



**San Bernardino County  
Office of Education  
West End SELPA**

**Special Education Review**

July 21, 2010

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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July 21, 2010

Gary Thomas, Ed.D., Superintendent  
San Bernardino County Office of Education  
601 North E. Street  
San Bernardino, CA 92415

Joann Reilly  
Administrator, West End SELPA  
8265 Aspen Avenue, Ste 200  
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Dear Superintendent Thomas and Ms. Reilly:

In March 2010, the San Bernardino County Office of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of the San Bernardino County West End Special Education Local Plan Area's (SELPA's) programs and services. Specifically, the agreement states that FCMAT will perform the following:

1. Evaluate the cost of county/regional programs and provide recommendations to reduce and contain the cost per program.
2. Review the process used to determine the SBCSS bill back and the cost to return each regional provider program and make recommendations for an equitable process.
3. Evaluate and provide recommendations for the fiscal allocation model regarding the equity of funding for all participating districts with a particular focus on preschool and the insurance fund commonly referenced as the X Pot.

The attached final report contains the study team's findings and recommendations.

We appreciate the opportunity to serve you and we extend our thanks to all the staff of the San Bernardino County Office of Education and the West End SELPA for their cooperation and assistance during fieldwork.

Sincerely,

Joel D. Montero  
Chief Executive Officer

**FCMAT**

Joel D. Montero, Chief Executive Officer

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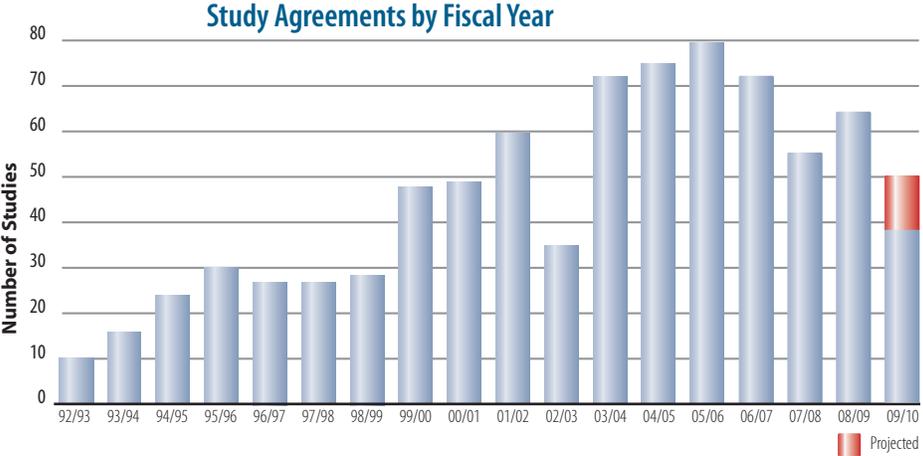
# Foreword - FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies (LEAs) in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that LEAs throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

In January 2006, SB 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT’s services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform nearly 750 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.



<b>Total Number of Studies.....</b>	<b>743</b>
<b>Total Number of Districts in CA.....</b>	<b>1,050</b>
Management Assistance.....	705 (94.886%)
Fiscal Crisis/Emergency .....	38 (5.114%)
Note: Some districts had multiple studies.	
Eight (8) districts have received emergency loans from the state (Rev. 12/8/09)	



# Introduction

## *Background*

A Special Education Local Plan Area (SELPA) is a consortium of participating school districts formed to ensure the availability of quality special education programs and services. There are six SELPAs in San Bernardino County.

This study focuses on the West End SELPA, which serves the Alta Loma, Central, Chaffey, Chino, Cucamonga, Etiwanda, Mt. Baldy, Mountain View, Ontario-Monteclair, and Upland school districts of western San Bernardino County through a combination of regional district and county office-operated programs. The San Bernardino County Office of Education (county office) provides programs and services for severely handicapped students in participating districts within the SELPA.

The significant financial effect on K-14 educational programs created by California's fiscal crisis has raised concerns about the increasing costs of programs and services provided by the county office. Any excess program costs are billed back to the participating school districts. FCMAT was requested to review regional and county office-operated program operating costs; bill-back processes; the cost of returning each regional provider program to local districts; and the equity of the funding allocation model for all participating districts.

## *Study Guidelines*

FCMAT visited the SELPA on April 5-8, 2010 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Regional and County Office-Operated Programs
- III. Bill-Backs and Regional Transfer Costs
- IV. Equity of the Fiscal Allocation Model
- IV. Appendices

## 2 INTRODUCTION

### *Study Team*

The study team was composed of the following members:

William P. Gillaspie, Ed.D.  
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## Executive Summary

The increasing cost of programs and services for which the San Bernardino County Office of Education bills participating members of the West End SELPA is an ongoing concern during these difficult fiscal times. The county office recognizes the concern and is committed to providing a range of services to meet the unique needs of severely handicapped students at a reasonable cost. FCMAT reviewed the operational costs of regional and county office-operated programs and the bill-back process, and evaluated the funding allocation model for efficiency and equity.

The fee-for-service rates for county office-operated and regional programs averages \$19,195 per student annually for the base program. Additional costs for related services, one-to-one instructional aides and counseling services can increase the annual cost to as much as \$55,993 per student. These costs are comparable with those of other county office-operated programs; however, the lack of transparency regarding actual costs and misperceptions regarding program staffing and design have led to the districts' lack of trust and confidence in the bill-back process. .

Staffing in county office-operated programs is maximized in most areas, with the exception of occupational therapy (OT) services. Providing indirect rather than direct occupational therapy services has led to unnecessary staffing increases. This is compounded by an inability to hire permanent occupational therapists, which necessitates the use of costly private vendors. FCMAT has provided recommendations for a redesign of program staffing which could yield a potential annual savings of \$470,714.

Both the regional and county office-operated programs use the same fee-for-service rates, which are developed unilaterally rather than jointly by the county office and SELPA. Future fee-for-service rates should be set by an operations oversight committee, with final approval by the SELPA's finance and program advisory committees. This will improve communication, increase transparency and facilitate greater levels of trust among the SELPA member districts.

Establishing the same rates for regional and county programs can create concerns because it requires more fiscal resources than are needed for regional or district programs. This leads to districts allocating necessary funds on hold, then having those funds returned. Fee-for-service rates for regional and district programs should be an accurate projection to minimize excess funds and the need for additional funding.

The SELPA's allocation model results in considerable disparity among the districts with regard to the funding required from local contributions; however, it is not clear whether this is a function of the allocation model, programming decisions made by districts, or student demographics. Ongoing review and dialogue among SELPA members is needed to determine the reasons for the funding disparity.



## Findings and Recommendations

### *Regional and County Office-Operated Programs*

#### *Program Costs*

Both the regional and county office-operated programs use the same fee-for-service rates. To evaluate the total cost of these programs, FCMAT considered the range of service rates applied per child. Placement costs can differ by student because the programs and services are driven by the Individualized Education Program (IEP), which is developed based on a student's individual needs. Table 1 shows the various fee-for-service rates for fiscal year 2008-09, excluding transportation costs.

**Table 1 Fee-for-service rates for county and regional programs (2008-09)**

Special Education Services	Cost per student
Specialized Academic Instruction	\$16,374
Designated Instruction Services	\$2,821
Intensive Individual Services I:I Aides	\$30,330
Behavior Intervention Services	\$3,647
Individual Counseling	\$5,650

Source: Fiscal Data provided by the San Bernardino County Office of Education

Specialized academic instruction includes the annual average cost of the classroom placement for each student placed in a regional or county program. Most students require at least one designated instruction service such as speech and language, occupational or physical therapy, nursing, interpreters for the deaf, services for the visually impaired, orientation and mobility, or other services. Specialized academic instruction costs include a staffing ratio of one teacher and two instructional aides per class, though some students required a one-to-one instructional aide, which costs more than the annual classroom placement.

Based on the costs provided by the county office, the average cost per student for regional or county office-operated programs is \$37,594. This is consistent with the average costs in other county offices of education. Table 2 provides comparative data gathered by FCMAT on the average cost per pupil in other counties.

**Table 2: Average Cost Per Pupil in Other Counties**

County Office	Cost per pupil
Santa Barbara	\$36,075.54
San Bernardino	\$37,594.
San Joaquin	\$36,425.96
Santa Cruz	\$35,896.37
Ventura	\$35,896.37

## 6 REGIONAL AND COUNTY OFFICE-OPERATED PROGRAMS

Appendix B contains additional comparative data on per pupil costs.

Staff members expressed concerns regarding the number of Designated Instruction Services (DIS) added to students' IEPs after students are placed in county office-operated programs. FCMAT was unable to verify this concern. There is no statewide data available on the average percentage of Special Day Class students who receive adaptive physical education, occupational therapy or speech and language services. It is a standard and established practice in county office-operated programs, including those listed in Table 2, for the district of residence to attend the IEP meeting for its students who are enrolled in county office programs. In those meetings, new assessment information that may support the need for related services should be discussed prior to the addition of new services. In the case of the West End SELPA, not all attend IEP meetings for their students who are placed in county office-operated programs. Districts also indicated that they do not receive timely notice of the meetings and as a result cannot always guarantee participation.

### *Recommendations*

#### *The districts should:*

1. Ensure that a representative from the district of residence attends all IEP meetings when a determination is made regarding the addition of related services.

#### *The county office should:*

2. Continue to ensure that districts receive timely notice of IEP meetings.
3. Ensure that new assessment data regarding the need for additional related services is provided to the district for review, preferably before the IEP meeting.

#### *The county office and the districts should:*

4. Coordinate participation at IEP meetings, including providing ample time to schedule and discuss the need for DIS services.

### *Cost Containment*

County office-operated designated instruction services (DIS) services are maximized and are consistent with SSC guidelines, and the average annual rate of \$2,821 for a DIS service is consistent with that of other SELPAs. These services include adaptive physical education, speech and language services, services for the deaf and hard of hearing, services for visually impaired students, and orientation and mobility services. The fees for counseling services are \$5,650 annually; however, the West End SELPA provides the counseling services and sets the fees. These fees are not figured into the costs to the district for DIS. Because caseloads within these programs are full and in accordance with guidelines, FCMAT has no recommendations for reduction of staff or resources.

The resources for specialized academic instruction, which is provided in special day classes (SDC), are maximized and consistent with the guidelines from School Services of California, Inc. (SSC), a management consulting firm that provides statistical data for K-14 education statewide. Classes are staffed with an average of one teacher and two aides. In some cases additional instructional aide support is provided as designated in a student's IEP. This is an appropriate and cost effective staffing design.

Districts have a perception that the county is overstaffed with occupational therapists and that the burden of funding excess positions falls on the districts. Occupational therapist (OT) staffing is based on a direct service model that maintains caseloads at 25-35. However, 98% of the OT services in the county office-operated and regional programs are delivered using a consultation or indirect model, in which services are provided in the classroom with occasional consult from the OT. Building a staffing formula based on the indirect service model in use would allow the county office to use fewer resources, including a projected decrease of at least 4.0 full time equivalent (FTE) occupational therapists positions for an annual savings of \$470,714. However, the consultation model is now used to ensure that the OTs have time for additional required duties including completing assessments, attending IEP meetings, designing intervention plans and overseeing delivery of services in classrooms. In the past 11 months, OTs have received 142 requests for assessments for students enrolled in both district and county office-operated programs, and the number of referrals for assessment remains high from year to year. The fee for OTs is distributed based on the number of students receiving OT services; no fee is charged for assessments. If the county decreases by 4.0 OT's, staff will not be available to complete the 142 requested assessments and may encounter compliance issues and due process complaints.

One alternative approach to reducing OT costs might be to reduce OT positions by 1.0 FTE for 2010 and establish a targeted staff development program to help teachers better understand the use of OT techniques and reduce the number of assessments requested. If the annual number of evaluations decreases, it would be possible to look at further reductions in the OT staffing. Alternately, districts might agree to an assessment fee or contract out for OT assessment services, thus eliminating this duty from OT service providers.

## 8 REGIONAL AND COUNTY OFFICE-OPERATED PROGRAMS

The county office's school psychologists are contracted to work 215 days per year, while the districts' school psychologists are contracted to work between 180 and 185 days per year. In interviews, district personnel recommend more equity in the contract year between these two groups. FCMAT found no similar instances of this type of disparity between county office and district school psychologists in other SELPAs and counties. A reduction of 10 days for each of the county office's five psychologists could yield an annual savings of \$26,919. Any proposed changes to the work year may require negotiations with the respective collective bargaining units.

Unlike most school districts in which most special education students are not enrolled during summer, many students in county office-operated programs are severely handicapped and require extended school year and ongoing services, including psychological services. However, the county office understands the need to reduce costs to maximize efficiency by considering reductions when possible and indicated that they will review options at a SELPA governance council meeting.

The county office does not receive timely notice when students are moved back to district programs: the county office is typically notified in May or June, which is well past the March 15 notice requirement for a decrease in staffing. As a result, the county office is required to maintain staffing levels determined in March. This could have a significant effect on the bill-back costs to districts for county office-operated programs.

The SELPA has written procedures regarding timely notification before March 15 (see Appendix C) ; however, districts and the county office need improved communication and articulation regarding transition plans for students so that notification occurs no later than January of each fiscal year. Districts currently take back a significant number of students through the IEP process rather than through a transfer of entire classes. For example, during the spring of 2010 one class was returned to a district via a program transfer, but by the end of June districts had taken 148 students back via the IEP process. Losing 148 students without the ability to reduce staffing presents significant program and fiscal planning challenges.

A common agreement among superintendents will be needed for improved communication and time line to succeed.

### **Recommendations**

*The SELPA and the county office should:*

1. Examine the cost of individual counseling for special education students and develop a plan to align these costs with those of other DIS services. Every effort should be made to hire district or county staff rather than private vendors.
2. Develop staffing for OT services based on the indirect or consultation services currently provided. Consider increasing OT caseloads and eliminating 4.0 FTE occupational therapist positions for a savings of \$470,714.

3. Consider reducing the contract with county office school psychologists by five days per year for a savings of \$26,919.
4. Establish communication, articulation and a time line for transitioning students back to district programs each year to contain the county office's staffing costs. Ensure that the process includes notifying the county office mid-January of each year. Refer to the SELPA time line in Appendix C.



## *Bill-Backs and Regional Transfer Costs*

FCMAT reviewed the county office's entire bill-back process, including the billing for districts of residence if the fee-for-service rate is insufficient, and calculating the return of unused funds if the fee-for-service rate results in more funding than is needed. This type of review can assist districts be more aware of the costs of moving programs from county office to district operation.

It is in the county office's best interest to determine the fee-for-service as accurately as possible to have neither excessive bill-back if the fee-for-service is insufficient nor excessive unused funds retained by the districts for a time if the fee-for-service results in more funding than is needed. Determining the fee-for-service rate is the precursor to any successful model for bill-back or the return process.

The most common concern individuals expressed regarding the fee-for-service rate was that districts simply receive a rate without knowing what they are paying for or how the rate is calculated

The fee-for-service rates in Table 1 above have been continued into fiscal year 2009-10. These rates have not been calculated using zero-based budgeting for a number of years. Instead, the prior year's rates have been applied to the projected expenditures for the upcoming fiscal year and increased or decreased until adequate to cover the projected expenditures. This data is then used to develop a spreadsheet for presentation to the finance advisory committee and the superintendents' council for approval.

Because this process does not clearly identify the nature and extent of the expenditures, districts cannot readily identify what the fees are for; this information can only be determined by sorting through a wealth of largely unformatted expenditure data and developing a meaningful format to make it comprehensible.

The procedural guidelines in the Local Plan for the West End SELPA state the following:

The County shall establish Fee for Service rates for its services based on prior year actual expenses divided by the number students served in each program. These services include Related Services, SAI, SAI Juvenile Court (omitted in 08/09), and 1:1 Aide services. Other Regional Program Operators offering the same types of services, presently OMSD, Chaffey, and Alta Loma (which ceased doing so this year) shall adopt the same Fee for Service rates established by the county resulting in a leveled rate structure . . .

On or before March 15 of each fiscal year, the County shall present to the Finance Advisory and Program Advisory Committees its fee for service rate recommendations for the following fiscal year. The recommendations will include a summary of program and fiscal changes that impact the fees for the following year. Final recommended rates shall be submitted to the Superintendent's Council for approval . . .

## 12 BILL-BACKS AND REGIONAL TRANSFER COSTS

The SELPA shall establish Fee for Service rates for its services based on prior year actual expenses divided by the number students served in each program. These services include Clinical Counseling and Behavior Specialist Services . . .

On or before March 15 of each fiscal year, the SELPA shall present to the Finance Advisory and Program Advisory Committees its fee for service rate recommendations for the following fiscal year. The recommendations will include a summary of program and fiscal changes that impact the fees for the following year. Final recommended rates shall be submitted to the Superintendent's Council for approval.

Source: Special Education Local Area Plan: West End SELPA; Fiscal Allocation Plan

These procedural guidelines are the core of the fee and expenditure determination process, but they do not adequately answer the questions districts have about the expenditures. The guidelines empower the county office and the SELPA to unilaterally establish their fee-for-service rates; they established an annual review by the finance and program advisory committees based on a summary of program and fiscal changes that affect the fees for the following year; and they require the superintendents' council to act on the recommended rates. However, at no point is there a clear and concise presentation of the expenditures upon which the fee-for-service rates are based.

The finance and program advisory committees could develop regional program standards by which to evaluate the expenditure information used to develop the fee-for-service rate. For example, the committee could do the following:

- Limit total compensation increases that can be included in the calculation of the fee-for-service rate recommendations. To facilitate contract negotiations, it would probably be best if all six SELPAs could be involved in this process.
- Set class size and caseload standards for various positions.
- Set administrative, supervisory and clerical support standards.

Samples of regional standards for bill-backs or fees for service should be available through the finance committee of the SELPA organization. The county office and the SELPA should not develop fee-for-service rate recommendations unilaterally. Using the information required by the guidelines, these rate recommendations need to be developed jointly by the county office, the SELPA and a subcommittee composed of members of the finance and program advisory committees. Many SELPAs use an operations oversight committee that monitors programs to ensure that they are cost efficient.

This process would provide readily available information that would better enable the districts to be aware of what they are paying for. It would also improve communications and help increase trust.

FCMAT identified concerns about the use of one set of fee-for-service rates for specialized academic instruction and one fee-for-service rate for all DIS and related services regardless of different levels and types of service and differing caseload standards.

The county office uses the same fee-for-service rate for its one dozen or fewer costly and specialized academic instruction programs for students with nonsevere disabilities as it does for programs that serve students with severe disabilities. This method will tend to overfund the services for the former group of students.

In addition, different DIS personnel will have widely differing caseloads. The county office will need to consider fee-for-service rates that more accurately reflect the actual costs of varying programs and differing levels of itinerant service.

Similarly, having the district-level regional programs use the county office fee-for-service rates is a questionable practice. Although student needs in both county office-operated and regional programs are labor intensive, the county office serves students from a larger population base than the districts and thus has a higher proportion of profoundly disabled students, which results in higher per-student and per-class costs than those of a district that draws from a smaller population. In addition, a county office usually has higher administrative costs because districts tend to rely on site principals to provide these functions. The fact that the districts that provide regional programs must now calculate a return of funds each year is an indicator that county office fee-for-service rates are higher than district or regional program costs. This leads districts to put funds on hold with another district for the school year, then have those funds returned to them at the end of the year. This is an imperfect use of badly needed fiscal resources.

These practices may also fuel speculation that the county office is charging more than necessary to provide special education services. Although this is not the case, parties may reason that if districts can use the same fee-for-service rates as the county office and have money left over to return, the county office should also have money left over.

Ideally, fee-for-service rates should be accurate enough to minimize both the need for additional funds through bill-backs and any return of funds in excess of the need.

The county office's process for calculating bill-backs and returns of funds is equitable. For returns of funds, it would be preferable to give districts or regional providers a credit for the amount of the return for the following year rather than having them return the funds. This would limit the amount of excess funds that would be held by the districts of residence the following year.

### **Recommendations**

*The county office and the SELPA should:*

1. Form an operations oversight committee composed of members of the finance and program advisory committees to create criteria and guidelines for the development of fee-for-service rates and to participate in developing new fee-for-service rates.
2. Consider developing and using fee-for-service rates that more accurately reflect the costs of providing various types and levels of services.

## 14 BILL-BACKS AND REGIONAL TRANSFER COSTS

3. Consider using different fee-for-service rates for county office-operated programs and district-operated regional programs.

## Equity of the Fiscal Allocation Model

One rapid method of measuring equity is to measure the percentage of each of the following that is represented by local support:

- Total expenditures
- Combined state and local expenditures reported in the special education maintenance of effort (SEMA) comparison of actual expenditures in each of the two prior years.

The SEMA comparison reports total expenditures from federal sources, combined state and local sources and from local sources.

The more districts differ in the percentage of the total and combined expenditures that come from local sources, the more likely the statistical probability that the allocations may not be equitable. Table 3 shows the local fund percentages for West End SELPA members, adjusted to include the amount that districts of residence pay the county office or other districts for services to their students.

**Table 3: Comparative percentages of local and state expenditures**

District	Local expenditures as a Percentage of Total Expenditures	Local Expenditures as a Percentage of State and Local Expenditures
Alta Loma	54.31%	63.32%
Etiwanda Elementary	51.62%	61.18%
Central	51.57%	60.37%
Cucamonga	53.25%	59.86%
Upland	49.28%	57.57%
Chino	42.76%	48.71%
Mountain View	39.57%	46.70%
Chaffey JUHS	40.90%	46.11%
Ontario Montclair	35.55%	39.54%
Mt. Baldy	9.25%	9.90%
<b>West End Average</b>	<b>42.78%</b>	<b>48.69%</b>

The data in Table 3 show that 63.32% of Alta Loma School District's expenditures from combined state and local sources come from its local resources and only 39.54% of Ontario-Montclair School District's expenditures from combined state and local sources come from its local resources. That is a difference of almost 24%. A variety of factors may be responsible for this disparity, including the allocation model itself, program decisions, or demographic factors. However, on the surface it appears that Ontario-Montclair School District receives a larger share of state resources than would be equitable. The West End SELPA may want to analyze what factors are contributing to the extreme variation in local support shown in Table 1.

The Mount Baldy district is not comparable because under the current allocation model it receives protection funding; this issue should be considered and evaluated to determine exploring whether the protection funding is greater than necessary.

#### *Individuals with Disabilities Equity Act (IDEA) Requirements*

Title 34 of the Code of Federal Regulations, section 300.202 specifies that Part B funds can be used only to pay the excess costs of providing special education services, and section 300.16 defines excess costs. Thus Individuals with Disabilities Equity Act (IDEA) funds can be used only for excess cost expenditures.

The California Department of Education (CDE) will continue implementing the Individuals with Disabilities Equity Act (IDEA), including the requirement that IDEA funds be used only to pay for special education services and only when the amount spent for special education services exceeds the aggregated average per pupil expenditure (APPE).

These regulations require that an average per pupil expenditure (APPE) amount be calculated for elementary students and a similar amount for secondary students, as follows:

Total expenditures from all funds, not including expenditures for the following:

- Capital outlay (Objects 6001-6999)
- Debt service (Objects 7430-7439)

Subtract from that total the federal, state, and local expenditures for the following:

- IDEA (Spec Ed Goals 5000-5999)
- ESEA Title 1 Part A (Resources 3010-3013, 3175-3178, and 7090)
- ESEA Title 3, Parts A and B (Resources 4201-4250 and 7091)

Divide the remainder by total elementary or secondary enrollment (including students with disabilities) to determine the elementary APPE.

Once the APPE amount is determined for elementary or secondary students, multiply the APPE by the total number of elementary or secondary students with disabilities to determine the amount that must be spent before any expenditures are considered excess costs.

Education Code Section 56836.04 requires that Assembly Bill (AB) 602 funds also be used only for excess cost expenditures.

As the state continues to implement the IDEA requirements regarding the funding of excess costs excess only, the SELPA's funding allocation model will need to address this issue.

#### *Expenditures by Goal Code*

The SELPA's use of resources can also be reviewed and compared by analyzing the per pupil expenditure rates under each goal code, as shown in Table 4.

**Table 4: Per Pupil Expenditures by Goal Code**

District	5050/5060 Regional Services and Program							American Recovery and Reinvestment Act (ARRA)	Total
	5001 Unspecified	5710 Specialist Services Infant	5730 Preschool	5750 Severe Disability	5770 Nonsevere Disability	5770 Nonsevere Disability	American Recovery and Reinvestment Act (ARRA)		
Alta Loma	\$1,994.46	\$ -	\$136.56	\$12,460.43	\$8,019.53	\$ -	\$ -	\$10,194.16	
Central	\$2,927.76	\$ -	\$ -	\$3,446.18	\$7,312.42	\$ -	\$ -	\$9,734.74	
Chaffey JUHS	\$3,960.01	\$251.62	\$ -	\$8,951.92	\$8,294.39	\$200.60	\$200.60	\$12,408.80	
Chino	\$3,615.42	\$126.05	\$44.16	\$13,470.69	\$7,333.62	\$ -	\$ -	\$11,620.22	
Cucamonga	\$3,606.51	\$ -	\$ -	\$ -	\$6,975.17	\$ -	\$ -	\$9,792.78	
Etiwanda	\$1,154.27	\$ -	\$11,950.30	\$3,305.25	\$7,006.63	\$366.63	\$366.63	\$7,984.77	
Mountain View	\$2,037.64	\$ -	\$ -	\$1,613.27	\$8,668.87	\$ -	\$ -	\$9,768.44	
Mt. Baldy	\$3,785.32	\$ -	\$ -	\$ -	\$10,333.39	\$ -	\$ -	\$13,085.37	
Ontario	\$4,209.63	\$ -	\$ -	\$24,464.64	\$7,761.44	\$ -	\$ -	\$13,732.93	
Montclair	\$1,163.20	\$ -	\$ -	\$4,406.26	\$9,186.33	\$15.86	\$15.86	\$9,329.40	
Upland									

Note: The COE does not break out expenditures by Goal. It reports all expenditures as "adjustments."

Data was not available for the county office. The county office breaks out expenditures by goal and function, but the SELPA uses only goal 5050. SELPA and county office expenditures are combined and reported on the maintenance of effort document as one LEA. Following is an explanation of the goal codes in Table 4:

Unspecified (5001) includes expenditures that do not readily apply to any of the other goals. It can include administration and supervision, services that serve two or more goal areas or student populations, psychological and nursing services, and special education services and materials.

Regional Services and Program Specialist Services (5050 and 5060) include expenditures for regional services specified in California Education Code (EC) section 56836.23, and/or program specialist services.

Infant and Preschool (5710 and 5730) include expenditures for children from birth to three years and from three years to the time they enroll in kindergarten, respectively. The county office operates infant programs and some preschool programs. Alta Loma and Etiwanda school districts also operate preschool programs. Several other districts also serve preschool students but do not code the expenditures for those students to the correct goal code.

Students with severe disabilities are often served in county office-operated programs, but a considerable number are also served through either regional programs or programs developed and provided by their district of residence.

Students with nonsevere disabilities are often in programs provided by the school districts, though the county office also provides some regional programs for this population.

#### *Preschool Services*

The West End SELPA receives two federal grants for preschool services, which are fully used for the First Class program (a preschool program operated by the county office). These grants totaled \$1.273 million in fiscal year 2008-09.

All other funding for preschoolers comes from AB602 and local assistance funds. Although funding for services to preschoolers has been included in the AB602 base since fiscal year 1997-98, many people today are not aware of this, and most individuals interviewed were concerned that there was no source of revenue for the preschool programs provided by the districts.

Based on the June 30, 2009 California Special Education Management Information System (CASEMIS) report, 1,097 preschoolers entered or left the SELPA's preschool program during the 2008-09 school year. Of these, the county office-operated FIRST Class program served 704, or 64% of this total number of preschoolers. The annual per pupil expenditure was \$1,809.

Alta Loma School District reported that it served 22 preschoolers at an annual per pupil rate of \$137, and Etiwanda School District reported that it served 125 preschoolers at an annual per pupil rate of \$11,950.30.

The difference in reported costs between Alta Loma and Etiwanda, as well as differences among other schools' reported costs, may be partly due to the costs not being reported to the correct goal code. The following districts reported preschoolers served and the numbers indicated but showed no expenditures under goal 5730:

- Chino: 37
- Mountain View: 4
- Ontario-Montclair 161
- Upland: 56

School districts are serving increasing numbers of preschoolers solely with IDEA, AB602 and local funds and are receiving no specific fiscal assistance for these services.

Neither the county office or the SELPA have a comprehensive plan that clarifies the roles and responsibilities of the county office and the various school districts with regard to serving this student population.

In fiscal year 2006-07 the SELPA, distributed federal preschool grants to districts, and the county office's First Class program became fee-for-service funded. Because the majority of districts did not track preschool costs separately, they were unable to identify preschool expenses to charge to the federal resource and thus recommended that federal preschool funding return to the county office to support First Class and that the fee for service be eliminated. There is currently no fee for service for the First Class program (nonintensive preschool). If preschool funds are diverted from this program to support other preschool endeavors, it will be necessary to charge a fee for service for the First Class program.

The SELPA will need to review its use of funding for preschoolers and develop a comprehensive preschool plan that emphasizes the school districts' provision of preschool services, with the county office providing more intensive services for the few preschoolers who need them.

### **Recommendations**

*The SELPA should:*

1. Form an operations oversight committee that is composed of members of the finance and program advisory committees.  
Ensure that the committee reviews disparity in the local support required by individual school districts, determines the factors and causes of the disparity, and makes recommendations to alter the allocation model to mitigate these factors and causes.
2. Ensure that the operations oversight committee closely monitors the emerging excess cost requirements and recommends revisions to the allocation model warranted by these requirements.

3. Develop a comprehensive plan for providing special education services to pre-schoolers, including an equitable use of all available resources for serving this population.

## *Contingency Fund*

It is common for SELPAs to have a contingency fund, funding pools or a discretionary fund. The SELPA refer to the contingency fund as the “X-Pot,” a term that originated in San Bernardino County and was popularized in the early 1980s by the West End SELPA director Con Leatherman and San Bernardino County Office of Education special education director Bill Desist.

Contingency funds are set up and reserved because of specific needs and were created with a specific allocation of resources. Until the passage of AB602, these funds were increased by a practice called “maximization,” in which a service agency would realign how its pre-AB602 instructional personnel units were used in accordance with the law so that revenue for both individual program operators and the SELPA as a whole were increased.

Since the passage of AB602, many SELPAs have continued to maintain a contingency fund for specific uses. The West End SELPA’s procedural guidelines describe the purpose of the X Pot as follows:

The purposes of the West End SELPA X-Pot are to pay for regionalized expenses in support of SELPA districts’ special education needs. Such expenses include but are not limited to:

- a. 100% of the WESELPA Legal/Due Process Expenses related to compliance findings and due process hearings and judgments not covered by the risk management JPA. Per the Local Plan, any district initiating contact with a legal advisor without the prior approval from the WESELPA will bear the cost of the services
- b. 30% of costs associated with reimbursement of legal fees paid to parent attorneys as the result of mediation or due process
- c. As approved by Superintendents’ Council on 5/9/09, Federal Court filings that are not directly related to due process decisions appealed to the federal court should be funded through the District’s JPA. In addition, all federal level filings including due process decision appeals should be first tendered to the District JPA. If the District JPA does not accept the case then the SELPA X-Pot would fund.
- d. 30% of Non-LCI Nonpublic School/Nonpublic Agency expenses less Revenue Limit and in-home tutoring program expenses as well as authorized parent and X-Pot reimbursements.
- e. 30% of Independent Educational Evaluations authorized by the SELPA Due Process Manager
- f. Facility expenses as approved by Superintendents’ Council, following a recommendation by the Facility Advisory Committee. These are expenses not funded through the SELPA Housing Equity Rate per Class or through the

facilities refurbishments reimbursement process as outlined in the Facility Policy as approved June 21, 2001.

- g. Reimbursement of State Special School Apportionment Adjustment, which is discussed further in the Procedure Section of this plan
- h. State Special School transportation costs less current year average cost of students transported to regional provider programs, as discussed further in the Procedure Section of this plan.
- i. Transition Protection to assist districts experiencing less revenue generated by the fee for service model in fiscal years 2001/2002 and 2002/2003 with consideration for transition protection in 2003/2004 if appropriate. Procedure for this adjustment is detailed in the Procedure Section of this plan.
- j. Effective FY 2006/2007, Declining Enrollment Adjustment to support districts during the first year of declining enrollment was eliminated as approved by Superintendents' Council on June 16, 2006.
- k. Supplemental support to Regionalized Service Programs such as specialized assessments, vocational services, transition services, unique transportation needs, behavior specialist support, autism support, occupational therapy, physical therapy, or counseling programs that are not fully supported by the fee for service schedule
- l. Extraordinary expenses associated with individual student costs that are approved by the Superintendents' Council upon petition by individual districts.

Paragraph i of the above guidelines is no longer applicable and should be either removed or revised to protect against future unforeseen funding changes.

Paragraph j states what the X-Pot no longer supports. This might be removed and replaced with a list of what the X-Pot may not be used for.

Paragraph a provides 100% reimbursement. The SELPA may want to revise this to require districts' fiscal participation, such a 90-10, 80-20, or 75-25 percent split. The 100% reimbursement should be reserved for cases that could have a significant negative effect on all SELPA members. Percentage reductions or reimbursement limits could be considered based on the number of times a district uses this resource in a given year.

Paragraph d appears to provide an ongoing funding subsidy for nonpublic school and nonpublic agency placements. The SELPA might consider beginning with 30% or 40% and reducing to zero over three or four years. This would encourage districts to develop alternatives.

Regarding paragraph e, The SELPA needs to consider limiting the number of independent educational evaluations it will support per year.

Paragraphs k and l are broad and somewhat repetitive. These items need to better specify who may receive funding and under what conditions. With the exception of some language regarding legal fees and language about declining enrollment, there is no clear statement that identifies items that are ineligible for X-Pot resources. There are also no limits on the number of items for which a district may seek X-Pot funds in a given year.

In interviews, staff expressed some skepticism about whether the X-Pot was being used for its intended purposes and whether the criteria for accessing its funds were sufficiently detailed and specific. In addition, SELPA members do not have a clear understanding of the purpose of the X-Pot.

The X-Pot may encourage undesirable practices on the part of some districts, and the guidelines for its use lack incentives for districts to alter or change practices to reduce their need to access its resources.

### ***Recommendations***

*The SELPA should:*

1. Ensure that the finance and program advisory committees review and revise X-Pot guidelines to address the X-Pot's purpose, use, maintenance, lack of incentive for operational change by districts, and potential for abuse.
2. Consider taking the position that SELPA members should make decisions and take actions regarding special education services based only on the merits of the issue at hand, not with the X-Pot in mind as a source of funding.
3. Consider requiring that all claims for assistance from the X-Pot be submitted after the fact in April or May and that no claims be approved before that time. There may be a legal requirement for a prior notice, but that should not be considered a claim.



# Appendices



## Appendix A

### *Code of Federal Regulations sections and California Education Code sections referenced*

#### *Code of Federal Regulations*

“§300.202 Use of amounts.

(a) General. Amounts provided to the LEA under Part B of the Act—

(1) Must be expended in accordance with the applicable provisions of this part;

(2) Must be used only to pay the excess cost of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and

(3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds.

“(b) excess cost requirement.

(1) General.

(i) The excess cost requirement prevents an LEA from using funds provided under Part B of the Act to pay for all of the costs directly attributable to the education of a child with a disability, subject to paragraph (b)(1)(ii) of this section.

“(2)(i) An LEA meets the excess cost requirement if it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.

§ 300.16 “excess cost”.

“excess cost” means those costs that are in excess of the average annual per student expenditure in an LEA during the preceding school year for an elementary school or secondary school student, as may be appropriate, and that must be computed after deducting—

(a) Amounts received—

(1) Under Part B of the Act; (IDEA)

- (2) Under Part A of title I of the ESEA; and
- (3) Under Parts A and B of title III of the ESEA and;

*California Education Code*

56836.04.

(a) The Superintendent continuously shall monitor and review all special education programs approved under this part to ensure that all funds appropriated to special education local plan areas under this part are expended for the purposes intended.

(b) Funds apportioned to special education local plan areas pursuant to this chapter are to assist local educational agencies to provide special education and related services to individuals with exceptional needs and shall be expended exclusively for programs operated under this part.

## Appendix B

### Special Education Costs Per Student in Other County Offices of Education

County Office	Programs	School Year	Extended Year	Total Cost	Total Pupils Served	Cost per Pupil
<b>Santa Cruz</b>	SH, VI, OI, ED, Preschool	08-09	YES	\$9,979,190.64	278	<b>\$35,896.37</b>
<b>Contra Costa</b>	SH, LI, ED, Preschool	08 - 09	YES	\$15,291,380.00	571	<b>\$26,780.00</b>
<b>Los Angeles</b>	SH, LI, ED, Preschool	07 - 08	YES	\$31,223,653.00	953	<b>\$32,763.54</b>
<b>San Joaquin</b>	SH, LI, ED, Preschool	07 - 08	YES	\$17,120,201.00	470	<b>\$36,425.96</b>
<b>Santa Barbara</b>	SH, LI, ED, Preschool	07 - 08	NO	\$12,806,815.97	355	<b>\$36,075.54</b>
<b>Ventura</b>	SH, LI Preschool	07 - 08	YES	\$16,945,335.00	456	<b>\$37,160.82</b>



## Appendix C

### *SELPA Program Transfer Time Lines*

#### Program Transfer Timelines

<i>September</i>	District provides notification to the SELPA Director of programs, which are being considered for transfer pursuant to EC 56207.
<i>October</i>	Consideration of program transfer by Program Transfer Committee, which will include three SELPA governance members. This committee will be responsible for determining if the program transfer conforms to the requirements of EC 56207.
<i>November</i>	District initiating transfer responds to questions from the Program and Finance Advisory Committees and the Superintendents' Council.
<i>December</i>	District provides official letter to the SELPA Director of their decision to proceed with the transfer or quit. Open meeting for parents/staff to provide input regarding the proposed transfer. Program Transfer Committee provides Program and Finance Advisory Committees with their findings, including a summary of input from parents and staff.
<i>January</i>	Program and Finance Advisory Committees report to the Superintendents' Council their recommendation regarding the program transfer. The Superintendents' Council acts to approve or deny the transfer.
<i>February</i>	Necessary personnel actions initiated by districts affected by the program transfer.
<i>July</i>	District begins operation of transferred program.



*Appendix D*  
*Study Agreement*





CSIS California School Information Services

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**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
March 9, 2010**

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the San Bernardino County Superintendent of Schools hereinafter referred to as the COE, mutually agree as follows:

**1. BASIS OF AGREEMENT**

The Team provides a variety of services to school districts and county offices of education upon request. The COE has requested that the Team provide for the assignment of professionals to study specific aspects of the County operations that include the West End Special Education Local Plan Area (SELPA). These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

**2. SCOPE OF THE WORK**

**A. Scope and Objectives of the Study**

The San Bernardino County Superintendent of Schools on behalf of the West End SELPA is requesting the team to review the following scope of work:

1. Evaluate the cost of county/regional operated programs and provide recommendations to reduce and contain the cost per program
2. Review the process used to determine the SBCSS bill back and the cost to return each regional provider programs and make recommendations for an equitable process
3. Evaluate and provide recommendations for the fiscal allocation model regarding the equity of funding for all participating districts with a particular focus on preschool and the insurance fund commonly referenced as the "X-Pot".

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the COE/WESELPA to brief management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the COE/WESELPA office and at school sites if necessary.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the COE/WESELPA of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the COE/WESELPA administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the COE/WESELPA following completion of the review.
- 7) Follow-Up Support – Six months after the completion of the study, FCMAT will return to the COE/WESELPA, if requested, to confirm the progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented in a FCMAT Management Letter.

3. PROJECT PERSONNEL

The study team will be supervised by Anthony L. Bridges, Deputy Executive Officer Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- |           |                              |   |
|-----------|------------------------------|---|
| <i>A.</i> | <i>Dr. William Gillaspie</i> | <i>FCMAT Chief Management Analyst</i>       |
| <i>B.</i> | <i>Marisa Ploog, CPA</i>     | <i>FCMAT Fiscal Intervention Specialist</i> |
| <i>C.</i> | <i>JoAnn Murphy</i>          | <i>FCMAT Consultant</i>                     |
| <i>D.</i> | <i>James Kennedy</i>         | <i>FCMAT Consultant</i>                     |

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

**4. PROJECT COSTS**

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the scope of work identified in section 2 A, estimated total cost is \$19,000. The COE will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the COE.
- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent.

**5. RESPONSIBILITIES OF THE COE/WESELPA**

- A. The COE/WESELPA will provide office and conference room space while on-site reviews are in progress.
- B. The COE/WESELPA will provide the following (if requested):
  - 1) A map of the local area
  - 2) Existing policies, regulations and prior reports addressing the study request
  - 3) Current organizational charts
  - 4) Current and four (4) prior year's audit reports
  - 5) Any documents requested on a supplemental listing
- C. The COE/WESELPA Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The COE shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for key study milestones:

<b><i>Orientation:</i></b>	<i>April 5, 2010</i>
<b><i>Staff Interviews:</i></b>	<i>to be determined</i>
<b><i>Exit Interviews:</i></b>	<i>to be determined</i>
<b><i>Preliminary Report Submitted:</i></b>	<i>to be determined</i>
<b><i>Final Report Submitted:</i></b>	<i>to be determined</i>
<b><i>Board Presentation:</i></b>	<i>to be determined</i>
<b><i>Follow-Up Support:</i></b>	<i>If requested</i>

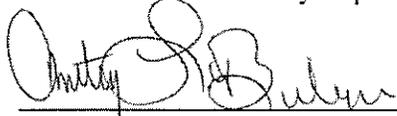
7. **CONTACT PERSON**

Name of contact person: Joann Reilly, West End SELPA Administrator

Telephone: (909) 476-6132 FAX: (909) 476-6162

E-mail: joann\_reilly@sbcss.k12.ca.us

 3/16/10  
Gary Thomas, Superintendent Date  
San Bernardino County Superintendent of Schools

 March 9, 2010  
Anthony Bridges, Deputy Executive Officer Date  
Fiscal Crisis and Management Assistance Team