



BUSINESS and ADMINISTRATION STEERING COMMITTEE MEETING

Friday, June 8, 2007
8:30 a.m. – 2:00 p.m.

Embassy Suites Hotel, Sacramento, California

Pre-Meeting 8:30 a.m.

COFS

Tom Etchart

- Budget presentation formats for boards. Materials will be brought back to the group to be used as future resource materials.
- Legislative committee – no report
- Conference committee has the lunch menu for next year which includes a selection of chicken, New York steak and baked lasagna
- Ventura shared their MOU template with charters regarding allocation of special education excess costs.
- Al Tweltridge, CDE staff attended the meeting and spoke about AB 2448, which is an ROP bill that includes the program and financial implications. He confirmed that an excess of the 15% cap on program reserve can be transferred to a capital reserve fund.
 - Work is progressing to allow an exemption for two years on the cap due to this year's redistribution of funding – language is being developed.
- A report about new ICR changes will be coming next month.
- The group concluded that COE foundations are separate and should be independent from the county's financial records.

SFSS

Tommy Welch

- Diane Lacombe, El Dorado COE, will be the SFSS Chair for 2009, following Brent Watson, Imperial COE, 2008 SFSS Chair.
- OPEB Issue – (Follow up from previous meetings) At an earlier meeting, the question was asked if a district self-insures for their OPEB would they be required to fully accrue the OPEB liability since the Self Insurance fund is a full accrual fund. CDE staff stated they would research this and provide the direction at a later meeting.
 - CDE stated that it is not a requirement to accrue fully the OPEB liability. Statement 45 gives direction regarding this issue and the only accrual would be the net liability.

- Change in Coding of Transfers of Direct Support Costs & Developer Fee Admin Costs – CDE is planning to eliminate object codes 7370/7380 and give guidance to use 5710/5750 instead. CDE is also planning to revise guidance related to charging admin costs related to the collection of developer fees.
 - The 7370/7380 is a carryover from pre-SACS. The feeling is that this isn't "other outgo" and as such should be moved up to the operating cost section of 5000 expenditures.
 - This will have an effect on charging indirect/administrative costs to Fund 25. CDE's feeling is that the administrative function doesn't really fit in a capital project fund.
 - CDE feels that the cost to collect fees, and other administrative type costs, should be capitalized to building projects. Their suggestion was that we charge these costs to the Facility Acquisition and Construction function 8500 as a project cost. Then during the GASB 34 process the costs would get capitalized. If there are no current projects under way, the district could defer the capitalized cost as WIP.
 - If a district did not want to capitalize the costs they could clear it in the GASB 34 conversion entries.
 - Several objections were raised regarding this issue.
 - This seemed like it would add a lot of extra accounting work and tracking of costs.
 - What if several years go by without any construction costs. (Answer, then the district needs to look at its fee collection feasibility).
 - Will OPSC accept the transfer of matching funds from Fund 25 along with previous year's capitalization costs? (CDE will work with OPSC regarding the impact of this on transferring administrative costs as part of the district match).
 - Mainly there was a feeling of uneasiness about this impact to Fund 25.
- Coding of Revenue Limit Transfers for Special Education – CDE is considering giving guidance on object 8091 vs. 8980 to ensure consistency of statewide data and maintenance of effort calculations.
 - CDE feels that the data reported in these objects are inconsistent.
 - There is no legal requirement to make this transfer of unrestricted funds since AB 602.
 - They were proposing that only the net encroachment should be shown as a transfer in 8091.
 - This seems to be an inconsistency at the district level.
 - The data showed that 99% of the counties consistently record a transfer of unrestricted funds earned by SDC ADA to Special Ed via 8091 and all encroachment is recorded using 8089.
 - The counties felt that the problem is not the current guidance of the 8091/8089 usage, but that the issue is that the data reported in the ADA SDC element is inconsistent. As such, they felt that was the piece that should be addressed, not the usage of the objects.
 - They also felt that maybe this may be a problem at the districts due to a lack of knowledge.
 - CDE stated that they had received plenty of feedback and that they would continue to review this issue.
- Criteria and Standards Survey
 - It was decided that based on San Bernardino's size and variance in size of districts that the results of San Bernardino's study would be similar to other county results. As such it was decided that the top seven failures of San Bernardino's results would be the basis of the survey.

- It was decided that we would only seek feedback regarding the Criteria and Standards section based on the yes/no format of the supplemental and additional factors, which does not really indicate a negative result.
- An ADA element will be added to the district survey part so that the data could be analyzed by size of district.
- The goal is to have the survey done and returned in time for discussion at the August meeting.
- Documentation of COE Due Diligence with Charter School ADA – BASC would like SFSS to develop a procedure for documenting due diligence when a COE superintendent cannot certify charter school attendance (and possibly districts as well). The procedure is to be recommended to BASC for their review and recommendation to COE's to follow as a standard procedure.
 - CDE stated that there is a check in the software that indicates that the data could not be certified.
 - It was stated that the superintendent does not have anything to do with filing the data through the software and that they sign the certification page and there is no such option on the certification page.
 - CDE stated that they would look at the certification page to see if they could make a change on this form to address this issue (of removing the certification).

FSCO

Kenn Young

- Stan Mantooth will complete the current term as FSCO chair.

Regular Meeting

9:00 am

1. CALL TO ORDER 9:00 AM

The Chair called the regular meeting to order at 9:00 a.m. and welcomed everyone. The following members were present:

Bud Burrow – Kern County

Denise Calvert – Sonoma

John Caudle – Tulare

Lora Duzyk – San Diego County

Tom Etchart – COFS Chair, Ventura

Barney Finlay – Santa Cruz

Don Gatti – Stanislaus

Kevin Gordon - SIA

Susan Grinsell – BASC Chair Elect, Humboldt

Scott Hannan – CDE

Francie Heim – El Dorado County

Mary Jarvis – San Luis Obispo

Joan Kingery – Placer County

Linda Legnitto - Yolo

Georgene Neher – Tehama County

Theresa Parsons – San Mateo County

JR Perkiss – Napa

Linda Protine – Sutter

Mike Ricketts – CCSESA

Ken Shelton – Los Angeles

Simons, Debbie – Los Angeles

Gary Thomas – BASC Chair, San Bernardino

Jim Thomas – San Joaquin

Tommy Welch – 2007 SFSS Chair, Solano

John Fogarty - Orange

2. ADDITIONAL AGENDA ITEMS

- 10. Uniform Payroll schedule Linda Legnitto
- 11. Payroll systems and charges Lora Duzyk
- The handout for agenda item 9.8 was distributed in case members needed to leave early
- Gary passed around a card for Tom Henry who is retiring

3. STATE OF THE STATE

Mike Ricketts, Kevin Gordon, Nancy LaCasse

3.1 BUDGET CONFERENCE COMMITTEE

- Conferees have conducted two passes through the books. Nothing is final yet as they try to tie expenditures to Prop 98 and Title 1 revenue levels. Each house has their own proposal on how to close the \$360 million dollar hole in the May Revision identified by the LAO last month.
- Governor and staff haven't yet come forward with a proposal so the Legislature is waiting for the Governor to identify his priorities before work begins. The Legislature will not come back to meet unless there is an agreement in the Budget Conference Committee. A complicating factor is that current year state revenues are \$600 million lower from the May Revise, but still higher than the Governor's January proposal, which is exerting financial pressure and some doubt on an on-time budget. DOF says this gives more rationale to go along with the Governor's proposal to take all available "excess" funding in the current year.
- The proposal includes \$1.9 million maintenance funding for HSN. This proposal is getting good signals from the legislators. LAO also includes the funding in their recommendation.
- The Senate proposal contains \$3 million for Personnel Management Assistance Teams (PMATs), but no funding was included on the Assembly side.
- Statewide System of School Support (RSSDS) is included in both the Senate and Assembly proposals at \$10 million. The LAO's original recommendation was to reduce the funding by 50% but the Education Coalition seems to have provided enough information about the program to change their position to support the original \$10 million, although they do want to see accountability for results.
- The bills to implement alternative education reform, based on the Paul Warren Report, includes one on the Senate side for \$30 million for "Williams-like uses" by alternative education programs on things such as emergency repairs, instructional material purchases, etc. None of this money relates to the existing SB 679 Romero bill. The LAO also has a proposal to fund a quality self assessment by COE's based on future agreed upon standards. Alternative education is broadly defined to mean all programs currently operated by COE's and school districts. An interesting implication for COE's is that most COE community schools are located in leased facilities. Therefore, money for emergency repairs doesn't appear to be a good investment. Also state loading standards at roughly 27 is about double what programs operate due to discipline issues.
- The Education Coalition and other management groups have been asked to communicate our priorities to the conference members which is difficult since many items on the Education Coalition list are held as higher in priority than some identified by the administration. The concern is that the communication may be used by the legislature as justification for not funding a core or high priority area (such as choosing between supplemental program deficit funding and mandate reimbursement

funding). However, a communication from the Education Coalition did go forward earlier this week.

3.2 AB 131 SUPPLEMENTAL COUNSELING PROGRAM

- Allows COE's to participate in the Middle and High School Supplemental Counseling Program in 2007-08. The bill passed Senate floor with one "no" vote and is now in the assembly. The bill would make COE access to the funding permanent. Because there is enough money in the appropriation to fund COE's, the bill wouldn't negatively impact school districts.

3.3 SECURE RURAL SCHOOLS FUNDING

- Funding included the supplemental appropriation funding and will be allocated the same way as 2006-07. This is a one-year extension. Efforts for reauthorization are still continuing.
- SB133 – short term loan program funding was pulled out in both houses since there isn't a need anymore.

3.4 OTHER LEGISLATION

- SB 679 was introduced to implement LAO recommendations for alternative education (the companion bill SB 802 was held). This bill would required school districts and COEs, as a condition of using independent study, to participate in an independent study monitoring program to evaluate the performance of low-performing independent study pupils based upon some new criteria. CDE would be required to report to the Legislature on the use of independent study by January 1, 2008 and every 2 years after that.
 - Independent study monitoring program requires collection and reporting of new information but no new money. The requirements may have a chilling effect on using independent study. CCSESA's view is that there are more than enough safeguards today and there isn't evidence to support the need for further safeguards so, complete the study first to find out if there are problems.
 - The bill prescribes pre/post testing for those students every 30 days in the two core areas and establishes growth targets and intervention programs for education programs that don't meet those targets. Although some may agree that pre/post tests aren't bad when students enter and exit the program, students still need to be in the program long enough. These accountability changes should be developed after the study phase has been completed. The legislation won't just affect COE's but all others that operate independent study programs for alternative education programs (like charter schools).
 - Next step is to form a coalition to work with the bill before it goes through the second house.
- SB 21 would establish the Regional Education and Economic Integration Initiative to be administered by SPI. COEs could be regional leads for promotion of career tech programs. The program is a competitive grant program but no funding is attached. There is no parallel proposal in the assembly.
- AB 1230 requires charter schools to provide the same pupil sight and hearing test and scoliosis screening as districts do currently. Charters could contract with a school district or COE to provide testing and screening.

- SB 345 makes charters equivalent to school districts for purposes of submitting applications to the State Board of Education to waive statutory provisions of the Education Code. The group discussed the issues that as charter schools become more similar to school districts, essentially, this increases the number of school entities to oversee.

3.5 REVIEW OF EDBUY REPORT

- A handout summarizing the recent training by EdBuy was distributed. Mike shared that the training was well received by the attendees. The report details the evaluation input provided by the attendees.

3.6 DISCUSSION ABOUT EDUCATION'S POSITION ON HEALTH CARE REFORM

- The concern was raised that just because education representatives attend the on-going discussion of health care reform, this doesn't mean that education is necessarily supportive of any specific proposal. It is simply a way to stay in touch and keep apprised of the direction the discussions are going. The group agreed that it might be useful to develop a public position at least with respect to the development of "Guiding Principles". Given the size and complexity of the issue, and the priorities currently assigned to the CCSESA staff, it may be necessary to utilize the field in completing this work. There is a discussion scheduled next week among education leadership groups. *Damon was asked to bring back a summary of the discussion to the group.*

4. SSC REPORT

Nancy LaCasse

- AB 850 which would have required the state to provide a COLA and growth funding to Special Education on both federal and state funding has been held in suspense. The LAO was concerned that some of the provisions were not in compliance with federal law. Even after working with the LAO, there appears to be no political will to fund the shortfall. However, the federal budget may contain a larger increase than previously anticipated.
- Neither of the declining enrollment bills will be adopted this year. One of the bills would have given consideration to a prior year guarantee for declining SELPA's. Both are held in committee due to high cost.
- AB 556 addresses charter school revocation. One possible strategy is that COE's could adopt a policy not to review the revocations within the required timelines which would extricate COE's from the process. The bill is indicative of the current effort to promote automatic progress by charter school advocates.
- Bills that shift funding from ADA to enrollment will almost all be considered next year and tied to the Governor's reform package. There seems to be a lot of support from the Education Coalition and some support from the field.

5. CDE REPORT

Scott Hannan

- Charter school oversight bill update. CDE sponsored language assigning the responsibility of audit finding resolution to the chartering authority was pulled from the omnibus bill. It will be placed in another bill that addresses other charter issues. Also, CDE will post an opinion on the relationship between charters and their chartering authorities on their website which will hopefully help provide guidance to the field. The group agreed that clarification and guidance regarding COE's responsibility for follow up relative to fraud audit resolution (AB 139) for charters is needed from CDE. These

are high cost audits and the reimbursement process seems unclear so COE's are a little wary.

- CDE's request for input on correspondence sent to the field on Retirement Incentive Programs which was distributed at the meeting because of COE's roll in approving school district STRS Golden Handshakes handout based on cost savings.
 - DOF has begun to question if these actually save the money identified. So, CDE has prepared guidance to achieve common understanding and consistency in calculating the savings. *Please review the draft and provide any comments to Scott. The draft will then be finalized for the next meeting.*
 - Recently, Frank Fekete (Kern COE Council) opined that the County Superintendent can approve the handshakes instead of the County Board. Bud will provide a copy of the opinion for the next meeting.
 - And another EC says that the legislative body that approves these things must follow certain parameters including basing their decisions on such data as actuarial reports.
 - School College and Legal Services opined that the COE board isn't creating benefits but merely executing our statutory authority to approve an already existing mechanism.
- Audit Work Group update. CDE will contact the BASC volunteers, Jim Thomas, Tammy Sanchez and Susan Grinsell to schedule meetings and begin the work.
- COE Form O, ADA data collection (continued from last month). Scott will speak with CDE and DOF staff to determine if the data collection is still necessary. The information had been used by DOF to size the apportionment for Form O. *This item will be discussed at the next meeting. San Diego, who has facilitated data collection, will no longer be able to do so. So, if collection is still necessary, another COE will need to step forward.*

6. CHAIR'S REPORT

Gary Thomas

6.1 County Committee on School District Reorganization

- Jeri Cox (Madera COE) requested the group be surveyed as to the need for training for County Committee members and COE staff about respective duties and responsibilities. Many County Committees have been fairly inactive over the last few years but have begun to meet more frequently. The following were recommendations from the group.
 - Updating COE's book on school district reorganizations followed by regional roll out to the field with the refresher would be valuable.
 - Others would prefer to provide training themselves instead of using CDE staff, allowing a tailoring to the needs of each county.
 - Include training for the COE staff to County Committee staff in February at the oversight workshop (pre-conference).
 - There is a meeting four times each year for the secretaries to the County Committees. Outreach for increased attendance might be helpful.
 - A training CD targeted to County Committee members talking about the roll and responsibilities of the committee might be useful. Advice encouraging them to work with their assigned staff on the technical issues should be part of the CD.
 - Because the dialog about possible reorganization occurs first at the school board member level, including this topic as part of CSBA training might be appropriate even though county committee members are not always school district board members.

6.2 Oral Health Screening Data Software

- The CCSESA board took no action at their May meeting to approve the BASC recommendation to support CDE's request for a state-wide aggregation of data from one system and San Joaquin's software and proposed funding model. The concern is that there are two county offices that have developed software (San Joaquin and LA). CCSESA did agree to have the issue brought back at their June meeting for reconsideration.
 - The original proposal was that \$100,000 would be provided to SJCOE annually, directly from CDE, to help cover the cost of development and future maintenance, representing about \$.22 per assessed student. All COE's would have received about \$.58 assessed student.
 - Since the May CCSESA meeting, SJCOE and LACOE have discussed the issue and agreed that the following funding formula will address the needs of both.
 - Funding at \$.80 per each LA county's 116,915 eligible students will flow directly to LACOE from CDE and will total about \$93,532.
 - Funding of \$.80 per remaining eligible student (estimated at 337,690 students) will flow as follows:
 - SJCOE will receive \$.22 per eligible student directly from CDE (\$74,292)
 - Each county will receive \$.58 per student from CDE or each COE.
 - The SJCOE system would then be free to all COE's and available to LACOE to allow for statewide aggregation.
 - COE's should plan to reach out to school districts and provide information about SJCOE software and advise them to participate.
 - School districts will receive \$9 per ADA and SJCOE will charge \$.40 per ADA for the software.
 - If districts use other software, it would likely increase the workload of the COE whose role it is to provide the data in the SJCOE format to the state.
 - Districts can contract directly with SJCOE for \$.40 of their \$9.00.
 - Districts within LACOE will have their own agreement with their County.
 - SJCOE will aggregate all data and report to interested parties. As a reminder, CDE was looking for a common remitter.
 - SJCOE is committed to providing the software to COE's for free in any event.

7. PROPOSED BASC SCHEDULE

Susan Grinsell

- A handout listing the proposed 2008 dates was distributed. Some of the dates are the first Friday of the month. This change was necessary in order to provide adequate time to prepare for the next regularly scheduled CCSESA meeting. Please review the dates and provide input to Susan next week. Once input has been received, Susan will begin to renegotiate the rates with the Embassy Suites.
 - The group requested that if the rate is significantly higher, that other options be explored.

- Subcommittees needing rooms for 2008 (PDC, CBO Partnership and County Office Funding) should provide Susan with necessary dates and times so that these can be renegotiated at the same time.

8. JUVENILE COURT SCHOOL FUNDING

Georgene Neher

- Georgene asked for input from the membership regarding interpretation of EC 42238.18(1). Consensus is that capital improvements, for the purpose of using juvenile funding for their purchase, are defined as “instructional costs” and are therefore allowable expenditures.

9. BASC WORKING COMMITTEE REPORTS

9.1 Business Partnership

Carlene Naylor

- No report

9.2 Charter Schools

Gary Thomas

- No Report

9.3 GASB 45

Ken Shelton/
Debbie Simons

- No report

9.4 Legislative

Linda Protine

- No Report

9.5 PASSCO

Stan Mantooth

- No report

9.6 Professional Development

Francie Heim

- Fiscal Oversight workshop is scheduled for 10/23/07 in Sacramento. More of a focus will be on political aspects and there will be a greater partnership with FCMAT. The following topics will be on the agenda.
 - ♦ COE funding, Williams, Fiscal Oversight, Special Education funding
 - ♦ Next meeting date for the working committee is 7/16/07

9.7 TTSC

Mary Jarvis

- No Report

9.8 MAA

Don Gatti

- A handout was provided which discussed the following:
 - ♦ National Alliance for Medicaid in Education’s Annual Conference is set for 9/26 – 9/28 in Minneapolis, MN.
 - ♦ At a conference in Washington D.C. in early May of the LEA net group, much of the discussions related to LEA Billing Program issues including:
 - Action on a Notice of Proposed Rulemaking that would eliminate MAA has been delayed.
 - Money and staff have been added to the Office of the Inspector General for LEA billing audits.
 - Language that would prevent CMS from administratively eliminating MAA was included in the Iraq war bill that was vetoed by the President.

- ◆ The first time survey period has been announced by CDHS and is 8/9/07 – 8/15/07.
- ◆ California Department of Health Services is splitting into 2 departments as of July 1, 2007; CDHS will then become Department of Health Care Services (DHCS) and will deal only with Medi-Cal Programs.

9.9 Audit

Jim Thomas

- 2007-08 Audit guides are complete and on the EAAP website

10. Uniform Payroll schedule

Teresa Parsons

- Teresa asked about the process of notifying and getting approval to add a supplemental payroll to an already existing variable payroll. This regularly calendared supplemental payroll would be optional.
 - ◆ The current payroll system is to provide manual paychecks on a daily basis.
 - ◆ There is a need to create a 10th of the month payroll
- Some members raised concerns that there may be a risk of an unfair labor practice allegation by a union.
 - ◆ A lawsuit by CSEA against a California COE came down in favor of county superintendents' authority to set pay dates.
- *Jim Thomas will try to find resources*

11. Payroll Systems and Charges

Lora Duzyk

- The group was asked to summarize information regarding payroll processing and any chargeback formulas currently in place.
 - ◆ *The information will be distributed when the summary is complete.*

Items for Follow-up

- ❖ Damon will bring back a summary of the discussion scheduled among education leadership regarding education's position on health care reform.
- ❖ In regards to CDE's correspondence on the retirement incentives programs, please review the draft of CDE's guidance to achieve common understanding and consistency in calculating the savings, and provide any comments to Scott. The draft will then be finalized for the next meeting.
- ❖ Kern COE Council recently opined that County Superintendent can approve the handshakes instead of the County Board; Bud will provide a copy of the opinion for the next meeting.
- ❖ COE Form O ADA data collection will be discussed at the next meeting after Scott has had a chance to talk with CDE and DOF staff to determine if the data collection is still necessary. If it is, a new COE will need to facilitate the collection of the data.
- ❖ Please review 2008 Proposed BASC dates and provide input to Susan so she can begin renegotiating rates with the Embassy Suites, this should include working committees that need additional rooms.
- ❖ Jim Thomas will try to find resources relative to the lawsuit by CSEA against one California COE which came down in favor of county superintendent's authority to set pay dates.
- ❖ Lora will provide a summary of information from COE's regarding payroll processing and chargeback formulas currently in place.