EL DORADO CHARTER SELPA
Thursday, May 9, 2019

Meeting to be held via Zoom
on Thursday, May 9, 2019 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
Ginese 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
Julie Mattoon, KIPP Bay Area Schools
Tim Wolf, King-Chavez Charter Schools
Debi Gooding, The Learning Center
Dawn Evenson, iLead Schools
Jonathan Dean, The O'Farrell Charter School
J.J. Lewis, Compass Charter Schools
Mark Ryan, North Valley Military Institute
Allegra Johnson, Da Vinci Schools
Michael Martucci, Ingenium Schools
Lynne Alipio, Altus Schools
Paul Keefer, Pacific Charter Institute
Josh Drake, Rocketship Education
Kim Damman, KIPP LA Schools
Melissa Mora, ACE Charter School
Karin Marsolais, Preuss School UCSD
Lisa Frecerro, ASPIRE
DiAnne McClenahan, The Bay Group
Patricia Dougherty, Phoenix Charter Academy
Wendy Sanders, Redding School of the Arts
Kapil Mathur, Orange County Academy

1. Membership Update

1.1 Approved Applicants for 2019-20 (Information Item)
CEO Executive Committee will be updated on the current status of the Charter SELPA membership and applications for membership in 2019/20. Please see Attachment 1.1 for this update.

1.2 Charters Who May Be Leaving or Closing for 2019-20 (Information Item)
At this point in time, the following charters have submitted a notice to withdraw or other appropriate documentation to the Charter SELPA for the 2019-20 school year:

- Achieve Charter High School – Closing 6-30-19
- Ambassador Phillip P. Sanchez II Public Charter – Changing SELPAs
- CORE Placer Charter – Closing 6-30-19
- Crescent Valley Public Charter II – Changing SELPAs
- Crescent View South II – Changing SELPAs
- Dehasa Charter School – Closing 6-30-19
- Inspire Charter (Acton) – Returning to Geographic SELPA
- Kings Valley Academy II – Changing SELPAs
- Marconi Learning Academy – Changing SELPAs
- Pivot North Bay Online Charter School - Closing 6-30-19
- Rise High (Closed 6-30-18; however, notice to the SELPA occurred during 2018/19.)

2. **Partner Oversight Update** (Information Item)
The integrated oversight process of the SELPA is designed to identify areas of LEA support for both program and fiscal operations, as well as protect the SELPA as a whole from the loss of distributed funding. The oversight process consists of monitoring several metrics for all partners and details are included in Attachment 2.

3. **AB 1808 Guidance** (Information Item)
Assembly Bill 1808, signed June 27, 2018, amended California Education Code 52062(a)(5) to include consultation with SELPA prior to consideration of LCAP by local boards. Details and guidance are included in the AB 1808 Guidance document, included as Attachment 3.

4. **ERMHS Update** (Information Item)
CEO Council is to be updated on the results of the determination of sufficiency for ERMHS funding required by the Allocation Plan and the current budget projections it is based on. See Attachment 4 for this update.

5. **2019-20 Annual Service and Budget Plan** (CEO Council Action Item)
The Charter SELPA is required to annually prepare a budget and service plan in the manner and format prescribed by CDE. The budgeted expenditure data for 2019-20 is based on prior year expenditure trends and projections for 2019-20 based on growth. The service plan is developed using CASEMIS student data for the SELPA and projections for 2019-20. Approval of the Annual Service and Budget Plan and the Local Plan are defined in CEO Policy 1 as follows:

Per CEO Policy 1 (Excerpts)

> *The Charter SELPA Local Plan is approved by the Governing Board of El Dorado County Office of Education. The Governing Board of the El Dorado County Office of Education will hold the required public hearings and approve the annual service plan and the annual budget plan. The plans shall be sent to all charter LEA members and communicated with the Charter SELPA CEO Council at the next regularly scheduled meeting. Notice of the public hearings shall be posted in each charter school at least 15 days prior to the hearing, as required by law.*
>
> *Upon entry into the Charter SELPA, the Governing Board for each LEA charter shall approve the Charter SELPA Local Plan, the Agreement for Participation, and the Representations and Warranties. Material changes to the Local Plan, other than for membership changes, shall be approved by the Charter SELPA CEO Council and the Governing Board of the El Dorado County Office of Education.*

The Annual Budget and Service Plan for the Charter SELPA for 2019-20 has been prepared and will be presented at the May 23 CEO Council meeting. Pursuant to Ed Code, Charter SELPA members are required to post a notice of public hearing for the Annual Service and Budget Plans. Information is being sent to all members to post the public hearing notice 15 days prior to the May 23 CEO Council date (post by May 8). Public Notice of the hearings will be posted as required and, after the public hearings, the documents will be submitted to the California Department of Education. Copies of the actual Annual Budget and Service Plans are available at the SELPA office and can be emailed upon request.

6. **Funding Rates & Risk Pool Update** (CEO Council Action Item)
The Charter SELPA Allocation Plan requires that CEO Council is updated on 2018-19 and 2019-20 funding rate determinations and approves the use of any funds from the Rate Smoothing Pool. Details on these fiscal updates are included in Attachment 6.

7. **Rate-Smoothing Pool - Allocation Plan Revision** (CEO Council Action Item)
Allocation Plan language governing the use of funds in the Rate Smoothing Pool needs to be updated to align policy and administrative action regarding setting and maintaining the state funding rate each

year. Details on the proposed updated Allocation Plan language (with red-lined changes noted) are included in Attachment 7.

8. <u>SELPA Policies and Administrative Regulations</u> (CEO Council Action Item)
Charter SELPA recommends revising and updating the following Charter SELPA Policies and Administrative Regulations to align with Ed Code. The following is a list of CEO Policies and Administrative Regulations (ARs) to be updated and presented for adoption at the May CEO Council meeting:

a. Comprehensive Plan for Special Education	CEO Policy No. 1	AR No. 1
b. Identification and Evaluation of Individuals for Special Education	CEO Policy No. 2	AR No. 2
c. Individualized Education Program	CEO Policy No. 3	AR No. 3
d. Procedural Safeguards and Complaints for Special Education	CEO Policy No. 4	AR No. 4
e. Confidentiality of Student Records	CEO Policy No. 5	AR No. 5
f. Compliance Assurances	CEO Policy No. 8	
g. Governance		AR No. 9
h. Personnel Qualifications	CEO Policy No. 10	AR No. 10
i. Participation in Assessments	CEO Policy No. 12	AR No. 12
j. Supplementation of State, Local and Other Federal Funds	CEO Policy No. 13	
k. Maintenance of Effort	CEO Policy No. 14	AR No. 14
l. Suspension/Expulsion	CEO Policy No. 16	AR No. 16
m. Access to Instructional Materials	CEO Policy No. 17	
n. Overidentification and Disproportionality	CEO Policy No. 18	
o. Prohibition of Mandatory Medicine	CEO Policy No. 19	
p. Data	CEO Policy No. 20	
q. Conflict of Interest	CEO Policy No. 25	
r. Federal Maintenance of Effort Requirement	CEO Policy No. 28	AR No. 28

Redline versions and clean copies of the above listed policies and AR's are available upon request and will be posted to the Charter SELPA website prior to the May CEO Council Meeting.

9. <u>SELPA Leadership Report</u>

10. <u>Executive Committee Retreat/New Member Dinner</u>
The annual Executive Committee Retreat will take place Wednesday, May 22, 2019 at 2:00 p.m. at the Hilton Garden Inn – San Diego Downtown/Bayside. Results of the upcoming CEO Survey will be discussed at the Retreat and CEO Executive Committee input is requested to help develop the format and potential agenda for the retreat. A New Member dinner will take place following the Executive Committee Retreat and all Executive Committee members are invited and encouraged to attend and meet many of the new partners joining the Charter SELPA for 2019-20.

19/20 Charter SELPA Membership Report

Current Members per our Local Plan (as of July 1, 2018)

- 175 Charter Partners
- 381 Charter Schools – Local Plan
- 380 Charter Schools - Operating

Current Active Members

- 380 Charter Schools (Since submitting our Local Plan Revison to the board, RISE High notified us of their school closure.)

Effective July 1, 2019, the following changes will be made to the Charter SELPA Local Plan

Cohort 1:

- 19 schools approved.
  - 1 school deferred
  - 18 schools added
  - Increasing the partner count by 9
- 1 school closed/exited the SELPA (reflecting the above-mentioned RISE High school)
  - Decreasing the partner count by 0
- Total number of projected schools 398
- Total number of projected partners 184

Cohort 2 (Selection Committee Meeting - May 14, 2019):

- 21 Applications
  - 11 New organizations, operating 12 schools
  - 9 Expansion Applications
- 5 schools applied and accepted in Cohort 1 will not be joining.
  - 4 Non-Expansions
    - Decreasing the partner count by 4
  - 1 Expansion
- 11 schools closed/exiting the SELPA
  - Decreasing the partner count by 2
- 2 Schools joining that were previously approved but chose to defer
  - Increased the partner count by 2
- Total number of projected schools 405
- Total number of projected partners 191

Cohort 3 (Expansions/Closures Only)

- Deadline – July 31, 2019

Projected Members for 2019-20

- 189 Charter Partners 403 Charter Schools

Partner Oversight Update

Background

The integrated oversight process of the SELPA is designed to identify areas of needed support in our partners' program and/or fiscal operations, as well as protect the SELPA as a whole from the loss of distributed funding. The oversight process consists of monitoring several metrics for all partners. They include:

1. Special education identification rates
2. Complaints and compliance issues
3. SELPA meeting and professional learning participation
4. Prior year unspent funds percentages
5. Reviews of prior year independent audit reports
6. Other operational capacity measures

Throughout the year, the integrated oversight process involves Charter SELPA leadership monitoring and analyzing all oversight metrics. Once all the data is gathered for a given year, determinations are made about whether Integrated Review Team (IRT) contacts are warranted. SELPA leadership is currently engaged in scheduling and completing IRT contacts driven by review of 2016-17 metrics.

The IRT contacts consist of a SELPA program/business team meeting with the program/business leadership of the charter. The goals of the contacts are to gain a deeper understanding of the factors driving the SELPA decision to conduct the IRT contact, to review special education services to measure the extent to which student needs are being met, and to gain understanding of any fiscal issues.

Past IRT contacts have resulted in follow-up contact with the charter by program specialists, agreed upon action plans for improvement, or even a decision to forgo federal funding for the following year, as well as making us aware of unique population characteristics that have and will likely continue to result in particular levels of special education identification rates.

Identification Rates

The statewide percent of K-12 students served in special education is 12+%.

- The overall Charter SELPA average for 2017-18 was 10.0%
- The overall Charter SELPA average for 2018-19 is 10.8%.

Historically, first-year charters have had a lower average identification rate than 2+ year partners. This year the rates are 10.7% (Yr 1) and 10.9% (Yr 2+), respectively. Last year, these rates were 9.8% (Yr 1) vs. 10.02% (Yr 2+).

2018-19 Charter SELPA % of Students w/Disabilities Served	Charter SELPA Enrollment	Charter SELPA Pupil Count Dec 2018	SpEd Count as % of Enrollment
Partners - First Year in SELPA	27,943	2,979	10.66%
Partners - 2 or more Years	174,321	18,928	10.86%
Total	202,264	21,907	10.83%

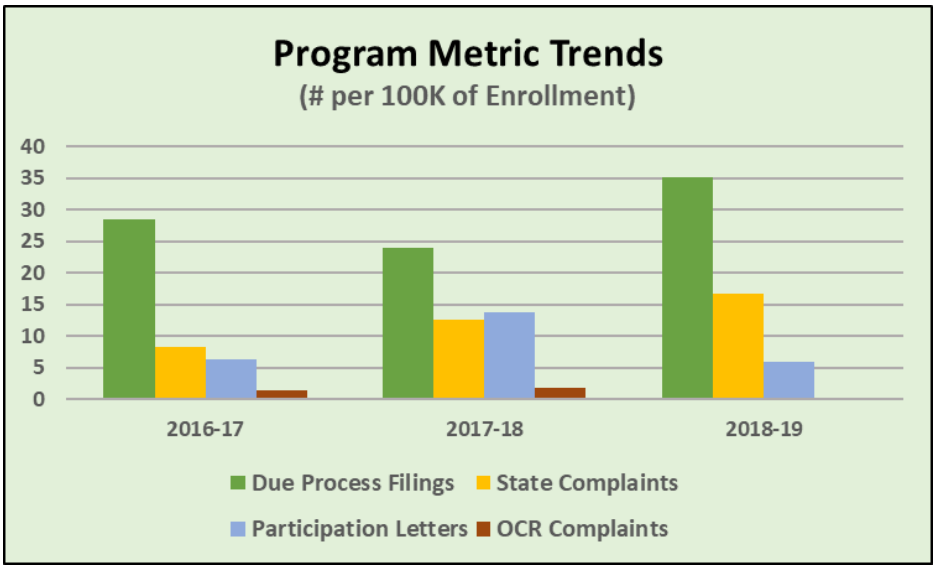
If a charter is above 14% or below 4%, it may suggest that a greater analysis and review should be conducted. If a charter continues to be under 4% in the second year, that may be a sign of concern; perhaps identification or program issues. Low identification rates often coincide with charters that have unspent funds.

Due Process

There have been 71 due process filings in 2018-19 thus far. This compares to 40 filings in 2017-18.

State Complaints

There have been 34 state complaints in 2018-19 thus far. This compares to 21 complaints in 2017-18. All complaints were resolved within the required timeline.



Participation

Building effective special education programs as a SELPA partner requires active engagement in governance and educational opportunities, as well as networking with peers for best practice information. Therefore, participation in Charter SELPA governance and steering meetings, as well as professional learning offerings, is tracked throughout the year.

If a partner has not been active from July through December, a formal letter is sent in January. Last month, 12 charters received letters detailing low participation rates and encouraging increased participation for the remainder of 2018-19. In 2017-18, 23 charters received low participation letters.

OCR Complaints

There have been no OCR complaints in 2018-19 thus far. There were a total of three in 2017-18.

Unspent Funds

Statewide, LEA local contributions from general education funds to cover total special education expenses during 2017-18 averaged in excess of 65%. For SELPA partners, the average is just over 35%. To see unspent special education funding in a charter is therefore an exceptional situation calling for further analysis. The

Allocation Plan provides the following regarding special education funding that remains unspent at the close of any fiscal year:

- Charters with unspent funds less than 25% of total annual funding must provide budget justification to be eligible for federal funding in the following year.
- Charters with unspent funds greater than 25% are may not eligible for federal funds in the following year.
- Charters with unspent funds greater than 25% 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.
- If need is not demonstrated, the funds will be allocated the next year to the Charter SELPA Legal Risk Pool.

In 2016-17, 19 charters had unspent funds. At the close of 2017-18, a total of nine charters had unspent funds:

- Two had unspent funds equal to or greater than 25% and are ineligible for federal funding this year. Per the Allocation Plan, these charters have been placed on reimbursement-based funding for 2018-19. Based on final 2018-19 expenditure reporting, any funding left unspent will be transferred to the Legal Risk Pool as revenue.
- Seven had less than 25% unspent funds, and current year budgets were requested. Budgets were then assessed to determine the extent to which the unspent carryover balance will be expended in 2018-19. Based on this review, all seven of these charters remain eligible for federal funding this year.

Audit Reports

The following procedure was adopted by Charter SELPA CEO Council:

Charter SELPA will review annual audit reports and respond in writing if the following conditions occur:

- The audit report contains material findings relative to internal control.
- The audit report contains material findings relative to state and federal program compliance.
- The audit report provides data that would lead Charter SELPA to believe the charter is in danger of closure due to fiscal failure because of high debt ratios, significantly low reserves, and minimal cash balances.

The audit review focuses on going concern determinations, the qualified/unqualified opinion of the auditor, audit findings of a material nature that could impact state/federal compliance or future fiscal solvency, prior year net asset, cash sufficiency and operating surplus/deficit positions, and year-over-year trends.

Many CMO/Non-Profit Partner organizations submit a single audit report that encompasses all charters under the umbrella of the partner. We received audit reports from all partners.

Following is a summary of the results of the 2017-18 audit review. The counts are reported on an unduplicated basis.

- Three partners (Five LEAs) received a **negative going concern** designation
- There were no LEAs issued **qualified** audit reports
- Five partners (22 LEAs) had **material findings**
- 10 partners (10 LEAs) had findings related to **internal control**
- Three partners (10 LEAs) had **negative net asset** positions

Of the three partners with negative going concern designations, two were placed on reimbursement-based funding last year, which will continue through 2018-19. The other is showing positive 2018-19 financial performance thus far and is on track to achieve a budgeted surplus at year end, which would remove the going concern designation in the next audit. For the remaining partners listed, current year interim budgets and further information has been requested as applicable and is under review.

Recommendation - None

This report is provided for information only. No action is required.

AB 1808 Guidance

Background

Assembly Bill 1808, signed June 27, 2018, amended education code 52062(a)(5) to include:

> *consultation with **special education local plan area (SELPA) administrator or administrators** prior to consideration of the LCAP by the local board effective for the 2019 LCAP submission to determine that actions for students with special needs are included in the LCAP and are consistent with the annual assurances for support plan.*

The bill also requires the SELPA planning process to align with the LCAP process for LEAs, which includes:

- An Annual Assurances Support Plan be added to all Local Plans and written in language understandable to the public. The Annual Assurances Support Plan shall include:
  1. A description of how the governing board of the special education local plan area has determined that the special education local plan area will support participating agencies in achieving the goals, actions, and services identified in their LCAPs.
  2. A description of how the governing board of the special education local plan area has determined that the special education local plan area will connect its participating agencies in need of technical assistance to the statewide system of support.
  3. A brief description of the services, technical assistance, and support the governing board of the special education local plan area has determined that it will provide in meeting the requirements under paragraphs (1) to (21), inclusive, of subdivision (a) of Section 56205.
- The CDE adopt an Annual Assurances Support Plan template by 3/1/2019.
- A template for SELPA local plans be developed and review the local plan every three years.

Issue

- The California Department of Education has not provided any formal guidance on how SELPAs and LEAs should implement the above provisions of California Education Code.
- CDE has not yet adopted an Annual Assurances Support Plan template.

Recommendation

- To meet the requirements of CEC 52062(a)(5), the SELPA recommends that LEAs include language around participation in SELPA collaboration and learning activities that may include, but are not limited to:
  - Performance Indicator Review (PIR) Process
  - Disproportionality technical assistance
  - Program/technical support by the program specialist and other SELPA team members
  - Participation in SELPA Professional learning offerings
    (See SELPA PL Catalog https://charterselpa.org/professional-learning-catalog/)

Without a CDE-approved Annual Assurances Support Plan template, the SELPA is unable to meet the additional requirements of CEC 52062(a)(5) but will make additional recommendations on how to fully implement once a template has been adopted.

ERMHS Update

Background

The September 2018 finding of sufficiency resulted in the following 2018-19 ERMHS funding parameters. These reimbursement parameters are listed in Table 1, Column E for reference:

- **Level 2 (80% of the lesser of):**
  - $3,300 per eligible ERMHS SEIS count based on the December 1 count; or
  - January 2019 Budget request (updated with final expenditures 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)**
- **Level 3 NPS ERMHS (90% funded)**
- **Level 3 NPS Residential Room and Board (100% funded)**

Update/Analysis

Revenue

State revenue (Table 1, D1/F1) and total revenue (Table 1, D3/F3) have been updated with P-1 certification.

Level 2

The final component of determining Level 2 funding is the collection of budget requests, which were submitted on January 15. Working with our partners, the SELPA reconciled the details of these budget submissions with student IEPs. The total Level 2 budget based on the September finding of sufficiency appears in Table 1, D4.

Level 3

To date, 99 claims have been submitted 27 of which are residential. Fourteen potential additional claims are known at this point and may be submitted, pending the outcome of the IEP process and parent consent. In 2017-18, a total of 85 NPS claims were paid, 27 of which were residential. Updated budget totals for NPS ERMHS costs and NPS residential costs are reflected in Table 1, D6 & D7.

Finding of Sufficiency

The May determination detailed in the Allocation Plan calls for managing to a 5-10% mental health reserve requirement by modeling changes in the percentage reimbursement levels established in September.

The Allocation Plan details a priority order for allocating amounts in excess of the established reserve:

1. Increase Level 2 reimbursement, Level 2 transportation, and Level 3 site based structured therapeutic program from 80% to 90%.
2. Increase Level 3 NPS ERMHS from 90% to 95%.

3. Increase Level 2, Level 2 transportation, and Level 3 site based structured therapeutic program from 90% to 95%.
4. Increase Level 2, Level 2 transportation, Level 3 site based structured therapeutic program, and Level 3 NPS ERMHS from 95% to 100%.

The last two years have seen a decrease in the ending reserve balance percentage (Table 1, A13 & B13). However, with the May budget update resulting in a 24% reserve level (Table 1, D13), assumptions about final expenditures as a percentage of budget have been applied for the first time as part of the determination.

In 2016-17, Level 2 final expenditures were 7.3% lower than budget; in 2017-18, 6.4% lower. Changes were made to the 2018-19 Level 2 budget request template aimed at reducing this budget variance. The expectation is that this will reduce not eliminate the variance. The assumed variance for 2018-19 is 4.0%.

For Level 3, 2016-17 actual costs were 18% lower than budget; in 2017-18, 29% lower. In determining the 2018-19 budget of final costs, an assumption of 10% lower actual costs compared to budget was applied.

After application of these assumptions to the updated budget figures in Column D, the results from the allocation of reserve amounts in order of priority, constrained by the 5-10% reserve requirement, are modeled in Table 1, Column F.

Table 1

		A	B	C	D	E	F	G
	Charter SELPA ERMHS	**2016-17 Final**	**2017-18 Final**	**2018-19 CEO Council (Oct 18)**	**2018-19 Projected (May 19)**	**% funded**	**2018-19 Projected (May 19)**	**% funded**
1	State	8,634,623	10,460,970	12,318,645	13,499,489		13,499,489	
2	Federal	1,390,903	1,653,927	1,975,593	1,975,593		1,975,593	
3	Total Income	10,025,526	12,114,897	14,294,238	15,475,082		15,475,082	
4	Level 2	7,043,429	8,899,644	10,100,000	9,722,635	80%	12,153,305	100%
5	Level 3 Therapeutic	334,568	424,503	637,000	623,882	80%	779,853	100%
6	Level 3 NPS	1,267,870	1,199,433	1,800,000	2,376,828	90%	2,640,920	100%
7	Level 3 Residential	906,222	1,500,758	2,250,000	1,131,191	100%	1,131,191	100%
8	SELPA Indirect	287,000	360,730	443,610	415,636		501,158	
9	Total Expenditures	9,839,089	12,385,068	15,230,610	14,270,172		17,206,427	
10	Income less Expenditures	186,437	(270,171)	(936,372)	1,204,910		(1,731,345)	
11	Beginning Balance	2,590,885	2,777,322	2,507,151	2,507,151		2,507,151	
12	Ending Balance	2,777,322	2,507,151	1,570,779	3,712,061		775,806	
13	Reserve % of Revenue	27.70%	20.69%	10.99%	23.99%		5.01%	

Finding of Sufficiency

Reimbursement rates established as a result of the final finding of sufficiency for 2018-19, reflected in Table 1, Column G are as follows:

- **Level 2 (increase from 80% to 100% of the lesser of):**
  - $3,300 per eligible ERMHS SEIS count based on the December 1 count; or
  - January 2019 Budget request (updated with final expenditures July 2019)

  $100K is allocated for Level 2 transportation, and indirect costs for Level 2 are allowed.
- **Level 3 Site Based Structured Therapeutic Program (increase from 80% to 100% funded)**
- **Level 3 NPS ERMHS (increase from 90% to 100% funded)**
- **Level 3 NPS Residential Room and Board (100% funded)**

Changes to the funding parameters resulting from this finding of sufficiency have been communicated to the field.

Recommendation - None

This report is provided for information only. No action is required.

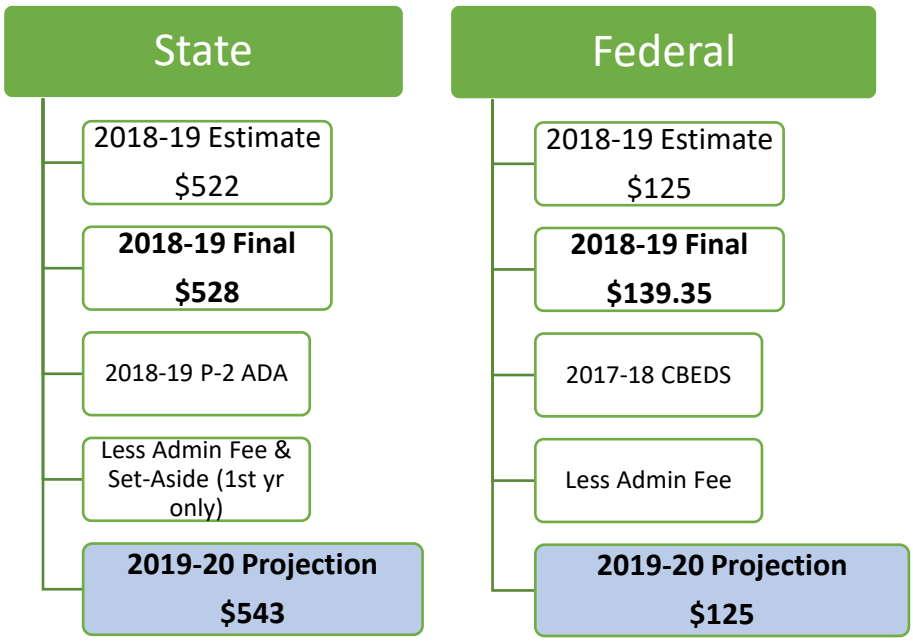
Funding Rates and Risk Pool Update

Background

The Charter SELPA Allocation Plan requires that CEO Council is updated on 2018-19 and 2019-20 funding rate determinations and approves the use of any funds from the Rate Smoothing Pool. In addition, CEO Council is to be presented updates on the status of the SELPA Risk Pools.

1) Funding Rate/Rate Smoothing Pool

Funding Projection Summary



State Funding Deficit

Since 2013-14, deficits have been applied to California special education funding. Over time, the movement of these deficits throughout each fiscal year has proven to follow an increasingly unreliable pattern. As a result, SELPA leadership continues to follow a cautious approach to rate setting in the near term.

An example of the inconsistency of the deficit movement from P-2 certification to Annual certification:

- In 2016-17, the deficit moved from **2.67%** to **2.63%** from P-2 to Annual.
- In 2017-18, the deficit moved from **2.44%** to **1.25%** from P-2 to Annual.

Forecasts for both prior and current year deficits, as well as the movement of those deficits from one certification period to the next, are incorporated into establishing each year's SELPA state funding rate to partners. The actual deficit results are then monitored and factored into managing the state funding rate.

Table 1 shows the impact of deficit movements on rate setting for 2018-19 and 2019-20. Table 1A shows the corresponding impact on the Rate Smoothing Pool.

Table 1

		A	B	C	D	E	F	G
	Budgeted Rates	**2017-18 P-2**	**2017-18 Annual**	**2018-19 Budgeted**	**2018-19 P-1**	**2018-19 Revised Rate**	**2019-20 Budgeted**	**2019-20 Budgeted Update**
1	SELPA ADA	170,689	170,648	217,000	215,063	215,063	236,569	236,569
2	PY Statewide Target Rate (STR)	516.93	516.93	524.99	525.44	525.44	539.68	539.68
3	COLA %	1.56%	1.56%	2.71%	2.71%	2.71%	3.70%	3.26%
4	COLA $	8.06	8.06	14.23	14.24	14.24	19.97	17.59
5	Projected STR	524.99	524.99	539.22	539.68	539.68	559.65	557.27
6	Projected Deficit Rate (P-2)	2.44%	2.44%	3.16%	3.13%	3.13%	3.13%	3.13%
7	Projected Deficit $	12.81	12.81	17.04	16.90	16.90	17.52	17.44
8	Estimated Rate	512.18	512.18	522.18	522.78	522.78	542.13	539.83
9	PY Deficit Restoral Used to Augment Rate					1,069,457	732,993	732,993
10	Available for Allocation			113,313,060	112,430,504	113,499,961	128,984,145	128,440,036
11	Augmented Estimated Rate			522.18	522.78	527.75	545.23	542.93
12	SELPA Determined Rate	514.00		522.00	522.00	528.00	545.00	543.00
13	Surplus/Deficit	(1.82)		0.18	0.78	(0.25)	0.23	(0.07)
14	Contribution to/from Rate Smoothing Pool	(310,118)		39,060	167,749	(53,766)	54,411	(16,560)
15	Projected Deficit Rate (Annual)	2.63%	1.25%	3.00%	3.00%	2.50%	2.50%	2.50%
16	Projected Restoral (Next Fiscal Year)	42,600	1,069,457	187,216	152,670	732,993	834,088	830,549

Table 1A

		A	B	C	D	E	F
	Rate Smoothing Pool	**2017-18 P-2**	**2018-19 Budgeted**	**2018-19 P-1**	**2018-19 Revised Rate**	**2019-20 Budgeted**	**2019-20 Budgeted Update**
1	One Time Contribution from Legal Risk Pool		500,000	500,000	500,000		
2	Surplus from SELPA Final Rate	-	39,060	167,749	-	54,411	-
3	Prior Year Restoration	30,697	42,600	1,069,457	1,069,457	732,993	732,993
4	Total Revenue	30,697	581,660	1,737,206	1,569,457	787,404	732,993
5	PY Deficit Restoral Used to Augment Rate	-	-	-	1,069,457	732,993	732,993
6	Deficit from SELPA Final Rate	310,118	-	-	53,766	-	16,560
7	Total Expenditures	310,118	-	-	1,123,223	732,993	749,553
8	Revenue - Expenditures	(279,421)	581,660	1,737,206	446,234	54,411	(16,560)
9	Rate Smoothing Pool Beginning Balance	976,348	696,927	696,927	696,927	1,143,161	1,143,161
10	Rate Smoothing Pool Ending Balance	696,927	1,278,587	2,434,133	1,143,161	1,197,572	1,126,601

2018-19 Revised State Rate

In February, a higher than average restoral of the 2017-18 deficit was received at annual certification. The 2017-18 deficit was decreased to 1.25% from 2.44% (Table 1, A6 vs. B15). In addition, the 2018-19 deficit at P-1 certification was lower than the projected 3.16% at 3.13% (Table 1, C6 vs. D6). The impact is that the balance in the Rate Smoothing Pool is in excess of what was budgeted by nearly 100% at $2.4M a substantial amount (Table 1A, B10 vs. C10). To manage both the level of the state funding rate from year to year and the balance in the Rate Smoothing Pool, the SELPA is requesting CEO approval for the use of $1.1M in funds from the Rate Smoothing Pool (Table 1A, D7) to increase the 2018-19 rate from $522 to $528.

2018-19 Revised Federal Rate

Each year, budget advice for federal funding rate is $125/PY enrollment (CBEDS). The final rate cannot be calculated until:

1) the actual federal grant amount from CDE is received;
2) partners with unspent funds in the prior year greater than 25% are identified; and
3) partners choosing to opt out of federal funding are known.

Incorporating the impact of these three variables, the final federal rate for 2018-19 is $139.35/PY enrollment (CBEDS).

2019-20 Budgeted Rates:

State — $523/CY P-2 ADA (Table 1, G12). Previously released budget advice of $545 (Table 1, F12) has been updated to account for the updated COLA estimate of 3.26% (Table 1, G3). This rate will be finalized when the final COLA is reported in May.

Federal — Projecting a rate of $125/PY enrollment (CBEDS). Assumes no significant changes to the federal budget and CDE's SELPA federal grant calculation.

The 2019-20 state rate budget advice has been determined by applying the most recent 3.26% COLA calculation from School Services of California and cautious projections for the 2018-19 and 2019-20 deficits. No change from the 2018-19 P-1 deficit of 3.13% is assumed for 2018-19 P-2 (Table 1, D6 & E6). A restoral at 2018-19 annual certification of 2.5% is assumed (Table 1, E15). This results in a projected restoral amount of $733K added to the Rate Smoothing Pool (Table 1, E16).

The SELPA is requesting CEO Council approval for the use of up to $750K in funds from the Rate Smoothing Pool (Table 1A, F7) to pay a rate of $543 for 2019-20.

Recommendation

CEO Council action is requested to approve the following recommendations:

2018-19
Utilize $1.1M from the Rate Smoothing Pool to support an increase in the state funding rate for the 2018-19 fiscal year from $522 to $528 before admin fee and set-aside for new charters.

2019-20
Utilize up to $750K (Table 1A, F7) from the Rate Smoothing Pool to support a projected state funding rate for the 2019-20 fiscal year of $543 before admin fee and set-aside for new charters. Administration may adjust this rate should the approved 2019-20 state budget include provisions of material impact.

Final rates will be communicated to the field.

2) Set-Aside Risk Pool

The current structure of the Set-Aside Risk Pool was established by CEO Council in 2016-17. The intent of the pool is to provide protection to the SELPA as a whole against potential SELPA funding losses resulting from the action of a member. Ongoing funding for the Set-Aside Risk Pool is generated from a one-time contribution from all new charters equal to $5/current year P-2 ADA.

At P-1 certification in February, the projected current year revenue of $180K (Table 1, C1) is slightly higher than the $164K projected in October. This number will be finalized at P-2 in June. Thus far in 2018-19, $22K (Table 2, C6) has been needed from the pool. This is a settlement agreement related to a due process filing for a closed school, which was discussed at the October 2018 CEO Council meeting.

Based on these factors, the ending balance of the pool is projected to grow to $741K from the previous year's $583K (Table 2, C11 vs. A11).

Table 2

			A	B	C
	Charter SELPA Set Aside Risk Pool	**2016-17 Final**	**2017-18 Final**	**2018-19 Projected (Oct '18)**	**2018-19 Projected (May '19)**
1	Contribution from New Charters	92,844	65,446	164,190	179,623
2	Interest				
3	One Time transfer from Legal Risk	200,000			
4	Total Revenue	564,365	65,446	164,190	179,623
5	Unrecoverable Revenues from Closed Schools	153	46,539		
6	Extrodinary Costs			22,000	22,000
7	Return to charters	1,053,909			
8	Total Expenditures	1,161,633	46,539	22,000	22,000
9	Income less Expenditures	(597,268)	18,907	142,190	157,623
10	Beginning Balance	1,161,480	564,212	583,119	583,119
11	Ending Balance	564,212	583,119	725,309	740,742

Recommendation - None

The Risk Pool reports are provided for information only. No action is required.

3) Low Incidence Pool

The SELPA receives very little funding for low incidence materials and services (Table 3, Row 1). Annual growth of low incidence reimbursement claims makes guaranteeing a maximum reimbursement rate at the beginning of the year very difficult. May 1 is the deadline for claim submission and, until all known claims are submitted, the final maximum reimbursement rate for 2018-19 cannot be established. Last year's maximum was set at $2,300 based on submitted claims.

The 2018-19 revenue to the Low Incidence Pool of $183K (Table 3, C1) is generated by multiplying the state determined rate by the prior year pupil count of students with low incidence disabilities as defined in Education Code (hearing impairments, vision impairments, severe orthopedic impairments, or any combination thereof). The SELPA's pupil count for 2017-18 was 409. The state determined rate of $447.79 is slightly up from last year's rate of $437.38. An additional $8.6K of funding (Table 3, C3) comes from adjustments to prior year claims, filed claims that did not meet the $600 minimum, and claims where supporting documentation was never submitted.

Reimbursement claims for 2018-19 are currently projected to be $255K (Table 3, C5) assuming that submitted claims will extinguish all funding available. Requests submitted at the May 1 deadline are currently being analyzed to determine a final maximum rate for reimbursement. Once all claims are processed, the final 2018-19 maximum reimbursement will be established and announced to the field. Correspondingly, this expenditure number will be updated with actuals.

Table 3

			A	B	C
	Charter SELPA Low Incidence	**2016-17 Final**	**2017-18 Final**	**2018-19 Projected (Oct '18)**	**2018-19 Projected (May '19)**
1	Income	118,035	153,082	183,699	183,147
2	Other Sources				
3	Recoverd Revenue on PY pending claims		3,000	4,812	8,620
4	Total Revenue	118,035	156,082	188,511	191,767
5	Expenditures	109,232	92,144	251,986	255,242
6	Pending Claims	3,000	22,302		
7	Total Expenditures	112,232	114,446	251,986	255,242
8	Income less Expenditures	5,803	41,636	(63,475)	(63,475)
9	Beg Balance	16,036	21,839	63,475	63,475
10	Ending Balance	21,839	63,475	-	-

Recommendation - None

The Risk Pool reports are provided for information only. No action is required.

4) Legal Risk Pool

Funding for the Legal Risk Pool is generated from two sources:

1. Unspent current year state revenue from charters carrying over a large balance from the previous year (greater than 25% unspent). Typically, these are Charter SELPA partners that are in the early stages of building special education program capacity, or have unique populations characterized by low special education identification rates.
2. Funding held from charter partners that close operations and fail to submit documentation that would allow for release of the withheld funds. Per the Allocation Plan and SELPA policies, funding is held in circumstances where further distribution of special education funding would put those funds at risk.

In 2016-17, there was a significant influx of funding from closed charters totaling $851K (Table 4, A3). Most of that amount resulted from a mid-year decision to hold funding for one school, which subsequently closed as a result of a bankruptcy. Unspent funding revenue to the pool for 2017-18 was $111K (Table 4, B2) representing forfeited unspent funds from one school. 2018-19 revenue to the pool is expected to be $263K (Table 4, D2), made up of unspent funds from two schools.

Due to the variable nature of the pool's revenue source, it is difficult to project pool availability to cover the rising costs of Legal Risk Pool claims. Total Legal Risk claims are trending upward (Row 5). The significant jump in claims from 2016-17 to 2017-18 does not appear to be an anomaly. The figure of $360K (Table 4, D5) is a preliminary cost estimate based on submitted claims at the time this document was prepared prior to the May 1 deadline. Claims submitted by the May 1 deadline will be analyzed, and the projected claim amount will be updated prior to the CEO Council meeting.

Table 4

		A	B	C	D
	Charter SELPA Legal Risk Pool	**2016-17 Final**	**2017-18 Final**	**2018-19 Projected (Oct '18)**	**2018-19 Projected (May '19)**
1	EDCOE One Time Contribution				
2	Transfer from Modified Funding/Reserve	167,776	111,371	325,000	263,000
3	Forfeited State Funds	850,872	5,189		2,957
4	Total Revenue	1,073,277	116,560	325,000	265,957
5	Total Awards	85,544	300,158	300,000	360,000
6	Extrodinary Costs		63,683	18,000	18,000
7	Contribution to Rate Smoothing Pool			500,000	500,000
8	Total Expenditures	304,229	363,841	818,000	878,000
9	Income Less Expenditures	769,048	(247,281)	(493,000)	(612,043)
10	Beginning Balance	376,182	1,145,230	897,949	897,949
11	Ending Balance	1,145,230	897,949	404,949	285,906

Recommendation - None

The Risk Pool reports are provided for information only. No action is required.

Allocation Plan Revision – Rate Smoothing Pool

Issue

Allocation Plan language governing use of funds in the Rate Smoothing Pool needs to be updated to align policy and administrative action regarding setting and maintaining the state funding rate each year.

Background

Prior to creation of the Rate Smoothing Pool, state revenue at a rate with the deficit applied would flow to partners starting in July. Then in February (P-1), a small additional revenue distribution would occur as a result of the deficit being partially restored, followed by another additional small revenue distribution in June (P-2) when another deficit restoral was received. In some years, the June (P-2) deficit restoral cash was received so late that the revenue was distributed as a transaction in the following fiscal year. This was awkward in that the fiscal year the revenue was earned and the fiscal year the revenue was received would differ, the amounts were at times very small, and a complication was added to the process of trying to manage smooth revenue growth from year to year.

The Rate Smoothing Pool was created by CEO Council to help mitigate funding variability during the year that the state deficit & deficit restoral methodology was introduced. The concept:

> *Based on a projection for the beginning deficit and projections for the levels of restoral during the year, a funding rate can be set based on the projected future (lower) deficit level instead of the beginning (higher) deficit level. Funding advances from the pool will be used to augment cash flow to partners and allow distributions starting in July at a rate higher than the rate the SELPA is receiving. Then, when future restoral dollars in February and June are received, the pool will be "re-funded" (i.e. the advances from the pool taken to pay a higher rate throughout the year are paid back) and the cycle repeats the following year.*

Analysis

Although rate setting is delegated to SELPA administration, the enabling language for the Rate Smoothing Pool in the Allocation Plan dictated that the use of any funds from the pool requires CEO Council action. In an environment where the beginning deficit level and restoral levels are somewhat predictable, reliable projections allow for CEO Council in May to be informed of the following year rate established by administration and to approve the use of the necessary pool funds to pay that rate throughout the year. In the past two years, the predictable nature of the deficit has diminished to the point of making the currently required approval to use pool funds problematic.

Further, some of the current wording in this section is contradictory. CEO Council approval for use of pool funds is clearly established in the first paragraph. However, the very last sentence reads, "SELPA administration may adjust these rates based on approved governmental budgets, future grant determinations, and changes in the deficit percentage." The conflict arises if adjusting rates consistent with the last sentence requires pool funds that were not previously approved by CEO Council.

SELPA administration believes to maintain operational and governance integrity in passing through revenue to SELPA partners, that CEO Council should consider clarifying the language in Section 2 of the Allocation Plan to allow administration to use Rate Smoothing Pool funds for the limited, well-defined purpose of managing the state funding rate consistent with the original intent of the Council in creating the pool. In the proposed amended wording, reporting to CEO Council of planned and actual usage of any pool funds is required, and use of Rate Smoothing Pool funds for any other purpose would still require CEO Council approval.

Recommendation

It is recommended that CEO Council adopt the following changes to the Allocation Plan.

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2. SPECIAL EDUCATION DEFICIT/RATE SMOOTHING POOL

Intent

In 2013-14, there was a statewide ~~2.8%~~ deficit applied to special education state funding. In response, CEO Council created a Rate Smoothing Pool ~~approved Allocation Plan language in September 2014~~ to address potential deficits that may occur going forward and to maintain a consistent level of funding from year to year. CEO ~~council~~ Council ~~-~~action is required ~~on~~ for the use of funds in this pool other than SELPA administration's use of pool funds in conjunction with setting the state special education funding rate. Administration shall regularly inform CEO Council of the planned and actual expenditure of funds from the pool, as well as changes in the pool balance.

Operation of the Pool

In setting the state special education funding rate to SELPA partners, administration shall use due diligence in establishing a projection for the movement of any state deficit percentage during the relevant fiscal years. Based on these projections, SELPA Administration will manage funds in this pool directed by the goals of:

1. Mitigating fluctuations in current year state funding due to movements in the state deficit.
2. Maintaining a consistent level of state special education funding to partners from year to year.

Sources of funds for the Rate Smoothing Pool:

- all deficit restorations received from the state by the SELPA; and
- any other additions to the pool approved by the CEO Council.

~~*Charter SELPA Formula*~~

~~Based on deficit restoration from prior years, the balance in the Rate-Smoothing Pool was $976K as of June 2017. The projected 2017-18 statewide target rate, adjusting for SELPA program specialist/regionalized services funding (~$16 per ADA), is $525 at full funding. A deficit of 2% was projected, resulting in a proposed budget rate of $514 for 2017-18.~~

~~Based on changing deficits trends, the deficit may be higher than 2% and future projections will be adjusted accordingly. In order to fulfill the commitment of the $514 rate in 2017-18, an estimated $952K of the rate smoothing pool will be used to guarantee the rate as of June 30, 2018.~~

~~*2018-19 Funding*~~

~~The 2018-19 State rate projection approved by CEO Council (May 2018) is $522, assuming a 3.16% deficit when 2018-19 funding is certified by CDE in February/June 2020.~~

~~Further, SELPA administration may adjust these rates based on approved governmental budgets, future grant determinations, and changes in the deficit percentage.~~