



## **EL DORADO CHARTER SELPA** **Thursday, September 13, 2018**

Meeting to be held via Zoom  
on Thursday, September 13, 2018 at 10:00 a.m.

Registration for the Zoom teleconference  
will be available at least two days prior to the meeting  
and the link will be sent out electronically.

### **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  
Kathleen Hall, Administrative Assistant

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

Mary Searcy Bixby, Altus Schools  
Cindy Petersen, Gateway Community Charters  
Pat Hill, Learn4Life  
David Sciaretta, Einstein Academies  
Tim Wolf, King-Chavez Charter Schools  
Debi Gooding, The Learning Center  
Dawn Evenson, iLead Schools  
J.J. Lewis, Compass Charter Schools  
Lisa Freccero, Aspire Public Schools

Lynne Alipio, Altus Schools  
Paul Keefer, Pacific Charter Institute  
Josh Drake, Rocketship Education  
Julie Mattoon, KIPP Bay Area Schools  
Melissa Mora, ACE Charter School  
Karin Marsolais, Preuss School UCSD  
Jonathan Dean, The O'Farrell Charter School  
Patricia Dougherty, Phoenix Charter Academy  
DiAnne McClenahan, The Bay Group

#### **1. Organization Partner Definition Review**

In September 2013, the CEO Council created two categories of Partnership: Single Charter Partner and Organization Partner. Over the past few years, some schools have shifted to organizational structures that do not align with our current definition of an organization partner. Executive Committee input is requested to assist with refining our definition to align with current practices to maintain the benefits and efficiencies while sustaining appropriate levels of accountability. Details and recommendations are included in Attachment 1, entitled "Organization Partner Definition Review."

#### **2. Level 2 ERMHS Formula**

The current Level 2 ERMHS funding formula has been in place for a number of years and has proven effective in the management of the overall ERHMS budget. The ADA component of the three component formula ( $\$250 \times \text{Current Year P-2 ADA}$ ) delays a timely determination of a SELPA partner's Level 2 ERHMS funding eligibility, and has proven to offer minimal, if any, budget control. Executive Committee input is requested on an Allocation Plan change to remove the ADA component from the Level 2 ERMHS funding formula. Details and recommendations are included in Attachment 2, entitled "Level 2 ERMHS Formula."

**3. Federal Funding**

Recent actions by CDE necessitate additional Allocation Plan language to clarify that eligibility for federal funding is dependent upon inclusion of a partner's prior year enrollment in the CDE federal grant calculation. Executive Committee input is requested on an Allocation Plan change to add the necessary language. Details and recommendations are included in Attachment 3, entitled "Federal Funding."

**4. Unspent Funds**

While the current unspent funds policy provides control over the buildup of excessive special education funding reserves, the language of the policy reduces needed funding for some SELPA partners. Executive Committee input is requested on an Allocation Plan change to establish more permissive language in the unspent funds section. Details and recommendations are included in Attachment 4, entitled "Unspent Funds Policy."

**5. Educationally Related Mental Health Services (ERMHS) Budget Update**

CEO Executive Committee will be updated on the 2017-18 ERMHS budget and on the September finding of sufficiency for the 2018-19 ERMHS budget to assure a transparent and predictable level of funding for Charter SELPA Partners. Please see Attachment 5, entitled "Year End ERMHS Report", for this update.

**6. Membership Application Process**

The SELPA intends to refine the membership application process to ensure quality charter schools gain acceptance as partners in the Charter SELPA and to thoughtfully manage future growth. Information regarding the revisions are included in Attachments 6, entitled "Charter SELPA Membership Application Process."

**7. Leadership Report**

**8. Next Meeting Date**

The next regularly scheduled meeting of the Charter SELPA Executive Committee will take place Thursday, January 17, 2019 at 10:00 a.m. via Zoom teleconferencing.



**ISSUE**

In September 2013, the CEO Council created two categories of Partnership: Single Charter Partner and Organization Partner. Over the past few years some schools have shifted to organizational structures that do not align with our current definition of an organization partner. It is recommended to align the definition with current practices to maintain the benefits and efficiencies while sustaining appropriate levels of accountability.

The concept of a single charter partner is straightforward and does not need to be the focus of consideration at this time.

**BACKGROUND REGARDING ORGANIZATION PARTNERS**

An organization partner is currently defined as a non-profit with one governing board over multiple charters or an organization with one Chief Executive Officer position over multiple charters. The title of CEO may differ by organization, but the intent is that final decision making in the organization is vested in one leadership position.

CEO Policy 22 and the definition of an organization partner was created to support the replication of schools that have demonstrated the capacity to meet CEO Council expectations, create economies of scale, encourage collaboration between similar schools, and build support structures for schools. The primary advantages of being identified as an organization partner are:

1. The review of expansion charters entering the Charter SELPA is abbreviated from a full review and is completed by the SELPA Staff, rather than an exhaustive review process, which includes the Selection Committee.
2. The administrative fee calculation for an expansion charter is calculated at the organization partner rate, rather than beginning with a 6% fee and reducing over time with demonstration of capacity. For most charters joining under the expansion basis of an organization partner, this currently means that they enter the Charter SELPA at a 4% fee level.
3. The Allocation Plan allows organization partners, if authorized by their charters, to re-allocate funds among charters.

Numerous organization partners have created leadership structures that diffuse leadership to local schools or regions while concurrently contracting with another entity responsible to provide a range of administrative services to the school. Therefore, we want to ensure that we are not penalizing entities that are creating a shared leadership model that recognizes local control. At the same time, it is essential that we avoid too flexible of a definition, that would allow for charters to loosely connect with a current member to reap the benefits of an organization partner without any accountability or actual oversight being applied from the current organization partner.

**RECOMMENDATIONS**

1. Refine the definition of organization partner to account for diverse governance, administrative and operational structures. The following language is proposed for consideration:



*An organization is defined as a non-profit with one governing board over multiple charters or an organization that is structured to include one Chief Executive Officer position that has defined responsibilities related to multiple charters. The title of CEO may differ by organization, but the intent is that the “CEO for the umbrella organization” has specific decision making authority related to the multiple charters in matters involving special education programs and services.*

2. Add language to CEO Policy 22, regarding the simplified application process, to provide for the Charter SELPA to request additional information to complete a more comprehensive review prior to approving an expansion application, and ensure that the expansion application is appropriate with an organization partner. The expansion charter application would also be augmented to request information on the specific relationship and what responsibilities the organization partner will have with respect to the expansion charter. In this manner, the application would include an affirmative statement that supports the application being considered as part of the organization partner network.
  
3. Provide language in the organization partner definition that recognizes that “member charter LEAs within the organization partner network” are afforded the same benefits as those that are available to the organization partner. This would include when a Charter SELPA organization partner expands with a charter new to the SELPA; the new charter school utilizes the organization partner’s date of entry for calculation of the administrative fee. Another example would include if the organization partner is put on a reimbursement basis for funding, all members of the organization partner’s network would also be funded through a reimbursement mechanism. To ensure accurate considerations of an organization partner’s member charters within their network, each organization partner would be asked to identify their member charters annually and the member charter school LEAs would be asked to affirm the relationship.
  
4. Finally, add language regarding the role of the organization partner to assist in the event of a member charter school closing and/or causing a financial impact on the Charter SELPA. The language would need to consider the situation where the organization partner is not able to mitigate a negative impact on the Charter SELPA caused by a member(s) charter school, it is understood that actions would be taken to protect the Charter SELPA, including the organization partner may be placed in a reimbursement funding position. In addition, the administrative fee sliding scale is predicated on a member being in good standing and increasing capacity over time. If a member is not in good standing and has a lower administrative fee based on years of participation in the SELPA, the administrative fee may be recalibrated and returned to a level reflective of a lower capacity and to cover increased costs created by the heightened monitoring required.



**ISSUE**

The current Level 2 ERMHS funding formula has been in place for a number of years and has proven effective in the management of the overall ERHMS budget. The ADA component of the three-component formula (\$250 x Current Year P-2 ADA) delays a timely determination of a SELPA Partner’s Level 2 ERHMS funding eligibility, and has proven to offer minimal if any budget control.

**BACKGROUND**

The current ERMHS Level 2 formula for determining funding eligibility provides that funding is based on the lesser of:

- a) An established dollar amount per eligible ERMHS SEIS service based on a December 1 count; or
- b) A January Budget request; or
- c) \$250 per current year P-2 ADA

The lowest of the three calculated amounts above becomes the maximum Level 2 reimbursement amount.

Since the ADA component of the formula is based on current year P-2 ADA, we cannot determine the final funding eligibility for schools until P-2 certification in June. In addition, only a very few SELPA Partners have final funding determined by the ADA component of the formula. In 2017-18, twelve of 323 charter schools had funding determined by the ADA component. Without the ADA limitation in place, these twelve partners would have received \$188,000 more in mental health revenue.

Removal of the ADA component of the formula would:

- 1. Simplify the formula for our Partners.
- 2. Allow for final funding determinations to be made in the January/February timeframe, shortly after Level 2 budgets are submitted and reviewed, instead of June at P-2 certification.
- 3. Increase the ERMHS revenue distributed to SELPA Partners.

**RECOMMENDATION**

Executive Committee input is sought on bringing the following amendment of the Allocation Plan to CEO Council at the October 2018 meeting.

**ERMHS (EDUCATIONALLY RELATED MENTAL HEALTH SERVICES)**

**5.1 Description of Level 2 Funding Formula**

A. The Level 2 formula provides 80% of the lesser of:

- a) \$3,000 (or alternate approved rate) per eligible ERMHS SEIS ~~count~~ service based on the December 1 count; or
- ~~b) \$250 per current year P-2 ADA; or~~
- ~~c)~~ b)  Budget request.

The lesser amount of the ~~three~~ two becomes the maximum budget request. Charters are required to match (co-pay) 20% of the budget request. ~~The maximum reimbursement is \$250 times 80%, or \$200 per ADA.~~ No facility/rent costs, direct support, or administrative costs are allowable for the 80% reimbursement or 20% match.

ISSUE

Additional Allocation Plan language clarifying federal funding eligibility in a given year is needed as a result of recent CDE actions.

BACKGROUND

The SELPA's federal grant is calculated on total prior year enrollment for the SELPA. In the past, prior to finalizing the federal grant, CDE has afforded an opportunity to reconcile the LEAs and enrollment counts that should be included in the grant. This enabled SELPA partner enrollment counts to be included that would otherwise not be. Examples from the past include charters that closed and re-opened, consolidated students or merged operations.

CDE has changed its approach to the grant finalization process, and will not communicate with us about unique or unusual situations that could impact whether a charter school's enrollment is included in the federal grant. This is likely to produce a situation that was avoided in the past where a charter pursuing a unique organizational structure change would have been included in the prior year federal grant but left out of the current year grant.

While we continue to work with CDE to open up the former lines of communication on this issue, added Allocation Plan language is necessary to clarify that federal funding is only available to those Charter SELPA schools with enrollment included by CDE in the final federal grant.

RECOMMENDATION

Executive Committee input is sought on bringing the following amendment of the Allocation Plan to CEO Council at the October 2018 meeting.

FEDERAL SPECIAL EDUCATION FUNDING

- a) The Charter SELPA funds eligible LEA members based on prior year CBEDS enrollment (October count).
- b) New start-up charter members do not receive federal funds in the first year of operation because funding is based on prior year enrollment.
- c) New charter members (not a start-up) may receive federal funds if they existed in the prior year and CDE adjusts the current year Charter SELPA grant for the charter enrollment.
- d) Charter members not included by CDE in the calculation of the federal grant are ineligible to receive federal funding in the current year.
- e) The administrative fee (see #5) is determined based on total state and federal income per charter member, but the payment itself is considered paid with state dollars.
- f) Inability to fully spend special education dollars may result in ineligibility to receive federal funds in the subsequent school year. (See #7-- Unspent Funds).

ISSUE

Our current unspent funds policy provides control over excessive special education funding reserves building up on the books of member charter schools. However, in specific situations, the current policy reduces needed funding for SELPA partners that are rapidly building program capacity.

BACKGROUND

The current unspent funds policy language places an absolute prohibition on receipt of federal funding in the year following a year in which a partner leaves more than 25% of their allocated funding unspent. This precludes access to federal funding even in cases where a partner can provide program and budget justification for needing that funding in the following year.

The current unspent funds policy establishes that a partner leaving more than 25% of their allocated funding unspent in a given year is placed on reimbursement based funding, where funding is released only after expenditures are reported. The policy also provides that any amount of current year funding not supported by reported expenditures must be forfeited and transferred to the Legal Risk Pool.

There are cases where unique populations and other unique factors will continually generate very low special education identification rates and, in turn, relatively low special education expenditures. However, in working closely with our partners, there are also situations where strategies for building program capacity and planned program changes demonstrate that the need for funding will grow steadily and, in some cases, rapidly. These situations are identifiable by examining budgets and obtaining details about the partner’s specific circumstances and plans, and are trackable with ongoing program and budget monitoring.

In order to address the unique needs of Charter SELPA partners and to better serve our schools, administration recommends more flexible wording in the unspent funds policy.

RECOMMENDATION

Executive Committee input is sought on bringing the following amendment of the Allocation Plan to CEO Council at the October 2018 meeting.

UNSPENT FUNDS

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

- a. Charters with unspent funds greater than 25% ~~are automatically~~may not eligible for federal funds in the following year. If need is demonstrated, based on an understanding of the charter’s plans and submitted budgets, the Charter SELPA may establish eligibility for federal funding.
- b. A charter with unspent funds greater than 25% unspent, will be moved to a reimbursement based state funding cash flow, with the intent that the charter shall spend the prior year unspent funds first. Charter SELPA shall establish a procedure and process to ensure monthly expenditure reporting by the charter, with timely distribution of cash when the charter has demonstrated eligibility by spending prior year carryover. Monthly cash flow payments would not exceed cash distributions under the monthly cash apportionment process.
- c. If need is not demonstrated, based on final expenditures reported, the funds ~~will~~may be allocated ~~the next year~~ to the Charter SELPA Legal Risk Pool.

## BACKGROUND

Per the Allocation Plan, by September 15<sup>th</sup> of each year:

Charter SELPA administration will make a finding of sufficiency of Level 2 funding based on the following variables:

- Prior year ERMHS ending balance
- Projected current year ADA
- Projected current year Level 3 projected costs
- Projected current year Level 2 service counts

Based on this finding of sufficiency:

- The per mental health service reimbursement amount for Level 2 will be established between \$2,000 and \$3,000; or
- A higher amount if the prior year ending balance is sufficient to assure SELPA members of predictable funding with no shortfalls.

And, if there is an adequate finding of sufficiency of funding:

- \$100K will be available for Level 2 transportation – outside of the service cap/ADA formula; and/or
- Indirect costs will be allowed for Level 2.

## ANALYSIS AND ASSUMPTIONS

### 1) 2017-18 Ending Balance Estimate

The Allocation Plan directs administration to manage annual ERMHS funding decisions toward a goal of maintaining an ending balance (reserve) in the 5% to 10% of revenue range. The 2017-18 ERMHS ending balance is \$2.4M. This is \$1.2M above the upper reserve target of 10% of revenue, which results in a reserve level of 20% (lines 12 & 13 of chart below).

2016-17 ended \$1.8M above the 10% target, which resulted in a reserve level of 28%. Each of the last three years have ended closer to the reserve target, and 2017-18 was the first year where current year expenditures exceeded current year income resulting in a reduction in the reserve balance. The difference between submitted budgets and actual expenditures remains the primary reason for the year-end reserve levels higher than target.

### 2) 2018-19 Projected ADA

The overall SELPA ADA is expected to increase from 171K to 201K ADA in 2018-19. This results in projected state ERMHS funding of \$12.3M (line 1), and projected federal ERMHS revenue of \$1.98M (line 2).

### 3) 2018-19 Projected Level 3 Costs

Referencing lines 5 through 7, Level 3 Site-Based Therapeutic, NPS and NPS Residential cost continue to climb. Reported final expenditures for 2017-18 were \$3.1M, a 25% increase over prior year. A number of 2016-17 Level 3 ERMHS reimbursement requests were not supported by the student's IEPs. We are expecting that a focus in the field on more accurate IEPs will yield an increase in Level 3 expenditures for 2018-19. In addition, as in past years, caution in estimating Level 3 expenditures is warranted. Level 3 budgeted expenditures for 2018-19 are projected to be \$4.5M, a 50% increase over 2017-18 actuals.

### 4) 2018-19 Projected Level 2 ERMHS Service Counts

The major indicator of Level 2 costs is the ERMHS service counts. 2017-18 trend data shows that from September to December (the official count date), eligible Level 2 counts rose 13%. The September 2018 count is 5,046. Considering the prior year growth rate, the December 2018 Level 2 service count is projected to be 6,000.

**5) 2018-19 Projected Level 2 Budget Requests**

Based on the December 1<sup>st</sup> SEIS service count, approximately \$2,060 per eligible service was spent in 2016-17. In 2017-18, the average amount spent per service was \$2,035. For 2018-19 budgeting, a per-service cost of \$2,100 is assumed.

**6) 2018-19 Projected Level 2 Expenditures**

Multiplying the 6,000 service count projection (#4 above) by the assumed \$2,100 per-service cost (#5 above) yields a total of \$12.6M in expected Level 2 expenditures. Applying an 80% reimbursement rate equates to a budget of \$10.1M for Level 2 (line 4).

	<b>Charter SELPA ERMHS</b>	<b>2016-17 Final</b>	<b>2017-18 Projected (Mar 18 CEO Exec) @95%</b>	<b>2017-18 Final</b>	<b>2018-19 Projected (Sept 18)</b>
1	State	8,634,623	10,480,773	10,460,970	12,318,645
2	Federal	1,390,903	1,653,927	1,653,927	1,983,323
3	<b>Total Income</b>	<b>10,025,526</b>	<b>12,134,700</b>	<b>12,114,897</b>	<b>14,301,968</b>
4	Level 2	7,043,429	9,579,000	8,986,764	10,100,000
5	Level 3 Therapeutic	334,568	594,000	424,503	536,000
6	Level 3 NPS	1,267,870	2,021,000	1,199,433	1,704,000
7	Level 3 Residential	906,222	1,194,000	1,500,758	2,251,000
8	SELPA Indirect	287,000	402,000.00	363,344.00	438,000
9	<b>Total Expenditures</b>	<b>9,839,089</b>	<b>13,790,000</b>	<b>12,474,802</b>	<b>15,029,000</b>
10	<b>Income less Expenditures</b>	<b>186,437</b>	<b>(1,655,300)</b>	<b>(359,905)</b>	<b>(727,032)</b>
11	Beginning Balance	2,590,885	2,777,322	2,777,322	2,417,417
12	Ending Balance	2,777,322	1,122,022	2,417,417	1,690,385
13	Reserve % of Revenue	27.7%	9.2%	20.0%	11.8%

**FINDING OF SUFFICIENCY**

Based on the forgoing analysis, SELPA leadership makes a finding of sufficiency of funding for 2018-19 to support the following budget decisions:

- The maximum Level 2 per service rate is held at \$3,300.
- \$100K will be available for Level 2 transportation reimbursement – outside of the Level 2 service cap/ADA formula.
- Indirect costs will be allowed for Level 2.

Before May 2019, SELPA leadership will make a finding as to the ability to fund beyond the 80% and 90% parameters established in the Allocation Plan. The significant variables impacting this finding are the January 2019 Level 2 budget requests submitted and the Level 3 NPS and NPS residential budget requests submitted throughout the year.

**SUMMARY**

Per the Allocation Plan and based on SELPA leadership’s September finding of sufficiency of funding, below is a summary of 2018-19 ERMHS funding parameters for charter members based on the above:

**The Level 2 formula provides 80% of the lesser of:**

- a) \$3,300 per eligible ERMHS SEIS service based on the December 1, 2018 count; or
- b) January 2019 Budget request; or
- c) \$250 per current year P-2 ADA

The lowest of the three calculated amounts above becomes the maximum Level 2 budget request up to actual expenditures submitted in July 2019.

\$100K is allocated for Level 2 transportation, and indirect costs for Level 2 are allowed.

**Level 3 Site Based Structured Therapeutic Program (80% funded)**

Costs that may be claimed are restricted to services that are required to be performed by certificated staff. Staff may be contracted through an NPA or hired by the charter. Books and supplies may be claimed. Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability. A budget request for Level 3 site based structured therapeutic program reimbursement must be filed with the Charter SELPA by November 1.

**Level 3 NPS ERMHS (90% funded)**

Costs that may be claimed are the ERMHS for a student in an NPS placement. The educational costs are the responsibility of the charter member and are not reimbursed. The educational costs, however, must be reported and must be, at a minimum, equal to the charter’s LCFF per ADA funding amount. Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability.

**Level 3 NPS Residential Room and Board (100% funded)**

All criterion and reimbursement parameters applicable to non-residential placements listed above apply. Additional costs that may be claimed are the residential room and board costs related to a student in an NPS placement.

**RECOMMENDATION**

This report is provided for information only. An ERMHS budget update will be presented at the October CEO Council meeting.



**ISSUE**

The Charter SELPA intends to refine the membership application process to ensure quality charter schools gain acceptance as partners in the Charter SELPA and to thoughtfully manage future growth.

We will continue to offer the expedited application process for SBE approved charter schools and expansion schools of existing Charter SELPA partners in good standing.

For membership effective in 2019-2020, the revisions to the application process for new charter schools, and charter schools not eligible for the expedited expansion application process, are:

1. Reduce the number of membership cohorts from the current three to one cohort.
2. A rigorous review of different stages of the application process – the applicant will be scored on each stage of the application process and must earn a passing score to be able to move on to the next stage. 250 total points available – a minimum score must be reached before an applicant can move to the next application stage.
3. The Charter SELPA will not limit the exact number of charter schools who can join but instead will limit the number of ranks eligible for admittance. This number of ranks to be eligible for admittance will be determined annually.

**APPLICATION STAGES**

***October 2018 – Stage 1: Initial Application Packet***

Initial Application Packet submitted to the El Dorado Charter SELPA consisting of:

- a. A letter of interest to the Charter SELPA
- b. A written overview of the charter school and its mission
- c. A detailed description of the charter school’s governance structure
- d. An Org Chart detailing the leadership structure
- e. List of Key Relationships (contractors, directors, etc.)
- f. Charter Petition
- g. Signed Assurances
- h. Copy of notice to current SELPA

Charter SELPA leadership, along with current partner input, will conduct a rigorous initial review of the application packet. If the charter school earns a minimum score, the charter school will be asked to submit documentation for Stage 2 of the application – Special Education Program Design.

***November 2018 – Stage 2: Special Education Program Design***

- The charter school will be asked to respond to questions related to the Special Education Program Design portion of the application. If the charter school earns the minimum score, they will then be asked to submit Stage 3 of the application – Special Education Fiscal Information. Current partner input will be requested.

***December 2018 – Stage 3: Special Education Fiscal Information***

- The charter school will be asked to provide fiscal documentation, proposed budget and a budget narrative.



**January 2019 – Stage 4: Due Diligence and Capacity Interviews**

- The Charter SELPA will perform due diligence and request input from the CEO Council.
- The Charter SELPA leadership, along with the involvement of members of CEO Council, will perform Capacity Interviews.
- At this stage, the Charter SELPA leadership may request additional information from the charter school before making a recommendation for admittance.

**February 2019 – Stage 5: Reconsideration Process**

- An appeal process will be developed for charter schools to appeal the recommendation, not the selection
- Reconsideration

**March 2019 – Stage 6 - Selection**

- The Charter SELPA leadership will select the top ranks of applicants and offer SELPA membership to the eligible schools.

This summary of the revised membership application process is presented for information only. No CEO Council action is required.

**NEXT STEPS**

1. Implement the process detailed above in 2018-19 for SELPA membership in 2019-20.
2. Begin accepting expansion applications for existing partners, with less than three years of membership, in January of each year.
3. Develop an application process for special circumstances, SBE, or charter schools who are required to join a SELPA (as a condition of authorization, etc.) to begin in March of each year.