



Rate Setting Unit
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To: Approved special education providers (ASEPs)
From: New York State Education Department (NYSED) Rate Setting Unit (RSU)
Subject: Surplus reporting guidance

Background: In accordance with Chapter 56 of the Laws of 2022 and NYSED's tuition rate setting methodology, certain ASEPs may retain surpluses in 2021-22 and thereafter. If retaining a surplus, the statute and methodology require providers to include in their annual financial reports the total balance of surplus funds, the amount retained in the prior school year, and the amount dispersed in the prior school year.

Issue: NYSED recognizes it would be difficult for providers to know and report accurate surplus amounts due to the timing of certain rate-setting processes. That is, the Consolidated Fiscal Report (CFR) filing deadlines occur before RSU issues reconciliation rates for the school year. Any estimated surplus amounts reported on the CFR may change based on findings from RSU's desk audit and may impact the final surplus amount, which is calculated based on reimbursable dollars.

Recommendation:

1. If surplus funds are used to pay for prior year debts/expenses, report them in the financial statements but omit them from the current year CFR core schedules. Report the surplus revenue/expenses as a "reconciling item" (which explains a difference between the CFR and the financial statements prepared by a Certified Public Accountant). This is based on the expectation that prior year expenses would have been reported on a previous CFR, according to accrual-based accounting, and should not be reported a second time.
2. If surplus funds are used to pay for current year expenses, report the expenses in the appropriate CFR cost code and report surplus revenues in the CFR "Other" line as non-offsetting.

Meaning, providers will track the surplus balance on their financial statements, not on the CFR. The CFR will only capture the surplus revenue when it is used to cover current year expenses. There is no cumulative cap on the surplus – each year's surplus is calculated independently from of any prior years' surplus. Please contact your [assigned accountant in the Rate Setting Unit](#) if you have questions.