

Management's Discussion and Analysis

The District's special education program operates within a strictly regulated financial and legal framework that limits the ability to make quick cost reductions. According to the independent special education review by WestEd, the District is legally compliant and dedicated to inclusive practices. However, increasing expenses, complex staffing needs, and stagnant student outcomes require a strategic, multi-year plan for financial and operational improvement.

Under the Individuals with Disabilities Education Act (IDEA), the District is subject to federal Maintenance of Effort (MOE) requirements, which mandate that state and local spending for special education and related services must be maintained at or above the highest level previously met in order to preserve eligibility for IDEA Part B funding. The WestEd fiscal review confirms that MOE obligations apply to both budget development and actual expenditures, and that failure to meet MOE obligations carries significant financial risk, including the potential repayment of federal funds. As noted in the WestEd report:

“MOE is a federal requirement under IDEA that ensures that LEAs provide consistent funding levels and supplement, not supplant, federal IDEA Part B funds. LEAs receiving IDEA Part B funds are required to both budget (eligibility standard) and spend (compliance standard) local, or state and local, funds for special education and related services year to year (34 CFR 300.203)” (WestEd, p. 32).

Although limited MOE exceptions exist, such as documented decreases in special education enrollment, voluntary staff departures, or the conclusion of unusually high-cost individual services, these exceptions are narrow and situational. Based on current enrollment trends, staffing levels, and service obligations, the District does not anticipate qualifying for material MOE reductions in the 2026–27 fiscal year. As a result, meaningful near-term reductions in special education spending are neither realistic nor legally permissible without jeopardizing federal funding and compliance.

Accordingly, Year 1 of the District's three-year strategic plan emphasizes strengthened fiscal coordination, improved MOE tracking procedures, and cross-department collaboration between special education, finance, and human resources. This approach aligns with WestEd's recommendation to use MOE data proactively for budget planning rather than as a retrospective compliance exercise.

Staffing represents the most significant and least flexible cost driver within the special education budget. WestEd's analysis indicates that the District maintains student-to-staff ratios that are generally more favorable than state averages, particularly for psychologists and social workers, reflecting a deliberate investment in service accessibility and compliance capacity. These ratios support timely evaluations, IEP implementation, and crisis response, but also contribute to higher baseline expenditures that are incorporated into the District's MOE threshold.

The audit further highlights that traditional caseload-based staffing models do not fully capture the scope of staff responsibilities, including compliance activities, meetings, crisis response, and service coordination. In response, the District has begun implementing workload-based staffing frameworks that provide a more accurate assessment of staffing needs while maintaining the required service intensity. This shift is critical to ensuring staffing alignment without compromising student services or violating IEP mandates.

Additionally, WestEd identified paraprofessional utilization and contracted services as areas requiring closer monitoring. While paraprofessionals are essential to implementing many IEPs, inconsistent fading practices and reliance on higher-cost contracted providers have contributed to expenditure growth. Year 1 priorities, therefore, include improved tracking of paraprofessional assignments, clearer fading expectations, and a gradual reduction in contracted services where in-district staffing is feasible, all actions that support long-term cost containment while remaining MOE-compliant.

Because MOE requirements effectively lock in prior-year spending levels, the District's financial strategy is necessarily phased. Immediate cost reductions in 2026–27 are neither prudent nor compliant. Instead, the District's three-year plan focuses first on stabilizing systems and staffing alignment, followed by incremental efforts in Years 2 and 3 to slow expenditure growth through improved in-district capacity, refined service delivery models, and more precise staffing decisions.

This measured approach allows the District to meet its legal and ethical obligations to students with disabilities while establishing the structural conditions necessary for long-term fiscal sustainability, consistent with the recommendations of the WestEd audit and the District's commitment to inclusive, high-quality special education services.