EL DORADO CHARTER SELPA

Thursday, September 10, 2020

Meeting to be held via Zoom
Thursday, September 10, 2020 at 10:00 a.m.
Registration for the Zoom teleconference will be available two days prior to the meeting and the link will be sent out electronically.

AGENDA - EXECUTIVE COMMITTEE MEETING

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
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 McClenahan, 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. Local Plan Update
   The Charter SELPA will provide an update of the new Local Plan requirements and the Section B revisions to be adopted at the October CEO Council meeting.

2. Policy Updates Required by Local Plan Revision
   The Local Plan revision process has identified the need to update several Charter SELPA Policies to align with new requirements by the California Department of Education (CDE). The Charter SELPA will present proposed updates to several CEO Policies at the October CEO Council meeting.

3. Mental Health Funding
   The 2020-21 state budget expanded eligible expenditures for restricted ERMHS funding to address the impact of the COVID-19 pandemic on student mental health. Action to create a one-time funding stream to address the expanded mental health funding expenditure authority is recommended. Attachment 3 includes additional information and includes the recommended amendments to the Allocation Plan to be presented to CEO Council at the October meeting. Attachment 3 also contains the ERMHS year-end budget report.
4. **Low Incidence**
   A year-end budget report on low incidence funding is delivered to the CEO Council at the fall meeting. A portion of the increased special education funding in the final 2020-21 state budget will come in the form of additional low incidence revenue. As a result, the Allocation Plan should be amended to allow for a higher maximum reimbursement amount to partners. Attachment 4 includes additional information and includes the recommended amendment to the Allocation Plan – Element 11/Low Incidence Materials and Services to be presented to CEO Council at the October meeting.

5. **Rate Protection Pool**
   The Allocation Plan currently operates two risk pools: the Set-Aside Risk Pool and the Rate Smoothing Pool. With the elimination of the ongoing special education deficit (proration factor) in the 2020-21 state budget, the Rate Smoothing Pool is no longer necessary. The Charter SELPA proposes merging the Rate Smoothing and Set-Aside Risk Pools to create a single Rate Protection Pool. Attachment 5 includes additional information and the proposed amendments to the Allocation Plan to be presented to CEO Council at the October meeting.

6. **Risk Management Considerations**
   The Charter SELPA would like to facilitate discussion by the Executive Committee on whether the Charter SELPA membership should consider subsidizing the new Rate Protection Pool or other options to mitigate large unforeseen funding losses to the Charter SELPA that may occur in the future. Attachment 6 includes additional information on the limitations of a SELPA to protect state special education funding from retroactively disallowed ADA and outlines potential options to consider to mitigate future similar events. Discussion by the Executive Committee will help determine if this item should be included on the October CEO Council agenda.

7. **SELPA Leadership Report**
Mental Health Funding

Issue
The 2020-21 state budget expanded eligible expenditures for restricted ERMHS funding to address the impact of the COVID-19 pandemic on student mental health. Action to create a one-time funding stream to address the expanded mental health funding expenditure authority is recommended.

Background
To address an expected increase in mental health and mental health-related services for the entire student population resulting from the COVID-19 shutdown, the enacted 2020-21 state budget (SB 98) provided that ERMHS funds may be expended for all mental health-related services, not necessarily just those required by IDEA. This would include behavior intervention and expenditures on general education students.

Against this backdrop, the SELPA is proposing a one-time reinstatement of Level 1 ERMHS funding to be available to LEAs for mental health-related services to all students. The Executive Committee’s cautious mental health reserve balance recommendation at the end of last year enables the funding for this proposal. In order to continue to meet the mental health needs of students with disabilities, Level 2 and 3 funding levels would be maintained with the current funding formulas. The impact of this one-time $10/ADA revenue distribution is shown in cell D4 in the table on the next page.

Recommendation
It will be recommended that CEO Council approve the following addition to the Allocation Plan – Element 9/Educationally Related Mental Health Services (ERMHS).

9. EDUCATIONALLY RELATED MENTAL HEALTH SERVICES (ERMHS)

7. Description of One-Year Level 1 Funding Formula
The 2020-21 state budget expanded eligible expenditures for restricted ERMHS funding to address the expectation that students would generally require increased mental health services resulting from the impact of the COVID-19 pandemic. In response, CEO Council authorized a one-year Level 1 allocation of ERMHS state funding for 2020-21 as follows.

- The one-year Level 1 allocation is $10/ADA, based on prior year ADA (2019-20 P-2 ADA).
- State ERMHS revenue is typically received in three installments throughout the year. The revenue from the one-year allocation shall be distributed to SELPA partners in a timely fashion once received.
- The ADA component of the one-year funding calculation is fixed and is not adjusted by the state in future attendance certifications.

SELPA administration will include this expenditure in all ERMHS budget reporting. This Level 1 funding allocation is for 2020-21 only and will not be continued in future years without specific CEO Council action.
Budget Update

<table>
<thead>
<tr>
<th>Charter SELPA ERMHS</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
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<tbody>
<tr>
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<tr>
<td>4 Level 1 (2020-21 One-Time)</td>
<td></td>
<td></td>
<td></td>
<td>2,324,000</td>
</tr>
<tr>
<td>5 Level 2</td>
<td>8,899,644</td>
<td>11,169,010</td>
<td>10,316,094</td>
<td>12,500,000</td>
</tr>
<tr>
<td>6 Level 3 Therapeutic</td>
<td>424,503</td>
<td>706,503</td>
<td>597,228</td>
<td>650,000</td>
</tr>
<tr>
<td>7 Level 3 NPS</td>
<td>1,199,433</td>
<td>1,628,401</td>
<td>1,560,886</td>
<td>1,950,000</td>
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<tr>
<td>8 Level 3 Residential</td>
<td>1,500,758</td>
<td>1,724,781</td>
<td>1,742,648</td>
<td>2,105,000</td>
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<tr>
<td>9 SELPA ERMHS Admin</td>
<td>360,730</td>
<td>456,861</td>
<td>426,257</td>
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<td>10 Total Expenditures</td>
<td>$12,385,068</td>
<td>$15,685,556</td>
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<tr>
<td>11 Revenue less Expenditures</td>
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<td>$(515,864)</td>
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<td>$(2,446,628)</td>
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<td>$2,507,151</td>
<td>$1,991,787</td>
<td>$3,589,030</td>
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<td>13 Ending Balance</td>
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<td>$1,991,787</td>
<td>$3,589,030</td>
<td>$1,142,402</td>
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<tr>
<td>14 Reserve (% of Revenue)</td>
<td>20.7%</td>
<td>13.1%</td>
<td>22.1%</td>
<td>6.5%</td>
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</tbody>
</table>

Annual ERMHS Report
CEO Council will be updated on the Educationally Related Mental Health Services (ERMHS) budget as of the close of the previous year, and on the projections and initial finding of sufficiency for the following year. Per the Allocation Plan, by September 15th 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 of 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 formula; and/or
- Indirect costs will be allowed for Level 2.
Finding of Sufficiency Analysis and Assumptions

1. **2019-20 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 2019-20 ERMHS ending balance is $3.6M (cell C13). Based on the advice of the Executive Committee, this reserve balance was managed to intentionally provide an excess reserve moving into the COVID-driven unknowns of 2020-21 related to mental health services for students.

2. **2020-21 Projected ADA**
   ADA for continuing and new SELPA partners was frozen by SB 98 for purposes of calculating state mental health funding. Taking this into account results in projected state ERMHS funding of $15.1M (cell D1). Federal funding has always been based on prior year ADA and therefore is projected to slightly increase to almost $2.5M (cell D2).

3. **2020-21 Projected Level 3 Costs**
   Referencing columns B and C, lines 6 through 8, site-based therapeutic, NPS, and NPS residential costs held steady at $4M. However, the final Level 3 reimbursement percentage in 2018-19 was established higher than in 2019-20. Controlling for this difference results in a 4% real increase in Level 3 costs. This is a smaller increase than has been seen in recent years, which was a likely outcome of the pandemic-related shutdown. Expecting a larger increase in Level 3 costs in 2020-21, 21% growth in expenditures across all Level 3 categories is budgeted.

4. **2020-21 Projected Level 2 Costs**
   The Level 2 budget of $12.5M (cell D5) is the result of incorporating assumptions based the impact of five factors:
   - The growth trend of qualifying ERMHS service counts from September to December in prior years.
   - The influence of COVID school closures on service end dates in SEIS.
   - The actual expenditure per service in the past three years, based on the December 1 count for each of those years.
   - Application of the beginning $3,000 per service value.
   - Application of the beginning 80% reimbursement percentage.

**Finding of Sufficiency**
Based on the foregoing analysis, SELPA administration makes a preliminary finding of sufficiency of funding for 2020-21 as follows:
- The maximum Level 2 per-service rate is set at $3,000.
- $100K will be available for Level 2 transportation reimbursement.
- Indirect costs will be allowed for Level 2.

Before May 2020, SELPA administration will make a finding as to the ability to fund beyond the initial 80% and 90% parameters established in the Allocation Plan. The significant variables impacting this finding will be the January 2021 Level 2 budget requests and the total of Level 3 NPS, and NPS residential budgets submitted.
Summary

Level 1 Allocation
A one-time Level 1 funding allocation of $10/ADA will be made in 2020-21. The allocation will be based on prior year P-2 ADA (2019-20).

Based on the SELPA administration’s September finding of sufficiency of funding, below is a summary of the remaining 2020-21 ERMHS funding parameters:

The Level 2 formula provides 80% of the lesser of:
   a) $3,000 per eligible ERMHS SEIS service based on the December 1, 2020 count; or
   b) January 2021 budget request.

The lowest of the two calculated amounts above becomes the maximum Level 2 budget request, up to actual expenditures, submitted in July 2021.

$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 for a student placed at an NPS.

Recommendation
The Annual ERMHS report and Finding of Sufficiency results are provided for information only.
Low Incidence Funding

**Issue**

Low incidence funding is a restricted special education funding stream. Low incidence funds are available only for services and materials to support students with an identified low incidence primary or secondary disability. A year-end report on low incidence funding is delivered to the CEO Council at the fall meeting.

A portion of the increased special education funding in the final 2020-21 state budget will come in the form of significantly more low incidence revenue. As a result, the Allocation Plan should be amended to allow for a higher maximum reimbursement amount to partners.

**2019-20**

$237K of revenue was received (cell C1). Based on timely claims filed with sufficient documentation, the final reimbursement maximum to charters was established at $2,470/claim. We received a total of 144 claims. To date, only four of those claims did not qualify. For the 140 qualifying claims, $198K has been finalized (cell C4) and we are awaiting final expenditure documentation for $67K (cell C5), which is a total expected payout of $265K (cell C6). At this point, we are expecting to carry over only $19K (cell C9) for use in setting the maximum reimbursement per claim for 2020-21.

### 2017-18

<table>
<thead>
<tr>
<th>Low Incidence</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td>1,563,500</td>
</tr>
<tr>
<td>2017-18 Final</td>
<td>153,082</td>
<td>183,147</td>
<td>236,354</td>
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</tr>
<tr>
<td><strong>PY Pending Claims Closed</strong></td>
<td>3,000</td>
<td>8,620</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$156,082</td>
<td>$191,767</td>
<td>$236,354</td>
<td>$1,563,500</td>
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<tr>
<td><strong>Expenditures</strong></td>
<td>92,144</td>
<td>207,014</td>
<td>198,323</td>
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<tr>
<td><strong>Pending Claims</strong></td>
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<td>66,960</td>
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<tr>
<td><strong>Total Expenditures</strong></td>
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<tr>
<td><strong>Income less Expenditures</strong></td>
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<td>($28,929)</td>
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<td><strong>Beg Balance</strong></td>
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<td>$63,475</td>
<td>$48,228</td>
<td>$19,299</td>
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<tr>
<td><strong>Ending Balance</strong></td>
<td>$63,475</td>
<td>$48,228</td>
<td>$19,299</td>
<td>(0)</td>
</tr>
</tbody>
</table>

2020-21

Low incidence revenue to the SELPA is calculated by multiplying the number of low incidence students in the SELPA for the previous year by a per student funding rate. That per student rate was $466 as of 2019-20 P-2. This equated to annual revenue of approximately $150K to $235K for the previous three years (row 1). The final state budget approved a $100M addition to the statewide low incidence pool. Estimates are that this will mean an increase in the per student rate from $466 to about $2,950, which translates into a revenue projection of nearly $1.6M (cell D1).
Early each year, a maximum reimbursement amount per submitted claim is calculated and announced once all claims are processed. For the past three years, the maximum reimbursement amounts have been:

- 2019-20 = $2,470
- 2018-19 = $2,235
- 2017-18 = $2,300.

The upper limit for the maximum reimbursement amount stated in the Allocation Plan is $3,000. Based on past claim volume, it is anticipated that enough low incidence revenue will be received to reimburse above $3,000.

**Recommendation**

Approve the following amendment to the Allocation Plan – Element 11/Low Incidence Materials and Services.

11. LOW INCIDENCE MATERIALS AND SERVICES

1. In early May, SELPA leadership will set the next year minimum level of funding for low incidence reimbursements. The following factors will be taken into account:
   - Current year trend data on reimbursement request submissions.
   - Low incidence funding, which is based on pupil counts and state rates.
   - Any carryover balances of low incidence funding.

2. A minimum request is $600. This will ensure sufficient funds are available for higher costs associated with equipment purchases and services. **The maximum reimbursement request is $3,000.**

3. All requests for funding must be submitted by May 1 to be eligible for reimbursement. Only IEPs agreed to after May 1 will be considered on a case-by-case basis.

4. Final reimbursement is based on end of year expenditure reports, which must be filed by July 13. Reimbursement will not exceed actual cost.

5. SELPA leadership will set the minimum reimbursement level per student budget request for the following year at or above the current year state low incidence per pupil funding rate. CEO Council will be informed of the level set by SELPA leadership at the spring meeting. By May of the following year, a finding will be made regarding the ability to fund beyond the established minimum **with the intent of expending all current year revenue and any carryover from previous years.**
Rate Protection Pool

Issue
With the elimination of the ongoing special education deficit (proration factor) in the 2020-21 state budget, the Rate Smoothing Pool is no longer necessary. Merging the Rate Smoothing and Set-Aside Risk Pools to create a single Rate Protection Pool is proposed.

Background
There are two risk pools currently in operation in the Allocation Plan: The Set-Aside Risk Pool and the Rate Smoothing Pool.

Set-Aside Risk Pool
The Set-Aside Risk Pool was established in the Allocation Plan with the intent of providing a reserve fund to offset potential SELPA funding decreases as a result of the action of a Partner, where there is no recourse to recover the funds from the Partner. To an extent, it is the SELPA’s “rainy day” fund. Although, the current wording in the Allocation Plan describing potential losses is limiting.

The Set-Aside Risk Pool is funded by one-time contributions from new Partners in their first year equal to $5/ADA. The pool was reduced in 2019-20 with a significant charge to help cover the funding loss created by CDE disallowing the ADA of A3 Education schools. The charge to the pool was $561K reducing the pool balance for 2019-20 to $240K.

Rate Smoothing Pool
For several years, SELPA funding has been subjected to a special education deficit (proration factor). As an example, a deficit of 3% would result in a SELPA receiving only $97 for each $100 of calculated revenue. Historically, the deficit was established by the state for a given year in February at P-1 certification and would decrease at subsequent certification periods. The additional dollars flowing to the SELPA as a result of the decreasing deficit are known as restorals.

The Rate Smoothing Pool was established in the Allocation Plan to provide budget stability. Funds in the pool are used to augment cash flow to SELPA partners, enabling revenue payments at a funding rate higher than the rate being received by the SELPA. The Rate Smoothing Pool is then re-funded with deficit restoral dollars.

The Charter SELPA is funded at the special education Statewide Target Rate (STR). It has been reported that the funding for SELPAs receiving the STR will no longer be subjected to the special education deficit. With no deficit to mitigate, the purpose for the Rate Smoothing Pool has been eradicated.

Rate Protection Pool
Given the recent reduction in the Set-Aside Risk Pool balance and the elimination of the purpose for the Rate Smoothing Pool, consideration should be given to consolidating the pools into a single risk pool. Over time, various sources of losses to the SELPA have emerged that were not contemplated when the Set-Aside Risk Pool was created (e.g. mid-year closures, bankruptcies, downward prior year funding adjustments for
exited schools, extraordinary actions, unilateral actions by CDE, CDE-imposed responsibility for settlements from closed schools).

Any extraordinary expenditure imposed on the SELPA or any situation causing a loss of funding that cannot be recovered puts the prevailing state and/or federal funding rate at risk. In the most recent example, CDE’s decision to reduce ADA to zero for the A3 Education schools led to a $5.00 reduction of the 2019-20 Charter Member Rate. Therefore, the label of “Rate Protection Pool” would be an appropriate label for an all-inclusive risk pool. Going forward, the pool would continue to be funded by one-time contributions from new Partners in their first year equal to $5/ADA.

The Rate Protection Pool would be funded by the 2019-20 ending balance of the Set-Aside Risk Pool (cell C11), which includes the 2019-20 ending balance of the suspended Legal Risk Pool (cell D3) and the Rate Smoothing Pool (cell D4), which benefitted from a substantial prior year deficit restoration at P-2 in June 2020. The 2020-21 estimate for forfeited unspent funds is $226K (cell D2). The 2020-21 projection for the Rate Protection Pool is an ending balance of $2.4M (cell D11).

<table>
<thead>
<tr>
<th>Set Aside Risk Pool</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Contribution from New Charters</td>
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<td>158,769</td>
<td>80,416</td>
<td>150,735</td>
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<td>2 Forfeited Unspent Funds</td>
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<td>226,437</td>
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<td>3 Transfer from Legal Risk</td>
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<td></td>
<td>139,551</td>
</tr>
<tr>
<td>4 Transfer from Rate Smoothing</td>
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<td>1,663,730</td>
</tr>
<tr>
<td>5 Total Revenue</td>
<td>$65,446</td>
<td>$158,769</td>
<td>$80,416</td>
<td>$2,180,453</td>
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<td>6 Distressed Charters</td>
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<td>23,193</td>
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<tr>
<td>7 Extraordinary Costs</td>
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<td>9 Income less Expenditures</td>
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<td>$240,105</td>
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<td>$719,888</td>
<td>$240,105</td>
<td>$2,397,365</td>
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</tbody>
</table>

Recommendation
Amend the Allocation Plan to:
- Strike existing language in Element 3/Special Education Deficit/Rate Protection Pool.
- Rename Element 3 to Rate Protection Pool.
- Amend Element 3/Rate Protection Pool as shown below.
- Renumber Elements 7–12 to 6–11.

**3. RATE PROTECTION POOL**

**Intent**
The intent of the Rate Protection Pool is to provide a reserve fund against unforeseen losses to the SELPA
that would otherwise cause a reduction in the state or federal funding rate. These losses may involve the action of a Partner or an outside agency or other legal authority. It is recognized that, in some cases, a means to recover funds from a Partner may no longer exist. However, when a Partner is involved, Charter SELPA administration will exercise all due diligence in attempting to recover funds from the Partner.

**Use of Pool Funds**

The Rate Protection Pool is a shared risk pool in place to protect the entire SELPA membership. As such, the only limitation on the size of a single charge to the pool is the available balance in the pool at the time. Regardless, CEO Council approval is required when any individual situation would result in a charge of more than $250,000. In addition, Charter SELPA administration will report at least annually to CEO Council on the use of funds and the balance available.

**Pool Funding**

2019-20 year-end balances in the Set-Aside Risk Pool and the Rate Smoothing Pool were consolidated to originally fund the Rate Protection Pool. Ongoing funding for the pool will consist of a one-time $5.00/ADA payment from all new charters (including charter school expansions of current Partners), defined by CDS code, in the first year of membership. The $5.00 payment will be based on P-2 ADA in the first year. This $5.00/ADA payment is a non-refundable contribution to the shared risk pool.

Other funding sources to the pool include, but are not limited to:

- Positive prior year adjustments for schools no longer with the SELPA.
- Unspent funds where need is not demonstrated in the following year.
- Funding held from Partners that close operations and fail to submit documentation that would allow for release of funds being held.
- Recoveries from Partners/former Partners in excess of the loss.
- Extraordinary payments, positive funding adjustments or recoveries.
- Any other additions to the pool approved by the CEO Council.

A companion amendment required by the amendment above to Element 7/Unspent Funds.

7. **UNSPENT FUNDS**

If need is not demonstrated, based on final expenditures reported, Charter SELPA administration will make a recommendation to CEO Council on the use of the funds.

Other housekeeping amendments will be made to align various content references in the remainder of the Allocation Plan with this amendment.
Risk Management Considerations

Issue
Should the Charter SELPA membership consider subsidizing the new Rate Protection Pool or other options to mitigate large unforeseen funding losses to the Charter SELPA that may occur in the future?

Background
Based on the fraudulent activity of the A3 Education organization, the 2018-19 ADA for all A3 schools was reduced from over 20,000 to zero. This unilateral decision on CDE’s part resulted in significant prior year adjustments that translated into a reduction of 2019-20 revenue to the Charter SELPA. The Charter SELPA experienced a loss of 2019-20 funding of a net of approximately $6.9M, with $9M having been distributed to the A3 schools and only $2.1M recovered. The loss of the $6.9M was covered by using approximately $4.7M from the Rate Smoothing Pool, $560K from the Set-Aside Risk Pool, as well as a downward adjustment of $5.00 per ADA to the 2019-20 Charter Member Rate (state funding rate to partners).

With the advent of AB 1505 and AB 1507, it is clear that there are much greater scrutiny and concerns at both state and local levels regarding the operation of charter schools in California. The Charter SELPA has taken steps to increase oversight and monitoring of practices to ensure that operations are consistent with LEAs’ special education responsibilities and SELPA policies. The CEO Council approved a comprehensive SELPA Oversight Policy in October 2019. A Partner Oversight Update was provided to the CEO Council in May 2020, which presented information on each of the elements of that policy. In addition, beginning in 2020-21, point-in-time enrollment data will be collected from all partners four times during the year to more effectively monitor enrollment trends that are not aligned to an LEA’s instructional calendar.

While the Charter SELPA believes that the additional monitoring of enrollment data will assist in identifying potential issues regarding significant changes in ADA, it is not a safeguard for retroactive changes being imposed. It is important to note that LEA Authorizers and County Superintendents certify ADA. SELPAs have no role in determining, monitoring, or certifying ADA reports. For example, in the A3 Education situation, neither the Oversight Policy nor enrollment monitoring would necessarily have generated a basis for holding 2018-19 funding to the A3 schools prior to the criminal indictments.

A historically low current year special education funding deficit in February 2020 (P-1) provided a tremendous boost to the Rate Smoothing Pool balance, which made funds available to cover the A3 Education loss. Without this boost in the pool balance, the necessary reduction in the Charter Member Rate would have been much more significant.

Going forward, the Rate Protection Pool is the only SELPA-wide protection against funding losses. Transferring the 2019-20 ending balances from the Set-Aside Risk Pool, Legal Risk Pool, and the Rate Smoothing Pool into the Rate Protection Pool results in a projected 2020-21 year-end balance use of $2.4M (cell A8). The pool is currently funded with new Charters joining the Charter SELPA contributing $5.00 per ADA. Table 1 on the next page projects the next five years of activity in the Rate Protection Pool along with the level of protection at the end of each year, barring any significant unforeseen charges to the pool.
For Consideration

Based on the limitations of a SELPA to protect state special education funding from retroactively disallowed ADA, the Charter SELPA CEO Council may wish to consider options to deal with future similar events. Options might include:

1. Establishing a phase-in plan of assessing SELPA partners on an ADA basis with an amount to be contributed to the Rate Protection Pool, beginning in 2020-21. The table below illustrates a sample of such an assessment plan. It assumes that the additional assessment would be waived for first-year partners, who would be paying the regular $5/ADA in their first year.

2. A recommendation could be made to each partner to set aside an internal reserve within their respective organizations, which would serve as a protection should the Charter SELPA experience another catastrophic reduction in funding.

3. An information item being sent to all CEOs that identifies the concern, and suggests that the charter school partner consider internal options to protect the organization should the SELPA be faced in the future with another significant loss in revenue as a result of ADA being dramatically reduced retroactively.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>A</th>
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<th>C</th>
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<td>2022-23</td>
<td>2023-24</td>
<td>2024-25</td>
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<td>3 Transfer from Rate Smoothing</td>
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<td>4 Revenue from New Charters</td>
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<td>$124,586</td>
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Recommendation - None

This report is provided to facilitate discussion by Executive Committee to determine whether this item should be included on the October CEO Council agenda.