

V.F.

CONNECTICUT STATE BOARD OF EDUCATION
Hartford

TO BE PROPOSED:
April 5, 2017

WHEREAS, the Town of Winchester, pursuant to Section 304(b) of Public Act 15-5 of the June Special Session, has applied for a waiver of the second of five repayments of \$144,173 required to be made annually by April 30th under the repayment agreement required under Section 304(a) of Public Act 15-5 of the June Special Session for reimbursement of overpayments made by the State pursuant to Section 10-76g of the General Statutes during the fiscal years ending June 30, 2013, to June 30, 2014, inclusive; and

WHEREAS, the Town of Winchester has demonstrated significant improvement in the fiscal and financial practices of its school district, has demonstrated that structural changes have been implemented to ensure the school district is properly handling taxpayer funds, and has satisfied other criteria required by the Commissioner; now therefore be it,

RESOLVED, That the State Board of Education approves the waiver application submitted by the Town pursuant to Section 304(b) of Public Act 15-5 of the June Special Session for the payment to be made by April 30, 2017, and directs the Commissioner to take the necessary action.

Approved by a vote of _____, this fifth day of April, Two Thousand Seventeen.

Signed:

Dr. Dianna R. Wentzell, Secretary
State Board of Education

CONNECTICUT STATE BOARD OF EDUCATION
Hartford

TO: State Board of Education

FROM: Dr. Dianna R. Wentzell, Commissioner of Education

DATE: April 5, 2017

SUBJECT: Town of Winchester's Application for Waiver of Repayment pursuant to § 304 of Public Act 15-5 of the June Special Session

Executive Summary

Background

The Department determined through an audit conducted by the Office of Internal Audit that, during the 2012-2013 and 2013-2014 school years, due to the filing of improperly documented claims, the State made overpayments to the Winchester school district for special education excess cost reimbursement under Connecticut General Statutes ("C.G.S.") § 10-76g in the amount of \$720,865. Under ordinary circumstances, the law provides that, when it is determined that there has been an overpayment in a State Board of Education ("SBE") grant, the grant payment for either of the two fiscal years following the year in which the overpayment occurred shall be adjusted by the amount of the overpayment. C.G.S. § 10-263.

During the 2015 June Special Session ("JSS"), the General Assembly passed legislation specific to the Winchester school district. The legislation established a State-appointed Receiver for the Winchester school district and addressed the issue of repayment of the amount owed to the State. In particular, Section 304 of Public Act 15-5 (JSS) requires the Commissioner and the Town of Winchester (the "Town"), or the school district for the Town, as applicable, to enter into a repayment agreement for reimbursement of the overpayments providing for the first payment (or reduction) to be made by April 30, 2016, and the last payment by 2020. Under the repayment agreement that was entered, the payments are due annually for five years, beginning in 2016.

The General Assembly also enacted a specific provision in the law authorizing the SBE to waive repayment by the Winchester school district under certain circumstances. Specifically, § 304(b) of Public Act 15-5 (JSS) authorizes the Town to apply for waiver of repayment "if the town demonstrates significant improvement in the fiscal and financial practices of its school district, that structural changes have been implemented to ensure the school district is properly handling taxpayer funds, and satisfies such other criteria as required by the Commissioner." Public Act 15-5 (JSS), § 304 (b). This waiver may be approved by majority vote of the SBE upon recommendation of the Commissioner.

At its April 2016 meeting, the SBE approved the waiver application submitted by the Town, thus forgiving the payment of \$144,173 that was due on or before April 30, 2016. In granting this

waiver, the SBE found that the Town of Winchester in fact had “demonstrated significant improvement in the fiscal and financial practices of the school district, has demonstrated that structural changes have been implemented to ensure the school district is properly handling taxpayer funds, and has satisfied other criteria required by the Commissioner.” (SBE Resolution, Item V.G., April 6, 2016, SBE Meeting).

The Town of Winchester has now applied for waiver of the payment of \$144,173 due, in accordance with the repayment agreement, on or before April 30, 2017. I recommend that the SBE approve this waiver. While the Winchester school district is in a far better position financially than it was in August 2015 when the Receiver was appointed, the Town of Winchester and its school district remain in fiscal distress. It is not in the interest of the children of Winchester for the district’s fiscal condition to worsen. Indeed, since the start of the receivership in Winchester – and continuing with the appointment of a new receiver – the school district and the Town have taken several important steps to create the necessary management structure, systems, and controls to significantly improve the administrative and financial operations of the district.

Moreover, the district has hired a director of special education and has successfully resolved a number of outstanding legal actions regarding the provision of special education services to eligible students. The district also hired an experienced school business manager, and engaged CohnReznick, a public accounting firm, to assist in the filing of two years of outstanding state and federal expenditure reports. The school business manager has enacted policies and procedures to ensure the proper handling and accounting for financial transactions at the district level and filed this year’s expenditure report on time. Under the leadership of new Receiver Freeman Burr, contract negotiations with the Gilbert School, an endowed academy which educates Winchester’s grades 7 through 12 students, are ongoing with not only excellent educational outcomes but also long-term financial stability for the district as critical goals.

Recommendation

The Town has applied for waiver of repayment of the payment due by April 30, 2017, which is the second of five annual repayments to be made to the Department pursuant to the repayment agreement that is required by under Section 304(a) of Public Act 15-5 (JSS). Based on the Department’s review of the school district’s current policies and practices, it is my assessment that the Town has satisfied the conditions for receiving a waiver of its 2017 repayment to the Department. Thus, the Town has demonstrated significant improvement in the fiscal and financial practices of the school district and that structural changes have been implemented to ensure the school district is properly handling taxpayer funds. For these reasons, I recommend that the SBE approve the Town’s application for a waiver of the \$144,173 payment due April 30, 2017.

Prepared by: Matthew E. Venhorst, Attorney
Division of Legal and Governmental Affairs

Reviewed by: Kathy Demsey, Chief Financial Officer
Finance and Internal Operations

Approved by: Peter Haberlandt, Director
Division of Legal and Governmental Affairs