EL DORADO CHARTER SELPA  
Monday, April 27, 2020

Meeting to be held via Zoom  
Monday, April 27, 2020 at 3:00 p.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

2019-20 Executive Committee Members:

Mary Searcy Bixby, Altus Schools  
Lynne Alipio, Altus Schools  
Lisa Frecerro, ASPIRE  
J.J. Lewis, Compass Charter Schools  
Allegra Johnson, Da Vinci Schools  
Cindy Petersen, Gateway Community Charters  
Dawn Evenson, iLead Schools  
Michael Martucci, Ingenium Schools  
Julie Mattoon, KIPP Bay Area Schools  
Kim Damman, KIPP LA Schools  
Pat Hill, Learn4Life  
Mark Ryan, North Valley Military Institute  
Kapil Mathur, Orange County Academy  
Patricia Dougherty, Phoenix Charter Academy  
Karin Marsolais, Preuss School UCSD  
Paul Keefer, Pacific Charter Institute  
Wendy Sanders, Redding School of the Arts  
Josh Drake, Rocketship Education  
Barbara Hale, Sycamore Academy Charter  
DiAnne McClanahan, The Bay Group  
Debi Gooding, The Learning Center  
Jonathan Dean, The O’Farrell Charter School  
Seth Feldman, Bay Area Technology  
Cindy Kelley, King-Chavez  
Russell Michaud, Alpha Public Schools  
Laura Mudge, Olive Grove Charter School  
Jennifer Zamora, Bay Area Technology  
Stephanie Walton, Circle of Independent  
Learning

1. Allocation Plan Alignment

The Charter SELPA recommends revising and updating the Allocation Plan regarding income  
reallocation. Details and proposed recommendations are included (with red-lined changes noted) in  
Attachment 1.

2. Legal Risk Pool

In its current configuration, the Legal Risk Pool is not viable beyond the current year. The Charter  
SELPA recommends not reducing AB 602 revenue to fund the pool and to suspend the Legal Risk Pool  
at the conclusion of the 2019-20 school year until a future revenue source can be identified. Details  
and the proposed recommendation are included in Attachment 2.
3. **2020-21 Outlook**
   A state budget advice document is included as Attachment 3.

4. **ERMHS Funding**
   The 2019-20 final determination of sufficiency must be made with a great deal of uncertainty about what 2020-21 will bring in terms of revenue and expenditures. Administration is asking Executive Committee to discuss the tradeoffs involved and provide their input prior to making the final determination. Additional information is included in Attachment 4.

5. **Local Plan Template**
   The Charter SELPA will provide an update and overview of the new local plan requirements and the status of its submission. Assembly Bill (AB) 1808, requires all SELPAs to utilize a CDE developed template that shall be used by SELPAs for their local plan, annual budget plan (ABP) and annual service plan (ASP) to be used by all SELPAs effective July 1, 2020.

6. **COVID-19 Response and Planning**
   SELPA would like feedback from the Executive Committee regarding the COVID-19 response and future needs.

7. **SELPA Leadership Report**
Allocation Plan Alignment – Income Reallocation

Issue
SELPA Administration recommends amending Element 8 of the Charter SELPA Allocation Plan to clarify the authority to reallocate income between LEAs.

Recommendation
CEO Council action is requested to consider and approve the revisions as follows to the Charter SELPA Allocation Plan, Element 8 (revisions highlighted in red):

Charter SELPA Allocation Plan 2019-20

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8. INCOME RE-ALLOCATE

Intent
Organization Partners (See Element 4/Partner Definition) may have varying needs among their schools and should be provided the flexibility to re-allocate funds among the entities to better match income to special education expenditures. CEO Council approved additional flexibility for JPAs, should the structure of the JPA provide the authority to re-allocate funds.

Charter SELPA Formula
At the close of the fiscal year, an Organization Partner or JPA may reallocate state and federal funds to the LEAs within their authority, if the Organization Partner or JPA has the authority within their operational structure to take such action.

EC Section 56836.05(b) provides authority to SELPAs to develop an Allocation Plan at the SELPA governance level, to distribute funds to the LEAs within the SELPA. The Charter SELPA Allocation Plan distributes funds to each charter (CDS code) in the SELPA. However, pursuant to this Allocation Plan rule approved by CEO Council, a provision is made for the local authority of the Organization Partner or JPA to re-allocate income among Charter SELPA LEA members.

The final reallocation will occur in the months of August and September following the close of a fiscal year with final reallocation done by October 1. Evidence of board action to establish income reallocation authority is required and documentation must be submitted to the Charter SELPA in a prescribed format that outlines the exact amount of funding moved from one LEA to other LEA(s).
Legal Risk Pool

Issue
The primary funding source for the Legal Risk Pool has been decreasing while the number of claims has increased. Given the increase in claims and the lack of a reliable revenue stream to draw from, the pool will be unable to support another year of claims at the conclusion of the 2019-20 school year.

Background
CEO Council established the Legal Risk Pool in 2013-14. The funding sources for the pool are:

1. Funding from Charter SELPA Partners in the process of building programs that are not yet able to fully expend the allocation of state dollars (greater than 25% unspent).
2. Funding from Charter SELPA Partners that close operations but fail to submit documentation allowing for release of state funds being held.

The CEO Council took action in October 2018 to lower the reimbursement rate from 60% to 50% in order to extend the life of the pool through the end of the current year.

Analysis

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<tr>
<td>1 EDCOE One Time Contribution</td>
<td>100,000</td>
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<tr>
<td>2 Transfer from Modified Funding/Reserve</td>
<td>511,808</td>
<td>291,849</td>
<td>145,392</td>
<td>167,776</td>
<td>111,371</td>
<td>26,862</td>
<td>131,417</td>
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<td>3 Forfeited State Funds</td>
<td>50,997</td>
<td>4,734</td>
<td>(36,467)</td>
<td>850,872</td>
<td>5,189</td>
<td>26,862</td>
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<tr>
<td>4 Cancelled PY Pending Awards</td>
<td>(1,199)</td>
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<tr>
<td>5 PY Adjustments to Modified Funding/Reserve</td>
<td>(1,199)</td>
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<tr>
<td>6 Transfer from Set Aside</td>
<td>82,735</td>
<td>6,426</td>
<td>(2,545)</td>
<td>52,716</td>
<td>(37,308)</td>
<td>(37,308)</td>
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<td>7 Transfer from Set Aside-Interest</td>
<td>(962)</td>
<td>(1,913)</td>
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<tr>
<td>8 Internal Acct Adjustments</td>
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<td>(2,426)</td>
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<tr>
<td>9 Total Revenue</td>
<td>746,767</td>
<td>300,583</td>
<td>115,948</td>
<td>1,073,277</td>
<td>116,560</td>
<td>327,000</td>
<td>131,417</td>
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<td>81,704</td>
<td>79,976</td>
<td>44,121</td>
<td>85,544</td>
<td>237,088</td>
<td>384,019</td>
<td>400,000</td>
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<tr>
<td>11 Pending Awards</td>
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<td>126,753</td>
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<tr>
<td>12 Contribution to Rate Smoothing Pool</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>500,000</td>
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<tr>
<td>13 Contribution to New Set Aside</td>
<td></td>
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<td></td>
<td></td>
<td>200,000</td>
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<tr>
<td>14 Contribution to MH Funding</td>
<td>600,000</td>
<td></td>
<td></td>
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<tr>
<td>15 Return of MH Funding</td>
<td>(467,120)</td>
<td>448,435</td>
<td>18,685</td>
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<tr>
<td>16 Total Expenditures</td>
<td>214,584</td>
<td>528,411</td>
<td>44,121</td>
<td>304,229</td>
<td>363,841</td>
<td>884,019</td>
<td>400,000</td>
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<tr>
<td>17 Income Less Expenditures</td>
<td></td>
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<tr>
<td>18 Beginning Balance</td>
<td>-</td>
<td>532,183</td>
<td>304,355</td>
<td>376,182</td>
<td>1,145,230</td>
<td>897,949</td>
<td>340,930</td>
</tr>
<tr>
<td>19 Ending Balance</td>
<td>532,183</td>
<td>304,355</td>
<td>376,182</td>
<td>1,145,230</td>
<td>897,949</td>
<td>340,930</td>
<td>72,347</td>
</tr>
</tbody>
</table>
With projected revenue of $131K (cell G2) and assuming only a modest increase in claims to $400K (cell G9), the ending balance is estimated to be only $72K (cell M20). This would not be sufficient to cover another year of claims.

The two revenue sources to the pool (unspent funds and unclaimed funding) are essentially the only way to fund the Legal Risk Pool at this time without reducing revenue to SELPA partners. Given the uncertainty regarding the economy and instability of the state budget, it is not advisable to reduce base special education funding to maintain the legal risk pool.

**Recommendation**

CEO Council should take action to suspend/discontinue the Legal Risk Pool at the conclusion of the 2019-20 school year and transfer any remaining balance to the Set-Aside Risk Pool.

Recognizing the ongoing need for resources to mitigate the cost associated with litigation, SELPA administration will revisit the Legal Risk Pool should resources become available.
Additional 2020-2021 State Rate Information

A confluence of factors has added a level of complication in budgeting for 2020-21 unseen in recent years. To summarize:

- **January**: The Governor’s January proposed budget included a projected 2.29% COLA and increasing the SELPA Statewide Target Rate from $557/ADA to $660/ADA based on a 3-year rolling average of ADA for each LEA in a SELPA.
- **February**: Proposed trailer bill language sunsets AB 602 as of July 1, 2020. This would eliminate the special education deficit by curing a conflict between Ed Code and Appropriations language.
- **Early March**: To account for CDE’s decision to zero-out all ADA associated with A3 Education schools, the Charter SELPA CEO Council approved using all funds in the Rate Smoothing Pool to minimize the size of the forced current year per-ADA rate reduction ($538 from $543).
- **Mid-March**: The significant impacts on the state’s fiscal condition from the COVID-19 dilemma compelled the Department of Finance to issue an advisory that 2020-21 budgeting will occur in the context of a workload budget. The announcement stated that there should be no expectation of full funding for either new or existing proposals.
- **Late March**: Preliminary advice was that the $645M needed for the $660/ADA proposal was now part of the state’s MOE base and, therefore, somewhat protected. Later, it was clarified that only a portion ($152M) was part of the state’s MOE base, and the workload budget could redistribute the other $493M in any way deemed necessary.
- **April**: The only sure thing is that the May revised budget will be substantially different from the January proposed budget. However, exactly how different is impossible to ascertain, given the unknown final impact of the fight against COVID-19. And, the unfortunate reality is that details of the May revised budget are too late to incorporate into our 2020-21 adopted budgets.

These conditions demand caution in projecting the state revenue rate for next year. Taking all the above factors into account, we believe that a cautious approach will incorporate four elements:

1. the 2.29% COLA proposed in January;
2. an assumption of a continued special education deficit;
3. a projection of the size and movement of the deficit consistent with the past; and
4. the use of no dollars ($0) from the Rate Smoothing Pool.

Accounting for these four elements results in preliminary budget advice for the 2020-21 fiscal year as follows:

- **20-21 State Rate** = **$552.00** per 2020-21 P-2 ADA (before admin fee & set-aside for new charters)
- **20-21 Federal Rate** = **$125.00** per 2019-20 Enrollment/CBEDS (before admin fee)
ERMHS Update

Background
The September 2019 Finding of Sufficiency resulted in the following 2019-20 ERMHS funding parameters:

- **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)**

These reimbursement parameters and their projected costs are shown in Table 1, rows 3 through 7. Columns A & B (September 2019 projection); columns C & D (current).

Update/Analysis

Revenue
State revenue (Table 1, row 2) and total revenue (Table 1, row 3) have been updated since September based on February P-1 attendance certification data.

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 reimbursement percentages appears in Table 1, D3.

Level 3
The projection for overall Level 3 expenditures is tracking very closely to the initial budget projections. Updated totals for NPS Site-Based Therapeutic costs, NPS ERMHS costs, and NPS residential costs are reflected in Table 1, D4 through D7.

Finding of Sufficiency
The Allocation Plan’s May determination calls for managing to a 5-10% (of revenue) reserve by modeling changes in the percentage reimbursement levels established in September.

The Allocation Plan details a priority order for allocating amounts in excess of a desired 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%.

Historically, final expenditures have been lower than budgeted expenditures for both Level 2 and Level 3. There is variation from year to year in how much lower, i.e. no identifiable trend has emerged. A cautious projection of the variance between budgeted and final expenditures has been applied to the Feb 2020 cost numbers as follows:

- Level 2 & Level 3 Site-Based Programs: 96% of budgeted
- Level 3 NPS & NPS Residential: 90% of budgeted

For the past three years, through current year deficit spending, the SELPA has been managing the reserve level down toward the 5-10% range suggested by the Allocation Plan.

Applying the order of priority in the Allocation Plan detailed above, Table 1, columns C through H display the alternatives for the fiscal decision to be made in the 2019-20 final Finding of Sufficiency. The tradeoff question: How high should reimbursement percentages be set for 2019-20 vs. what level of reserve is prudent moving into 2020-21?

Table 1

<table>
<thead>
<tr>
<th>ERMHS Budget</th>
<th>A</th>
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<th>G</th>
<th>H</th>
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<tr>
<td></td>
<td>ration</td>
<td>(Sep 19)</td>
<td>(Feb 2020)</td>
<td>(Feb 2020)</td>
<td>(Feb 2020)</td>
<td>(Feb 2020)</td>
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<tr>
<td>2 Federal</td>
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<td>2,416,839</td>
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<tr>
<td>Total Revenue</td>
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<td>$16,096,239</td>
<td>$16,096,239</td>
<td>$16,096,239</td>
<td>$16,096,239</td>
<td>$16,096,239</td>
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</tr>
<tr>
<td>3 Level 2</td>
<td>80%</td>
<td>11,096,400</td>
<td>80%</td>
<td>10,892,596</td>
<td>90%</td>
<td>12,254,171</td>
<td>90%</td>
<td>12,254,171</td>
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<tr>
<td>4 Level 3 Therapeutic</td>
<td>80%</td>
<td>593,880</td>
<td>80%</td>
<td>581,788</td>
<td>90%</td>
<td>654,511</td>
<td>90%</td>
<td>654,511</td>
</tr>
<tr>
<td>5 Level 3 NPS (state)</td>
<td>90%</td>
<td>1,538,460</td>
<td>90%</td>
<td>1,791,944</td>
<td>90%</td>
<td>1,791,944</td>
<td>95%</td>
<td>1,891,496</td>
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<tr>
<td>6 Level 3 Res/NPS (fed)</td>
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<td>90%</td>
<td>394,428</td>
<td>90%</td>
<td>394,428</td>
<td>95%</td>
<td>416,341</td>
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<tr>
<td>7 Level 3 Residential (fed)</td>
<td>100%</td>
<td>1,421,250</td>
<td>100%</td>
<td>1,314,773</td>
<td>100%</td>
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<td>8 SELPA Indirect</td>
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<td>449,300</td>
<td>492,300</td>
<td>495,900</td>
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<td>9 Total Expenditures</td>
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<td>10 Revenue less Expenditures</td>
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<td>$671,111</td>
<td>$(805,887)</td>
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<td>12 Ending Balance</td>
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<td>$1,060,835</td>
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<td>13 Reserve (% of Revenue)</td>
<td>14.15%</td>
<td>16.55%</td>
<td>7.37%</td>
<td>6.59%</td>
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Finding of Sufficiency

The COVID-19 pandemic, more specifically, the significant state budget ramifications of the crisis, have introduced significant fiscal unknowns for 2020-21. Mental health funding is no exception. In circumstances where so much is unknown, collaborative discussion (when possible) adds value – two heads, etc. To inform the final determination of reimbursement rates for 2019-20, SELPA administration is requesting the input of the Executive Committee around the tradeoff between distributing revenue in the current year and carrying a given level of reserves for future unknowns.
Decision issues to consider:

- How likely and how deep might revenue reductions be?
- How will the impact of stay-at-home orders and distance learning initiatives impact IEP team placement decisions?
- How will the abrupt closure of school, cancellation of athletics and events, and social separation impact the cost of mental health services to students?
- Could an increased expectation placed on K-12 education around student mental health take the form of an unfunded mandate?
- Other issues?

**Recommendation - None**

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