



## **New Horizons Cost Allocation Plan By Program and Locality (Revised 2005)**

### **Preamble**

The Finance Directors of the participating school divisions were charged with revising the NHREC 2001 Cost Allocation Agreement and budget process based upon recommendations of the 2005 Strategic Analysis Team Report. The objectives to be achieved are: 1) promote full utilization of all programs, 2) assure funding for NHREC t based upon budgeted level of services, 3) calculate program cost allocation based upon local utilization and actual costs of each program, 4) create a funding process that facilitates ongoing dialogue regarding NHREC's program efficiency and effectiveness.

### **1. Effective Date and Definitions**

The revised cost allocation plan by program and locality shall be put into place effective July 1, 2006. Section ten adequate fund balance will remain in place as written. Unless otherwise noted, all financial data shall refer to budget expenditures. Locality refers to each school division that is part of New Horizons.

### **2. New Horizons Total Budget**

NHREC will provide a Board approved budget to the school divisions by the end of January, based upon available data. School divisions will integrate the NHREC budget into their budget development process with adjustments made to either the NHREC or divisional budgets as required. Budgeting process will focus on program effectiveness, program development and cost efficiency. The determination of the scope and magnitude of program offerings, staffing levels and administrative support necessary to carry out the duly authorized activities of New Horizons Regional Center shall rest with the Executive Director and Governing Board of New Horizons. Input from Career and Technical Education Directors, Special Education Directors, and Gifted Coordinators of each participating locality shall be received during the annual budget preparation cycle.

### **3. Administrative and Facility Related Expenditures**

All administrative and facility related expenditures not directly attributable to a specific program cost code, or paid for by other external revenue sources, shall comprise the "overhead" pool. The "overhead pool" will be allocated to each program based on its percentage of the total direct program expenditures.

#### 4. Enrollment Projections and Reductions

Enrollment projections are critical to the successful implementation of the New Horizons budget. The Executive Director shall provide each locality with a three-year utilization average for each service area. NHREC will utilize special education program projections to determine program utilization and tuition (program costs plus % of facility related expenditures). For all other program areas (C&TE, governor's school and transition services) NHREC will use the three-year utilization to establish the locality "enrollment floor" and funding level. Any locality, for budget development purposes, may reduce their three-year utilization average in any service area by up to 10% upon request with accompanied written justification. The request is subject to approval by the New Horizons Executive Director. This option is provided to localities having a justifiable cause for reduction of services. The written justification will be shared with all participating divisions since they will be required to absorb the additional costs. A substantial withdrawal of enrollment from a service area (over 10%) requires two-years notification so as to protect the immediate cost shifting to other divisions, and allow time for program planning and staffing.

#### 5. Career and Technical/Transition Services

##### *a. Establishing enrollment and cost to locality*

Projected enrollment for local costing purposes will be based upon the three-year average utilization per program area, unless a 10% reduction is requested in any program area per section 4. The three-year average utilization is the "enrollment floor" for the division. Utilization will be based upon the following: CTE, work awareness and job coach – student enrollment; and vocational evaluation – days of service. Assuming there are sufficient applications and course capacity, New Horizons will accept, at a minimum, the "enrollment floor" for each division. Based upon the number of applications and availability of training slots a higher number of students can be enrolled at no additional cost to the division for that school year.

##### *b., c., d. - Adjustment and Reconciliation of cost to locality (deleted)*

##### *e. Referrals and Acceptance*

Each division may send all student applications to NHREC for scheduling. This will allow NHREC flexibility in over-scheduling to achieve the "enrollment floor" (three-year utilization average) for each division and greatest possible utilization, as well as develop trend data for program expansion. NHREC will notify school divisions in May of all students accepted and not accepted for scheduling purposes. A wait list will be established for all students not scheduled.

##### *f. Requesting additional services*

A locality may request to secure additional enrollment above the three-year average utilization "enrollment floor." The Executive Director shall determine if sufficient capacity exists to meet the request and approve accordingly. The divisions newly established average will be utilized for cost allocation purposes. This would be done on an annual basis (i.e. the next year the locality "enrollment floor" would initially be calculated using a three-year utilization average).

## 6. Special Education

### *a. Establish of per-pupil rate based upon projected enrollment*

All direct costs, including supervision and percent usage of transition services, shall comprise the special education cost pool. The pool shall absorb its pro-rata share of the “overhead pool” as defined in section three. Special education costs shall be further subdivided into the three categories of ED, Alt ED, and Autism. All applicable program revenues shall be deducted before calculation of local rates. Each program’s net costs shall be divided by the total projected students to compute a per-pupil cost. Each locality shall be invoiced at the end of every month based on their actual number of special education students.

### *b. Year-end reconciliation of aggregate number of pupils served*

A year-end reconciliation shall be done for the special education program as soon as data is available. A comparison shall be made between the number of students actually sent by each locality and the number of estimated students used in section 6a to determine a per-pupil rate. If the aggregate of the number of pupils sent is less than the total number used to determine the rate in section 6a, the “make-good” provisions of section 6c shall be instituted.

### *c. Make-good provisions for under utilization of capacity*

Each locality’s costs shall be recalculated for the entire year based upon the existing rates and the number of pupils projected as per section 6a (rather than the actual number of pupils sent). Should the amount calculated in this section be more than the amount actually paid, the locality shall be required to remit the difference within 30 days.

### *d. Requesting additional services*

Should a locality request additional services, the Executive Director will convene the Special Education Directors from the localities to determine if sufficient capacity already exists or can be expanded with current staff. If affirmative, the locality will be provided the service. If the capacity does not exist, the Executive Director shall compute a special rate for the locality of the cost of expanding the capacity. The special rate shall be higher than the rate established as per section 6a.

### *e. Advances for cash flow purposes*

Each July, New Horizons shall invoice each locality for 20 percent of their estimated annual special education tuition. This amount shall be applied to the final two months invoices. The balance due, if any, shall be remitted by the locality. Should the locality be due a credit, New Horizons shall give a refund.

### *f. Staffing*

The Executive Director shall leave at least a certain percentage of special education position vacancies unfilled until such time as actual enrollment warrants hiring the staff.

## **7. Governor's School**

Due to significant enrollment fluctuations during the last three years and a new model being proposed for 2008, the "enrollment floor" and funding level for each division in 2007 will be based upon 2006 purchased credits with a year-end reconciliation. This will be revised for 2008 to reflect the implementation of a new program model.

## **8. Transition Services (deleted, covered in 5)**

## **9. Resolution of Unknown or Unclear Items as per this Allocation Plan**

If the Executive Director is unclear as to how to interpret or implement any provision of this agreement (to include whether a cost is a direct program cost or an overhead cost), he shall inform the Chief Financial Officers of each locality collectively. They shall make the final decision based upon a consensus of the group or a majority vote. It is hoped that minor issues can be resolved via telephone calls, but a meeting may be called by any member to discuss the matter.

## **10. Adequate fund balance**

New Horizons shall endeavor to maintain a minimum fund balance of 4% of their total budget for cash flow and emergency purposes. The Executive Director shall review the adequacy of the fund balance at the end of each fiscal year and more frequently if needed. Should the fund balance fall below the, minimum of 4%, or be projected to fall below the 4% level by the end of the fiscal year, the Executive Director shall advise the Governing Board. The Board shall then consider whether to invoice each locality to provide a contribution to restore the fund balance. Each locality shall be invoiced its pro-rata share of the amount needed based upon the total revenues contributed for all programs of the previous fiscal year. The fund balance requirements should be evaluated each year.

## **11. Changes to Cost Allocation Plan**

The Governing Board may at its discretion amend this plan from time to time as required or as necessary.