

FACT SHEET

Prior Year Adjustments and the February 2025 STAC Revision Letters

What are Prior Year Adjustments (PYAs)?

PYAs are changes to aid amounts that school districts received based on changes that occur after the end of the year following the claim year (e.g. changes in July 2024 for the 2022-23 school year). These changes can be because of discovered error or omissions, State Education Department (SED) and Comptroller reconciliations, or aid penalty forgiveness acts enacted by the Legislature.

What happens if a district is overpaid a state aid claim?

If the actions noted above result in the district having received more aid than it should have, the state takes the money back out of the next state aid payment made to the school district. The funds are swept into the state's general fund. Since the 2014-15 school year, the state has collected over \$346 million in overpayment recoveries.

How are PYAs paid back to districts?

If a district is owed money from a PYA, it goes on a queue maintained by SED and is paid out on a first come-first serve basis subject to the availability of an appropriation in the state budget.

How much is currently owed and how much is paid every year for this?

Currently, the queue stands at \$308.8 million, with claims dating back to February 2012 (excluding the recent STAC revision letters). At the moment, no funding is being provided to pay for these claims. Previously, there had been a \$18.7 million appropriation to pay for claims on the queue, but this appropriation has not been included in the state budget since the 2020-21 state fiscal year. Between 2014-15 and 2020-21, the state paid a total of \$130.6 million in PYAs.

What are the STAC revision letters many school districts received in February 2025?

SED recently completed a large reconciliation process in the STAC system that resulted in aid corrections for districts between the 2011-12 and 2017-18 school years. They sent letters to all school districts that were impacted, some with a notice of overpayment, some with notice of claims that will go onto the PYA queue.

STAC is the System to Track and Account for Children. It is how SED processes reimbursement for services to preschool and school-age students placed in special education programs, students who have been determined to be homeless or runaway youth and for education services provided to incarcerated youth.

When will these STAC revision overpayments be taken from school districts?

SED has stated that they will be taken out of the Spring Sustaining Advance payment, which will occur on March 31, 2025. For districts receiving a PYA, currently in the absence of an appropriation they will never receive the funds. If the \$18.7 million appropriation is restored and maintained in perpetuity, our analysis suggests they would receive the funds no sooner than the 2043-44 school year.