

**BUSINESS and ADMINISTRATION STEERING COMMITTEE
MEETING**

Friday, July 20, 2007
8:45 a.m. – 2:00 p.m.

Embassy Suites Hotel
Sacramento, California

MINUTES

Pre-Meeting
8:30 a.m.

BASC Subcommittee Reports

1. COFS

Tom Etchart

- Yesterday's meeting highlights included the following:
 - COE fiscal items. COE Budget presentation materials were collected and passed around for review and reference. COEs who had settled for 2007-08 were few. The financial provisions of those who had settled were not shared with BASC.
 - Legislation. AB 131; the bill that would allow COEs to be eligible for funding for counselors is still progressing through the process and moving forward. SB 146; the declining enrollment bill has been held in committee thus making it a two year bill.
 - Based upon a request by one of the COFS representatives, excess cost formulas for special education transportation programs will be collected and shared with the group.
 - There is a new state-wide charter in El Dorado County and some of the implementation issues were discussed at the COFS meeting.
 - Board policies governing EC requirement for Boards of Education were collected for the COFS meeting and reviewed based upon another request by a COFS representative. Two different presentation materials were shared at the COFS meeting and will be shared with the BASC group at an upcoming meeting. They are the presentation materials that Wendy prepares and shares at CCBE. CCSESA has other materials.
 - COFS and CDE have been working to identify inconsistencies in the direct service ADA that CDE is using to calculate funding. A handout showing the calculation and resulting direct service ADA was distributed to COFS members for the group to review and verify.
 - Taxability of two kinds of fringe benefits, employer paid automobiles and cell phones was discussed and updated. The IRS publication for reporting on employer paid automobiles was provided to the COFS members.
 - One of the COFS members had asked for assistance regarding their request for CDE approval of an attendance accounting program. The question before the group is whether there was a requirement for positive attendance for independent study programs. CDE staff has taken the position that positive attendance for independent study is a requirement. However, this county's software application uses negative

attendance instead. They are concerned that switching the software wouldn't reflect how an independent study program is run.

- Clarification was provided by CDE relative to the need to wait to submit a waiver request for Instructional Materials non-compliance until the audit report has been completed.
- Allowable travel costs for Child Development programs are out of date. The concern about what to do with additional travel over and above what was allowed was addressed by the group, they concluded that these excess costs may be reflected in allowable indirect costs allocations.
- Several counties reported experiencing high year-end property taxes reported from county governments. After the reporting period for CDE had ended, errors causing tax overstatement came to light. Orange County shared that their taxes were overstated by \$48 million. CDE accepted the revision even after the due date since the amount was material. Stanislaus County reported that their experience was the opposite and an understatement of property taxes was reported. This can become a big problem for Basic Aid districts. SCO is currently auditing property taxes and were at the Sonoma COE yesterday. On another front, the County Treasurer's Association may be proactively reducing property taxes due to market shifts without waiting for the taxpayer to apply. Wendy and other BASC members have worked with the Association previously regarding GASB 45 and may open discussions on this item in the future.

2. SFSS

Tommy Welch

- No report

3. FSCO

Stan Mantooth

- No report

Regular Meeting

9:15 am

1. Call to Order

The Chair called the meeting at 9:15 a.m. and welcomed everyone. The following members were present including new members from Butte, Glenn, Kern and Riverside Counties:

Lettie Allen—Solano	Joel Montero—FCMAT
Wendy Benkert—Orange	Carlene Naylor – Alameda
Denise Calvert – Sonoma	Georgene Neher – Tehama
Geri Kendall Cox—Madera	Teresa Parsons – San Mateo
Don Gatti – Stanislaus	JR Perkiss – Napa
Susan Grinsell –Humboldt	Linda Protine – Sutter
Scott Hannan - CDE	Mike Ricketts – CCSESA
Francie Heim – El Dorado	Tamara Sanchez – Sacramento
Mary Jarvis – San Luis Obispo	Ken Shelton – Los Angeles
Paul Jessup – Riverside	Debbie Simons—Los Angeles
Linda Legnitto – Yolo	Damon Smith – Imperial
Terena Mendonca – Nevada City	Gary Thomas—BASC Chair, San Bernardino
Robert Miyashiro – SSC	

2. Additional Agenda Items

None.

3. State of State

Mike Ricketts

- a. Status of the Budget. July 20, was the date to begin a month long vacation for representatives of both houses. Fiscal, political and policy agreement is necessary in order to get a budget. On Wednesday, July 18 the Education Coalition was called in by Assembly and Senate leadership to say that they were at impasse with the republicans because the republicans wanted additional cuts in education (\$400 million). The Education Coalition was asked to help to influence the process. Thursday morning, news leaked that there was a budget deal in the Assembly which included full COLA funding for education. Assembly approved its budget at 4:00am on July 20, 2007; breaking with past practice of finishing their work after the Senate had approved their plan and gone on break. Mike shared that the Assembly plan sounds very much like the Governor's proposal made in January. The Assembly cut a deal in order to get republican votes. The deal included shifting transportation to the PTA fund (outside of Prop 98). This has the effect of lowering the guarantee in 2007-08. Most in the education community agree that the shift is setting bad fiscal principle precedence. There is a tax credit to the movie industry of \$500 million and it may be on-going. However, teacher tax credits were eliminated. Potential changes to term-limit laws may make it ideologically difficult to get senate approval since some members are waiting to see if the new term limits would allow them to stay in office. The Assembly has adjourned and has gone on vacation. The Senate, who has never been in this situation before, but has created it for the Assembly, has nowhere to go except to adopt the Assembly version or not put forth the vote and sacrifice their summer recess. The Governor could also call the Assembly back to work.
- b. Home-to-School shift. There are two ways to accomplish the shift. Pull the money out of the PTA fund and put it into Prop 98 or pull the Home-to-School program out of Prop 98 and put it into PTA. One adds expenses to the "Non-98 pot" and one doesn't. The State is likely to be sued, but parties in the suit haven't been identified yet. Because of the time needed to work the suit through the court, this plan buys a year or two of a fairly balanced budget until the lawsuit is concluded. It is a way to manipulate the "over funding" issue and has the effect of postponing Test 1.
- c. The COLA is fully funded for programs. However the Conference committee pulled out all one-time money. Any programs funded with one-time funds were de-funded even if they were on-going programs. Two casualties include the CBO Training program (SB 352) and the six regional PMAT teams. PMATS will have carryover and may get through the year. However, whether the programs will be funded when the state's fiscal picture improves or whether there is legislation to resurrect them is not known.
- d. HSN is fully funded.
- e. AB 347 (Nava) implements settlement in the Valenzuela lawsuit over using CAHSEE as a condition of graduation. Appeals court reversed the lower courts decision and remanded back to the lower court to insure resources are available. Under the bill, 12th graders who have failed part or the entire CAHSEE test are offered two additional years of instructional services. School districts must provide services as well as notice to all

students about their eligibility. Williams' notices must now include these provisions. Further, CDE's CPM review would be required to monitor the implementation of this program. Due to concerns about costs to CDE, the DOF amended the bill to shift the responsibility to COE's. Requirements are similar to those under Williams and include the following.

- Verify notice is posted in all 11th and 12th grade classrooms.
- Monitor quarterly complaint reports – COEs must review them (same as Williams).
- Insure students who are eligible received the notice.
- Insure eligible students who elect services are receiving services. This provision needs clarification so COE's understand how to comply.

The provisions were described as monitoring not auditing.

The bill is on fast tract and is an urgency bill. The Governor could sign it by the end of August. The bills provisions are intended to apply to 2006 students in grades 11 and 12.

The larger issue is that the legal folks seem to have caught on to a method that is effectively controlling state funding. The process is to sue and settle by implementing a program. The control over the settlement is by plaintiff's attorneys. The judicial system is inserting itself in the legislative and administrative process of education priorities and subsequent program development. School districts must comply with these provisions in order to receive existing extensive instructional supplemental funding. Funding would be up to \$500 per pupil but the categorical pot of money is a fixed pot, so it is likely that these requirements will erode the per-pupil amounts. However, compliance is a condition of funding for school districts. Revenue Limit funding for these students is also available. Funding of \$1.5 million has been earmarked out of an extraordinary cost pool from the Williams settlement. Intention is that it would apply to all high schools (including charters) even though the Williams settlement was designated for decile 1-3 schools.

Mike is asking BASC to help develop an allocation formula since CCSESA was charged with the task. A subcommittee is going to be developed to identify the allocation method as well as what COE's are required to do. Subcommittee will include CDE, SBE, DOF staff as well as the following CCSESA representatives:

Ken Shelton	Barney
Damon	Gary Thomas
Wendy	

The topic should perhaps be added to the February BASC conference. It will also likely be an agenda item for the next CCSESA quarterly meeting item too.

- f. Mike shared that Brooks Allen had a request regarding the newly approved Williams related Facility Inspection Tool. Brooks was wondering if it was possible for COEs to coordinate regional training for districts. OPSC staff would be conducting the training but COE assistance in coordinating and providing space for the training would be helpful. BASC members were not sure that there would be enough demand and wondered if perhaps a survey of the districts might be a good first step. Webcast or

videoconferences might be a good vehicle to cut down on cost/time for travel to regional locations. CASH may be another source for workshop facilitation, although there was some concern that we might need to centralize the facilitation to insure that the message to the districts is consistent.

- g. There has been quite a lot of visibility on county programs from Juvenile Justice, Probation and Youth Authority so this topic will be put on the CCSESA's quarterly meeting agenda. Some lawsuits have surfaced against COEs. Numerous public record requests have been filed so perhaps information and discussion will be helpful. BASC was asked to be ready to assist with any related work.

4. SSC Report

Robert Miyashiro

- a. Some BASC members attended a meeting with Robert and other interested parties regarding AB 1222 yesterday. The bill "reforms" the mandate claiming process and will probably be signed. DOF has been participating mostly with local government representatives to move the bill forward. The bill actually provides for an alternative method for mandate reimbursements which is more streamlined. The process also eliminates the need for audits. Essentially, the reimbursement is a negotiated rate between the claimant and the DOF. The group asked for some amendments such as a declaration that the Legislature can provide partial funding (vs. all or nothing as requested by local governments) for reimbursements. The consensus of the working group is to approve the bill if it contains these amendments. The bill doesn't change the current system; it just sets up an alternative system which is independent of the current one.
- b. Handout of a fiscal report entitled "State Revenues Fall Short in June" was distributed. State revenues have fallen short in May and June by an estimated \$800 million. The SCO report seems to contradict the finding, but SCO is reporting a different type of cash. Robert cautioned the members to focus on DOF and SSC bulletin projections.

5. CDE Report

Scott Hannan

- a. District Solvency Plans. Scott asked for assistance relative to approval of school district plans and accountability for the plan elements. Some counties are approving "plans" that may not be plans. Perhaps COEs should come back together to develop some consistent criteria for approval prospectively. It appears that the information that the district template was asking for was interpreted differently by COEs. There may have been a different perspective of what it meant to have a plan. Some COEs may have felt that an actuarial report or a one-time set aside of funding (such as this year's mandate reimbursements) was enough. Although there isn't a requirement for funding the obligation under GASB 45, there is a requirement to pay the liability when it becomes due. Perhaps titling the grant differently would help, especially, if the goal is for LEAs to develop more long-term implementation policies. Perhaps the next step for the upcoming round of grants is for COEs to identify programs and investment options available for districts to research and include as plan development becomes more detailed. Scott requested that he attend the next BASC

Fiscal Solvency Working Group to discuss the issue in more detail. Tamara volunteered to participate with this working group as well.

- b. CDE's draft letter on retirement incentive guidance is still open for comment. It will be issued soon, so get any comments to Scott quickly if you have concerns. The letter is posted on the CCESEA website.
- c. Regarding a question at the last meeting from San Diego about the use of the information gathered from Form O ADA, CDE has determined that it doesn't use the information but DOF hasn't yet responded. The issue will be addressed at the next meeting when DOF input can be shared.

6. FCMAT

Joel Montero

- a. FCMAT personnel changes. Debbie Dehl has been hired as an Intervention Specialist. Two other positions are open.
- b. Management assistance workload. The number of studies completed annually is used as an indicator of the workload of the organization. 80 studies were completed in 2005-06 and 108 studies were completed in 2006-07. Joel has a concern that the number in 2006-07 has approached the capacity for the organization. FCMAT may need to begin prioritizing the requests using specific criteria in order to maintain quality control. Technical assistance has grown even more. There has been a significant impact from charters but not so much from community colleges. Scott requested a re-examination of how the RFAT teams can be used to support FCMAT since the organization is reaching their maximum workload.
- c. New area of need is surfacing for facility project budget software. A pilot of the new software will be tested during the upcoming months.
- d. A Budget Explorer version with COE projection capability will be in beta testing in late August or early fall.
- e. Professional Development. The recent workshop about debt obligations in school districts given in Kern was well received. The curriculum is geared to school district personnel responsible for evaluation options for incurring or restructuring debt. Any COE who is interested in hosting an upcoming workshops, please notify Joel as soon as possible. An outline of the workshop will be distributed by Gary to the group.
- f. Charter schools and Conflicts of Interest PCC 1090. CDE's legal council has opined that 1090 doesn't apply to charters. SBE received related regulations but didn't approve them. FCMAT wrote a letter describing the issues that they have seen in the field instead of supporting/opposing the regulations. CCSESA took an oppose position and some COEs wrote letters of opposition because of the lenient position of the regulation. Resolution will likely be through litigation.

7. Chair's Report

Gary Thomas

- a. CCSESA Audit Report. CCSESA's audit firm identified the need to obtain and report CCSESA Steering Committees' financial information to CCSESA. CCSESA has responded by stating that a new committee will be formed. This "Audit Committee" will be responsible for developing related processes and procedures.
- b. May 2008 PASSCO Meeting Location. There is a proposal to move from the Embassy. August 10 BASC meeting conflicts with the southern SSC State Budget

Workshop. **Therefore, the August 10th BASC meeting is moved to August 17th.** This may mean that the committee reports will not be available.

- c. AB 1236, a Kindergarten proposal, is on CCSESA's watch list. The chair asked that we form a committee to look at the bill because it will reduce the dollars flowing in to public schools and the voluntary half day pre-K readiness program. Contact Gary if you are interested in volunteering.

8. Health Care Reform/Proposals

Damon Smith/Wendy Benkert

- a. Wendy has been attending the Health Care Reform Coalition meetings. CTA/CSEA/CACC all have guiding principles which embrace a single payer concept. Mike will develop a set on behalf of CCSESA as well.
- b. CSEA reps statewide are all pretty involved. Even though the bill might it might not happen in this session. The coalition received grant funding so there is both union and grant funding behind the issue now.
- c. LACOE has been asked to host coalition trainings. Alameda has hosted two. The trainings are broken into 1) generic overall information and 2) coalition perspective regarding savings in health care. The issue on one hand is that we hear what the groups are saying. The issue on the other hand is the perception is that COEs are involved because of our willingness to host the trainings. Primary sponsors of the recent legislation are the unions. Many BASC members felt that it is necessary for management to become involved, proactive and visible in the discussions. The group also felt that perhaps this might be a topic for the February conference. Sally Covington's group may be an interesting presenter for BASC. Ken Shelton will ask Sally to come to the August meeting.

9. BASC Working Committee Reports

Business Partnerships—Carlene Naylor

Carlene attended the last meeting held in conjunction with the CCSESA quarterly meeting. The purpose of the committee is to screen vendors for CCSESA. CCSESA's intent is that the business partners do have access to the CCSESA subcommittees, such as BASC. It doesn't mean that CCSESA is sponsoring the product, but their products and services are among the options available.

- o CSBA GASB 45 (PARS) – flyer was passed out and two letters from O'Melveny and Meyers LLP and Kutak Rock LLP were also distributed. These groups all have GASB 45 related programs. Although CSBA has made a presentation during one of the conferences recently, they may be invited to a future BASC meeting if the members wish additional information.

Charter Schools—Gary Thomas

No report

GASB 45—Ken Shelton/Debbie Simon

The working committee may pursue getting an opinion on the legality of incurring revenue bonds to fund GASB 45 obligations.

BASC Meeting

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Legislative—Linda Protine

No report

PASSCO—Stan Mantooth

No report

Professional Development—Francie Heim

Watch for an email next week confirming that the Fiscal Oversight Conference scheduled for October 23 in Sacramento. The conference will have a different focus. Some topics (technical pieces) have been moved to the February conference. There will be more of a focus on politics at the October conference and a closer partnership with FCMAT. The preliminary agenda was briefly reviewed. BASC will extend an invitation to all county superintendents, especially new superintendents to attend, since the conference is no longer technical in nature.

TTSC—Mary Jarvis

No report

MAA—Don Gatti

- A handout summarizing Don's report was distributed.
 - Information regarding the National Alliance for Medicaid in Education's (NAME) annual conference can be found at www.medicaidforeducation.com
 - The California Department of Health Services has been split into two departments as of July 1, 2007. The California Department of Public Health will focus on leadership in public health and health care financing. The California Department of Health Care Services will focus on protecting and promoting the health status through the financing and delivery of health services. The MAA program, along with the LEA Billing Option program will fall under this department.
 - A group of mostly LEA representatives has requested that districts and COEs advocate for the reauthorization of the State Children's Health Insurance Program (SCHIP) program. Please refer to Don's notes for the contact names and addresses.
 - HR 1017 would amend Title XIX of the Social Security Act to improve requirements under the Medicaid Program for items and services furnished in or through an educational program or setting to children. The bill matches the bill already introduced by Senator Kennedy. HR 1017 now has five co-sponsors.

Audit—Jim Thomas

No report

Items for Follow-up

- Regarding CDE's guidance for achieving a common understanding and consistency in calculating the savings for retirement incentive programs, review the draft provided at June's meeting, and provide any feedback to Scott Hannan quickly. The draft will be finalized shortly. The letter is posted on the CCESEA website.

- Kern COE legal council recently opined that a county superintendent can approve golden handshake retirement incentives. Bud will provide a copy of the opinion at the next meeting.
- COE Form O, ADA data collection will be discussed at the next meeting after DOF has had an opportunity to look into whether they need the data any more. If there is a need for the data, another COE volunteer will be needed to collect and report the information to DOF. CDE no longer needs the information.
- Jim Thomas will try to find resources relative to the lawsuit by CSEA against a COE which was decided in favor of the county superintendent's authority to set pay dates.
- A STRS directive regarding the ability of a golden handshake retiree to work for any public agency will be distributed.
- Gary Thomas will contact some experienced BASC members to request they assist the new BASC members introduced at this morning's meeting and act as mentors.
- Homework assignment from Mike for AB347 subcommittee members, as well as other BASC members who have an interest, read bills and email issues for discussions to Mike.
- AB347 subcommittee members will provide BASC with an update of their work thus far.
- Scott Hannan will attend the next Fiscal Solvency Working Group to discuss the elements of district fiscal policy plans in more detail. Tamara volunteered to participate with this working group as well.
- An outline of the FCMAT sponsored workshop about debt obligations will be distributed by Gary to the group.
- Joel and Wendy will provide copies of their letters to OPSC/SBE regarding charters and conflicts of interest to Gary to distribute to the group.
- If you are interested in volunteering to work on the fiscal aspects of AB 1236, a kindergarten bill, please contact Gary Thomas
- Ken Shelton will ask Sally Covington to come to the August meeting to discuss health care reform.