



## **EL DORADO COUNTY CHARTER SELPA** **Thursday, November 12, 2015**

Meeting to be held via GoToWebinar teleconference on Thursday, November 12, 2015 at 10:00 a.m.

Register for the GoToWebinar teleconference through the following link:

URL: <https://attendee.gotowebinar.com/register/5044586105046307074>

### **AGENDA – EXECUTIVE COMMITTEE MEETING**

#### **Charter SELPA:**

David M. Toston, Associate Superintendent  
Ginesa Quann, Charter SELPA Director  
Robert Steponovich, SELPA Business Services Director

Vicki L. Barber, Retired EDCOE Supt. of Schools  
Francie Heim, EDCOE/Charter SELPA Consultant  
Kathleen Hall, Administrative Assistant

#### **Executive Committee Members:**

Mary Searcy Bixby, Altus Institute  
Elise Darwish, ASPIRE Public Schools  
Donn Harris, Oakland School for the Arts  
Pat Hill, Learn4Life  
Genevieve Thomas, Rocketship Education  
Tim Wolf, King-Chavez Charter Schools  
LTC Richard Wallis, Oakland Military Institute  
Jean Hatch, Redding School of the Arts  
Jonathan Dean, The O'Farrell Charter School  
Mike Tracy, Heritage/Temecula Prep  
Melissa Mora, Ace Charter School

Lynne Alipio, Altus Institute  
Paula DeGroat, Lifeline Education  
Cindy Petersen, Gateway Community Charters  
Preston Smith, Rocketship Education  
David Sciarretta, Einstein Academies  
Gia Truong, Envision Schools  
Karin Marsolais, Preuss  
Dawn Evenson, iLead Schools  
Patti Wilczek, Community Learning Center  
Paul Keefer, Pacific Charter Institute

#### **1. Mental Health Budget Update**

Executive Committee is updated at regular intervals on the 2015-16 ERMHS budget to assure a transparent and predictable level of funding for Charter SELPA partners. A 2015-16 ERMHS (Educationally Related Mental Health Services) Budget Update is included as Attachment 1 as an information only item.

#### **2. Risk Pool Update**

Executive Committee is provided an annual update of funds in the risk pool. The Risk Pool Update is included as Attachment 2 as an information item.

#### **3. Set-Aside Discussion**

The Charter SELPA's current set-aside amount in the formula needs to be reviewed to determine if it is still appropriate and some modifications are proposed for discussion. Executive Committee input is requested on options to consider, set forth in full in Set-Aside Discussion, included as Attachment 3.

4. **Membership Update**

A general membership update will be provided.

5. **Application Process**

The application process for membership in the El Dorado County Charter SELPA has been updated. A document entitled "Becoming an LEA for Special Education Purposes Timeline", is included as Attachment 5, and outlines the timeline and corresponding activity for the application process.

6. **Participation in New Member / Application**

A discussion with Executive Committee will take place on the new member and application process and a call for volunteers to assist will be made.

7. **Next Meeting Date**

The next regularly scheduled meeting of the Charter SELPA Executive Committee will take place Thursday, March 10<sup>th</sup>, 2016 at 10:00 a.m. via GoToWebinar teleconferencing.

**2015-16 ERMHS (EDUCATIONALLY RELATED MENTAL HEALTH SERVICES) BUDGET UPDATE**

**ISSUE**

CEO Executive Committee will be updated at regular intervals on the 2015-16 ERMHS budget to assure a transparent and predictable level of funding for Charter SELPA Partners.

**BACKGROUND**

CEO Council approved language at the May 2014 CEO Council meeting that substantially revised ERMHS funding for 2014-15. The formula worked, providing a transparent and predictable funding stream and reserves at the end of the year that exceeded 10%.

CEO Council approved language at the May 2015 CEO Council Meeting that further refined the funding formula for 2015-16. The two most significant changes:

- a) Consolidation of the Level 1 per ADA amount with the Level 2 service level formula.
- b) The Level 2 formula was revised to use the December 1 count of services rather than November 1 and allow a longer period for budget development with a January 15 budget submission requirement (previously November 1).

The later budget submission date means a delay in projecting any potential ERMHS shortfall. Charter SELPA is committed to an ongoing monthly review of service levels counts and projection of potential Level 2 requests.

	Code	Description	November 2, 2015 Count		
1					
2	510	Individual Counseling	851		
3	515	Counseling and Guidance	841		
4	520	Parent Counseling	48		
5	525	Social Work Services	77		
6	530	Psychological Services	334		
7	535	Behavior Intervention Services (unadjusted)	330		
8		<b>Total Count (Current Year/Prior Year/% change)</b>	<b>2,481</b>	<b>1,962</b>	<b>26%</b>
9		<b>Total Population(Current Year/Prior Year/% change)</b>	<b>120,000</b>	<b>104,000</b>	<b>15%</b>
10					
11		2014-5 Level 2 Costs	\$ 3,041,151		
12		Service Counts 2014-15	1,962		
13		2014-15 Ave. Count Cost*/20% increase 2015-16	\$ 1,550	\$ 1,860	
14				10% more	20% more
15		2015-16 Projected Counts October/10%/20%	2,481	2,729	2,977
16		Average Cost (20% increase)	\$ 1,860	\$ 1,860	\$ 1,860
17		Range of Level 2 Reimbursements (80%)	4,614,660	5,075,940	5,537,220
18		Budget	5,400,000	5,400,000	5,400,000
19		Projected Costs Compared to Budget	(785,340)	(324,060)	137,220

\*\$3,000 per service count maximum x 80% reimbursement. In 2014-15, not all charters applied for funding or spent up to maximum.

**2015-16 ERMHS (EDUCATIONALLY RELATED MENTAL HEALTH SERVICES) BUDGET UPDATE**

Projections are updated:

- Using November Level 2 service counts as a base and assuming there could be an additional increase of 10% to 20% by December 1.
- Behavior Intervention services count is unadjusted in this analysis. The final December count will be adjusted to reflect only those IEPS with a 510-530 service in addition to the 535 service.
- 2014-15 average reimbursement cost was \$1,550. The rate is projected to increase by 20% to \$1,860 as a result of Level 1 consolidated with Level 2 funding.
- At the various scenarios, the \$5.4 M budget for Level 2 reimbursement is reasonable.

**2015-16 BUDGET**

The 2015-16 ERMHS budget is reasonable as of October 2015 based on the following factors:

- Overall ADA is within range
- Service level counts are consistent with a \$5.4 M. Level 2 budget
- NPS residential and other placement costs are reasonable based on YTD reported costs
- Beginning balance is over \$1.2 M.

1	Charter SELPA Mental Health Budget	2014-15 Actuals	2015-16 Prelim. Budget
2	SELPA wide Estimated P-2 ADA	103,892	120,000
3	Income		
4	MH Grant - State & Federal	7,385,086	8,330,000
5	Expenditures		
6	Level 1	1,000,907	
7	Level 2 - Counseling Plans	3,041,151	5,400,000
8	Level 2 funding changed from 80% to 90%	377,452	
9	Transportation - Level 2	18,731	100,000
10	Level 3 -Site Based, NPS ERMHS / Residential	1,459,844	2,500,000
11	SELPA indirect	221,553	249,900
12	Total Expenditures	6,119,638	8,249,900
13	Beginning Balance		1,265,448
14	Ending Balance	1,265,448	1,345,548

**RECOMMENDATION:**

This is an information item only. At the March 2016, CEO Executive Committee meeting, SELPA Administration will provide CEO Executive Committee with an update based on the following:

- P-1 ADA compared to budget
- Level 2 January budget requests
- Level 3 budget requests filed to date

No shortfall is anticipated, but the Allocation Plan language provides direction on how a shortfall is to be applied. If reserves are higher than a 5% to 10% range, the Allocation Plan language provides direction for distribution of reserves to increase funding from 80% to a higher amount.



## Risk Pool Update

### ISSUE

CEO Executive Committee is provided an annual update of funds in the risk pool.

### BACKGROUND

Funds in the risk pool come from three sources:

1. Set-Aside funds from SELPA Partners who leave the SELPA prior to completion of four years.
2. Modified funding from Charter Partners who are in the process of building programs, but are not yet able to fully expend the allocation of state dollars (greater than 25% unspent).

*Allocation Plan Language (September 2012 CEO Council approval).*

*When an LEA has unspent funds **greater than 25%** of their special education allocation (allocation as adjusted at year end close by September 30):*

- *Charters with unspent funds greater than 25% are automatically not eligible for federal funds in the following year.*
  - *Charters with unspent funds greater than 25% will have state funding reduced to the level of prior year expenditures; however, the funding will be held in reserve for allocation to the charter if need is demonstrated by year end expenditure reporting.*
  - *If need is not demonstrated, the funds will be allocated the next year to Charter SELPA Risk Pool.*
3. Modified funding from Charter Partners who close operations and fail to submit documentation that would allow for release of funds being held.

### 2015-16 Funding to the Risk Pool

#### 1. 2014-15 Set-Aside

\$6,426 in set-aside funds transferred to the risk pool from charters that closed.

#### 2. 2014-15 Funding Modification

Six charters were subject to possible income modification in 2014-15, but three of them increased program capacity and spent prior year carryover and earned 2014-15 full funding.

Three charters were not able to fully expend prior year carryover and current year income, resulting in funding modification of \$104,613 (transferred to risk pool).

#### 3. Modified funding from Charter Partners who close operation

Rowland Heights and FAME closed operations as of June 30, 2015. Final cash releases are held pending filing of appropriate documentation per CEO policy. Such documentation includes final end of year special education expenditure reports and submission of the annual independent audit for 2014-15. As of the end of October, we have not received 2014-15 end of year special education expenditure reports and have received little to no communication from these agencies.



**Risk Pool Update**

It is reasonable at this time to assume that a minimum of 50% will be available for the risk pool. More information will be available by the next update in March 2016.

Additional funding possible - but unconfirmed:			
	Rowland Heights	FAME	Total
2014-15 Income	55,307	513,216	
Cash released	6,642	475,258	
Balance	48,665	37,958	86,623
Reasonable expectation			43,000



**Risk Pool Update**

**RECOMMENDATION:**

This report is provided to the Executive Committee as an information item.

The 2015-16 ending balance in the risk pool is projected to be \$313K.

Three Partners, representing 10 charter schools, had unspent funds in 2014-15 and will be subject to income modification in 2015-16. As they build program capacity, we anticipate they will be able to demonstrate need for most of their funding. As a result, we anticipate possibly \$300K in modified funding redistribution for the 2016-17 budget.

An update to this report will be provided to the CEO Executive Committee at the March 2016 meeting. CEO Executive Committee will be asked to provide input on a recommendation for the May 2016 CEO Council meeting on the following items:

- a) Should the legal risk pool continue for 2016-17 and the current parameters continue? \$10,000 maximum matching reimbursement for legal costs associated with a due process filing.
- b) A risk pool for non-public school placement educational costs was discussed in 2013-14 but no decision was made. This item will be revisited to determine level of interest by members.
- c) Other potential uses of the risk pool will be discussed.

1		2013-14	2014-15	2015-16 Budget	2016-17 Budget
2	Set-Aside Funds	133,732		6,426	
3	Modified Funding	510,608	291,849	104,613	300,000
4	Closing Partners		4,734	43,000	
5	Other	100,000			
6	Total Income	744,340	296,583	154,039	300,000
7					
8	Expenditures				
9	Legal Risk Pool	81,704	79,977	120,000	120,000
10	ERMHS Shortfall	600,000			
11	Total Expenditures	681,704	79,977	120,000	120,000
12					
13	Beginning Balance		62,636	279,242	313,281
14	Ending Balance	62,636	279,242	313,281	493,281

**SET-ASIDE DISCUSSION**

**ISSUE**

CEO Executive Committee input is requested to review the current Allocation Plan set-aside formula to determine if it is still appropriate. The current amount (over \$900K) is higher than needed and doesn't offer adequate protection because it cannot be used for shared risk.

**BACKGROUND**

*Allocation Plan Language*

*Starting in 2006-07, the SELPA formula provides for a set-aside contribution per Single Charter Partner/Organization Partner. This set-aside contribution is to protect the SELPA as a whole entity. The set-aside contribution will not be utilized for any shared costs. The set-aside contribution is essentially a one-time payment adjusted annually with a declining rate over time.*

*The set-aside contribution is not returnable should the LEA leave the SELPA in year 1, year 2 or year 3 or before the completion of year 4. An LEA leaving the SELPA at the end of 4 years (or more) of membership may have their set-aside contribution returned if there are no outstanding financial obligations to the SELPA and if there is appropriate documentation as noted below. (see page 3 and 4 of this attachment for the complete language).*

The set-aside is a one-time payment that adjusts annually and reduces over time from 5% in year 1 to 1% in year 5 (Single Partner). The set-aside for an Organization Partner or member of a JPA, starts at 4% and is reduced to 1%.

The calculation is based on total state and federal funds but only state funds are transferred to the set-aside account.

2015-16 Funding Sample	Year 1	Year 2	Year 3
State Rate	\$ 505	\$ 505	\$ 505
Current Year ADA	100	110	120
ADA x State Rate	50,500	55,550	60,600
Federal Rate		\$ 125	\$ 125
Prior Year Enrollment		105	115
Enroll. X Federal Rate	\$ -	\$ 13,125	\$ 14,375
Total	\$ 50,500	\$ 68,675	\$ 74,975
Admin. Fee %	6%	5%	4%
Admin. Fee	3,030	3,434	2,999
Income after Admin. Fee	47,470	65,241	71,976
Set-Aside %	5.00%	4.00%	3.00%
Set-Aside Requirement	2,374	2,610	2,159
Previous Balance		2,374	2,610
Amount Owing/Returned		236	(451)

Over the past 10 years, we have had a few charters close unexpectedly. In most instances we had sufficient early warning to appropriately monitor cash distributions so we did not distribute more than the charters earned. The closing charters (with the exception of two charters that closed in 2014-15) also appropriately filed ADA reports and year-end financial reports, so the SELPA funding was not adversely impacted. We are still awaiting financial information from the two charters that closed in 2014-15.

The set-aside has been used to fund cash flow for new charters that would otherwise not receive cash flow until February. \$300,000 was requested as advances in 2014-15.

As new start up charters join the Charter SELPA, the first year of operation is impacted because only state funds are received and federal funds are not received until year 2. The administrative fee is 6% in year 1 (declining over time). The set-aside one-time payment is 5%. As a result, a new charter in year 1 receives state aid of \$505, less 11% for administrative fee and set-aside.



**SET-ASIDE DISCUSSION**

**RECOMMENDATION:**

CEO Executive Committee input is requested on some options to consider. We have presented options A through D for consideration (see chart below), but recognize there are multiple variations that could be developed for consideration.

- 1) Should the Set-Aside Allocation Plan language be revised to lower the impact on new partners in the first year? e.g Some amount less than 5% (or 4% if a member of a JPA).
- 2) Should the Set-Aside Allocation Plan formula be revised so the amount in the account is less than \$900,000? e.g. lower percentages overall and use of state funding only in the base calculation.  
Options A and B in the chart below
- 3) Change the language to create a shared risk instead of charter member ownership of the amount.  
Options C and D in the chart below.

*Current Language:*

*The set-aside contribution will not be utilized for any shared costs.*

*The set-aside contribution is not returnable should the LEA leave the SELPA in year 1, year 2 or year 3 or before the completion of year 4. An LEA leaving the SELPA at the end of 4 years (or more) of membership may have their set-aside contribution returned if there are no outstanding financial obligations to the SELPA.*

Charter SELPA Set-Aside Options	Current	Options A	Options B	Options C	Options D
		Lower Amount	Lower Amount	Lower Amount/Shared Risk	Lower Amount/Shared Risk
	5% to 1% declining, \$50K max.	1% All (Current and Future)	1% New Partner (2016-17) 1/2% Current	1% New Partner (2016-17) 1/2% Current	1% New Charters (2016-17) -0- Current
Calculation Base	State/Federal	State only	State only	State only	State only
State funding	61,000,000				
Federal funding	13,000,000				
Amount	930,000	600,000	300,000	300,000	
Funding from other sources*					300,000
New Partners/members			25,000	25,000	25,000
One-time payment	Yes	Yes	Yes	Yes	Yes
Recalculates annually	Yes	Yes	Yes	No	No
Vesting with Charter	Yes	Yes	Yes	No	No
Shared Risk	No	No	No	Yes	Yes
* e.g. Risk pool funds from funding modification or one time funds from prior year deficit restoration					

**SET-ASIDE DISCUSSION**

CEO Executive Committee is asked to provide input on the options proposed and offer additional options for consideration.

Based on input from CEO Executive Committee, Charter SELPA Administration will prepare additional information for the March 2016 Executive Committee meeting. At the March 2016 meeting, the following information will be provided:

- February CDE certification of 2014-15 deficits and 2015-16 deficits.
- Estimated prior year deficit restoration amounts in the rate smoothing pool which we estimate will range from -0- to \$1.2 M.
- Updated Risk Pool balance.
- Based on CEO Executive Committee input at the November meeting, Charter SELPA administration will provide a more detailed recommendation to revise the Set-Aside Allocation Plan language for approval at the May 2016 CEO Council meeting.

**SET-ASIDE DISCUSSION**



Set Aside Pool

**INTENT**

Starting in 2006-07, the SELPA formula provides for a set-aside contribution per Single Charter Partner/Organization Partner. This set-aside contribution is to protect the SELPA as a whole entity. The set-aside contribution will not be utilized for any shared costs. The set-aside contribution is essentially a one-time payment adjusted annually with a declining rate over time.

**CHARTER SELPA FORMULA**

The contribution calculation is based on a percentage of the member’s current year entitlement (after the Charter SELPA administrative fee is deducted) based on a declining scale. The amount of set-aside in the prior year is used as a beginning balance. When the current year’s contribution is calculated, any amount overpaid/or due to the set-aside is adjusted with the LEA’s net distribution.

Single Charter Partner

1st Year	5%
2nd Year	4%
3rd Year	3%
4th Year and subsequent years	2%
5 <sup>th</sup> Year and subsequent years	Lesser of 1% or \$50,000

Organization Partners or Single Charter Partner/Member of a JPA

1st Year	4%
2nd Year	3%
3rd Year and subsequent years	2%
4 <sup>th</sup> Year and subsequent years	Lesser of 1% or \$50,000

For those charters who are deemed “high risk”, as determined by the Executive Committee, the contributions will be calculated based upon the “high risk scale”. Criteria determining “high risk” may include, but not be limited to, length of time in the Charter SELPA, financial stability, and declining ADA (average daily attendance) history.

1st Year	10%
2nd Year	7.5%
3rd Year	5%
4th Year and subsequent years	2%

**Other Set-Aside Formula Elements**

- Year of entry is based on the date of entry of the Single Charter Partner or the date of entry of the Organization Partners.
- The set-aside contribution is tracked per Single Charter Partner/Organization Partner.
- Each charter “set-aside” will receive interest. Interest will be earned for the set-aside contributions based on the interest rates of the El Dorado County Treasurer.
- The allocation of interest per Single Charter Partner/Organization Partner will be determined by the number

**SET-ASIDE DISCUSSION**

of months the LEA had funds in the set-aside pool. Returning LEAs will be allocated 12 months of earned interest and LEAs in their first year will earn interest beginning in February with their first apportionment.

**Set-Aside Return**

The set-aside contribution is not returnable should the LEA leave the SELPA in year 1, year 2 or year 3 or before the completion of year 4. An LEA leaving the SELPA at the end of 4 years (or more) of membership may have their set-aside contribution returned if there are no outstanding financial obligations to the SELPA and if there is appropriate documentation as noted below. An Organization Partner leaving the SELPA at the end of 4 years (or more), as with ALL organization members leaving the SELPA, may have their set-aside contribution returned if there are no outstanding financial obligations to the SELPA and if there is appropriate documentation as noted below.

Conditions:

- a) All state and federal funds are reported as spent – including the set-aside. An accounts receivable would be established for the set-aside by the LEA.
- b) Review of audit report with no outstanding concerns noted.
- c) Funds may be released after review of audit report in December – if there is reasonable assurance there are no outstanding ADA concerns or other material weakness issues identified in the audit report.
- d) If there are other concerns raised by the county office or any other agency, relative to the charter operations, set-aside funds may be held until there is reasonable assurance there will be no impact on the SELPA as a result of ADA changes.
- e) In all instances, the El Dorado County Charter SELPA will make the determination of release of funds, with the protection of the remaining members being of paramount concern.
- f) For Organization Partners who continue to maintain charters in the SELPA, a signed assurance that the Organization Partner will hold the SELPA harmless for any potential future harm from the closing/leaving charter LEA, will suffice as documentation to recalculate the Organization Partner set-aside in the following year to provide for the return of funds of set-aside funds applicable to the closing/leaving charter LEA.

**SAMPLE CALCULATION**

5% in year 1 is \$2,374 for a charter with 100 ADA. The requirement drops to 4% in year 2, but income has increased due to federal funds and the new requirement is \$2,610. \$236 is the additional payment in year 2. In year 3, the set-aside drops to 3% and the new requirement is \$2,159. With a prior year balance of \$2,610, \$451 is returned to the member.

2015-16 Funding Sample	Year 1	Year 2	Year 3
State Rate	\$ 505	\$ 505	\$ 505
Current Year ADA	100	110	120
ADA x State Rate	50,500	55,550	60,600
Federal Rate		\$ 125	\$ 125
Prior Year Enrollment		105	115
Enroll. X Federal Rate	\$ -	\$ 13,125	\$ 14,375
Total	\$ 50,500	\$ 68,675	\$ 74,975
Admin. Fee %	6%	5%	4%
Admin. Fee	3,030	3,434	2,999
Income after Admin. Fee	47,470	65,241	71,976
Set-Aside %	5.00%	4.00%	3.00%
Set-Aside Requirement	2,374	2,610	2,159
Previous Balance		2,374	2,610
Amount Owing/Returned		236	(451)



## BECOMING AN LEA FOR SPECIAL EDUCATION PURPOSES TIMELINE

Timeline	Activity
<b>July 2014–June 2015</b>	Establish a relationship with your local geographic SELPA. Explore available options for membership in your geographic SELPA. If you are seeking membership in a single district SELPA, research options for a mutually beneficial arrangement for your charter school and the school district.
<b>By June 30, 2015</b>	<p>If a local SELPA option is not feasible or available for your charter school, notify your current SELPA, in writing, of your intent to join another SELPA at least one year prior.</p> <p><b>Authority:</b> ED CODE §56195.3</p> <p>In developing a local plan under Section 56195.1, each district shall do the following:</p> <p>(a) Involve special and general teachers selected by their peers and parents selected by their peers in an active role.</p> <p>(b) Cooperate with the county office and other school districts in the geographic areas in planning its option under Section 56195.1 and each fiscal year, notify the department, impacted special education local plan areas, and participating county offices of its intent to elect an alternative option from those specified in Section 56195.1, at least one year prior to the proposed effective date of the implementation of the alternative plan.</p>
<b>July 2015</b>	<p>Determine if your charter has the capacity to become an LEA. Areas to consider:</p> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Vision for serving special education students</li> <li>• Establish culture</li> <li>• Establish relationships between program and fiscal staff</li> </ul> <p><b>Program</b></p> <ul style="list-style-type: none"> <li>• Identification and Evaluation</li> <li>• Determination of Eligibility</li> <li>• IEP Development</li> <li>• Placement and Related Services</li> <li>• Implementation of IEP</li> </ul> <p><b>Fiscal</b></p> <ul style="list-style-type: none"> <li>• Special education funding</li> <li>• Federal and state requirements</li> <li>• Understanding special education programs</li> <li>• Cash flow</li> <li>• Contingency planning</li> </ul>
<b>Cohort One: Oct. 14 &amp; 28, 2015 Cohort Two: Dec. 10 &amp; 16, 2015 Cohort Three: Feb. 11 &amp; 25, 2016</b>	El Dorado County Charter SELPA Potential New Members meeting will take place in Northern California and Southern California.

<b>Cohort One: Dec. 2, 2015</b> <b>Cohort Two: Feb. 10, 2016</b> <b>Cohort Three: Apr. 5, 2016</b>	<p>Deadline to submit an application to the El Dorado County Charter SELPA.</p>
<b>Cohort One: Jan. 2016</b> <b>Cohort Two: Mar. 2016</b> <b>Cohort Three: June 2016</b>	<p>Confirm SELPA membership for the coming year.</p>
<b>March-May 2016</b>	<p>Implement Child Find procedures.  Review SELPA policies and procedures.  Develop special education budget.  Hire special education staff and contractors.  Hire fiscal staff.  Professional development for program and fiscal staff.  Refine special education program and services.</p>
<b>July 1, 2016</b>	<p>Membership in El Dorado County Charter SELPA begins as an LEA for special education purposes.</p>