

**Special Education Cost Model Task Force
Minutes of Meeting
April 8, 2019**

Call to Order

Pursuant to notice filed with the Secretary of the State, the Special Education Cost Model Task Force met on Monday, April 8, 2019 in Meeting Room C, of the State Office Building, 450 Columbus Boulevard, Hartford, Connecticut.

Matthew Galligan, chair, called the meeting to order at 10:40 AM.

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
- 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
- Jeyaraj Vadiveloo, Director, Goldenson Center for Actuarial Research, University of Connecticut (by teleconference)

Task force members absent:

- Jeffrey Kitching, Executive Director, EdAdvance

Others in attendance:

- Kyle Abercrombie, Connecticut School Finance Project
- Rakesh Beniwal, Morgan Lewis, LLP
- Martha Deeds, Connecticut School Finance Project
- Mary Glassman, Capitol Region Education Council
- Janet Grace, Connecticut Insurance Department
- Leah Grenier, Office of Policy and Management
- Lisa Hammersley, Connecticut School Finance Project
- Melinda Kauffman, Pullman & Comley, LLC
- Bryan Klimkiewicz, State Department of Education Bureau of Special Education
- David Lenihan, Connecticut Association of School Business Officials
- Tom Mooney, Shipman & Goodwin
- Fran Rabinowitz, Connecticut Association of Public Schools Superintendents
- Orlando Rodriguez, Connecticut Education Association (by teleconference)

- Katie Roy, Connecticut School Finance Project
- John Shule, AON
- Mark Sommaruga, Pullman & Comley, LLC

1. Review and acceptance of minutes

Task force members reviewed the draft meeting minutes from the March 12, 2019 meeting.

Ms. McCarthy asked that page 3 be amended to include additional clarification that a vote to accept the report does not reflect agreement or endorsement.

Mr. DiCenso asked that item four be amended to reflect that the discussion related to year over year predictability was not settled during the meeting.

Mr. Flanders moved, and Ms. Perruccio seconded a motion to accept the minutes of the March 12, 2019 meeting, as amended.

VOTE ON MOTION

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

Opposed: 0

Abstained: 0

Absent: Kitching

2. Review and accept final feasibility study from AON on the “basic cost” model

Mr. Galligan asked that the task force accept the final report from AON and clarified that the action does not indicate a recommendation by members for the contents of the report. Mr. Galligan pointed out the changes to the report were primarily related to further documentation of focus groups, and small technical changes. Mr. DiCenso asked for confirmation from Dr. Vadiveloo that the first three equity options were test iterations, but Dr. Vadiveloo was not present at the meeting so Mr. DiCenso indicated he would clarify this point directly with Dr. Vadiveloo.

Ms. McCarthy moved, and Ms. Donohue seconded a motion to accept the final report from AON on the “basic cost” model.

VOTE ON MOTION

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

Opposed: 0

Abstained: 0

Absent: Kitching

3. Presentation by Morgan Lewis regarding the draft report on captive formation and recommendations for governance

Rakesh Beniwal of Morgan Lewis gave a presentation on his report on captive formation and governance. Mr. Beniwal recommended that the most useful form of captive formation for the co-op model would be a sponsored captive, with the state or a trust as the sponsor. Ms. Grace clarified that the sponsor of a captive insurance company is the entity that provides the initial capitalization, and in the case of the crumbling foundations captive, a trust was formed so the state could provide this funding. Mr. Beniwal discussed potential governance structures that would ensure diverse, qualified representation from school districts and towns. Ms. Demsey asked if financial disclosures could impact a distressed municipality's ability to participate. Mr. Beniwal stated that the disclosures were provided to the state regarding the fiscal health of the captive itself, not the financial situation of its members. Ms. Perruccio asked about who comprises the stockholders, board, sponsor, cell, and insured. Ms. Grace clarified that the cell refers to the risk pool, the sponsor is the entity that provides the initial capitalization, and the insureds and owners/stockholders are the same group – districts and towns. Mr. Scata asked who the fiduciary agent is, and who would resolve disputes. Mr. Beniwal responded that it is the board of directors. Ms. Grace added that the board would have a process and a claims committee, but that the day to day management of reimbursements would be handled by a qualified vendor, selected by the board. Ms. Demsey asked if the state would provide the initial capitalization. Ms. Grace stated that the state could provide the funding to a trust, that would act as the sponsor, and could also allocate its contribution to that trust on an annual basis. Ms. Perruccio asked if the state contribution would come from federal IDEA funds. Ms. Demsey replied that no, the funding would come from the ECS and Excess Cost grants, as the state has its own maintenance of support requirement. A number of members expressed that they were unaware that a model to finance all special education costs was under discussion; Mr. Galligan responded that the enacting legislation was regarding a model to fund all special education costs, as that was the only model in existence when the statute was written, and that the interest of task force members resulted in the UCONN Goldenson Center for Actuarial Research developing an excess cost model, which is currently under review by AON. Ms. Grace cautioned that the authorizing legislation be drafted to ensure that directors are qualified to manage licensed insurance entity. In the case of the crumbling foundations captive, the legislature assigned board seats to stakeholder groups, but did not specify qualifications, which has complicated the licensure process. Ms. Glassman stated that CT Prime's board is comprised of a mix of town and school officials, including town managers, human resource directors, finance directors, business managers, elected officials, and superintendents. Mr. Galligan added that his experience of serving on the CT Prime board is that procedures were transparent, and that the committees were made up of diverse staff members from towns and districts, and that their input has been valuable to the board. Mr. Flanders asked why towns would serve on the board. Mr. Galligan responded that it was necessary because towns have to approve budgets, raise funds, and in the end is the payor on behalf of school districts. Mr. Scata asked how big the CT Prime board is. Ms. Glassman stated that there are 15 member towns, and seven board members. Ms. Glassman suggested that the co-op board be modeled after board structure from a recognized statewide organization. Mr. Beniwal stated that he looked at these board compositions in making his recommendations. Mr. Galligan stated that there

needs to be balanced representation, so that the board of directors and communities can work together to manage the entity. Mr. Flanders stated that any board should include parents. Mr. Beniwal responded that the possible structure that he has presented does include parents as part of an advisory committee to the board. Ms. Perruccio asked about dispute resolution procedures. Mr. Beniwal stated that there should not be many disputes, because claims would not be denied for any special education expenditure, but there needs to be a process in the rare case of a dispute. Mr. Beniwal also pointed out that there needs to be a procedure for districts joining and leaving the co-op, so that districts are not able to leave when they anticipate low costs and join when they anticipate high costs. Mr. Beniwal suggested a three-year period for districts that choose to join or exit. Ms. Rabinowitz stated that she was comfortable with the co-op model, as long as it remains a funding mechanism, and not a means of controlling special education service delivery decisions. Ms. Rabinowitz questioned the purpose of having parent, teacher, or special education directors on advisory boards, because she worries that it will invite conversations about service delivery, which is not the purpose of the co-op. Ms. Grace stated that the advisory boards are for the comfort of stakeholders, and to ensure there is a venue for them raise concerns. Mr. Flanders stated that he was also concerned that the co-op board would make service delivery decisions and cap reimbursements. Ms. Donohue responded that this would be illegal under IDEA, and that the board would not have that authority, but that it could also be clarified in state statute. Mr. Flanders asked whether it would impact the maintenance of effort calculations if towns that choose not to participate and forgo state funds. Ms. Demsey replied that those towns would have to make up the funding at the local level. Mr. Galligan discussed the benefits of negotiating as a group, and that the co-op board will have more leverage at the General Assembly than do individual towns or districts. Ms. Rabinowitz expressed concern that the equity discount might encourage low-income communities to increase identification rates. Mr. DiCenso asked for town by town runs. Mr. Galligan stated that he would send the model, which is currently available on the OPM website, out to members—Mr. DiCenso stated that he was able to find it online.

4. Vote on acceptance of report from Morgan Lewis

Mr. Scata moved, and Mr. Grove seconded a motion to accept the report from Morgan Lewis.

VOTE ON MOTION

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

Opposed: 0

Abstained: Demsey

Absent: Kitching

5. Presentation from Pullman & Comley regarding the draft report on compliance with special education legal requirements

Mark Sommaruga and Melinda Kauffman of Pullman & Comley presented their report and findings to the task force. Mr. Sommaruga stated that it was not within his scope to determine the advisability of the model, but to determine whether it is legal under state and federal law.

Mr. Sommaruga stated that it is his legal opinion that the co-op is legal under IDEA and

stressed the fact that the entity would be subject to all existing state and federal statutes and regulations regarding special education service delivery. Mr. Sommaruga stated that the Planning and Placement Team (PPT) process would stay in place under the co-op model, and decisions regarding students' programs of special education made by PPTs, not the co-op board. Mr. Sommaruga clarified that it would violate IDEA for the co-op to make special education service-related decisions or to deny payment for any special education-related expense and that the co-op would solely serve as a funding mechanism. Mr. Sommaruga stated that the co-op would address volatility. Mr. Sommaruga stated that he did not foresee an issue with districts' maintenance of effort compliance, as special education costs continue to increase, and there are a number of flexibilities in how districts report their expenditures. Mr. Sommaruga indicated that he thought the co-op model would increase transparency related to special education expenditures on the state and local levels. Mr. Sommaruga raised the following issues as requiring attention during the implementation process: legislation should be very clear about the authority of the co-op board and should underscore that the PPT process remains in place; payments to and from the co-op must be regularly made in order to address cash flow concerns; it may be necessary to change the minimum budget requirement statute to ensure that town's payments to the co-op are included; interest revenues and other unexpended funds must be delivered to members without reducing maintenance of effort.

6. Vote on acceptance of report from Pullman & Comley

Ms. Flanders moved, and Ms. Perruccio seconded a motion to accept the report from Pullman & Comley.

VOTE ON MOTION

In favor: Demsey, DiCenso, Donohue, Flanders, Galligan, Glowski, Grove, McCarthy, Perruccio, Scata, Vadivelloo

Opposed: 0

Abstained: 0

Absent: Kitching

7. Scheduling of next task force meeting

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

8. Other Business

None.

9. Adjournment

At 12:29 PM, Mr. Flanders moved, and Ms. Demsey seconded a motion to adjourn the meeting.

VOTE ON MOTION

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

Opposed: 0

Abstained: 0

Absent: Kitching, Vadiveloo