of the January 31, 2019 meeting, as amended.

VOTE ON MOTION

In favor: Demsey, DiCenso, Flanders, Galligan, Glowski, Grove, Kitching, McCarthy, Perruccio, Scata, Vadiveloo

Opposed: 0

Abstained: 0

Absent: Donahue

2. Presentation via video conference by Education Commission of the States (ECS) on their report regarding the Wyoming model for funding special education

Emily Parker, Senior Policy Analyst of the Education Commission of the States reviewed a presentation ECS had made to the Task Force at an earlier meeting and summarized the ECS report regarding the Wyoming model for 100 percent state funding of special education costs. Mr. Flanders asked about how implementing this model in Connecticut would affect property taxes, Ms. Parker responded that that was not part of her analysis, but in her opinion, the model would likely require a shift in tax policy, increasing those collected by the state. Mr. Scata asked about the disparity in levels of identification rates between states. Ms. Parker stated ECS's research did not indicate that certain types of funding models resulted in higher identification rates. Ms. Demsey noted that the ECS report only identified funding in the Excess Cost grant as Connecticut's system for funding special education and does include the portion of the Education Cost Sharing grant that is attributable to special education.

3. Vote on acceptance of report from ECS

Mr. Kitching moved, and Ms. McCarthy seconded a motion to accept the report from ECS.

Discussion: Ms. Perruccio asked the purpose of voting on accepting the report from ECS. Mr. Galligan clarified that the motion to accept the report is to document the Task Force received

the report, and Rep. Cook explained that legislative task forces are expected to document and share reports and materials obtained in the course of their work. Task force members clarified that the vote does not reflect endorsement or agreement with the contents of the report.

VOTE ON MOTION

In favor: Demsey, DiCenso, Donahue, Flanders, Galligan, Glowski, Grove, Kitching, McCarthy, Perruccio, Scata, Vadiveloo

Opposed: 0

Abstained: 0

Absent: 0

4. Presentation from AON on the draft feasibility study regarding the “basic cost” actuarial model

Mr. Shule reviewed the scope and objectives of AON’s feasibility study. Mr. Shule discussed why captive insurance could be a useful vehicle for a special education cost cooperative, as it is a licensed, regulated, alternative to self-insurance. Mr. Shule reviewed the information-gathering process, which included attending six focus groups with school district and town leaders and one with teachers. Mr. Shule made recommendations for operations and types of captive structures that would be most useful for the purposes of the special education cost cooperative. Ms. Sestito reviewed her analysis of the actuarial model, which she stated was feasible. Ms. Sestito made the following recommendations regarding possible improvements to the model: ensure that expenditure data is collected regularly, so that there will not be a substantial lag in data used in actuarial tables; include the experience adjustment in year one as this data will be available if the model is implemented; take more regular student counts or use averages to ensure accuracy of data; consider increasing the growth factor. Ms. Sestito also made the following comments: there is a cap on the experience adjustment that could limit the incentive to control costs over the cap; the model reduces in-year volatility for all school districts and between-year volatility for the majority of school districts. Mr. DiCenso stated that addressing the year over year volatility is still a matter that requires discussion. Mr. Sobel discussed AON’s estimate for initial capitalization, which uses a 5:1 ratio. Mr. Sobel stated that this was based on current state requirements for captives. Mr. DiCenso stated that he believed that significantly less capital would be required. Ms. Donohue remarked that if approved by the Insurance Department, a lower amount of initial capital could be written into the statute authorizing the cooperative, and that the amount would likely be bonded. Ms. Sobel discussed AON’s pro forma financial statements and noted that the total frictional costs would be approximately \$500,000 per year and a conservative investment strategy could gain between \$18 million and \$40 million per year. Mr. Flanders asked about cash flows and the timing of reimbursements to districts. Mr. Sobel responded that these are questions the board of directors of the entity would need to determine. Dr. Kitching asked that the report be amended to clarify that RESCs did not host the focus groups, and for AON to include more discussion regarding the remarks from the focus groups. Mr. Galligan concurred. Dr. Kitching noted that the model does not reduce rising special education costs. Ms. Perruccio asked what the reinsurance market would be for the cooperative. Mr. Sobel gave examples of stop loss insurance and legal liability insurance.

Ms. McCarthy asked which costs would be covered by reimbursements. Mr. Sobel responded that in the model all costs currently reported to the state as special education costs incurred by school districts are reimbursed. Ms. McCarthy asked what the role of the cooperative's attorneys would be, and Mr. Sobel explained that the attorneys would provide guidance to the cooperative's on the cooperative's legal obligations. Mr. Sobel reminded task force members that the findings in the AON report are based on informed estimates, and that the board of directors of the captive will need to create a final updated model, which could include adjustments.

5. Vote on acceptance of feasibility study from AON

Ms. Donahue moved, and Mr. DiCenso seconded a motion to accept the feasibility study from AON, with the understanding that a final draft is forthcoming.

VOTE ON MOTION

In favor: Demsey, DiCenso, Donahue, Flanders, Galligan, Glowski, Kitching, McCarthy, Perruccio, Scata

Opposed: 0

Abstained: 0

Absent: Grove, Vadiveloo

6. Scheduling of next task force meeting

It was agreed a poll would be sent to ascertain task force members' availability for the next meeting.

7. Other Business

Mr. Galligan thanked AON for their time, and for task force members' thoughtful questions regarding their draft feasibility study.

8. Adjournment

At 4:30 PM, Ms. Donohue moved, and Mr. Flanders seconded a motion to adjourn the meeting.

VOTE ON MOTION

In favor: Demsey, DiCenso, Donahue, Flanders, Galligan, Glowski, Kitching, McCarthy, Perruccio, Scata

Opposed: 0

Abstained: 0

Absent: Grove, Vadiveloo