

# Unadilla Valley Central School District

## Non-Resident Special Education Student Tuition

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**JULY 2022**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Unadilla Valley Central School District

### Audit Objective

Determine whether Unadilla Valley Central School District (District) officials established nonresident tuition (NRT) rates for special education students in accordance with regulations.

### Key Findings

Officials did not establish NRT rates for special education students in accordance with regulations.

- The District's NRT rates exceeded the New York State Education Department's (SED's) maximum allowable rate during four of the past five school years. As a result, the District overcharged seven school districts by a total of \$183,250.

### Key Recommendations

- Ensure that the District's NRT rate does not exceed SED's maximum allowable tuition rate.
- Consult with SED to obtain the guidelines for calculating a higher tuition rate.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the District's response letter.

### Background

The District serves the Towns of Columbus, New Berlin, North Norwich, Norwich and Sherburne in Chenango County, the Town of Brookfield in Madison County and the Towns of Butternuts, Edmeston, Morris and Pittsfield in Otsego County.

The District is governed by an elected seven-member Board of Education (Board) that is responsible for managing and controlling the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for managing the District's day-to-day operations under the Board's direction.

The District contracts with seven neighboring school districts to educate those districts' special education students.

#### Quick Facts

2020-21 Non-Resident Special Education Enrollment	15
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2020-21 NRT Special Education Revenue	\$345,000
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### Audit Period

July 1, 2017 – December 10, 2021

# Non-Resident Special Education Student Tuition

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For the 2018-19 through 2021-22 school years, the Board established an annual NRT rate of \$25,000 per student. The rate was prorated for students who attended for less than a full school year.

## How Should Officials Establish Non-Resident Special Education Tuition Rates?

New York State school districts may admit nonresident students upon consent of their boards of education (boards) and upon terms adopted by the boards. Those terms include charging tuition for nonresident students at board-established rates. SED establishes maximum allowable NRT rates<sup>1</sup> for each school district and allows districts to charge these rates for nonresident special education students. Each rate is based largely on a school district's cost to educate students in grades K-6 and 7-12 (two separate rates).

Tuition rates charged for nonresident special education students cannot exceed SED's maximum allowable tuition rate for special education students. School districts must use the SED rate unless their accounting records are sufficient to support a higher rate.

School district boards and superintendents are responsible for making sound financial decisions in the best interests of their school district, which includes setting appropriate tuition rates. Proposed rates should be compared to SED's maximum allowable rate to ensure school districts do not exceed the rate.

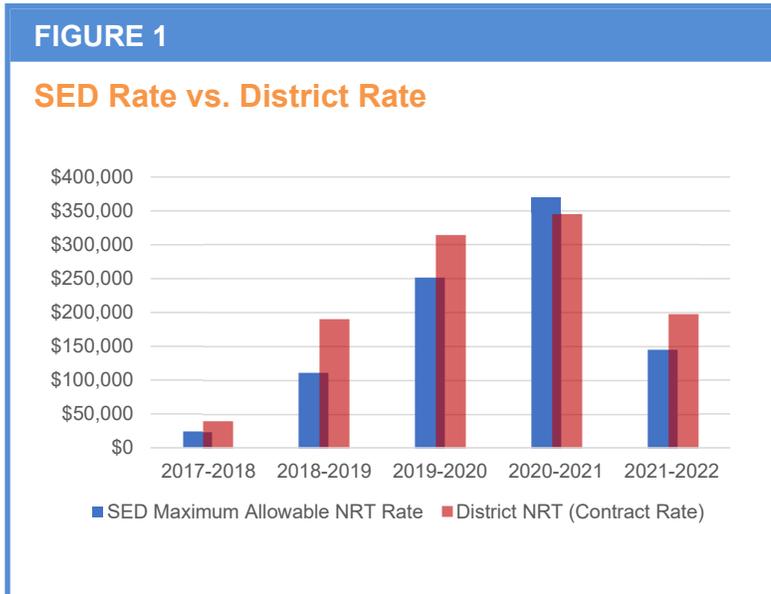
## Officials Did Not Establish Non-Resident Tuition Rates for Special Education Students in Accordance With Regulations

The Board approved an NRT rate (one for all school districts and all grades) for special education students without considering SED's maximum allowable NRT rates for the District. The District's NRT rate is an annual amount. If a student required an individual aide, the District charged an additional amount to that student's school district.

We reviewed the rates associated with the District's contracts and compared them to SED's maximum allowable tuition rates. We reviewed historical tuition rates back to the 2017-18 fiscal year to determine how the District's NRT rate compared with SED's maximum allowable NRT rates. We found that the District used a flat rate for students, regardless of grade. During our audit period, the rate exceeded SED's maximum rates for grades K-6 and 7-12 in all school years except 2020-21 (Figure 1).

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<sup>1</sup> This rate is commonly known as the Seneca Falls formula.



As a result, the District overcharged the seven school districts by a total of \$183,250 for NRT.

We asked District officials how they calculated, and what information they used to calculate, the rate. Although current officials could not tell us exactly how the rate was calculated, they told us that it was designed to cover all costs associated with providing special education services to students.

Also, while officials could not provide specific information regarding what was included in the calculation, they told us it was generally calculated by using the following information:

- A classroom ratio of 12 students to one teacher to one paraprofessional (individual aide) with an undefined presumed number of students for each class.
- Costs of salaries and benefits for teachers and aides.

District officials told us they were unaware of SED’s maximum allowable NRT rate and that the District could not exceed this rate unless its accounting records could support a higher rate. Because the Board and District officials could not support a higher rate, they unknowingly exceeded the maximum allowable rate during four of the five years of our audit period.

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## What Do We Recommend?

District officials should:

1. Review the NRT rate and ensure an appropriate amount is being charged that does not exceed SED's rate. If necessary, consult with SED to obtain the guidelines for calculating a higher tuition rate to determine whether the District can support a higher rate with its accounting records.
2. Consult with SED and the District's legal counsel to determine how to appropriately address the amounts overcharged to the seven school districts.

# Appendix A: Response From District Officials

## **UNADILLA VALLEY CENTRAL SCHOOL DISTRICT**

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June 24, 2022

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Binghamton, NY 13901  
Attention: Ann Singer  
[muni-binghamton@osc.ny.gov](mailto:muni-binghamton@osc.ny.gov) – Sent via email and regular mail

***RE: Unadilla Valley Central School District Response to the New York State Office of the State Comptroller related to Non-Resident Special Education Student Tuition Draft Report of Examination from Office of the State Comptroller for Period Covering 2017/18-2021/22 School Year***

Ladies and Gentlemen:

On behalf of the Board of Education and administration, we would first like to thank the local staff of the Comptroller's Office for their professionalism while conducting the audit on the Unadilla Valley Central School District. The Comptroller's office validated nonresident tuition (NRT) rates for special education students in accordance with regulations for the period of July 1, 2017 - June 30, 2022.

The staff was courteous and helpful throughout the audit process. Please accept this letter as the district's formal Corrective Action Plan and response.

In the past, district officials worked with the Board of Education to develop a nonresident special education tuition rate determined to be consistent with the net cost of educating nonresident pupils, and that was well below the DCMO BOCES rate in an effort to provide the best educational services to our resident students, keeping them on campus, and by offering a location for our regional education partners that would provide cost savings to them and their communities. Below is an illustration of the DCMO BOCES costs with the aid reimbursements to further show how the regional approach provided effective programming options at an overall lower cost.

***THE MISSION OF THE UNADILLA VALLEY CENTRAL SCHOOL DISTRICT IS TO PROVIDE STUDENTS WITH A QUALITY EDUCATION OF HIGH ACADEMIC STANDARDS WHILE FOSTERING CREATIVITY, DIVERSITY, AND CRITICAL THINKING IN A SAFE AND NURTURING ENVIRONMENT.***

	# Students	Service	UV Bill	Deduct/Pupil	Aid Ratio	State Aid	DCMO Cost	Net Cost	UV Savings
District A	1	12:1:1, 6th Grade	\$25,000.00	(\$45,924)	0.729	\$0.00	\$36,797.00	\$36,797.00	\$11,797.00
	2	15:1, 12th Grade	<u>\$50,000.00</u>	(\$91,848)	0.729	\$0.00	\$73,594.00	\$73,594.00	<u>\$23,594.00</u>
			\$75,000.00						\$35,391.00
District B	1	12:1:1, 5th Grade	\$25,000.00	(\$42,405)	0.711	\$0.00	\$36,797.00	\$36,797.00	\$11,797.00
	1	8:1:1, 2nd Grade/shared Aide	\$42,511.09	(\$42,405)	0.711	\$21,947.15	\$73,273.00	\$51,325.85	\$8,814.76
	0.3	8:1:1, HS/1:1 Aide	\$18,006.65	(\$42,405)	0.711	\$0.00	\$29,422.80	\$29,422.80	\$11,416.15
	0.3	8:1:1, HS/shared Aide	<u>\$12,753.33</u>	(\$42,405)	0.711	\$0.00	\$21,981.90	\$21,981.90	<u>\$9,228.57</u>
			\$98,271.07						\$41,256.48
District C	0.6	12:1:1, 5th Grade/shared Aide	\$25,506.65	(\$55,200)	0.694	\$0.00	\$36,960.00	\$36,960.00	\$11,453.35
	1	15:1, 10th Grade	<u>\$25,000.00</u>	(\$55,200)	0.694	\$0.00	\$36,797.00	\$36,797.00	<u>\$11,797.00</u>
			\$50,506.65						\$23,250.35
District D	0.4	12:1:1, 5th Grade/shared Aide	\$17,004.44	(\$42,711)	0.736	\$0.00	\$24,640.00	\$24,640.00	\$7,635.56
District E	0.3	8:1:1, 5th Grade	\$7,500.00	(\$47,412)	0.715	\$0.00	\$14,541.00	\$14,541.00	\$7,041.00
Total UV billing to partnering districts			\$248,282.16						<b>\$114,574.39</b>
					<b>Total savings for partnering districts using UV</b>				

Pursuant to Part 174 of the Regulations of the Commissioner of Education, the State Education Department produces a Nonresident Tuition (NRT) Output Report for both the previous and the current school year. These tuition rates may be used for billing purposes. Alternatively, if a district's accounting records are sufficient to warrant a greater charge than such estimated amount, such greater charge is authorized, so long as the total charge does not exceed the actual net cost of educating nonresident pupils. We are pleased the Comptroller's Report of Examination did not determine the School District charged amounts in excess of the actual net cost of educating nonresident pupils during the years examined. However, we recognize the Comptroller's guidance regarding the need to develop improved accounting practices to support such higher rate, as applicable.

See  
Note 1  
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The Unadilla Valley Central School District agrees with the State Education Department memo released on December 10, 2021 which states that the Board of Regents will focus budget priorities to include: *“Redesign tuition rate-setting- 1.25 million to design a new tuition rate-setting methodology to appropriately resource preschool and school-age special education providers.”*

We understand that the methodology needs to be addressed, and we will work with the Department in the 2022-2023 school year to advance an improved methodology at Unadilla Valley to better support our special needs students and those within the region supported with our programs.

Working with partnering districts, the Unadilla Valley Central School District demonstrates transparency by providing an upfront plan for tuition charges. As illustrated in the example above, our tuition rate is advantageous to our regional partners as it is a lower rate than that of the DCMO BOCES (cumulative annual savings of over \$114k), and consistent with the net cost of educating nonresident pupils. In addition, Unadilla Valley Central School District has worked with our partnering districts to provide tuition reimbursement which reduces cost if a student leaves the program early or if the partnering district has concerns with the tuition base (see districts B-E above).

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In the audit report, the Unadilla Valley Central School District is stated to have charged our partnering districts in excess of the estimated Non-Resident Tuition (NRT) rate published by SED. We note the charge in excess of SED's estimated rate determined by the Comptroller's Office equates to approximately \$36,000 annually, which per district is only \$5,000. Our regional partners understand that although they are paying \$5,000 in excess of SED's estimated rate, it remains an overall savings that would not be possible when working with our local BOCES. The Unadilla Valley Central School District must carry a longevity cost for our employees throughout retirement that is not being considered by the State Education Department's methodology for the allowable tuition rate. In the end, the decision making behind this rate was reviewed in past audits and viewed as favorable in that it demonstrates an effort to be fiscally responsible within our local region. It also demonstrates the districts' commitment to fostering inter-municipal cost sharing arrangements of mutual benefit as actively encouraged by the State of New York.

Moving forward, the Unadilla Valley Central School District will follow the recommendation to consult with the State Education Department for guidelines to maintain accounting records which support the tuition rate charged, and to help them better understand how the region can work together to provide comprehensive, economically sound education programs for our students with special needs throughout the region.

Until this time, the Unadilla Valley Central School District will use the nonresident tuition rate for special education students in accordance with current regulations and guidelines so as not exceed the State Education Department's maximum allowable tuition rate.

Please feel free to contact me if you have any questions and/or concerns regarding the district's response.

Sincerely,



Brenton S. Taylor, Superintendent of Schools

BT/vld

cc: Unadilla Valley CSD Board of Education  
Wayne Tilley, Business Official/District Treasurer

## Appendix B: OSC Comment on the District's Response

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### Note 1

Officials stated they were pleased that our report did not determine that the District NRT charge amounts exceeded the cost to educate nonresident students. However, officials could not support their NRT charge calculations. As a result, we could not determine whether the NRT charged to school districts exceeded the District's cost to educate nonresident students.

## Appendix C: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We gained an understanding of the special education NRT rate by reviewing the most recent contracts and invoices and by interviewing District officials.
- We asked District officials how they calculated the NRT rate and whether they had ever calculated the actual cost to educate nonresident special education students or reviewed SED's NRT rates.
- We compared SED's special education NRT rates during our audit period to the NRT rate that the District charged to other school districts to determine whether the District was charging more than SED's maximum allowable NRT rates.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

## Appendix D: Resources and Services

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### **Regional Office Directory**

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