

## **Report and Recommendations on SELPA Provider Program Costs**

**Prepared by  
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6/28/09**

The purpose of this study was to build upon a study of the Santa Barbara County (SBC) SELPA funding allocation model completed by Paul Goldfinger of School Services of California in 2007. Specifically it was requested that expenditure data for regional provider programs be reviewed to determine what is contributing to the variations in costs across programs and suggest more cost effective alternatives.

The SBC SELPA is very unique in that almost all of the costs for provider programs are funded from the SELPA AB 602 allocation before funding is allocated to all member local education agencies (LEA). In 2007 – 08, \$22.3 million of the total \$43.6 million in AB 602 revenue or 51.2% was allocated to provider programs. The exception is the County operated severely handicapped (SH) program for which 50% of the excess cost is now being billed. More typically SELPAs allocate a portion of revenue to provider programs and then compute an excess cost, which is charged to each student with a disability enrolled in the program. Recently some SELPAs have moved to a full cost model for provider programs where all AB 602 revenue is allocated to LEAs and the full cost per pupil is calculated and charged to each pupil enrolled in the provider program.

The SELPA is also unique in that some districts are individually operating programs for students with significant disabilities that most SELPAs operate regionally. For purposes of this report these programs are categorized as follows:

- Services to students with moderate/severe developmental delay. Students in these class groupings typically are ambulatory and become independent in addressing their self-help needs.
- Services to students with severe/profound developmental delay. Students in these class groupings typically have minimal or no ambulatory skills, are very dependent and require assistance with self-help skills, and very often have medical conditions such as tracheotomies and gastro feeding tubes which also require staff assistance and supervision.

In surveying districts in the SELPA it was reported that the following districts operate their own classes for students with moderate/severe disabilities:

- Goleta – 4 classes
- Lompoc – 5 classes
- Orcutt – 1 class

- Santa Maria Bonita – 6 classes
- Santa Barbara County Office – 13 students through direct service outside of the County SELPA regional program

In addition regional program transportation costs for provider programs are offset by some special education transportation revenue with the remaining excess costs reimbursed by the districts of residence based the number of students with disabilities served in the regional programs. The costs for facilities to house regional provider programs are determined by a facilities cost calculation and the costs including routine maintenance are allocated to each district based on its percentage of the total SELPA CBEDS count rather than the number of students enrolled in the regional programs.

### **Cost Analysis Description**

Provider program cost data for 2007-08 was reorganized and displayed in a format that allowed for a comparison of program costs (Attachment A). Costs were aggregated as follows:

Teacher costs – both special day class and itinerant

Instructional assistant costs – including additional instructional assistants and PERS reduction

Designated instruction/related services costs

Administration

Clerical support

Benefits costs

Non-salary costs including miscellaneous costs

Indirect Costs

- For each cost category, except indirect the total cost was displayed and a cost per full time equivalency was computed.
- For the benefits costs the FTE was computed using total FTEs for all staff classifications.
- For the non-salary and miscellaneous costs, teacher and designated instruction/related services FTEs were added together to compute in non-salary cost FTE. A second comparison was also computed using teacher, designated

instruction/related services and administration FTEs. Miscellaneous costs included vendor services, tuition for community college, bus fare for community programs, office supplies, copying costs and postage

- The total indirect cost was displayed along with the LEA indirect rate that was used for the computation. In addition total indirect costs computed at 7.0% for County programs and 4.5% for district programs were also displayed to provide data for the recommendations.

### Analysis

SELPA caseloads for regional provider programs were developed in 1998. The established caseloads vary by age/grade level. Unfortunately the caseload data for 2007 – 08 were not available by age or grade level. To more accurately determine whether provider program caseloads are being maintained, regional program caseloads need to be collected by age/grade level. For 2007- 08 the following regional programs were below SELPA recommended averages. December 2008 averages have also been displayed.

Regional Program	SELPA Approved Average per FTE	07 - 08 Average per FTE	Dec 1, 2008 Average per FTE
SBCEO SH	8 - 9	7.18	7.59
SBCEO CTE	8 - 12	6.5	6.63
LOMPOC DHOH SDC	6 - 9	6.00	5.00
S. B. HIGH ITIN DHOH	9 - 12	4.57	4.00
S. B. HIGH ITIN VH	12 - 18	8.00	5.00
SBCEO OT	25 - 30	24.29	26.89
ORCOTT	25 - 30	19.67	25.67

Because of growth or declining enrollment, it may not always be able to completely maintain caseloads during a school year but the caseloads should be monitored throughout the school year. While there has been some increase in caseloads in 2008 – 09 several programs continue to operate below SELPA minimum averages.

The data indicate that there are obvious variations in salaries for both certificated and classified staff, which are most likely because of differing salary schedules, variations in placement of staff on the salary schedule or a combination of both. It could

also be that some LEAs are paying a stipend or bonus to special education staff, which may be affecting the variations. In addition the County juvenile court program operates for 200 days per year unlike the other regional programs. Unfortunately it is almost impossible to control for salary variations between LEAs. For instructional assistants one possible way to contain costs is to hire part-time staff that will not qualify for benefits. While this can be a significant savings, it will only be useful if part-time positions can be fully staffed. It tends to be more difficult for county offices to staff part-time positions because of serving a larger geographic area and also because some programs require more staff involvement in toileting and feeding children with disabilities as part of the job duties.

There was much less variation in benefit costs based in the data set. However it may be because of the analysis using all full-time equivalencies to determine the cost per FTE. It would have been more helpful if the benefit costs could have been separated by job category especially for instructional assistants.

There were also large variations in the non-salary costs across programs. This is an area where cost containment can be applied. Setting a standard amount per class or full-time equivalent certificated staff member would require each program to work within a budgeted amount each year. It would also simplify the program cost calculation since non-salary costs would not need to be reported.

Some of the 2007 – 08 SBC SELPA regional program costs were compared with three other SELPAs using a cost per pupil comparison (Attachment B). Because SELPAs do not organize regional or provider programs in the same manner, it is difficult to be sure that a cost comparison with other SELPAs is valid. One confounding variable was that the regional program operators did not provide extended year services in 2007 – 08. Instead, the SELPA Office operated extended year services. Comparisons were developed for the County combined SH, SED/CTE and preschool programs with county operated programs in three other SELPAs. SED/CTE programs were compared with a county-operated program from another SELPA. Combined deaf/hard of hearing special day class and itinerant services were compared with a county-operated program and a district-operated program from two other SELPAs. Finally Itinerant visually impaired programs were compared with combined special day class and itinerant services from a district operated program in another SELPA.

The SELPA has recommended DIS support allocations for provider programs that were also approved in 1998. However there are also large variations in DIS and related services staffing even among similar programs. In general it does not appear that the regional DIS allocations are being followed closely. As with program caseloads, setting a standard level of DIS support could provide cost containment and ensure a more consistent level of service across programs so that parents do not perceive one program as being “better” than another. Since the SELPA makes a large financial commitment to provider programs, it is not unreasonable to set standards across programs.

The County Office has a higher staffing ratio for both administration and clerical personnel. Given the size and complexity of the programs that it operates there could be very valid justification for its administrative and clerical support levels. However, it would be appropriate to review both administration and clerical staffing to be certain that the staffing level is driven by program need. Also since the County is a direct special education service provider to 7 direct service districts it would be appropriate to confirm that there is a clear delineation between the County's role as a regional program provider to the SELPA and its requirement to provide special education services to small districts. This is another area where staffing standards could be useful as a cost containment measure provided program quality is not compromised.

There is also a large difference in the indirect cost rate between the County Office programs and the programs operated by other LEAs. Given the significant commitment by the SELPA in funding the provider programs the SELPA could set a standard indirect rate for all provider programs.

It is very unique that none of the provider programs operate extended school year services. It is difficult to believe that it could be cost effective to have the SELPA Office operate the programs. The SELPA should consider transitioning extended year services to the provider programs as a cost containment measure.

In the AB602 Special Education Fiscal Allocation Plan, Section VII – "Funding for Regional Program Expansion and Additional Instructional Aides for Regional Programs" indicates that program expansion during the school year and requests for additional instructional assistants require approval by the SELPA Coordinating Committee and review by the SELPA Fiscal Committee. A number of SELPAs have adopted a process for determining the need for additional instructional assistants which requires an assessment of behavior and classroom conditions. The SELPA does have such a process defined in the SELPA Local Plan. It is important that the process be applied in justifying the need for additional instructional assistants. This is an important cost control function, which needs to be fully utilized. Information from SELPA staff also indicated that in the past requests for additional instructional assistants were approved by the JPA Board but that procedure had been stopped. The JPA Board should consider at least reviewing a quarterly report of the new added positions.

It appears that the SELPA has been considering a pay-as-you-go model as an alternative to the current plan for fully funding provider programs. This would be a significant change that would require a transition plan to avoid causing financial problems for LEAs. As stated initially most SELPAs use some form of an excess cost model where some AB602 revenue is allocated to each program and an excess cost is calculated and reimbursed by residence districts. Also as previously stated some SELPAs are moving to a full cost model where all AB602 revenue is allocated to LEAs and each LEA pays the full cost for its pupils enrolled in provider programs. A full cost model causes each district to stand alone in paying for services and its responsibility for its students with significant disabilities. The current SELPA funding model is at the other extreme where all LEAs are financially responsible for all students with significant

disabilities whether or not any of the students live within the boundaries of the LEA. If the SELPA wants to move toward a funding model where individual LEAs assume more individual responsibility for pupils with significant disabilities, it might consider a full cost model with an adjustment for students who reside in foster homes and licensed children's institutions since no LEA has the ability to control the licensing of these facilities. The report by Paul Goldfinger also suggested two strategies for some shared responsibility for students with significant disabilities.

In addition many SELPAs are inviting charter schools to join their SELPA to help offset declining ADA. The charter schools may enter the SELPA as schools within a member school district or join the SELPA as a local education agency for special education purposes. In most cases charter schools do not attract as many students with significant disabilities as school districts. SELPAs with funding allocation plans that heavily favor programs for students with significant disabilities have a more difficult time attracting charter schools because of the limited funding available for non-provider programs.

Finally a full cost model could lead to cash flow issues for larger provider programs. A plan would need to be developed to provide cash flow throughout the year to the provider programs if a full cost model is adopted.

## **Recommendations**

- 1. Initiate the use of a regional program data collection form to collect 2008 – 09 regional program costs in a uniform manner. The form needs to include name, job title, FTE, salary and benefits costs for each staff member.**
- 2. Require residence district staff to attend all IEPs for students in regional programs. The residence district has ultimate responsibility for ensuring that appropriate services are provided to each child with a disability. The residence district should serve as the gatekeeper to ensure that appropriate services are provided in a cost effective manner**
- 3. Fully implement the SELPA procedure for adding individual instructional aides for children with disabilities including a plan for phasing out the aides. Require a six month IEP review of all IEPs that designate additional instructional aides. Require a quarterly report of added positions to the JPA Board.**
- 4. Collect classroom/caseload enrollment data by age/grade to determine whether regional programs are following SELPA approved averages. Require the Coordinating Committee to review regional program class/caseload averages on a quarterly basis. Periodic review will highlight staff reductions that may be needed in the new school year to operate regional programs within the approved SELPA averages.**

5. **Require regional programs to adjust staffing ratios at the end of each school year to begin the new school year within the SELPA Local Plan caseload limits.** A reduction of one class including one instructional aide in the SBCEO SH program, two classes including two instructional aides in the SBCEO SED/CTE program, and one itinerant provider in the S. B. High DHOH program would have reduced regional costs by over \$ 489,000 in salaries and benefits.
6. **Require regional programs to request approval from the Coordinating Committee for any increases in administrative staff, support staff or clerical staff beyond the 2008 – 09 school year level.**
7. **Require regional programs to operate the extended year program (ESY) both for financial and liability reasons.** For regional programs whose administrative staff works more than a 10 month school year, the ESY program needs to be operated without additional administrative or clerical staff.
8. **Establish a 7.00 % indirect cost rate for the County and a 4.5% indirect cost rate for districts operating regional programs.** Capping the indirect rates in 2007 – 08 would have provided a \$284,000 savings
9. **Establish a \$4,500 rate per FTE for nonsalary costs. The rate should be applied to all teachers, DIS staff, related services staff and administrators.** Capping the rate in 2007 – 08 would have provided a \$121,000 savings.
10. **Consolidate regional deaf/hard of hearing special day class programs and itinerant programs under one program operator.** Consolidation should provide some administrative and clerical cost savings and provide a better opportunity to operate the programs within the designated SELPA caseload averages.
11. **Consolidate itinerant visually impaired programs under one program operator.** Consolidation should provide some administrative and clerical cost savings and provide a better opportunity to operate the programs within the designated SELPA caseload averages.
12. **Transfer pre specialist preschool program services, currently operated by the County, back to school districts.** This program is the largest regional program and unlike all of the other regional programs serves children with less intensive needs. While the program had a cost of only \$7,851 per pupil in 2007 - 08, it had administration and clerical costs of over \$269,000. Districts should be able to absorb the services without increasing administrative or clerical staff. In addition there would be a reduction in indirect costs. Because the majority of the children receiving pre specialist services transition to their residence district at age five, there should be a smoother transition to district services.

13. **Implement a full cost model for funding the cost of regional programs.** Several districts already operate some classes for students with moderate/severe disabilities, however the current SELPA funding plan does not provide any recognition of this. Allocating all of the funding to districts would create more of an incentive for districts to serve their own students. It would also allow for a more orderly change of regional program providers in terms of funding adjustments. A change of this magnitude would need to be implemented over a three or four year period. Also a plan would need to be developed to ensure that cash flow to the regional programs occurs through out the school year.

**ATTACHMENT B  
REGIONAL PROGRAM COST COMPARISON**

updated 6/28/0

**SH, SED/CTE, PRESCHOOL**

	<b>SBCEO SH, SED, Preschool</b>	<b>Ventura Co. Office SH, Preschool</b>	<b>Los Angeles CO. Office SH, SED, Preschool</b>	<b>San Joaquin CO. Office SH, SED, Preschool</b>
<b>TOTAL COST</b>	\$12,806,815.97	\$16,945,335.00	\$31,223,653.00	\$17,120,201.00
<b>TOTAL PUPILS SERVED</b>	355.00	455.98	953.00	470.00
<b>COST PER PUPIL</b>	\$36,075.54	\$37,162.45	\$32,763.54	\$36,425.96
<b>EXTENDED YEAR</b>	NO	YES	YES	YES
<b>MODERATE/SEVERE</b>	NO	YES	YES	YES

**SED**

	<b>SBCEO</b>	<b>SB HIGH</b>	<b>San Joaquin Co.</b>
<b>TOTAL COST</b>	\$2,350,579.33	821,622.77	\$2,609,227.00
<b>TOTAL PUPILS SERVED</b>	52	32	64.00
<b>COST PER PUPIL</b>	\$45,203.45	\$25,675.71	\$40,769.17
<b>EXTENDED YEAR</b>	NO	NO	YES

**DEAF/HARD OF HEARING PROGRAM**

	<b>SBCEO</b>	<b>SB Elementary</b>	<b>Lompoc</b>	<b>East San Gabriel</b>	<b>San Joaquin</b>
<b>TOTAL COST</b>	\$2,020,487.32	\$335,840.14	\$179,086.01	\$4,740,613.49	\$1,174,546.00
<b>TOTAL PUPILS SERVED</b>	71.00	15.00	19.00	171.00	40.00
<b>COST PER PUPIL</b>	\$28,457.57	\$22,389.34	\$9,425.58	\$27,722.89	\$29,363.65

EXTENDED YEAR

NO

NO

NO

YES

YES

**ATTACHMENT B continued**

**VISUALLY IMPAIRED**

	<b>SBCEO</b>	<b>SB High</b>	<b>SBElem</b>	<b>East San Gabriel</b>
<b>TOTAL COST</b>	\$918,679.52	286,793.60	\$286,793.60	\$2,579,483.61
<b>TOTAL PUPILS SERVED</b>	71	8	54	93
<b>COST PER PUPIL</b>	\$12,939.15	\$35,849.20	\$5,310.99	\$27,736.38
<b>EXTENDED YEAR</b>	NO	NO	NO	YES

**Accuracy of Cost Comparisons**

**Because there is no uniform format for collecting program cost data caution must be exercised in comparing costs across SELPAs and local education agencies. In the cost comparisons above a confounding factor was that none of the Santa Barbara County programs operated extended year services, however the comparable programs did operate extended year services.**

# Santa Barbara County SELPA

## Analysis of Alternative Allocation Models for Santa Barbara County SELPA

November 26, 2007

Prepared By:

**Paul Goldfinger**  
Vice President



*Public Education's Point of Reference for Making Educated Decisions*

SCHOOL SERVICES OF CALIFORNIA, I C.

# **Santa Barbara County SELPA**

## **Analysis of Alternative Allocation Models for Santa Barbara County SELPA**

### **Final Report**

**November 26, 2007**

### **Prepared By:**

**Paul Goldfinger  
Vice President**

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## ***Introduction***

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On September 24, 2007, an initial report was submitted to the SELPA providing general observations about the SELPA's current allocation model. Following a conference call during which that report was discussed, we were asked to calculate the impact of several alternative allocation models and make recommendations for changes to the SELPA.

This report shows the impact of the following two major changes to the SELPA's allocation model:

- ↳ Changing from the current allocation based on enrollment and also taking into account revenue limit funding for special day class ADA to an allocation based on district ADA with no adjustment for revenue limit funding
- ↳ Changing from the current allocation off-the-top for regional programs to a fee-for-service model.

Our calculations indicate that both changes individually would result in a significant reallocation in SELPA funds, with major winners and losers among the school agencies, and that combining the changes would result in an even wider reallocation of funds.

The following sections provide details on both calculations. Recommendations for next steps come at the end of this report.

## ***Impact of Shifting to a Per-ADA Model***

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As discussed in the prior report, most SELPAs allocate funding based on district ADA, not enrollment, and, furthermore, almost no SELPAs include any calculation of revenue limit funding for special education ADA in their allocation model. In recognition of this, we calculated the impact of shifting to a per-ADA allocation with no adjustment for revenue limit funding.

For this calculation, we used the funding provided in 2006-07 from AB 602 funds and federal aid, plus the 50% allocation of the Out-of-Home Care Funding, minus the amount received for regionalized services and also minus the 25% payment for the programs for the SH pupils, since this net amount is the amount retained by each agency for nonregional programs. The total of these amounts for the SELPA was slightly more than \$19 million. [It should be noted that, while the current terminology is "severely disabled," the former acronym SH for "severely handicapped" is still used.]

**ANALYSIS OF ALTERNATIVE ALLOCATION MODELS FOR SANTA BARBARA COUNTY SELPA 2**  
**NOVEMBER 26, 2007**

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One consideration that arose is whether the allocation should be based on current-year ADA for each agency, or the greater of current- or prior-year ADA. This is a policy issue for the SELPA to decide, but our calculations indicated that using the greater of current- or prior-year ADA resulted in only minor differences for most agencies. But one issue that should be considered is the impact of charter schools that are local educational agencies (LEAs) in the SELPA.

ADA (as well as enrollment) in charter schools can vary significantly from year to year. For example, in 2006-07, the ADA for the Olive Grove Charter School declined by more than 15% (and its enrollment dropped 27%). Also, when a newly formed charter school becomes a member of the SELPA as an LEA, the students going to that new school often result in declining enrollment in the districts that served those students in the prior year. Using the greater of current- or prior-year ADA results in the SELPA paying for those students twice—in the current-year ADA in the charter school and the prior-year ADA in the affected districts. [As noted, the same issue arises with the current allocation based on enrollment, and the SELPA might want to reconsider this aspect of the current funding model if no other changes are adopted.]

For simplicity, Table 1 (see page 8) shows the calculation based only on current-year (2006-07) ADA, not the greater of current or prior-year ADA. The next to the last column shows the total dollar change for each agency if the \$19 million was allocated on a per-ADA basis, and the last column shows this change as an amount per ADA. [Note that these two columns do not include the funding or ADA for the Santa Barbara County Education Office (SBCEO) Regional Programs since the amount per ADA for these programs is not comparable with that for the other agencies.] Not surprisingly, the two districts that are the furthest below the average currently—and which would therefore gain the most in shifting to a per-ADA model—are Santa Barbara High School District (\$66 per ADA) and Santa Maria High School District (\$44 per ADA), due to the high level of offset currently calculated for the revenue limit for special education ADA.

While this table also shows that the Family Partnership Charter School has a current funding rate that is \$66 per ADA below the SELPA average, this is due to the school being new and having an ADA level for 2006-07 of 221.69 that is much higher than its CBEDS count of only 185. Had the school's ADA been, say, 94% of its CBEDS enrollment, then its funding per ADA would have been \$17 per ADA above the SELPA average. It is expected that this anomaly for Family Partnership Charter School will disappear when its enrollment and ADA stabilize in the future.

Additionally, the table shows that Olive Grove Charter School would lose the most per ADA—\$92. But this is due to the use of only current year ADA, rather than the current allocation model that uses the greater of current or prior year enrollment (which, as noted above, protects this Charter School from any loss due to its 27% decline in enrollment).

The significant difference between the ADA and enrollment for the Family Partnership Charter School highlights the difference between using ADA which measures the average attendance over the whole school year through the P-2 ADA cutoff date and using CBEDS enrollment, which is a snapshot of enrollment for a single date in October. If the SELPA chooses to continue to use enrollment rather than ADA in allocating funds, it might want to consider using average monthly enrollment (if such data were easily available) rather than simply CBEDS enrollment.

### ***Analysis of Fee-for-Service Model***

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Jim Skelton, the SELPA's accountant, was kind of enough to prepare a calculation allocating the SELPA-total regional costs back to districts based on usage of the programs. While Jim's calculation was based on the average cost per pupil for each service, rather than on the cost for each agency operating a program for each service, his calculation still provides a ballpark figure for each district—especially since the SBCEO is the operator of the vast majority of the regional programs.

The spreadsheet that Jim prepared also showed what would happen if that same total amount of funding—slightly more than \$19 million—was allocated based on funded CBEDS enrollment (i.e., the greater of current or prior-year enrollment). Finally, he compared this allocation of revenues with the computed cost for each district—see Table 2 (page 9). As indicated in this table, the charter schools would all gain \$285 per pupil because they have no pupils in the regional programs. On the other hand, Goleta and Santa Barbara Elementary School Districts would lose \$142 and \$135 per ADA, respectively, because a high percentage of their resident pupils use the regional programs.

The calculation in Table 2 shows, in effect, what would have happened under a fee-for-service model where all funding is allocated to the school agencies in the SELPA—with no adjustments based on the incidence of SH pupils.

Given the bottom line from Jim's table, it is certainly critical that the SELPA recognize variations in the incidence of SH pupils, as recommended in the prior report. In our opinion, it doesn't make sense to allocate all funding equally if some districts have a very high incidence of severely disabled pupils, while other agencies have a very low or zero incidence of SH pupils, as is the case for the charter school LEAs.

### ***Incidence of Severely Disabled Pupils***

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As discussed in the prior report, one way to recognize variations in the need to serve severely disabled pupils is to provide additional funding only to those agencies that have

a very high incidence of SH pupils, and then to allocate the balance to all agencies. To examine this option, we put together a file showing the pupil count by age and disability and the CBEDS enrollment for each district in fall 2006, and then computed the ratio of SH pupils age 3-22 to CBEDS enrollment.

For the purposes of this calculation, the count of SH pupils included the following disabilities: Mental Retardation, Hard of Hearing, Deaf, Visual Impairment, Emotional Disturbance, Orthopedic Impairment, Deaf-Blindness, Multiple Disability, Autism, and Traumatic Brain Injury. Clearly, other definitions of SH could be adopted. Also, all calculations were done using the pupil count by district of residence, so that the calculation shows all SH pupils who reside in the district, regardless of where they were served.

The CBEDS enrollment used in this calculation was that reported by a district to the state. Ideally, this CBEDS enrollment should be adjusted to reflect pupils served by another agency, to parallel the pupil count by district of residence. Adjusting CBEDS enrollment in this manner would require shifting the enrollment of pupils served by the SBCEO back to the district of residence and also subtracting the enrollment of pupils served in a district-operated regional program from that district's CBEDS count and adding it to the CBEDS count of the district of residence. But for the purposes of this preliminary analysis, using the unadjusted CBEDS count provides a good rough estimate.

Table 3 (see page 10) shows the summary of these incidence calculations. Note that pupil count data was provided by the California Department of Education for all charter schools in the state, and this showed zero SH pupils for the Family Partnership Charter, the Santa Barbara Charter, and the Santa Ynez Valley Charter. Curiously, the data provided for the Olive Grove Charter was blank. Given the fact that this charter school has no pupils in any of the regional programs, it is assumed for the purposes of this calculation that it also had no SH pupils (as defined above) in December 2006, and this calculation would need to be revised if this assumption turns out to be incorrect.

It is not surprising to see from this table that Goleta and Santa Barbara Elementary School Districts—two of the districts that would be most adversely affected by redistributing the regional dollars based on enrollment without any measurement of need—have among the highest incidences of SH pupils. But it is somewhat surprising that Santa Maria High School District, one of the districts that would receive more if the regional funding were redistributed on the basis of enrollment, also has a relatively high incidence of SH pupils. A review of Santa Maria HSD's pupil count indicates that it has a relatively high count of pupils with Mental Retardation that the district serves in its own programs, and this at least partially explains this finding.

Given the very wide range of incidence of SH pupils among the school districts—from 1.76 times the SELPA average for Goleta to 0.40 and 0.38 for Guadalupe and the Santa

Ynez consortium, respectively, to zero for the charter school LEAs—we have strong reservations about using the safety net approach of providing additional funding only to those districts with a high incidence of SH pupils. Since this form of a safety net approach provides the same level of funding for a district or LEA with a very low incidence of SH pupils as for a district with an average incidence of SH pupils, it really works best when all districts have an incidence of SH pupils that is at least some minimum level of, say, no less than 70% of the SELPA average. Otherwise, this approach winds up overfunding an agency that had a very low or zero incidence of SH pupils.

The second approach discussed in the prior report is to allocate an amount for each SH pupil, and then have the districts pay for services under a fee-for-service model. As noted in the prior report, providing this funding directly to the district of residence gives that district options for how to serve that pupil and eliminates the financial incentive to place more pupils in the regional programs. Furthermore, it provides additional funding for districts that serve SH pupils in their own nonregional programs, something that the current off-the-top allocation doesn't do.

In modeling the impact of this approach, the amount spent by the SELPA for nonpublic school (NPS) tuition and other costs, such as transportation, for these placements (\$172,749 in 2006-07) was added to the amount spent on the regional programs (\$19,045,089 in 2006-07), since, if the SELPA were to shift to a fee-for-service model for SH pupils, then it is recommended that the same approach should be used for NPS pupils. Otherwise, there would still be a 100% reimbursement for the costs of an NPS placement, creating an even greater incentive than now to place pupils in a nonpublic school.

The calculation shown in Table 4A (see page 11) is based on redistributing the combined total of \$19,217,838 spent in 2006-07 on the regional programs and NPS placements equally for the SELPA's 1,278 SH pupils at the rate of \$15,037 per SH pupil. The fourth column from the right shows the net impact of allocating this amount based on the SH pupil count in each agency, but then charging each agency for the full fee-for-service cost for its pupils in the regional programs and the NPS cost currently paid by the SELPA. The second column from the right shows the combined impact from shifting to a per-ADA allocation for nonregional funding and this fee-for-service model. As indicated, the combined change ranges from a gain of \$196 per ADA for Santa Maria High School District to a loss of \$156 per ADA for the Hope School District.

Table 4B (see page 12) shows what would happen if only half of the current amount spent on regional programs was allocated based on each agency's SH pupil count and the balance was allocated on a per-ADA basis to all of the LEAs in the SELPA, including the charter schools. As indicated in the far right hand column of this table, the biggest gainers are now some of the charter schools, since, under this calculation, half of the funding now being used for the regional programs and NPS pupils would be allocated on a per-ADA

basis—even though the charter schools have no pupils in the regional programs or NPSs, nor any SH pupils.

The calculation in Table 4B highlights the difficulty in creating a funding model that treats all LEAs in the SELPA the same, even those with a very low or zero count of SH pupils. In particular, Education Code Section 47645 requires that a charter school LEA be treated the same as any other member of the SELPA.

### ***Next Steps***

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The calculations discussed above show that there would be very significant reallocations among member agencies both from a shift to a per-ADA funding model for current funding for nonregional programs and from a shift to a fee-for-service model, even with adjustments for the number of SH pupils in each agency. Given this, we cannot recommend that the SELPA adopt either change at this time.

Instead, we feel that further data collection and analysis is needed in the following areas:

- ↓ The above analyses did not include any evaluation of the impact of shifting the funding for extended-year programs from the current off-the-top funding by the SELPA to a fee-for-service program, since data is needed to identify the costs for each district. As discussed in the prior report, the current funding for extended-year programs is unusual among other SELPAs and may provide a financial incentive to place pupils in the extended year programs.
- ↓ Refine the calculation of the current costs for the regional programs for each district by using the actual costs for each regional program operator rather than the average cost for each service. Such a revised calculation would more accurately show the fee-for-service charge that would have been paid by each agency in 2006-07.
- ↓ The calculations of the incidence of SH counts indicates very significant variations from agency to agency, with these variations being greater than what we've seen in other SELPAs (even after excluding the zero incidence for the charter school LEAs). This leads to the question as to whether the districts are using consistent criteria for classifying pupils by disability.
- ↓ The calculations discussed above used one definition of SH pupils and, furthermore, provided the same level of funding for all SH pupils, regardless of disability. It may be more appropriate to count some disabilities as more costly than others, by giving a greater weight, for example, for children with autism than for those with mental retardation. Providing different weights in this manner

might serve to reduce the extent of the reallocation of funding. But an overriding consideration in implementing any model that allocates funding based on SH pupil counts is that there be no incentive to label pupils as having a certain disability to generate additional funding.

- ↳ Part of the reason for the significant shifts in funding resulting from using ADA, with no revenue limit offset, rather than enrollment, is due to the usage of the greater of current or prior-year enrollment in the current allocation. As discussed above, using the greater of current or prior-year enrollment fully protects both districts and charter schools that have a decline in enrollment for any reason. Such protection would even apply in the future should a charter school cut back the size of its program by 50% or more (or went out of business)—something that could happen to either a charter school LEA or a charter school that was deemed to be a public school in one of the districts. Perhaps setting a maximum percentage decline that would be recognized, such as 10%, would serve to avoid providing excessive funding under such a scenario.
- ↳ Perhaps a less drastic option to shifting to the per-ADA allocation would be to phase into that over time, such as by providing 90% funding based on enrollment with the revenue limit offset and 10% based on ADA in the first year, 80%/20% in the second year, and so on.
- ↳ Finally, it is recommended that the SELPA consider modifying its current legal fund so that districts that make excessive use of legal services pay at least part of the costs of those services.

We are sorry to conclude that our analysis of the impact of the various changes discussed above indicates that there are no changes to move in the direction of either a per-ADA allocation or a fee-for-service model that would be easy to implement, without a significant reallocation of funding among member agencies. But hopefully the above suggestions could provide direction for additional analysis and options that could help in the design of a new allocation model that would result in a less drastic reallocation of funding.

We will provide the spreadsheets used for the calculations described in this report to the SELPA so that SELPA members can explore additional options.

Table 1

Analysis of Impact of Shifting Current Funding for Non-regional Programs to a Per-ADA Allocation

	2005-06 ADA	2006-07 ADA	Difference	Percentage Change	Greater of Current Year (CY) or Prior Year (PY) ADA	Current Funding Level-- AB602+Federal+P roperty Taxes+ 50% of OHC	Less: Net Revenue for Regional Programs	Less: 25% Payment for SH Program Usage	Net = Current Funding for non- regional Programs	Current Funding per 2006-07 ADA (for other than Regional Programs)	Difference from Average
Lompoc	10,344.05	10,163.84	(180.41)	-1.74%	10,344.05	\$3,855,708	-\$150,057	-\$73,582	\$3,432,069	\$338	\$26
Orcutt	4,580.00	4,556.02	(4.06)	-0.09%	4,580.00	\$1,708,054	-\$173,620	-\$3,878	\$1,530,756	\$338	\$23
SM-Bonita	12,244.04	12,389.11	145.07	1.19%	12,389.11	\$4,118,219	\$0	-\$81,952	\$4,027,267	\$325	\$12
SM High	8,842.74	8,952.85	110.11	1.61%	8,952.85	\$1,945,129	\$0	-\$77,240	\$1,867,889	\$289	-\$44
Carpinteria	2,582.72	2,506.18	(76.54)	-2.96%	2,582.72	\$859,600	\$0	-\$18,380	\$841,219	\$336	\$23
Goleta	3,479.78	3,404.92	(74.86)	-2.15%	3,479.78	\$1,176,399	-\$88,703	-\$36,781	\$1,080,915	\$308	-\$4
Hope	1,340.84	1,222.84	(117.80)	-8.78%	1,340.84	\$454,229	\$0	-\$7,358	\$446,873	\$366	\$52
SB Elem	5,334.48	5,148.81	(185.65)	-3.52%	5,334.48	\$2,474,182	-\$665,388	-\$22,088	\$1,786,746	\$347	\$34
SB High	9,875.28	9,689.82	(185.46)	-1.88%	9,875.28	\$3,322,895	-\$833,046	-\$85,830	\$2,384,168	\$247	-\$68
SBCEO - Direct Svc.	1,747.18	1,888.95	(90.21)	-4.89%	1,747.18	\$875,513	\$0	\$0	\$875,513	\$405	\$82
Family Partnership Charter	0.00	221.88	221.88		221.88	\$57,484	\$0	\$0	\$57,484	\$259	-\$54
Santa Ynez Charter	174.53	176.53	2.00	1.15%	176.53	\$58,473	\$0	\$0	\$58,473	\$331	\$18
Olive Grove Charter	382.48	307.51	(54.98)	-15.17%	382.48	\$118,178	\$0	\$0	\$118,178	\$378	\$88
SBCEO - Regional	1,020.99	986.38	(54.61)	-5.35%	1,020.99	\$16,725,148	-\$18,718,808	\$0	\$8,543	\$0	\$0
Santa Ynez Valley Consortium	2,514.72	2,481.25	(53.47)	-2.13%	2,514.72	\$779,823	\$0	\$0	\$779,823	\$317	\$4
Guadalupe	1,073.52	1,053.00	(19.52)	-1.82%	1,073.52	\$333,101	\$0	-\$7,388	\$325,746	\$308	-\$4
S.B. Charter School	272.10	325.17	53.07	19.50%	325.17	\$84,535	\$0	\$0	\$84,535	\$291	-\$22
<b>Total ADA</b>	<b>83,788.30</b>	<b>83,211.87</b>	<b>(576.23)</b>	<b>-0.69%</b>	<b>84,301.24</b>	<b>\$38,555,747</b>	<b>-\$18,827,403</b>	<b>-\$434,814</b>	<b>\$19,494,330</b>	<b>\$313</b>	<b>\$0</b>
									<b>SELPA Average--</b>		
									<b>per ADA</b>		

**ANALYSIS OF ALTERNATIVE ALLOCATION MODELS FOR SANTA BARBARA COUNTY SELPA 9  
NOVEMBER 26, 2007**

**Table 2  
Summary of All Regional Programs Versus CBEDS Distribution**

<u>School District</u>	<u>Total Cost By district \$</u>	<u>District "Baseline" CBEDS</u>	<u>Total Cost By CBEDS \$</u>	<u>Impact on Districts of 100% PAYG \$</u>	<u>Impact Per Pupil</u>
Lompoc	2,891,955	11,033	3,145,014	253,059	\$23
Orcutt	728,188	4,750	1,353,972	627,783	\$132
SM-Sonita	3,887,445	12,811	3,680,237	(307,208)	-\$24
SM High	1,776,250	7,600	2,188,355	390,105	\$51
Carpinteria	782,435	2,708	771,906	(10,529)	-\$4
Goleta	1,544,455	3,818	1,031,584	(512,872)	-\$142
Hope	382,730	1,398	398,780	16,050	\$11
SB Elgin	2,351,910	5,802	1,586,743	(755,167)	-\$135
SB High	3,073,923	10,477	2,986,411	(87,512)	-\$8
SBCEO - Direct Svc	658,332	1,908	543,669	(118,463)	-\$61
Family Partner Charter	0	185	52,734	52,734	\$285
Santa Ynez Charter	0	183	52,164	52,164	\$285
Olive Grove Charter	0	380	108,318	108,318	\$285
Santa Ynez Val Consort	588,573	2,621	747,107	157,234	\$60
Guadalupe	278,583	1,148	327,234	48,640	\$42
S.B. Charter School	0	290	82,664	82,664	\$285
<b>Totals</b>	<b>19,045,090</b>	<b>68,814</b>	<b>19,045,090</b>	<b>(0)</b>	

**Notes:** 1. Regional Program Costs exclude the Property tax offset for CEO Regional Programs. Property taxes would be distributed directly to districts with a Funding Model revision that reflects 100% Pay As You Go.

**ANALYSIS OF ALTERNATIVE ALLOCATION MODELS FOR SANTA BARBARA COUNTY SELPA 10**  
**NOVEMBER 26, 2007**

**Table 3**

**Incidence of SH Pupils – Fall 2006**

District or Group	SH Count, Ages 3-22	CBEDS	Incidence of SH = SH Count/CBEDS	Ratio of SELPA Average
Carpinteria	58	2,680	2.05%	1.11
Goleta	118	3,528	3.28%	1.78
Guadalupe	28	3,528	0.74%	0.40
Hope	17	1,273	1.34%	0.72
Lompoc	178	10,781	1.65%	0.89
Orcutt	79	4,750	1.66%	0.90
Santa Barbara Elem	155	5,728	2.71%	1.48
Santa Barbara HSD	191	10,409	1.83%	0.98
Santa Maria Santa	211	12,811	1.63%	0.88
Santa Maria Union HSD	190	7,800	2.50%	1.36
Santa Ynez Consortium	18	2,650	0.71%	0.38
Direct Service Districts	43	2,399	1.79%	0.97
Family Partnership Charter	0	188	0.00%	0.00
Santa Ynez Charter	0	182	0.00%	0.00
Olive Grove Charter (SH count is estimated)	0	277	0.00%	0.00
S.B. Charter School	0	290	0.00%	0.00
<b>Totals</b>	<b>1,278</b>	<b>68,075</b>	<b>1.86%</b>	<b>1.00</b>

**Notes:**

1. For the purposes of this calculation, the count of severely handicapped (SH) pupils includes the following disabilities: Mental Retardation, Hard of Hearing, Deaf, Visual Impairment, Emotional Disturbance, Deaf-Blindness, Multiple Disability, Autism and Traumatic Brain Injury. Clearly, other definitions of SH can be adopted. This is the count by district of residence, thereby including all pupils who reside in a district, regardless of where they are served.

2. The CBEDS Count does not reflect any adjustments for pupils served by another agency. To adjust CBEDS to reflect by district of residence would require that all pupils in regional programs operated by the SBCEO or by a district be shifted back to the district of residence.

Table 4A

Analysis of Allocating All Current Funding for Regional Programs Based on \$H Pupil Count

	Amount per \$H Pupil → \$15,037			Allocate Balance from Regional \$\$ on ADA	Combined \$H + extra per ADA	Cost for Regional Services, from PAYG File, plus NPS Costs Paid by SELPA	Difference Due to Fee for Services Model	Difference per ADA	Combined Difference	Combined Difference per ADA
	2006-07 ADA	\$H Count, ages 3-22	\$\$ for \$H							
Lompoc	10,163.64	178	\$2,676,663	\$0	\$2,676,663	\$2,829,832	-\$253,168	-\$25	(\$603,517)	(\$50)
Orcutt	4,556.02	78	\$1,187,957	\$0	\$1,187,957	\$728,188	\$461,769	\$101	\$357,282	\$78
SM-Bonita	12,389.11	211	\$3,172,898	\$0	\$3,172,898	\$4,007,678	-\$834,780	-\$67	(\$863,619)	(\$78)
SM High	8,952.85	190	\$2,857,112	\$0	\$2,857,112	\$1,800,314	\$1,056,798	\$152	\$1,385,508	\$198
Carpinteria	2,508.18	55	\$827,059	\$0	\$827,059	\$769,938	\$37,123	\$15	(\$19,533)	(\$8)
Goleta	3,404.82	115	\$1,729,305	\$0	\$1,729,305	\$1,544,455	\$184,850	\$54	\$199,849	\$59
Hope	1,222.84	17	\$255,636	\$0	\$255,636	\$382,730	-\$127,094	-\$104	(\$191,155)	(\$156)
SB Eburn	5,146.81	155	\$2,330,802	\$0	\$2,330,802	\$2,382,806	-\$52,084	-\$10	(\$227,503)	(\$44)
SB High	9,689.62	191	\$2,872,148	\$0	\$2,872,148	\$3,128,041	-\$253,892	-\$28	\$385,272	\$40
SBCEO - Direct Svc.	1,886.96	43	\$648,610	\$0	\$648,610	\$659,332	-\$12,722	-\$8	(\$188,394)	(\$100)
Family Partnership Charter	221.89	0	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$54
Santa Ynez Charter	176.53	0	\$0	\$0	\$0	\$0	\$0	\$0	(\$3,210)	(\$18)
Olive Grove Charter	307.51	0	\$0	\$0	\$0	\$0	\$0	\$0	(\$19,009)	(\$85)
SBCEO - Regional	986.38	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Santa Ynez Valley Consortium	2,461.25	18	\$270,674	\$0	\$270,674	\$589,973	-\$319,199	-\$130	(\$328,824)	(\$134)
Guadalupe	1,053.60	26	\$390,973	\$0	\$390,973	\$278,593	\$112,380	\$107	\$118,468	\$111
S.B Charter School	325.17	0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,280	\$22
<b>Total ADA</b>	<b>63,211.07</b>	<b>1,278</b>	<b>\$19,217,838</b>	<b>\$0</b>	<b>\$19,217,838</b>	<b>\$19,217,838</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Table 4B

Analysis of Allocating Half of Current Funding for Regional Programs Based on SH Pupil Count, Balance Based on ADA

	Amount per SH Pupil →		\$7,519							
	2006-07 ADA	SH Count ages 3-22	\$\$ for SH	Allocate Balance from Regional \$\$ on ADA	Combined SH + extra per ADA	Cost for Regional Services, from PAYG File, plus NPS Costs Paid by SELPA	Difference Due to Fee for Service Model	Difference per ADA	Combined Difference	Combined Difference per ADA
Lompoc	10,163.64	178	\$1,338,331	\$1,568,995	\$2,907,328	\$2,929,832	-\$22,508	-\$2	(\$272,853)	(\$27)
Orcutt	4,556.02	79	\$593,978	\$703,328	\$1,297,308	\$726,188	\$571,118	\$125	\$468,631	\$102
SM-Scott	12,389.11	211	\$1,588,449	\$1,912,548	\$3,498,997	\$4,007,678	-\$508,681	-\$41	(\$857,320)	(\$53)
SM High	8,992.88	190	\$1,428,558	\$1,073,334	\$2,501,891	\$1,800,314	\$701,577	\$101	\$1,010,287	\$145
Carpinteria	2,508.18	55	\$413,529	\$398,887	\$800,417	\$789,038	\$10,481	\$4	(\$48,175)	(\$18)
Golito	3,404.82	115	\$864,852	\$525,629	\$1,390,281	\$1,544,455	-\$154,174	-\$45	(\$130,174)	(\$41)
Hope	1,222.84	17	\$127,818	\$188,774	\$318,592	\$382,730	-\$68,138	-\$54	(\$130,199)	(\$106)
SB Elem	5,148.81	155	\$1,165,401	\$794,530	\$1,959,931	\$2,382,866	-\$422,935	-\$82	(\$598,464)	(\$116)
SB High	9,688.62	191	\$1,436,075	\$1,485,819	\$2,931,893	\$3,128,041	-\$194,148	-\$20	\$445,016	\$48
SBCEO - Direct Svc.	1,868.95	49	\$373,305	\$257,333	\$569,637	\$650,332	-\$78,695	-\$47	(\$232,388)	(\$139)
Family Partnership Charter	221.88	0	\$0	\$34,223	\$34,223	\$0	\$34,223	\$154	\$46,139	\$208
Santa Ynez Charter	178.53	0	\$0	\$27,252	\$27,252	\$0	\$27,252	\$154	\$24,041	\$136
Olive Grove Charter	307.51	0	\$0	\$47,471	\$47,471	\$0	\$47,471	\$154	\$27,563	\$80
SBCEO - Regional	986.38	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Santa Ynez Valley Consortium	2,461.25	18	\$135,337	\$379,951	\$515,288	\$589,873	-\$74,585	-\$30	(\$84,010)	(\$34)
Guadalupe	1,053.80	26	\$195,487	\$162,648	\$358,134	\$278,383	\$79,541	\$75	\$83,627	\$79
S.B. Charter School	325.17	0	\$0	\$50,188	\$50,188	\$0	\$50,188	\$154	\$57,457	\$177
<b>Total ADA</b>	<b>63,211.07</b>	<b>1,278</b>	<b>\$9,608,918</b>	<b>\$9,608,919</b>	<b>\$19,217,838</b>	<b>\$19,217,838</b>	<b>\$0</b>		<b>\$0</b>	