Board Approved 11/20/02

EAST VALLEY SELPA
AB 602 FISCAL ALLOCATION PROCEDURE

BACKGROUND

In 1997, in response to the Statewide need for a less complex and more equitable funding model for special education, AB 602 legislation was passed in the State of California. The "base year" for the new funding model was 1997/98. Essentially, the State moved from a unit based funding model which relied upon the number of identified special education students, to a per ADA model, which created placement neutral funding for special education. SELPAs were no longer funded based on the number of special education students within their member districts, but rather funded in line with the K-12 population of their districts. In addition to the per ADA rate, this legislation provided funding for COLA, growth, equalization (enabling low-funded SELPAs to be leveled up to the statewide average), and "high need" students (special disabilities adjustment).

Due to lack of timely information from the State as to how the revenue would be received in fiscal year 98/99, the East Valley SELPA Board of Directors made the decision to distribute 98/99 special education revenue under the Unit Allocation Policy that was in existence in the SELPA prior to AB 602. AB 602 revenue distribution under the "per ADA" model was implemented in the East Valley SELPA in fiscal year 99/00. The goal of the Board of Directors in developing the new distribution model was to (1) fund all districts at an equal level per ADA; (2) establish a mechanism to provide revenue for program operators for non-resident students; and (3) establish a revenue source for Regional Programs.

In order to protect districts from a negative fiscal impact inherent with transitioning from one funding model to another, a "hold harmless" clause was applied to fiscal year 99/00. The hold harmless, simply stated, ensured that no SELPA member district would receive less special education revenue (Master Plan) in 99/00, than received in 98/99 (there would be no negative fiscal impact due to the new funding model). At both the 99/00 P-1 and P-2 State apportionment certifications, each district's special education revenue level related to AB 602 exceeded their 98/99 level; therefore, it was not necessary to apply the hold harmless clause in 99/00. The Board of Directors has directed that the East Valley SELPA AB 602 Fiscal Allocation Plan be fully implemented in fiscal year 00/01, without a further hold harmless clause.

The following describes the basis of the State's model.

REVENUES INCLUDED IN THE STATE AB 602 MODEL

1997/98 revenues that are **included** in a SELPA's base include:

- Deficited State Aid for special education for both the ages 5-21 programs and the preschool programs (ages 3-5). These include revenue for IPSUs (units), support services (SSR), extended year, and non-LCH/FFH nonpublic school/agency placements;
- Federal Aid for the age 5-21 programs (PL 94-142 Local Assistance Entitlements);
- Property Tax for special education (excluding property tax for infant programs);
- 97/98 Equalization revenue at the funded level;
- Revenue for units transferred to another SELPA for regular year only;
- County Schools longer day/year funding; and
- County Schools supplemental funding for continuous year juvenile court school programs

REVENUES EXCLUDED FROM THE STATE AB 602 MODEL

1997/98 revenues that are **excluded** from a SELPA's base include:

- Revenue Limits for special education ADA (SDC and NPS);
- J-50 Infant Units;
- Part C Federal Aid for Infants;
- State aid for Low Incidence materials and equipment;
- State aid for Regionalized Services/Program Specialists;
- NPS/NPA funding for pupils in licensed childrens' institutions/foster family homes (LCI/FFH);
- Revenue for units transferred into a SELPA;
- Federal Aid for preschool programs (both the PL 99-457 Federal Preschool entitlement and PL 94-142 Preschool Local Assistance entitlement);
- Federal aid for Low Incidence services; and
- Project Workability and other federally funded programs, including LCI emergency funds.

Although these programs are excluded from the base calculation, SELPAs/LEAs continue to be funded separately for them.

COMPONENTS OF THE STATE AB 602 MODEL

The State's AB 602 model is built upon the following components:

1. Amount per K-12 ADA
2. COLA per K-12 ADA
3. Equalization per K-12 ADA, to level-up SELPAs below the Statewide average
4. Growth per K-12 ADA
5. Special Disabilities Adjustment (SDA), for SELPAs with a greater than average population of "high need" students with the following disabilities: hard of hearing, deaf, visually impaired, deaf/blind, orthopedically impaired, and autistic.

Each of these components is included in a separate line in the State's annual budget. Thus, each component has the potential to be prorated based upon Statewide entitlements within each line item.

ADA DEFINED FOR AB 602 PURPOSES

As contained in EC 56836.06 and EC 41601, the ADA used in the special education funding formula is the SELPA's **TOTAL** K-12 ADA from the sources listed below. P-1 ADA will be used at the First Principal Apportionment; P-2 ADA will be used at the Second Principal Apportionment. P-2 ADA, including corrections, and replacements of Annual ADA where indicated in **boldface** below, is used for the Annual Apportionment and any subsequent Annual Apportionment recertifications.

For School Districts, use Elementary and High School ADA from the J-18/19, J-18/19B, J-18/19S, and J-18/19CH Attendance forms *(ADA associated with ROC/P or Adult Education is not included):*

K-12	A-1 to A-5
Continuation School	A-6
Opportunity School & Classes	A-7
Home & Hospital	A-8
Special Day Class	A-9
Nonpublic School (Annual)	**A-10 to A-11**
Community Day School (Annual)	**A-13**
Special Day Class Extended Year	E-1
Nonpublic School Extended Year (Annual)	**E-2 to E-3**

For County Offices of Education, use Elementary and High School ADA from the J-27/28 Attendance form *(ADA associated with ROC/P or Adult Education is not included):*

County School Tuition Fund (Annual)	**A-1**
Juvenile Hall (Annual)	**A-2**
County Group Homes (Annual)	**A-3**
Community Schools-Probation Referred (Annual)	**A-4**
Community Schools-Expelled (Annual)	**A-5**
Community Schools-Homeless (Annual)	**A-6**
Opportunity Schools (Annual)	**A-7**
Pregnant Minors (Annual)	**A-8**
Specialized Schools (Annual)	**A-9**
Technical, Agricultural (Annual)	**A-10**
Community Day Schools (Annual)	**D**

Elementary and High School ADA from the J-18/19C Supplement:

County Community School	A-1 – A-2
Special Day Class	B-1 – B-2
Special Day Class Extended Year	B-3 – B-4

EAST VALLEY SELPA AB 602 FISCAL ALLOCATION PLAN

Effective July 1, 2000, the East Valley SELPA AB 602 Fiscal Allocation Plan consists of the following elements:

1. ADA used for the SELPA plan is only as described in the previous section entitled "ADA Defined for AB 602 Purposes." ADA for students in non-resident placements will be attributed back to the student's district of residence for the SELPA revenue calculations. This will be referred to as "***district of residence ADA***." ADA will be the **funded** ADA in any given fiscal year. Funded ADA for school districts is P-2 ADA, with the exception of Nonpublic School and Community Day School, which is Annual *(ADA source documents J-18/19, J-18/19B, J-18/19S, and J-18/19CH)*. Funded ADA for the County Office, is Annual, with the exception of County Community School and Master Plan Special Day Class, which is P-2 *(ADA source documents J-27/28 and J-18/19C Supplement)*;

2. AB 602 Revenue will be distributed as follows per the model contained in ***Exhibit A***:

    A. Regional Programs are funded "off the top" from the Amount per K-12 revenue;

    B. Balance of Amount per K-12 ADA distributed equally to LEAs based on prior year ***district of residence*** ADA;

    C. COLA per K-12 ADA distributed equally to LEAs based on prior year ***district of residence*** ADA;

    D. Equalization per K-12 ADA distributed equally based on based on prior year ***district of residence*** ADA;

    E. Growth per K-12 ADA distributed equally to growth eligible districts, or adjusted at the per ADA rate for districts with declining ADA, based on the difference between prior year and current year ***district of residence*** ADA;

    F. Special Disabilities Adjustment (SDA) distributed to LEAs based on their percentage of ***district of residence*** population based on annual December 1 pupil count of "high need" students with the following disabilities: hard of hearing, deaf, visually impaired, deaf/blind, orthopedically impaired, and autistic;

3. For non-resident program operators, distribution based on Fee for Service methodology;

4. District contributions to the East Valley SELPA X-Pot to provide funding to cover the cost of Board approved expenditures in excess of State or other local revenues.

(See EXHIBIT A for AB 602 Revenue Distribution)

REGIONAL PROGRAMS

The "Regional Program" concept has been developed by the East Valley SELPA to address very specialized student program needs. These programs are designed by the Steering Committee and approved by the Board of Directors. Any LEA may be a Regional Program operator, but must adhere to the approved budget, program design, including staff:student ratio, daily/annual length of operation, curriculum, support systems/support staff, and staff development. Any Regional Program modification must be reported to the Steering Committee and presented to the Board of Directors for approval.

Commencing July 1, 2000, Regional Program revenue projections are based on one of two methodologies, with revenue being distributed to Regional Program operators from the SELPA'S

AB 602 K-12 revenue PRIOR TO any per ADA distribution to LEAs (i.e., “off the top”) (NOTE: in 99/00, Regional Programs were funded from Fee for Service revenue for specialized programs; at the close of 99/00, these programs were funded for 100% of the cost of operation):

1) ***Existing Regional Programs*** approved for the next fiscal year, prior year actuals adjusted by current year COLA and any program design changes (expansion, reduction, etc.);

2) ***New Regional Programs*** will be initially funded based on cost projections, then adjusted to actuals as the year progresses.

All revenue and expenditures for Regional Programs MUST be tracked in a program (management code) separate from any other special education programs.

Regional Program operators must provide Revenue and Expenditure Reports to the SELPA Finance Committee, Steering Committee, and Board of Directors identifying the following:

- Prior Year Actuals, including ending balance and FTE;
- Current Year Budget, including beginning balance and FTE;
- Current Year Expenditures, including FTE;
- Current Year Ending Balance

The Revenue and Expenditure Report schedule is as follows:

1st INTERIM, no later than DECEMBER 15 - current year from July 1 – October 31, including revised annual projections

2nd INTERIM, no later than MARCH 15 – current year from July 1 – January 31, including revised annual projections

MAY, no later than May 15 – budget for following fiscal year

FINAL, no later than SEPTEMBER 15 – prior year actual from July 1- June 30

Regional Program operators **MUST** report *deficits or surpluses* to the Finance Committee, Steering Committee, and Board of Directors **as soon as evident**. This report shall include justification for the deficit or surplus. Any modifications to the approved budget shall be reviewed by the Finance and Steering Committees, and presented to the Board of Directors for final approval.

Surpluses shall be carried over by the program operators as a beginning balance. If the LEA is no longer the program operator, revenue shall be transferred to the new program operator. If the program is discontinued, the surplus shall be used to fund other existing, or new, Regional Programs as recommended by the Finance and Steering Committees, and presented to the Board of Directors for approval.

Annually, beginning balances are the first source of revenue to fund Regional Programs; the “off the top” amount from the AB 602 K-12 revenue would be the difference between the beginning balance and the projected total cost of the Regional Program.

FEE FOR SERVICE

The Fee for Service mechanism has been developed to provide revenue for students in non-resident district placements (e.g., a Colton student in a SDC operated by SB County). The Fee Schedule Cost Factors range from the less intense placements/cost to the more intense placements/cost (i.e., from DIS to SH SDC). The Fee Schedule shall be reviewed annually by the

Finance and Steering Committees to determine future year's cost factors. Annually, by March 15, statewide fiscal changes that may impact the current year's Fee Schedule Cost Factors shall be identified and addressed by the Finance and Steering Committees. Recommendations to alter the annual Fee Schedule cost factors shall be submitted to the Board of Directors for approval.

The Fee for Service count is the special education student count and related service count (DIS) of students placed outside their resident district for students age 3-22. It is not an ADA count. The count is performed bi-annually by the SELPA on December 1 and April 1. Annual fee calculation is based on the average of the December 1 and April 1 counts.

The Fee for Service report is published twice a year by the SELPA based on the 12/1 and 4/1 dates. Districts have one month from the publishing date of the report to audit, resolve discrepancies with the program operator, and provide corrections to the SELPA. Final reports are then published based on the audit results. Final revenue calculations are based on the audit results.

Commencing with the 12/1/99 Fee for Service report, the East Valley SELPA will utilize the Referral for Out of District Placement form (EV-60 or EV-60P) as both the authorization for invoicing and determination of the student's district of residence. The Steering Committee agreed that all students included on the final 12/1/99 report would comprise the "baseline" EV-60 list.

The following programs are not included in the Fee for Service calculation due to other funding sources:

- Infant programs (ages 0-2.11) operated by San Bernardino County Schools *(revenue sources are J-50 Infant Units, Infant Discretionary Grant, and Part C Grant)*;
- Federal Preschool programs (ages 3-4) operated by Colton Joint Unified and San Bernardino County Schools *(revenue sources are the Federal Preschool Grant and Preschool Local Assistance Grant)*;
- Special Education Programs for students in Alternative Education Programs operated by San Bernardino County Schools *(revenue source is AB 602 ADA for CSSF J-27/28 and J-18/19C Community Schools ADA)*.

Fee for Service program operators shall report revenue and expenditures to the Finance and Steering Committees and the Board of Directors per the same schedule as outlined in the Regional Program section of this procedure.

(See Appendix A for sample Fee Schedule)
(See Appendix B for sample EV-60 & EV-60P)

X-POT INSURANCE FUND

The East Valley SELPA X-Pot Insurance Fund has been developed by the member districts to provide revenue for costs in designated areas. Commencing with the 02/03 school year, the Insurance Fund cost areas include:

1. Furnish a new ***California Childrens' Services*** (CCS) facility;
2. ***Extraordinary Program Costs***, including Non-Public Agency (NPA) costs associated with atypical programs/services;
3. ***Legal/Due Process*** for both SELPA and district legal counsel;
4. ***Fair Hearing*** expenses.

It is the intent of the member districts that the X-Pot Insurance Fund has sufficient revenue to cover the annual costs. This fund will include a 5% contingency reserve for unforeseen expenses. The X-Pot Insurance Fund revenue will be generated from SELPA member districts' contribution. This contribution will be calculated as follows:

1. **District contribution**—contribution will be calculated by dividing the total budgeted expenditures, including the 5% contingency fund, by the current year December special education pupil count (ages 0-22) to establish the per pupil rate. The per pupil rate is then multiplied by each district's current year December pupil count to calculate each district's contribution.

2. Partial reimbursement by **Inland Regional Center** of costs associated with tutor services for in-home programs (this is generally at a 50/50 split, but 30/70 in some cases) will also be used to offset Insurance Fund expenditures.

NPS FUND

The NPS Fund will be based on 100% of the costs for all NPS placements (LCI and non-LCI). Each member district shall be responsible for any excess cost associated with NPS placements. Revenue is generated as follows:

1. **1997/98 Non-LCI NPS/A State Aid** received by districts, adjusted annually by the State COLA (included in AB 602 revenue);

2. Current year reimbursement for **LCI NPS/A** placements;

3. **Revenue Limit** for NPS ADA;

4. **District Contribution**—contribution will be based on each district's own NPS excess cost. Annual budget projections will be based on each district's prior year excess cost plus 10%. Annual district contribution will be adjusted at P-1, P-2 and annual based on current year actuals.

5. Prior Year annual adjustments will be posted accordingly.

The East Valley SELPA shall report X-Pot revenue and expenditures to the Finance and Steering Committees and the Board of Directors at their respective regularly scheduled meetings.

APPORTIONMENT DISTRIBUTION

With the implementation of the AB 602 model, funding has been established on a SELPAwide ADA formula basis. The East Valley SELPA Local Plan has been amended to allow the SELPA to define the distribution model.

Revenue will be distributed from the State directly to the San Bernardino County Treasurer on a monthly basis with the Special Education apportionment cycle. The State provides documentation to SBCSS identifying the amount of the monthly special education apportionment to be deposited to the East Valley SELPA—it does not identify amounts for the member districts. Schedules detailing these amounts are received at each certification period from the CDE identified as the Advance Apportionment (July-January), First Principal Apportionment (February-May), Second Principal Apportionment (June), and the Annual Apportionment (following February with adjustments applied to prior year June). The manner of distribution of the funds conforms to EC 14041(a)(2), which provides for the following schedule:

July	6%
August	12%
September	8%

October	8%
November	8%
December	8%
January	8%
February	reconciled with P-1 certification; revenue adjusted accordingly at 2/6th
March	1/6th of balance due per P-1 certification
April	1/6th of balance due per P-1 certification
May	1/6th of balance due per P-1 certification
June	reconciled with P-2 certification; revenue adjusted accordingly to actual

For each apportionment period, the East Valley SELPA must submit a worksheet to SBCSS, which calculates each district's share of the State special education apportionment. The data shall include the SELPA total AB 602 revenue, each district's total, and each district's percentage of the SELPA total. At each apportionment certification, the totals must reconcile to the total posted on the SELPA's AB 602 State Exhibit. This worksheet will be used by SBCSS as the distribution model, with funds being distributed on a percentage share basis as provided on the worksheet up through May, and adjusted to actual totals based on the P-2 certification in June. If the distribution calculation is to be modified, the SELPA has until the 15th of the following month to provide the modifications to SBCSS. Any modifications will be used to calculate future revenue distribution percentages. All distributions will be reported by SBCSS to the SELPA, and by the SELPA to each member district.

Revenue affected by the SELPA Apportionment Distribution are any revenue generated under the State's AB 602 model. All revenues detailed in this procedure are apportioned to the member districts per the above schedule, with the exception of the X-Pot revenue, which is transferred to the SELPA *(see X-Pot Revenue Transfer section)*.

(See Appendix C for sample State Apportionment Distribution Schedule)

X-POT REVENUE TRANSFER

The revenue for the X-Pot shall be transferred from the SELPA member districts to the X-Pot. The SELPA shall be responsible for preparing calculations and facilitating this transfer. The SELPA shall provide a worksheet to each district detailing the transfer calculations.

The following SACS site codes identify the designated X-Pot categories for revenue:

176 – District Contribution *(from district's AB 602 revenue)*
177 – LCI NPS/A
178 – NPS Revenue Limit
179 – AB602 Non-LCI NPS Base *(from district's AB 602 revenue)*

The X-Pot revenue transfer schedule is:

P-1 by March 15 – 50% of total projected annual revenue in each designated area
P-2 by June 30 – balance of total projected annual revenue in each designated area
Annual by March 15 – adjustment for prior year(s) revenue