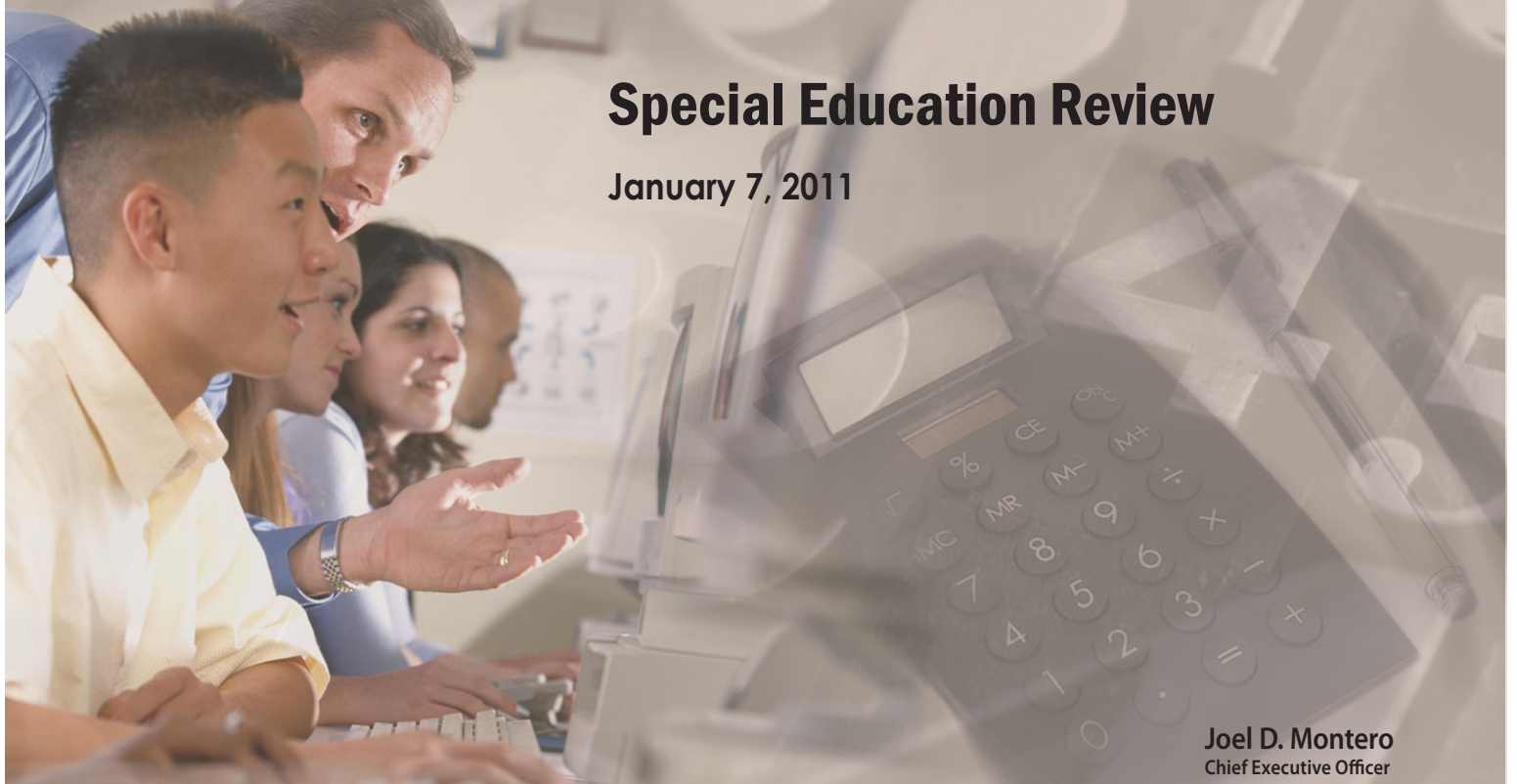




# Merced County Office of Education

## Special Education Review

January 7, 2011



**Joel D. Montero**  
Chief Executive Officer







## CSIS California School Information Services

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January 7, 2011

Lee Andersen, Superintendent  
Merced County Office of Education  
632 West 13th Street  
Merced, CA 95341

Dear Superintendent Andersen:

In September 2010, the Merced County Office of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of programs and services provided by the county office and SELPA. Specifically, the agreement states that FCMAT will perform the following:

1. Analyze the special education budget, revenue vs. expenditures and determine if fiscal data is accurate and complete. Determine if any additional revenue sources exist and conduct multiyear financial projection of revenue and expenses that will reflect program operations for the 2010-11, 2011-12 and 2012-13 fiscal years.
2. Review the special education allocation funding model and compare with other comparable SELPAs and make recommendations, if necessary to improve equitable allocations to all participating districts. In addition, review fee for service versus off the top funding, bill back models.
3. Review all staffing levels for certificated and classified employees, including management level and caseloads per full time equivalent (FTE) position of all COE programs and make recommendations regarding efficiency.
4. Review COE special-education operated programs and determine whether some programs would be more cost-effective if operated by participating districts. Determine the capacity of districts to operate additional programs (such as facilities, staffing etc.)
5. Review the transportation delivery system and contract between MCOE and Merced City Schools transportation department, evaluate billing formula and make recommendations for improving cost effectiveness.
6. Review the possibility of using ARRA funds to offset possible bill-backs to participating districts by MCOE.

### FCMAT

Joel D. Montero, Chief Executive Officer

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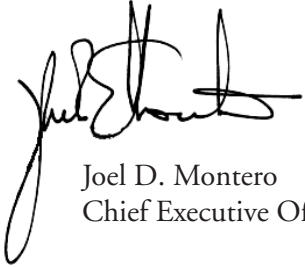
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • [www.fcmat.org](http://www.fcmat.org)

Administrative Agent: Christine L. Frazier - Office of Kern County Superintendent of Schools

The following report contains the study team's findings and recommendations, and we trust that the information will be beneficial to all concerned.

We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the Merced County Office of Education for their cooperation and assistance during fieldwork.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Montero". The signature is fluid and cursive, with a large initial "J" and "M".

Joel D. Montero  
Chief Executive Officer

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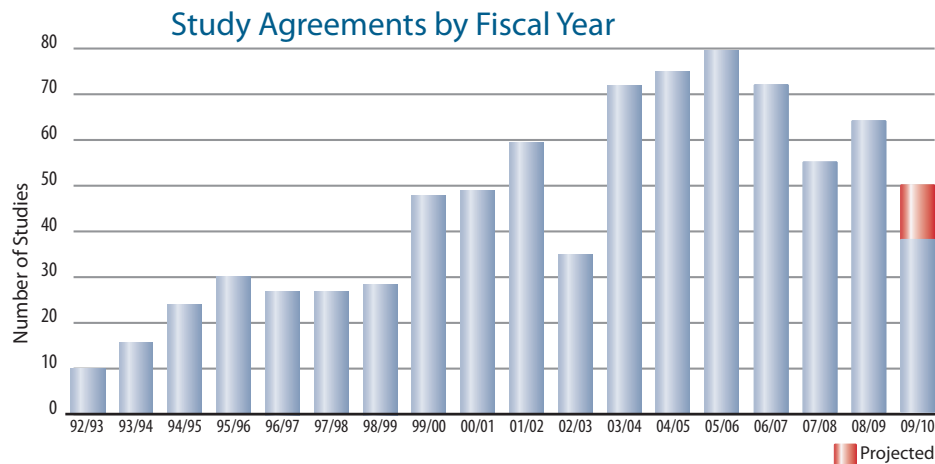
# About FCMAT

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

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

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

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



**Total Number of Studies 743**  
**Total Number of Districts in CA 1,050**

Management Assistance	705	(94.886%)
Fiscal Crisis/Emergency	38	(5.114%)

Note: Some districts had multiple studies.  
 Eight (8) districts have received emergency loans from the state.  
 (Rev. 12/8/09)





# Introduction

## Background

The Merced Special Education Local Plan Area (SELPA) is located in the San Joaquin Valley of central California. The SELPA is a consortium of 20 local educational agencies (LEAs), and the Merced County Office of Education and has an enrollment of 5,483 students with disabilities.

In September 2010, the county office and SELPA requested that FCMAT perform a fiscal review of the county/SELPA funding model and assess efficiencies in staffing and transportation for special education programs and services. The study agreement specifies that FCMAT will perform the following.

1. Analyze the special education budget, revenue vs. expenditures and determine if fiscal data is accurate and complete. Determine if any additional revenue sources exist and conduct multiyear financial projection of revenue and expenses that will reflect program operations for the 2010-11, 2011-12 and 2012-13 fiscal years.
2. Review the special education allocation funding model and compare with other comparable SELPAs and make recommendations, if necessary to improve equitable allocations to all participating districts. In addition, review fee-for-service versus off-the-top funding, bill-back models.
3. Review all staffing levels for certificated and classified employees, including management level and caseloads per full time equivalent (FTE) position of all COE programs and make recommendations regarding efficiency.
4. Review COE special education operated programs and determine whether some programs would be more cost effective if operated by participating districts. Determine the capacity of districts to operate additional programs (such as facilities, staffing etc.)
5. Review the transportation delivery system and contract between MCOE and Merced City Schools transportation department evaluate billing formula and make recommendations for improving cost effectiveness.
6. Review the possibility of using ARRA funds to offset possible bill backs to participating districts by MCOE.

## Study Guidelines

FCMAT visited the Merced County Office of Education on October 26, 27, 28, 2010 to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. Fiscal Review
- III. Staffing and Caseloads
- IV. Possible Transfer of Programs

- V. Autism Program
- VI. Transportation
- VII. Appendices

## Study Team

The study team was composed of the following members:

William P. Gillaspie, Ed.D.  
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Administrator  
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Fresno, CA

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Poway Unified School District  
Poway, CA

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Executive Director  
West County Transportation Agency  
Santa Rosa, CA

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\*As members of this study team, these consultants were not representing their respective employers but were working solely as independent contractors for FCMAT.

# Executive Summary

The Merced County Office of Education serves district students from the Merced Special Education Local Plan Area (SELPA). The county office is unique in that it has not had to implement a direct per-pupil charge to districts to cover the cost of providing services to students with intensive high-cost needs. Districtwide interviews indicated that the county office and SELPA have a positive and professional relationship and that overall, the districts are satisfied with the services provided by both entities.

Changes in state budget language in 2007-08 affected how SELPAs receive a Special Disabilities Adjustment (SDA). Each year that has an increase in federal funding also results in a decrease in the SDA. As a result, it is projected that the Merced SELPA will receive no SDA funding by 2011-12. The SELPA received \$2.4 million in SDA funds in 2009-10 and \$1.97 million in 2010-11. These resources were used to fund county programs and services to autistic students and to cover increases in costs to transport students to county office programs. In this report, FCMAT provides three potential methods of compensating for the funding losses, and these will require review and resolution by the SELPA Governance Council.

Because of reduced special education revenue caused by declining Average Daily Attendance (ADA), many multiple-district SELPAs have reviewed and revised their AB 602 funding allocation plans. The Merced SELPA has been proactive in making modifications to its funding allocation plan over the past two years. By 2010-11, the SELPA will have fully transitioned to an equalized funding rate, i.e., an AB 602 base funding model with no subsidy provided. Through extensive interviews with member districts, FCMAT found that there is consensus among the districts that changing to an equal funding amount per ADA is a more equitable method of allocating special education funds.

FCMAT reviewed the staffing and caseloads for all county office programs and services and found that they are consistently aligned to industry standards and the contractual language. The management and clerical support levels are consistent with other SELPAs of comparable size and scope. The percentage of special education students in Merced County with autism is increasing at a rate consistent with the statewide increases. Enrollment in county office classrooms has significantly increased each year for the past eight years, which raises the costs of programs and services.

County-office- operated programs were reviewed to determine whether it would be more cost-effective for programs to be operated by participating districts. However, most districts recommend continued county office operation of these programs and services because of their limited expertise and experience with intensive disabilities as well as facility limitations.

The county office contracts with the Merced City Elementary School District to provide routing and scheduling for all special education students. The district also provides oversight of the contract. County office routes are efficient, and their charges are reasonable.

The county office provides transportation service to special education students in the county on a contract with the provider First Student. The contract includes language designed to ensure quality service that complies with all laws and regulations at the most reasonable cost. The county office also contracts with the Merced City Elementary School District to provide routing and scheduling for all special education students and contract oversight. County office routes are efficient, loading an average of 11.6 students per route. The Merced City Elementary School District provides a high level of compliance oversight to the contract with First Student at a reasonable charge.

California has not fully funded school transportation for the past three decades. Because state funding for special education transportation covers only a portion of the total cost, the county office has developed a formula to charge the additional costs to each county district that benefits from this service. However, this formula uses total county office student attendance and not the number of bus riders. This formula should be amended to consider the number of bus riders attending county office programs. The mileage used as part of the formula also utilizes a standardized chart for miles from each city center. The county office should utilize the actual miles from each bus rider's home to his or her school. The student portion develops a percentage for each member, and half of the cost is charged based on that percentage. The mileage portion develops a percentage for each member, and the remaining half of the cost is charged based on that percentage. Student ridership and mileage are the two most important elements of the cost of special education transportation.

The county office does not charge for the clerical or administrative time necessary to manage this service and prepare the formula. It should consider charging for this time. The county office bills in the subsequent school year, effectively paying for the service and carrying the cost for many months. Districts receiving service should be billed monthly.

The county office and districts that receive transportation service believe that districts should be responsible for transporting special education students to their district programs and that the county office should transport to its programs. However, the county office transports many district students to district programs and includes them in the cost formula. Districts should be responsible for transporting their own students to their district programs, and the formula should include only county office students. Districts that cannot transport their own students and want the county office to provide the service should be charged the full and actual cost of the service and not be included in the formula.

# Findings and Recommendations

## Fiscal Review

The Merced County Office of Education serves district students with significant disabilities from the Merced Special Education Local Plan Area (SELPA). Before AB 602 funding is allocated to the member districts, the county office is allocated funding to cover the cost of the programs it operates. Districts do not pay an additional charge for pupils served in county office programs. The Merced county office is unique in that it has not had to implement a direct per-pupil charge to districts to cover the cost of providing services for students with intensive high cost needs. However, anticipated funding reductions will require the SELPA to adjust its allocation plan to offset the loss of nearly \$3 million at the end of 2011-12 school year.

No language was included in 2009 budget trailer bill legislation to continue the Special Disabilities Adjustment (SDA) calculation for the 2009-10 school year. As a result, the SELPA did not receive \$2.4 million in SDA funding. In November 2010, AB 184 (Block) was approved by the Legislature and signed by the governor. This bill retroactively provided SELPAs with 2009-10 SDA funding and extended the SDA calculation for 2010-11. However AB 184 also terminates the SDA calculation beginning with the 2011-12 school year.

Because of a change in state budget language in 2007-08, supplements to base special education funding were no longer added to the statewide target rate used to calculate SDA due to increases in federal special education funding. This meant that beginning in 2008-09, the SDA allowance decreased each year there was a federal increase. In 2009-10, the SELPA received \$2.4 million in SDA funding while in 2010-11 the estimated SDA allocation is only \$1.97 million. As a result, the SELPA will not receive any SDA funding in 2011-12.

SDA funding has been used to fund county office programs and services to students with autism. It has also been used to cover increased costs in transporting students with disabilities to the county office programs. Initial projections indicate the county office may have a sufficient reserve from the SDA allowance to maintain the current level of programs/services through the 2011-12 school year even without receiving the full allowance. All special education funding sources are being reviewed to determine whether additional funding might be available to offset the loss in SDA funding. Unfortunately, even if the SDA allowance (which is \$69.5 million statewide) is allocated using a different method, the SELPA would receive much less than the current \$2 million in additional state entitlement funding.

## Analysis of Special Education Budget, Revenue and Expenditures

The county office provided FCMAT with extensive special education financial information, including a multiyear projection of special education revenue and expenditures. A review of this data found that all special-education-related funding sources are used to support the programs the county office operates on behalf of the SELPA. The county office staff provided complete revenue and expenditure data and comprehensive financial projections for the 2010–11, 2011–12 and 2012–13 budget years. Significant detail was included, and there was no need for FCMAT staff to provide additional analysis in this area.

Table 1 provides a summary of estimated ending balances through 2012-13.

**Table 1: MCOE Programs Multiyear Estimated Ending Fund Balance Projections**

		Actuals FY 09-10	Budget Year FY 10-11	Projected FY 11-12	Projected FY 12-13
<b>Unrestricted</b>					
0121	Tier III Categoricals	\$192,423	\$338,866	\$488,384	\$641,491
3200	SFSF	\$40,098	(\$0)	(\$0)	(\$0)
9020	Prof Development/Tier III	\$424,338	\$424,338	\$424,338	\$424,338
9458	MAA	\$2,001,823	\$2,111,412	\$2,216,039	\$2,315,242
	<b>TOTAL AVAILABLE</b>	<b>\$2,658,682</b>	<b>\$2,874,616</b>	<b>\$3,128,761</b>	<b>\$3,381,071</b>
<b>Restricted</b>					
1101	Lottery				
3313	ARRA				
3315	Preschool			(\$7,466)	(\$33,310)
4035	Staff Development			(\$403)	(\$1,181)
5640	Medi-Cal	\$604,191	\$659,797	\$711,866	\$760,298
6301	Instructional Materials	\$42,076	\$45,535	\$49,044	\$52,620
6500	General Special Ed	\$550,846	\$540,156	(\$708,224)	(\$2,274,069)
6500	Preschool Autism	\$24,784	\$2,373	(\$1,396,120)	(\$4,409,990)
6502	SELPA P.Specialist	\$600,582	\$591,177	\$572,470	\$546,774
6503	Low Incidence	\$387,830	\$416,277	\$444,678	\$473,304
6504	Out of Home Care LCI	\$346,702	\$626,106	\$837,516	\$1,048,705
6505	NPS				
6506	SDA				
6507	Mental Health/Sierra Vista	\$636,494	\$729,456	\$823,446	\$919,050
6510	Infant	\$777,667	\$876,684	\$957,411	\$1,024,815
6510	Infant Autism	\$68,976	(\$205,181)	(\$507,523)	(\$839,253)
	<b>TOTAL AVAILABLE</b>	<b>\$4,040,148</b>	<b>\$4,282,379</b>	<b>\$1,784,564</b>	<b>(\$2,697,746)</b>

The summary includes a combination of unrestricted and restricted fund balances. There are limitations regarding the use of restricted fund balances. For example, low-incidence funds are restricted to the purchase of equipment and supplies for students with low-incidence disabilities. These funds cannot be used for other purposes. While there may be some flexibility in moving other funds within the special education categories, this must be done carefully to ensure that categorical rules are not violated. The projected available unrestricted funding can be used for any purposes to compensate for restricted deficits; however, the unrestricted balance grows by only about \$250,000 per year based on the county office data. The county office staff has provided detailed and conservative estimates; however, caution should be exercised in using the estimates for the projected years given the uncertainty of the state's financial situation.

Table 1 also shows how a loss of \$2 million in SDA funds beginning in 2011-12 would affect financial support for infant and preschool services to autistic students. Estimates developed from county office projections indicate that approximately \$3.3 million will be needed to provide continued financial support for the services over the next several years. Table 1 also indicates that the other programs operated by the county office will begin to incur a deficit in 2011-12. While the loss of SDA funding creates an immediate need for the SELPA to consider adjustments to the SELPA funding plan, additional adjustments may be needed because of the lack of proposed increases in state or federal funding for special education services over the next few years.

## Recommendation

*The county office should:*

1. Continue to update multiyear projections as new information becomes available, and periodically report the results to the SELPA governance council so that it has the information necessary to make decisions related to the SELPA funding allocation plan.

## American Recovery and Reinvestment Act

The SELPA received \$10.6 million in one-time local assistance funding from the American Recovery and Reinvestment Act (ARRA) that must be expended by September 2011. However, all but \$950,000 of these funds were allocated to the districts. It would be difficult for the SELPA to use the remaining ARRA funds to offset the loss in SDA funding since these resources would need to be recovered from the districts and allocated to the county office. The county office would need to expend the ARRA funds by September 2011 and hold the 2010-11 SDA allowance in reserve to compensate for the SDA loss in a future year.

Maintenance of effort is a federal mandate that requires an LEA to maintain the same fiscal effort from one year to another in delivering services to special education students. However, under certain circumstances, LEAs can reduce the fiscal effort if they ensure that appropriate services are provided to all students with disabilities.

The following two complications relate to using the ARRA funding in this manner:

1. If districts used half the increase to offset the maintenance-of-effort requirement in 2009-10, it will not be possible to recoup any ARRA funds that have not been expended by the district.
2. A large infusion of ARRA funds could cause a maintenance-of-effort problem for the county office.

## Recommendation

*The county office and SELPA should:*

1. Consider other alternatives to make up for the loss in SDA funding instead of using one-time ARRA funds because of complications with maintenance-of-effort testing for both the districts and county office.

## Alternatives for Special Disabilities Adjustment Loss and County Office Program Deficits

There are three potential methods for compensating for the loss of SDA funding and other county office program deficits as follows:

1. Before base funding is allocated to all member districts, allocate additional funding from the AB 602 funding base to the county office and continue to provide services without any additional charges to districts. Each member district will then receive less base funding per ADA to operate its own special education programs
2. Freeze the county office funding allocation at the level it received in 2010-11 minus the SDA allocation. Charge an excess cost rate per pupil to districts to fund the difference between program costs and the AB 602 revenue received. This would include the SDA loss and additional projected county office program deficits.



3. Fund county office programs using a full-cost or fee-for-service method. With this method, the county office would not receive any program funding from the SELPA. All AB 602 funding would be allocated to districts using an equal rate per ADA or some other formula. Each district would then be charged a full per-pupil cost for each pupil served in county office programs. This method would present the county office with cash flow issues that would need to be resolved for this method to be viable.

Simulations were developed for each of the proposed methods for compensating for the loss in SDA funds. Table 2 provides an estimate of the reduced funding that each district would receive if an additional \$3.3 million were allocated to the county office from the AB 602 funding pool before being allocated to the districts. The difference column indicates the loss in income to each district if the reduction had been implemented in 2009-10. This method continues the current group support for pupils served in county office programs.

The \$3.3 million represents the impact of the SDA loss, however, it may be necessary to use additional funding to offset anticipated additional county office program deficits based on the projections in Table 1.

**Table 2: Calculation of \$3.3 Million Reduction in SDA Revenue  
Compared with 09-10 Actual Precontribution Apportionment**

	P2 09-10 ADA	09-10 Nonsevere Base Rate	09-10 Nonsevere Funding	09-10 Severe Funding	Growth/ Decline	SDA Fund Year 2 Contribution	09 - 10 Simulated Apportionment	09 - 10 Actual Apportionment	Difference
Atwater Elementary	4,257.33	385.83	1,642,613		(65,530)	70,620	1,647,703	1,913,855.61	(266,152)
Ballico-Cressey Elementary	295.65	385.83	114,071		(950)	9,047	122,169	140,651.54	(18,483)
El Nido Elementary	159.17	385.83	61,413		(6,720)	19,608	74,301	84,251.27	(9,951)
Hilmar Unified	2,178.23	385.83	840,430		(38,264)	-	802,166	938,340.97	(136,175)
Le Grand Union Elementary	394.90	385.83	152,365		-	-	152,365	177,052.61	(24,688)
Le Grand Union High	513.19	385.83	198,005		(12,162)	6,731	192,574	224,656.34	(32,083)
Livingston Union Elementary	2,395.97	385.83	924,441		(16,918)	-	907,523	1,057,310.26	(149,787)
Los Banos Unified	8,438.45	385.83	3,255,821		-	-	3,255,821	3,783,361.83	(527,541)
McSwain Union Elementary	802.95	385.83	309,804		-	17,724	327,527	377,724.50	(50,197)
Merced City Elementary	10,337.42	385.83	3,988,504		(55,620)	2,380	3,935,264	4,581,521.57	(646,257)
Merced Union High	9,881.77	385.83	3,812,700	274,923	(129,506)	112,457	4,070,574	4,688,345.70	(617,772)
Plainsburg Union Elementary	118.85	385.83	45,856		-	-	45,856	53,286.15	(7,430)
Planada Elementary	765.08	385.83	295,192		-	16,154	311,346	359,176.03	(47,830)
Snelling-Merced Falls Union Elementary	82.45	385.83	31,812		-	3,062	34,874	40,028.14	(5,154)
Weaver Union Elementary	2,372.35	385.83	915,328		-	-	915,328	1,063,638.28	(148,311)
Winton Elementary	1,748.01	385.83	674,438		-	-	674,438	783,716.71	(109,279)
Gustine Unified	1,630.26	385.83	629,006		(31,435)	19,766	617,337	719,254.37	(101,918)
Merced River Union Elementary	180.20	385.83	69,527		-	21,634	91,161	102,426.65	(11,265)
Dos Palos Oro Loma Jt. Unified	2,364.16	385.83	912,168	137,461	(44,886)	-	1,004,743	1,152,541.31	(147,799)
Delhi Unified	2,542.24	385.83	980,877		-	-	980,877	1,139,808.11	(158,931)
Valley Community	1,222.27	385.83	471,590		(75,682)	-	395,908	472,320.26	(76,412)
Merced Scholars Charter	105.34	385.83	40,644		-	-	40,644	47,228.97	(6,585)
Districts' Totals	52,786.24		#####	12,384	(477,673)	299,183	20,600,497	23,900,497	(3,300,000)
Reduced by \$3.3 million									
Total Apportionment	#####								

Table 3 provides an estimate of the additional cost that each district would be charged for students served in county office infant and preschool programs if an excess cost calculation was implemented. Because the services are primarily funded from the SDA allowance, the excess cost charge of \$24,265 is significant.



**Table 3: Estimated District Excess Cost Charge to Backfill  
\$3.3 Million Reduction in Revenue  
for Infant and Preschool Autism Services**

	<b>09-10 Pupil Count</b>	<b>Total Excess Cost Charge</b>
Atwater Elementary	14	\$339,705.88
Ballico-Cressey Elementary	1	\$24,264.71
El Nido Elementary		
Hilmar Unified	4	\$97,058.82
Le Grand Union Elementary	5	\$121,323.53
Le Grand Union High		\$0.00
Livingston Union Elementary	5	\$121,323.53
Los Banos Unified	30	\$727,941.18
McSwain Union Elementary	2	\$48,529.41
Merced City Elementary	44	\$1,067,647.05
Merced Union High		
Plainsburg Union Elementary		
Planada Elementary	2	\$48,529.41
Snelling-Merced Falls Union Elementary	1	\$24,264.71
Weaver Union Elementary	4	\$97,058.82
Winton Elementary	8	\$194,117.65
Gustine Unified	3	\$72,794.12
Merced River Union Elementary	1	\$24,264.71
Dos Palos Oro Loma Jt. Unified	4	\$97,058.82
Delhi Unified	8	\$194,117.65
Valley Community		
Merced Scholars Charter		
<b>Districts' Totals</b>	<b>136.00</b>	<b>\$3,300,000.00</b>
	<b>Excess Cost Due to loss of SDA Funding =</b>	<b>#####</b>
	<b>Excess Cost Per Pupil =</b>	<b>\$ 24,264.71</b>

While budgeting separately for county office special education services provides useful information regarding special education costs, it may be more appropriate in calculating a program excess cost to combine services and revenue sources. The \$3.3 million represents support for autism services; however, because of the projected deficits for other county office programs in future years, program revenue and costs could be combined for excess cost calculation purposes.

In Table 4 the \$3.3 million has been spread over the special classes for students with severe disabilities, deaf and hard of hearing, emotional disturbance, visually impaired, orthopedically impaired, infant, infant autism, preschool and preschool autism programs. The result is a much smaller excess cost amount per pupil.

**Table 4: Estimated District Excess Cost Charge to Backfill  
\$3.3 Million Reduction in Revenue**

	<b>09-10 Pupil Count</b>	<b>Total Excess Cost Charge</b>
Atwater Elementary	104	\$289,132.27
Ballico-Cressey Elementary	6	\$16,680.71
El Nido Elementary	2	\$5,560.24
Hilmar Unified	44	\$122,325.19
Le Grand Union Elementary	16	\$44,481.89
Le Grand Union High	6	\$16,680.71
Livingston Union Elementary	45	\$125,105.31
Los Banos Unified	179	\$497,641.11
McSwain Union Elementary	9	\$25,021.06
Merced City Elementary	310	\$861,836.55
Merced Union High	195	\$542,123.00
Plainsburg Union Elementary	1	\$2,780.12
Planada Elementary	24	\$66,722.83
Snelling-Merced Falls Union Elementary	2	\$5,560.24
Weaver Union Elementary	38	\$105,644.48
Winton Elementary	57	\$158,466.72
Gustine Unified	39	\$108,424.60
Merced River Union Elementary	4	\$11,120.47
Dos Palos Oro Loma Jt. Unified	43	\$119,545.07
Delhi Unified	63	\$175,147.43
Valley Community		
Merced Scholars Charter		
<b>Districts' Totals</b>	<b>1,187.00</b>	<b>\$3,300,000.00</b>
	Excess Cost Due to loss of SDA Funding =	\$ 3,300,000.00
	Excess Cost Per Pupil =	\$ 2,780.12

Districts would not receive any additional funding to cover this cost. An excess cost method means that districts would assume more individual responsibility for the cost of their pupils served in county office programs than under the current funding plan.

Table 5 provides an estimate of the additional cost that each district would be charged if a full cost method were implemented to solve the SDA funding reduction problem. This simulation combines the full costs of county office programs outlined in Table 4, but does not include the related services provided by the county office such as language and speech, adapted physical education or occupational therapy. If a full cost model is implemented, it would be appropriate to consider doing a full cost calculation for full day services such as in Table 5 and a full cost calculation for related services.

This method shifts the full responsibility of the cost of county office programs back to the residence district. This represents a significant shift in cost sharing for pupils in county office programs. In the full cost model, each district bears total financial responsibility for the cost of students served in county office programs. Each district would obviously receive additional funding to offset the full cost of county office programs; however, the SELPA allocation plan would not necessarily guarantee that each district would receive sufficient funding to cover the full cost.

**Table 5: Estimated Total Cost Simulation  
for MCOE-Operated Programs**

	<b>09-10 Pupil Count</b>	<b>Simulated District Full Cost</b>
Atwater Elementary	104	\$1,920,468.12
Ballico-Cressey Elementary	6	\$110,796.24
El Nido Elementary	2	\$36,932.08
Hilmar Unified	44	\$812,505.74
Le Grand Union Elementary	16	\$295,456.63
Le Grand Union High	6	\$110,796.24
Livingston Union Elementary	45	\$830,971.78
Los Banos Unified	179	\$3,305,421.08
McSwain Union Elementary	9	\$166,194.36
Merced City Elementary	310	\$5,724,472.27
Merced Union High	195	\$3,600,877.72
Plainsburg Union Elementary	1	\$18,466.04
Planada Elementary	24	\$443,184.95
Snelling-Merced Falls Union Elementary	2	\$36,932.08
Weaver Union Elementary	38	\$701,709.50
Winton Elementary	57	\$1,052,564.26
Gustine Unified	39	\$720,175.54
Merced River Union Elementary	4	\$73,864.16
Dos Palos Oro Loma Jt. Unified	43	\$794,039.70
Delhi Unified	63	\$1,163,360.49
Valley Community		
Merced Scholars Charter	-	
Districts' Totals	1,187.00	21,919,188.98
2009 - 10 Actual Cost =	\$30,322,253	
2009 - 10 Revenue Limit Income =	\$ 6,747,982	
2009 - 10 Federal Grant Income =	\$ 1,655,082	
2009 - 10 Adjusted Actual Cost =	\$21,919,189	
Cost Per Pupil =	\$ 18,466.04	

The current plan of funding county office services completely from the AB 602 allocation supports a shared responsibility by all SELPA districts to support services for pupils with significant and low-incidence disabilities. Districts that have a greater percentage of disabled pupils in county office programs receive a greater financial benefit by the cost being fully covered by AB 602 funding allocated to the county office.

The full cost model requires each district to be fully financially responsible for its pupils that are served in county office programs. Districts with a lower of percentage of pupils with disabilities served in these programs receive a greater financial benefit because the county office program cost is fully covered by each residence district. The excess cost model requires the residence district to be individually responsible for a greater share of the county office program cost.

## Recommendations

*The county office and SELPA should:*

1. Request that the SELPA governance council review the simulation data carefully and select a strategy to offset the projected deficits indicated in Table 1. In making its decision, the governance council should consider the financial data and the philosophical change that each funding method represents and ensure that small district are equitably represented.

## SELPA Allocation Funding Model

Because of reduced special education revenue caused by declining ADA, many multiple-district SELPAs reviewed and revised their AB 602 funding allocation plans. Some changed to a funding allocation using an equal amount per ADA. The funding amount usually includes prior-year base funding and may also include a cost-of-living adjustment (COLA).

The Merced County SELPA has modified its SELPA allocation plan over the past two years to transition to an equalized funding rate per ADA. This would allow allocation of AB 602 funds to all member districts. As the equalized funding plan began to be phased in, districts that lost funding were subsidized in 2008-09 and 2009-10 to help in the transition to a reduced -funding level. In 2010-11, the SELPA will have fully transitioned to an equalized AB 602 base funding model, and no subsidy will be provided. Any available COLA funding is calculated using a rate per ADA, and growth/declining ADA funding is allocated based on each district's percentage of total ADA growth or decline.

FCMAT conducted phone interviews with superintendents, chief business officials and program directors from 15 of the 20 Merced SELPA member districts. During these interviews, FCMAT found consensus that changing to an equal funding amount per ADA was a more equitable method of allocating special education funds. However, some concerns were expressed that the special education pupil count is not declining at the same rate as general education ADA. Because special education funding to the SELPA is based on ADA, this could result in a loss in special education funding without a corresponding reduction in special education expenditures. While this may be an issue for all SELPA districts, it can have the greatest impact on small districts because they have less general education funding available to make up the loss in special education funding. Eight SELPA districts have ADAs of less than 800, with four less than 400.

The SELPA has equalized AB 602 funding by using an equal amount per ADA in its allocation plan. Because ADA is declining at a greater rate than special education pupil count the SELPA should consider allocating a small portion of the AB 602 funding allocation using special education pupil count.

Table 6 compares the current allocation plan to one in which 80% of the funding is allocated using ADA, and 20% is allocated using special education pupil count.

**Table 6: Simulated Base Funding Allocation with 80% of Funding Allocated Using ADA and 20% of Funding Allocated Using Special Education Pupil Count Compared to Actual 2009-10 Allocation**

	P2 09-10 ADA	December 2009 Count	Base 20% Allocation	Base 80% Allocation	09-10 Severe Funding	Combined Total	09-10 Actual Allocation	Difference
Atwater Elementary	4,257.33	382	402,521.92	1,527,012.18		1,929,534.10	1,908,765.21	-20,768.89
Ballico-Cressey Elementary	295.65	32	33,719.11	106,043.26		139,762.37	132,554.07	-7,208.30
El Nido Elementary	159.17	10	10,537.22	57,090.84		67,628.06	71,363.54	3,735.48
Hilmar Unified	2,178.23	238	250,785.91	781,283.98		1,032,069.89	976,604.97	-55,464.92
Le Grand Union Elementary	394.90	39	41,095.17	141,642.09		182,737.26	177,052.61	-5,684.65
Le Grand Union High	513.19	61	64,277.06	184,070.15		248,347.21	230,087.69	-18,259.52
Livingston Union Elementary	2,395.97	206	217,066.80	859,382.61		1,076,449.41	1,074,228.26	-2,221.15
Los Banos Unified	8,438.45	583	614,320.10	3,026,689.47		3,641,009.57	3,783,361.83	142,352.26
McSwain Union Elementary	802.95	60	63,223.34	288,000.80		351,224.14	360,000.99	8,776.85
Merced City Elementary	10,337.42	693	730,229.56	3,707,808.93		4,438,038.49	4,634,761.15	196,722.66
Merced Union High	9,881.77	1,086	1,144,342.42	3,544,377.14	#####	4,963,642.56	4,705,394.40	-258,248.16
Plainsburg Union Elementary	118.85	5	5,268.61	42,628.92		47,897.53	53,286.15	5,388.62
Planada Elementary	765.08	111	116,963.18	274,417.65		391,380.83	343,022.06	-48,358.77
Snelling-Merced Falls Union Elementary	82.45	7	7,376.06	29,573.03		36,949.09	36,966.29	17.20
Weaver Union Elementary	2,372.35	216	227,604.02	850,910.63		1,078,514.65	1,063,638.28	-14,876.37
Winton Elementary	1,748.01	169	178,079.07	626,973.37		805,052.44	783,716.71	-21,335.73
Gustine Unified	1,630.26	111	116,963.18	584,739.00		701,702.18	730,923.74	29,221.56
Merced River Union Elementary	180.20	21	22,128.17	64,633.84		86,762.01	80,792.30	-5,969.71
Dos Palos Oro Loma Jt. Unified	2,364.16	272	286,612.47	847,973.05		1,134,585.52	1,059,966.31	-74,619.21
Delhi Unified	2,542.24	190	200,207.24	911,846.49		1,112,053.73	1,139,808.11	27,754.38
Valley Community	1,222.27		0.00	438,401.81		438,401.81	548,002.26	109,600.45
Merced Scholars Charter	105.34		0.00	37,783.18		37,783.18	47,228.97	9,445.79
Districts' Totals	52,786.24	4,492	4,733,320.61	18,933,282.42	274,923.00	23,941,526.03	23,941,525.91	-0.12
80% Entitlement =	#####				20% Entitlement =	4,733,320.60		
ADA RATE =	358.678368				Count RATE =	1,053.722306		
Total Entitlement =	#####							

Table 7 compares the current allocation plan to one in which 70% of the funding is allocated using ADA and 30% is allocated using special education pupil count. A positive value in the difference column means that the district would receive more funding using a 70/30 funding plan rather than a straight ADA funding plan.

**Table 7: Simulated Base Funding Allocation with 70% of Funding Allocated Using ADA and 30% of Funding Allocated Using Special education Pupil Count Compared to Actual 2009-10 Allocation**

	P2 09-10 ADA	December 2009 Count	Base 30% Allocation	Base 70% Allocation	10-Sep Severe Funding	Combined Total	09-10 Actual Allocation	Difference
Atwater Elementary	4,257.33	382	603,782.88	1,336,135.65		1,939,918.53	1,908,765.21	-31,153.32
Ballico-Cressey Elementary	295.65	32	50,578.67	92,787.85		143,366.52	132,554.07	-10,812.45
El Nido Elementary	159.17	10	15,805.83	49,954.48		65,760.31	71,363.54	5,603.23
Hilmar Unified	2,178.23	238	376,178.86	683,623.48		1,059,802.34	976,604.97	-83,197.37
Le Grand Union Elementary	394.90	39	61,642.75	123,936.83		185,579.58	177,052.61	-8,526.97
Le Grand Union High	513.19	61	96,415.59	161,061.38		257,476.97	230,087.69	-27,389.28
Livingston Union Elementary	2,395.97	206	325,600.19	751,959.78		1,077,559.97	1,074,228.26	-3,331.71
Los Banos Unified	8,438.45	583	921,480.16	2,648,353.29		3,569,833.45	3,783,361.83	213,528.38
McSwain Union Elementary	802.95	60	94,835.01	252,000.70		346,835.71	360,000.99	13,165.28
Merced City Elementary	10,337.42	693	1,095,344.34	3,244,332.82		4,339,677.16	4,634,761.15	295,083.99
Merced Union High	9,881.77	1,086	1,716,513.64	3,101,329.99	274,923.00	5,092,766.63	4,705,394.40	-387,372.23
Plainsburg Union Elementary	118.85	5	7,902.92	37,300.31		45,203.23	53,286.15	8,082.92
Planada Elementary	765.08	111	175,444.76	240,115.44		415,560.20	343,022.06	-72,538.14
Snelling-Merced Falls Union Elementary	82.45	7	11,064.08	25,876.40		36,940.48	36,966.29	25.81
Weaver Union Elementary	2,372.35	216	341,406.03	744,546.80		1,085,952.83	1,063,638.28	-22,314.55
Winton Elementary	1,748.01	169	267,118.60	548,601.70		815,720.30	783,716.71	-32,003.59
Gustine Unified	1,630.26	111	175,444.76	511,646.62		687,091.38	730,923.74	43,832.36
Merced River Union Elementary	180.20	21	33,192.25	56,554.61		89,746.86	80,792.30	-8,954.56
Dos Palos Oro Loma Jt. Unified	2,364.16	272	429,918.70	741,976.42		1,171,895.12	1,059,966.31	-111,928.81
Delhi Unified	2,542.24	190	300,310.86	797,865.68		1,098,176.54	1,139,808.11	41,631.57
Valley Community	1,222.27		0.00	383,601.58		383,601.58	548,002.26	164,400.68
Merced Scholars Charter	105.34		0.00	33,060.28		33,060.28	47,228.97	14,168.69
Districts' Totals	52,786.24	4,492	7,099,980.88	#####	274,923.00	23,941,525.97	23,941,525.91	-0.06
70% Entitlement =		16,566,622.10			30% Entitlement =	7,099,980.90		
ADA RATE =		313.843572			Count RATE =	1,580.583459		
		Total Entitlement =	#####					

Table 8 outlines a possible method for calculating a minimum funding base for the SELPA districts that have less than 800 ADA.

**Table 8: Calculation of Minimum Funding Level  
for Small Districts Using Two-Year Average Expenditures**

	P2 09-10 ADA	2008-09 Special Ed Revenue	2009-10 Special Ed Revenue	2 Yr Average Minimum Base	Minimum Rate Per ADA
Ballico-Cressey Elementary	295.65	150,532.00	140,651.54	145,591.77	\$492.45
El Nido Elementary	159.17	110,579.00	84,251.27	97,415.14	\$612.02
Le Grand Union Elementary	394.90	170,219.59	177,052.61	173,636.10	\$439.70
Le Grand Union High	513.19	243,314.00	224,656.34	233,985.17	\$455.94
McSwain Union Elementary	802.95	395,042.00	377,724.50	386,383.25	\$481.20
Planada Elementary	765.08	375,108.00	359,176.03	367,142.01	\$479.87
Snelling-Merced Falls Union Elementary	82.45	43,090.00	40,028.14	41,559.07	\$504.05
Merced River Union Elementary	180.20	124,061.00	102,426.65	113,243.83	\$628.43
SELPA Rate per ADA					\$448.35

The rationale for such a calculation is similar to the rationale for the necessary small SELPA provision in the Program Specialist/Regionalized Services (PS/RS) section of the AB 602 funding model. The model recognized that SELPAs needed a minimum funding level to perform the basic required regionalized services functions designated in the Education Code EC 56836.02. Therefore, the necessary small SELPA provision was included to ensure that every SELPA would always be assured a minimum PS/RS funding level despite any changes with the SELPA ADA funding base from year to year. Establishing a minimum funding base for districts of less than 800 ADA will ensure that each district has the minimum funding level necessary to meet the service requirements of the Individuals with Disabilities Education Act (IDEA). The McSwain Union Elementary School District was included in the calculation although it had slightly greater than 800 ADA. Plainsburg Union was not included even though it had only 118 ADA because the county office provides all the district's services. The minimum funding level is calculated in Table 8 using average revenue for two school years. The column showing minimum rate per is calculated using the two-year average revenue. All the calculated rates are above the 2009-10 SELPA rate per ADA that was used to allocate revenue in 2009-10. The minimum funding base should be compared to the calculated amount for the district in each school year. The district should receive the greater of the current year calculated funding amount or the minimum base funding amount.

## Recommendations

*The SELPA should:*

1. Consider allocating AB 602 funding to each member district using a combination of an equal rate per ADA and an equal rate per pupil count. The majority of funding should be based on ADA to ensure there is no incentive to identify students with disabilities.
2. Consider establishing a minimum funding base for districts with ADAs of less than 800. The minimum funding level could be based on special education expenditure levels over one or more past school year. This should be established whether or not the SELPA chooses to alter its allocation plan as described in the recommendation above.





# Staffing and Caseloads

## Staffing Review

FCMAT reviewed the staffing of all county office special education programs, including all certificated and classified positions providing direct services to students and the management of the county office Special Education Department.

IDEA requires disabled students from birth to 22 years of age (or until high school graduation) to be provided with the education and related services necessary to receive a Free Appropriate Public Education (Title 34 Section 300.101).

The county office provides most of the severe programs and services to the 20 districts in the county. Three severe classes are operated by Merced Union High School, the second largest district in the SELPA. The county office provides special education services to 768 students with disabilities ages 3-22 spread throughout the county 71 classrooms. Significant increases have occurred in the number of students with intensive needs statewide, and this affects the range and cost of services in the county office. As a result, the county office has made continual programming and staffing adjustments to meet the needs.

FCMAT reviewed the enrollment data in special education by age levels, comparing Merced County to the overall growth in special education in California to determine whether any areas significantly increased in the Merced County SELPA.

Table 9 provides an overview of the special education enrollment by age/grade level in California, and Table 10 provides the same overview for Merced County.

**Table 9: Special Education Enrollment by Age/Grade Level in California**

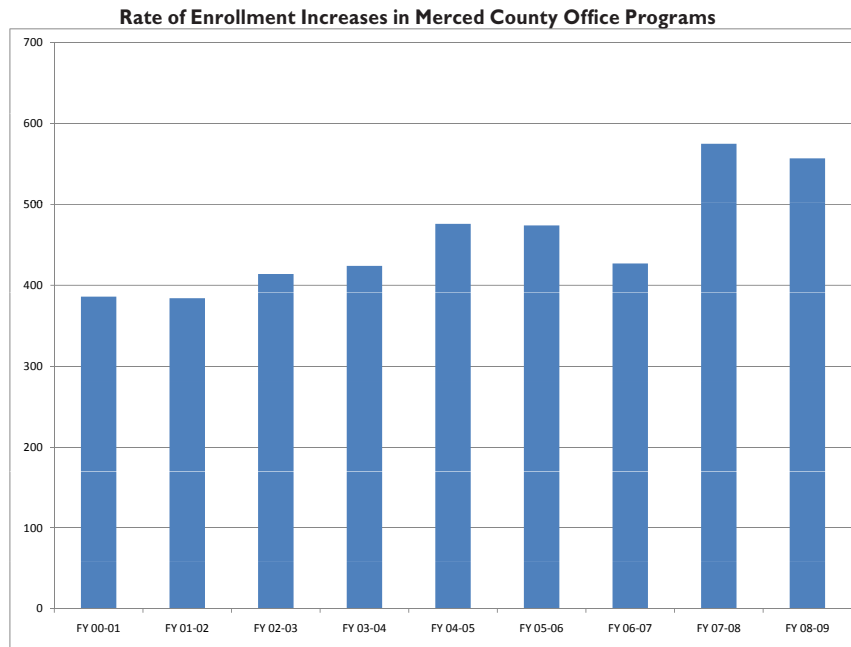
Age/Grade	2006-07	2007-08	2008-09	2009-10
Infants	6558	6586	6630	6309
Pre K	39104 (6%)	40,266 (6%)	41,614 (6.1%)	43,498 (6.4%)
K-12	633,986 (93%)	631,023 (93%)	629,861 (92.4%)	630351 (93%)
Total	679,648	677,875	678,105	680,164

**Table 10: Overview of Special Education Enrollment in Merced SELPA**

Age/Grade	2006-07	2007-08	2008-09	2009-10
Infants	102	106	114	119
Prek	188 (3.3%)	195 (4%)	203 (4.3%)	205 (4.3%)
K-12	5414 (95%)	5251 (95%)	5112 (94.1)	5159 (94%)
Total	5704	5552	5429	5483

In California, 93% of students with disabilities are reported as K-12 students in the pupil count while 6% are ages 3-4 years (preschool level). In Merced County, 95% of students are reported as K-12 students in the pupil count while 4% are ages 3-4 years. The most significant finding is that the Merced county office has a lower percentage of enrollment at the preschool age than the statewide average. While the increase is slight, the percentage of the preschool age population in Merced County is increasing.

The challenge for Merced County is the increase in the number of students with severe disabilities enrolled in county office programs. A review of data provided by the Merced County Office of Education indicates that for the past nine years, enrollment in county-office-operated special education programs has increased by 44.3%. This factor has a significant impact on the costs for services and programs at the county level.



Further analysis was conducted to determine whether any specific disability areas contributed to the significant increase in enrollments in county office programs. FCMAT found that the county office has had a significant rise in the percentage of disabled students with autism. This increase is consistent with a rising statewide percentage in the same area.

**Table II: Percentage of Students With Disabilities Identified with Autism**

	2006-07	2007-08	2008-09	2009-10
California	6%	7%	8%	9%
Merced SELPA	4%	6%	7%	8%

## Recommendation

*The SELPA should:*

1. Continue to monitor growth in the area of autism, and expand programming as appropriate.

## Certificated and Classified Caseloads

The Education Code includes no class size limits for special day classes. The industry standard in this area was established by School Services Inc. in 2008 and was developed using the statewide practices reported by school districts. For the severely handicapped class size, the county office uses a standard that is clearly outlined in the certificated teacher contract. The administration adheres to those established standards with classes that do not exceed 14 students with the equivalent of two full-time instructional aides. More instructional aides are added to support classes with nonambulatory students.

FCMAT found that two classes for the deaf and hard of hearing have enrollments of three students. The county office is evaluating the range of needs in those classes and plans to make necessary program adjustments.

Speech and language specialist caseloads have a maximum caseload of 55 per therapist as stipulated in the certificated contract. When individual caseloads exceed the maximum, the county office provides “additional assistance in the form of clerical support, speech and language assistant, instructional aide support, reassignment of students or other mutually acceptable support” (Article VII – Class Size Certificated teacher contract MCOE). FCMAT found that the county office adheres to the provisions of this contract.

The industry standard for adapted physical education as established by School Services Inc. is 45 to 55 students. County office caseloads average 28. Lower caseloads are required because the SELPA encompasses a large geographic region, necessitating extensive travel time to be built into itinerant schedules.

## Recommendations

*The county office should:*

1. Continue efforts to consolidate resources such as funding for the deaf and –hard-of-hearing to maintain cost-effective and compliant programs and services.

## Programs and Services

The county office provides the following programs and services:

- Adapted physical education (APE)
- A deaf and hard-of-hearing-program (DHOH)
- Early childhood special Education (ECSE)
  - An infant care program (ICP)
  - Preschool specialist program (PSP)
  - Other ECSE programs
- An itinerant deaf and hard-of-hearing program (IDHOH)
- An orthopedic handicap program (OH)
- Psychological services
- School health services
- Sierra school, a program for the emotionally disturbed
- Special classes for the severely disabled (SC/SD)
- Speech and language services
- Transition services
- Valley Community School
- A program for the visually impaired (VI)
- Occupational therapy
- The SELPA also provides designated instruction services (DIS) for smaller districts.

## Management Staffing Review

Special education program operations at the Merced County Office of Education and SELPA are blended in the Merced SELPA model. In addition to SELPA responsibilities for 20 member districts, the SELPA staff manages the day-to-day operations of special education programs and services at the county office. A comparative analysis of other SELPAs/county offices in class 4 (Butte, Imperial, San Luis Obispo and Merced counties) indicate that the overall certificated management structure for SELPA-level services at Merced is consistent with other county offices in the same class. The Merced County Office of Education may appear to have more coordinators in county office programs, but this is because it has no director of county office special education programs. The assistant superintendent serves as the Merced SELPA director and county office director. Merced has also reduced two additional coordinator positions within the past two years.

The Merced SELPA is the direct service provider for psychologist, speech and language, and adapted physical education services, etc. The additional supervisory duties it provides for smaller districts include case management and evaluation, and troubleshooting problems or concerns from parents. These duties are usually provided by a school district case manager.

## Recommendations

*The SELPA should:*

1. Consider separating SELPA supervisory responsibilities from those at the county office in the organization chart.

## Clerical Staffing Review

A review of the administrative support structures in Butte, Imperial and San Luis Obispo county offices and the Merced SELPA/county office did not provide an opportunity for an accurate comparative analysis because of the range of management duties, the infrastructure of each county office and the degree to which each SELPA operates programs and services. Each SELPA essentially has its own director and two administrative positions. The Merced county office is aligned with that level of support.

The average number of clerical support positions to county office programs in Butte, Imperial, San Luis Obispo and Merced county offices is seven full-time equivalents (FTEs). Merced County Office operates within that average and does not exceed that of other comparable SELPAs.

## Recommendations

*The SELPA should:*

1. Consider separating the SELPA clerical support duties from the Merced County Office of Special Education duties on the organization chart.

## Possible Transfer of Programs

The Merced County Office and SELPA requested a review of county-operated programs to determine whether some programs could be operated more cost-effectively by participating districts. FCMAT interviewed 15 of 20 of the districts in Merced County and found that only two expressed an interest in operating the severe programs run by the county office on their behalf.

Further, some SELPA districts recently returned district-operated severe programs to the county office because of factors such as budget constraints, lack of qualified staffing, lack of specialized experience, high costs and proximity. Staff interviews indicated that it may be difficult for the two interested districts to operate regionalized severe programs more cost effectively because they lack the capacity, facilities, proximity, qualified staffing and specialized experience.

The requirements for a local education agency to transfer operating educational programs and services to another school district are addressed in Education Code 56207(a) and (b.). This section requires the development of a transfer plan that addresses pupil needs, the availability of a full continuum of services, functional continuation of current IEPs, provision of services in the least restrictive environment, maintenance of all appropriate support services, assurance that there will be compliance with all federal and state laws and regulations and SELPA policies, and a way for parents and the staff to be represented in planning.

The SELPA board of directors should determine whether it would be more cost-effective for the two interested districts to operate regionalized severe programs. However, before considering a program transfer, the board should make several determinations dealing with appropriate levels of training. Extensive preparation including a long-term plan is crucial since a program transfer would be a two- to four-year process. The plan should ensure that a district is capable of providing severe programs and services to students as specified in their IEPs. All entities involved in a transfer would need to be well prepared to ensure success of the transfer. Districts will need extensive training from the county office since severe programs are highly specialized areas. The county office should determine what types of training the districts require for successful program operation.

The districts have not demonstrated that they can provide the same standard of program delivery to students with severe disabilities as the county office. The districts have limited experience in providing service to these students, and the county office has highly qualified staff members with the necessary specialized expertise. The districts should demonstrate that they can acquire staff members with similar qualifications and have the appropriate facilities. During the interviews, the two interested districts indicated that they have the appropriate facilities and classrooms and are confident they can hire highly qualified staff members for these programs.

Although the programs that would be transferred are regionalized, it is not known whether the feeder districts support the transfer. Students attending regionalized county office programs originate at several districts (regionalized services) throughout the county. A SELPA-wide discussion with the feeder districts should occur to determine whether they are open to the option of a district providing regionalized services. These districts should clearly understand that a transfer of regionalized severe programs would include students from other feeder districts. Most Merced County districts have an insufficient number of students to serve only those from their districts, and regionalized severe programs must accept referrals from all feeder districts.

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**The districts have not demonstrated that they can provide the same standard of program delivery to students with severe disabilities as the county office.**

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A separate referral process would need to be established between the feeder districts and the district where the program is transferred. This would likely mean that the affected feeder districts would make referrals to two different LEAs, the county office and the district where the program is transferred. If a program was transferred to another LEA, the county office and districts would need to determine how the students would be transported, and there is no memorandum of understanding (MOU) or policy to address a program transfer. A separate MOU or policy may need to be developed.

A discussion regarding the purpose of a SELPA should occur with the members of the SELPA board of directors, executive committee and special education advisory committee at committee meetings. Like most SELPAs, the Merced County SELPA has significant turnover, resulting in committee members who are not knowledgeable in the history of the organization. During difficult economic times, all parties should remember that SELPAs exist in part to share the burden among the participating member districts. Any district could receive high-cost students at any time, and that would warrant support of the SELPA. Districts can best face high-cost situations together.

If the SELPA board of directors considers a transfer of regionalized programs, section 3.18P AB 602 – Funding for Regionalized Programs Policy A.1, would need to be revised to reflect current excess costs. The section reads, “Each district of residence will pay a percentage of the excess cost per student equal to the percentage of the school year each student was enrolled in the program.”

## Recommendations

*The county office and SELPA should:*

1. Determine whether it would be more cost effective for the two interested districts to operate regionalized severe programs.
2. Ensure that the feeder districts agree with a transfer of programs since students will transfer from other districts in the county.
3. Develop a two- to four-year long-term plan before transferring regionalized severe programs to ensure transportation, facilities, and staffing are appropriately in place.
4. Determine and ensure that the districts interested in a program transfer are capable of providing regionalized severe programs and services to students as specified in their IEPs.
5. Determine the training needs of the districts and establish a plan to provide this highly specialized training.
6. Ensure that the districts interested in operating regionalized severe programs demonstrate that they are able to provide the same standard of delivery of programs to students with severe disabilities as currently provided by the county office.
7. Ensure that the districts have the appropriate facilities and classrooms necessary to serve severe students.
8. Ensure that the districts have the highly qualified staff necessary to operate severe programs.

9. Facilitate a discussion to ensure the districts interested in operating programs and the feeder districts understand the many facets involved in providing regionalized severe programs. All parties should remember that these programs will serve students from all feeder districts.
10. Ensure that the districts interested in the program transfer develop a separate referral process, and ensure that the feeder districts understand that they may use two separate processes when making referrals.
11. Ensure there is a discussion between the SELPA board of directors, executive committee and special education advisory committee to explain to new members the purpose of a SELPA and their role as board members.
12. Ensure that the districts interested in a program transfer will comply with all federal and state laws and regulations and SELPA policies.
13. Establish a means to include parents and staff in planning if it is decided a transfer will occur.





# Autism Programs

The county office operates special classes for children eligible for autism services. Classrooms are designed to serve children who cannot be served by their district of residence at the time of their diagnosis. The county office has an autism assessment team, a concept created to help develop conformity, consistency, best practices, and a standardized protocol to assess children who have been identified as at risk for an autism spectrum disorder.

The team members of the autism assessment team are the county office psychologist and a board-certified behavior analyst.

## Merced COE/CVRC Collaboration

### Infant Autism Services 18 months-Three Years

The county office and Central Valley Regional Center (CVRC) collaborate to serve children from 18 months to three year of age who are on the autism spectrum via a home-based program. This collaboration is beneficial in establishing family/school relationships, maintaining fiscal and budgetary efficiency and building trust with families.

The following three options are available for school-aged students in the county office's school-aged programs.

#### Autism Center for Educational Planning (ACEP)

This program has a 1:1 student-to-staff ratio and serves newly diagnosed students who are found eligible to be served as a child with autism. District, county office, CVRC, and infant care or preschool specialists staff, and others as appropriate are invited to attend an IEP meeting with the parents, and the following process occurs.

- The IEP developed offers placement in the ACEP for a period of one to three months, with extensions at the discretion of the ACEP supervisor.
- This time is used to determine which methods and strategies are needed to enhance the child's learning style and meet his/her educational needs. After this initial placement, once a learning style is determined, and the student is under instructional control, the student is transitioned to the Ready Set Go program or the APPLE program based on the data collected during the ACEP placement.
- A transition meeting is held with parents and other necessary personnel to transition students from the ACEP to their new classroom placement.
- Interviewees indicated that the districts sometimes do not fulfill their initial autism assessment responsibilities. Districts should help in the initial assessment process for students with autism, and they require proper training in autism assessments from the county office staff to carry out this function. Districts indicated they need intensive training in autism, especially for instructional and one-on-one aides, to be more successful in the initial assessment process and transitioning back to the district.

#### Ready Set Go Program - Pervasive Developmental Disorder Classroom (PDD)

The Ready Set Go (PDD) classrooms are designed to deliver instruction using Applied Behavior Analysis, (Discrete Trial) as well as small and large group instruction. The student-to-staff ratio is 2:1. In addition and as needed, students are provided with the following: Visual schedules, visually structured tasks, structured and facilitated play

groups, positive behavior support, token economy systems, language for learning, picture exchange communication system, handwriting without tears, social stories, functional skills development, sensory diets, health and nursing services, and speech/language services as appropriate. The goal of the program is to transition students back to district regular education or special day class.

### **APPLE Program - Discrete Trial/Treatment and Education of Autistic and Related Communication Handicapped Children) (DT/TEACCH)**

Students recommended for placement in an APPLE (DT/TEACCH) classroom have responded more favorably to the TEACCH method (visually structured tasks) and have been found to be less tolerant or responsive to discrete trial. The student-to-staff ratio for this program is 3:1. Although DT is still felt to be an important part of their daily curriculum, it is not the primary focus of their program. Many of the same strategies used in Ready Set Go classrooms are provided.

### **Transition from a Ready Set Go (PDD) or APPLE (DT/TEACCH) Classroom**

Preschool children vary widely in their response to intensive early intervention. Research and local experience has shown that students in either of these settings transition to any of three settings when they reach kindergarten age. Preparations for the transition of children from a county office classroom to a regular education classroom at their home districts will be facilitated by the county office staff in collaboration with district personnel. When a child is ready to transition, a transition IEP notice will be sent to the district contact. After the transition IEP and before the child returns to the district, district personnel and county office staff members will arrange for visits, meet with the receiving staff, and provide the information necessary to facilitate a smooth transition.

Staff interviews indicated that serving students with autism is one of the biggest challenges for the districts. When it is age appropriate and they have mastered basic readiness skills, students are transitioned back to their home districts to be fully included in kindergarten or first grade or partially included with some time spent in a special day class. At the end of the 2009-10 school year, the county office transitioned 34 school-age students (49.3%) back to districts. Fifteen students were transitioned to general education and 19 to district mild/moderate SDC programs. Staff members indicated that a better transition system is needed, and districts should be more involved in the process from the beginning. Districts usually receive one to two weeks of support during the transition; however, they believe four to six weeks would be more appropriate and ensure student success. Several districts indicated that students returning from county office autism programs have had more supports, which warrants slightly more transition assistance.

## **Staff-to-Student Ratios in the Autism Programs**

The county office uses a 1:1 staff-to-student ratio for autistic students enrolled in the ACEP program. The 1:1 staff-to-student policy standards for students with autism should be reviewed for cost effectiveness. Some successful county office and district programs throughout the state use a 2:1 staff-to-student ratio and are able to provide quality programming to autistic students. Table 12 indicates the ratio of the Merced county office and other county offices and districts that use a 2:1 ratio.

**Table 12: Autism Preschool Programs: Staff-to-Student Ratios**

County Office	Ratio
Merced COE	ACEP 1:1, Ready Set Go 2:1, APPLE 3:1
Fresno COE	2:1
Fresno Unified School District	2:1
Sutter County Superintendent of Schools	2:1
Folsom Cordova Unified School District	2:1
Poway Unified School District	2:1
San Bernardino COE	2:1
San Joaquin COE	2:1
Santa Barbara COE	2:1
Marin COE	2:1
Humboldt COE	2:1

The National Research Council's recommendation for staff-to-student ratios is as follows:

A child must receive sufficient individualized attention on a daily basis so that individual objectives can be effectively implemented; individualized attention should include individual therapies, developmentally appropriate small group instruction, and direct one-to-one contact with teaching staff.

This recommendation indicates that group instruction can be used successfully for autistic students for part of their school day as long as the student also receives direct one-to-one contact and individualized attention as needed to meet his or her objectives.

## Per-Pupil Costs

The county office requested a comparison of its per-pupil costs with those of other county offices or district programs. This is difficult because the data is not comparable since some costs are included and others excluded in per-pupil calculations. Any interpretation of the data should consider that the criteria used to calculate a per-pupil cost since this differs in each LEA. Table 13 shows the per-pupil cost for autism programs in the Merced and Fresno county offices. The Merced county office's per-pupil costs as indicated in the table do not include salaries and supplies for department finance/accounting support, nursing, speech therapist staff, nor the program director. The Fresno County Office data includes all costs.

**Table 13: Autism Cost Per Pupil**

Cost Per Pupil	Merced COE	Fresno COE
Cost Per Pupil		\$35,689
DT Teach Cost Per Pupil	\$16,902	
PDD Cost Per Pupil	\$29,380	
ACEP Cost Per Pupil	\$39,624	

*\*Program Costs for Merced COE do not include salaries and supplies for department HR, ITS and finance/accounting support, or nursing and speech therapist staff, nor the program director.*

Table 14 outlines the average cost per-pupil in other counties for severe programs, but is not necessarily specific to programs that exclusively serve autistic students.

**Table 14: Average Cost Per Pupil in Other Counties for Severe Programs**

County Office	Cost Per Pupil
Santa Barbara	\$36,075.54
San Bernardino	\$37,594.00
San Joaquin	\$36,425.96
Santa Cruz	\$35,896.37
Ventura	\$35,896.37

This data suggests that there is no need to open additional autism classrooms in the Merced county office because class sizes are appropriate. During the interviews, most districts did not know how many of their autistic students attended county office programs. Districts should be provided with a quarterly report that lists how many autistic students they have in county office programs or provided with access to the data system, allowing them to view information on all students who live in the district and receive special education services.

The county office and districts are concerned about the SDA and the planning that will be necessary if these funds are allocated differently throughout the state. These funds currently support county office autism programs.

## Recommendations

*The county office and SELPA should:*

1. Ensure that the districts are trained in the initial assessment and carry out these duties consistently.
2. Improve the transition when autistic students transfer to the district as they age. A four- to six-week transition period should be considered so that students can be more successful in district programs.
3. Consider moving the ACEP to a 2:1 staff-to-student ratio for cost-effectiveness while maintaining effective quality programs.
4. Evaluate other county offices and districts that use a 2:1 staff-to-student ratio in programs similar to ACEP to determine effectiveness.
5. Attempt to break down the per-pupil costs of other county offices and districts to determine cost-effectiveness.
6. Develop a strategic plan to prepare for the possible loss of SDA funding.

# Transportation

## Contract and Service

Special education transportation service is provided to students in the Merced County Special Education Local Plan Area (SELPA) who require it as a related service as determined in their Individualized Education Program (IEP). That service is provided primarily on a contract with First Student, a for-profit contractor specializing in school transportation. Some school districts in the county provide some special education transportation on their own outside of this contract, and some parents are paid mileage instead of receiving transportation to drive their child to and from school. Participating school districts in the county receive special education transportation service and pay the county office an amount as determined on a formula for the costs that exceed state funding.

The contract with First Student is in its second year of a five-year term, and 60 of the school buses are owned by the county office with the spare buses provided by First Student. The contract features an operating cost of \$2.30 per mile for wheelchair bus routes and \$2.09 for walk-on (or ambulatory) bus routes. Annual increases or decreases to this rate are based on the appropriate program COLA. There was no increase in the price for the 2010-11 school year because there was no COLA increase to the county office. If the county office eventually has more routes than the buses it owns, it would be responsible for paying a bus cost to First Student.

The contract stipulates specific and measurable operating parameters that include the need for a 10% spare factor for drivers and a 15% spare factor for buses and reasonable on-time expectations. The buses must be outfitted with two-way radios, and drivers must be appropriately trained and certified. All laws and regulations related to the provision of school transportation in California must be followed. County office buses are maintained by First Student, and liquidated damages can be charged for specific violations of this contract. These contract elements and others indicate that the contract was carefully written to protect the county office and ensure the quality performance of the service.

The California Highway Patrol's Motor Carrier inspectors annually inspect every bus to ensure compliance with all laws and regulations relative to bus maintenance and vehicle safety. They also perform a terminal inspection and generate a terminal grade report annually. In addition to vehicle maintenance records and vehicle inspections, these personnel also inspect driver training records, compliance with the DMV Pull Notice Program (A program in which every driver is enrolled so that the contractor receives an annual DMV driving record report and notification of any activity throughout the year.), and compliance with federal drug and alcohol testing rules (CFR 49 Part 382,391, 392, 395). In November 2009, First Student received an unsatisfactory grade, which is the lowest grade given, because several drivers were not enrolled in the DMV Pull Notice Program, and several buses were not maintained on their required 45-day or 3,000 mile (whichever comes first) preventive maintenance schedule. Merced City Elementary School District officials (who oversee and monitor the contract with First Student) report that these deficiencies have been corrected, and they expect that the next annual inspection will remove the unsatisfactory grade. Some challenges are common when a new contract starts.

The county office contracts with Merced City Elementary School District for routing and scheduling service and oversight of the First Student contract. The contract reimburses the district for its employee and operational costs of this program, but the district does not charge

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**If the county office eventually has more routes than the buses it owns, it would be responsible for paying a bus cost to First Student.**

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or generate any additional revenue for this service. The charge for the 2009-10 school year was \$257,956.29. This cost compares favorably, for example, to the cost of the Sonoma County SELPA's Transportation Department (also provided routing, scheduling and oversight to an outside contractor) in its last year of operation (2007-08 school year), routing a similar number of students for approximately the same amount. Two router-schedulers are specifically assigned to this duty and are physically separated from the rest of the district transportation operation. These router-schedulers receive transportation service requests from the special education program coordinators, schedule bus routes, coordinate their implementation with First Student, and monitor the service level provided by the contractor. The district also reviews billing by First Student and compares the mileage claimed with the mileage reported on a Global Positioning System (GPS) device that is installed in each bus. Recommendations are made for charging liquidated damages.

This arrangement is effective since the district has an interest in ensuring the contract is monitored and enforced to yield the most accurate billing and highest quality of service.

Fifty-nine bus routes serve 684 students attending programs at 49 different schools and covering approximately 2,000 square miles. This yields an average bus loading factor of 11.6 students per bus, which is efficient. The state does not collect or report data in this area, but the highest loading factor FCMAT has observed in reviews of numerous special education transportation operations is 15 students per bus, with the lowest being approximately four students per bus. This indicates efficiency, particularly in a predominantly rural county that tends to have lower efficiency because of the long distances and travel times.

District employees who route and schedule county office buses indicate they receive cooperation when they request program bell-time adjustments. Flexibility with program bell times can greatly benefit route efficiency and costs.

FCMAT heard no negative comments relative to the service level, responsiveness or timeliness of the special education transportation service.

## Finance and Formula

School districts that utilize county office/SELPA special education services are concerned about increasing costs and question the reasons for the increase.

Until 1977 (Proposition 13) school districts and county offices reported their school transportation operational costs to the state and were fully reimbursed for those costs in the subsequent year. California never reimbursed school districts for capital costs. From 1977 to 1982, the state steadily decreased the percentage of reported costs it reimbursed. In the 1982-83 school year the state reimbursed 80% of the costs reported and capped revenue. In the subsequent 28 years, the state has only occasionally granted this fund COLA. Subsequently, as pupil transportation operational costs rose, and revenue remained rather static, the state's funding covered approximately 45% of the overall reported costs for the 2008-09 school year. In the 2009-10 and 2010-11 school years, the state further decreased the fund by 19.84% and 19.81% respectively, which means state funding covers approximately 35% of reported costs statewide. Because funding for each district or county office was capped at reported costs in the 1982-83 school year, some districts with declining ridership have fared better than those with an increasing student population and ridership. School districts and county offices statewide have had to utilize general fund contributions to offset this reduction of state support for pupil transportation.

Districts and county offices annually report their pupil transportation costs on the form TRAN generated as part of the unaudited actual report of the Standardized Account Code Structure



(SACS) software for state school financial reporting. For the 2009-10 school year, the Merced County Office of Education reported 65 routes transporting 650 students for 1,601,260 miles at an approved cost of \$5,721,282.95. The county office received only \$1,008,678 in state pupil transportation funding to support these costs, requiring that \$4,712,604.95 be funded from other sources. The formula used to distribute costs to the participating school districts shows a final charge to the school districts of \$2,956,323.15, indicating that the county office funds \$1,756,281.80 in transportation costs from other sources. Although this is a tremendous benefit for the participating school districts, it likely cannot be sustained.

The county office's costs for special education transportation service have increased over the past three years as reported on the TRAN.

**Table 15: TRAN Costs for Merced County Office of Education**

Year	Buses	Students	Mileage	Approved Cost
2007-08	52	570	1,537,975	\$ 4,423,237.05
2008-09	59	637	1,580,361	\$ 4,656,300.29
2009-10	65	650	1,601,260	\$ 5,721,282.95*

*\*The increase of approximately \$1 million over the previous year includes the purchase of nine new buses. Actual transportation costs increased by only \$100,000 over the previous year.*

Table 15 indicates that over the past three years, the number of students and buses necessary for the service has increased significantly as has the cost of the service. This student population increase indicates that either more students that require special services moved to the county or more students were identified as needing special education with transportation identified as a related service. In the 2008-09 school year, the cost per student actually decreased over the prior year although the overall cost of the service increased. In the 2009-10 school year, the cost of the service per student increased, perhaps because of the new contract as well as the increasing student population.

Because the transportation contract term is for five years and has an annual inflator that is tied to the COLA, contractors will bid slightly higher for the new contract, realizing that they must capture their profit up front. In subsequent contract years, increasing costs (for salaries, benefits and operating costs) cannot be completely recaptured by a COLA increase. As noted earlier, there was no COLA increase for 2010-11, so First Student's rate remains the same.

The county office has partially subsidized this pupil transportation program, effectively reducing the cost to the participating school districts.

The county office has been able to augment supportive funding with SDA funds. This additional funding has been utilized for school transportation support, particularly to purchase or replace buses, and to support programs for students diagnosed with autism. The funding source will cease to exist in the 2011-12 school year.

The county office has also billed participating school districts in arrears. For the 2008-09 school year, districts did not pay for the pupil transportation service until April of 2010. Districts have not yet been billed for the service for the 2009-10 school year. This practice creates a benefit for the participating school districts since the county office pays for and carries the entire cost of the contract for a significant time.

The formula utilized to assign costs to each participating school district is not clearly understood by the districts. There should be a detailed description of each column and the method of calculating the amounts. Every district in the county utilizes service from the county office except the Plainsburg Elementary School District, which does not receive SELPA funding and would be responsible for transporting any special education students.

ADA and mileage are utilized to derive and assign the charges to the participating school districts. Half the cost is based on ADA, and the remaining half is based on mileage. In concept, this formula captures the two critical elements that drive the cost of special education pupil transportation, students and mileage.

The ADA calculation is cumbersome, time-consuming and inaccurate in measuring transportation costs. This ADA calculation is based on the actual attendance of each of the participating district's students in county office special education program, whether or not they ride a school bus. However, it does not account for students that attend district programs and are transported by the county office. This ADA column should be changed to reflect each county office student for whom there is a transportation service request. It should be calculated for each day of service from the first day of transportation until the program reports that the student will no longer attend (deletion notification). This new calculation will be easier to derive, require far less clerical time and accurately reflect the transportation costs related to routing a student. Once a student is added to a route, the bus route includes the drive to that child's home every day whether or not the student attends school. This method also does not charge for students who do not ride the bus.

The mileage column is based on each rider's mileage from a standardized chart developed many years ago. The mileage is not from the student's home to the school program, but rather a set average mileage from city center to city center. This is prone to inaccuracy and could inadvertently undercharge or overcharge for mileage. Each student's mileage should instead be calculated from the child's home to the school site using the computerized routing program as if that child were the only rider. This applies only to county office riders. The mileage is not necessarily based on the route taken because it could encompass travel to the home of several other students. As long as this method is applied universally, it will be a fair and more accurate measure of the mileage for each student.

As with the existing formula, these numbers can be converted to percentages with 50% of the charge based on student transportation requests and the remaining 50% based on mileage.

A clear and written practice should be articulated about which students will be provided with special education transportation service by the county office. The universally understood practice is as follows:

1. District students who attend district special education programs should be transported by the district.
2. District students who attend county office programs should be transported by the county office.

Some participating districts do not have the capability or desire to provide their own in-district service, so their students that attend district special education programs are often transported on county office buses and included in the formula. This further reduces the effectiveness the formula and the support of the state revenue, increasing the cost of the program. For example, in the 2008-09 school year, 557 special education students were served by county office programs, but the TRAN reports that 637 students were transported on county office buses.



The county office receives special education transportation funding for the benefit of the students it serves that require this service. However, according to the above information, at least 80 noncounty office students were transported on county office buses in the 2008-09 school year. The district of residence benefitted from the formula and the revenue received by the county office even though they should not have received that benefit.

If a district requests the county office to transport one of its students to a district special education program, typically that student's service should be specifically excluded from the formula. The district should be directly charged the full and actual transportation cost.

The state TRAN reports costs are divided into the categories of home to school and severely disabled/orthopedically impaired (SD/OI). Home to school can include nonseverely disabled students. An inspection of the TRAN reports of every district in the county found that the Merced county office is only local educational agency to report students in the SD/OI category and receive funding for that purpose. Every other district in the county provides home-to-school transportation and receives some state funding for that purpose.

The following districts indicated on their TRAN that they serve some nonseverely disabled students who require transportation as a related service in their IEP:

**Table 16: Nonseverely Disabled Students with IEP-Required Transportation**

District	2008-09 # Students	2009-10 # Students
Dos Palos-Oro Loma Joint USD.	5	5
Gustine USD	0	1
Hilmar USD	1	1
Los Banos USD	40	47
Merced UHSD	51	41

Although these districts transport some of their students to their programs, others do not or cannot transport all their students. FCMAT observed that a number of students from the Merced Union High School District attend their district's programs and are transported by the county office.

In the 2009-10 school year, the county office paid \$81,893.07 to the parents of 65 students to transport their children instead of receiving bus transportation at an average cost of \$1,259.89 per student. This is a cost-effective considering that in the same year, the TRAN reported cost per student for bus transportation was \$8,801.97. A written contract should detail responsibilities and indemnify the county office.

## Other Concepts

As costs increase, participating school districts will seek other ways to transport their special education students more cost-effectively. This has been discussed in many counties, resulting in increased pressure for districts to take responsibility for some of their students' transportation. In most cases, this results in a system that is less efficient overall. When one provider has responsibility for most or all of the transportation in the county, it is inherently more efficient. When individual districts take responsibility, needless duplication may result.

Participating districts in many counties opt to transport some of their special education students. Following are some options that could be employed to ensure safe transportation that is reasonably funded.

1. The county office could create a policy and method to internally distribute the state funding for special education pupil transportation. The county office should have some reasonable operating parameters, protocols and policies to ensure the safe and consistent delivery of service countywide (such stipulations that all service should be provided in yellow school buses for a maximum length of ride times, etc.).
2. The county office could create a policy to permanently distribute the state funding for special education transportation based on some reasonable formula if a district decides to take responsibility to transport all of its special education students.
3. The county office could permanently distribute the state revenue for special education transportation to the districts. The districts could use the funding to provide the service themselves or purchase the service from the county office or another contractor.

When districts begin to take some responsibility for special education transportation, they generally serve students that are easiest to transport, and the county serves those with the most profound disabilities or that must travel the farthest. This results in rising transportation program costs for the county office.

## Bus Purchasing and Replacement

The county office has utilized SDA funding to purchase or replace buses in the recent past. However because of financial constraints, it plans to suspend purchasing or replacing buses. The county office owns 60 buses and 59 routes, and the contract requires First Student to provide an additional number of buses equivalent to a 15% spare factor (nine buses).

First Student would need to supply additional buses if the number of routes exceeds 60 or to replace aging buses. Therefore, the contractor submitted a proposal in spring 2010 that would charge the county office for any necessary additional buses. The proposal was for an annual cost of approximately \$25,200 per bus for a large special education bus (16 walk-on passengers plus six wheelchair passengers), and \$21,700 for a small special education bus (16 walk-on passengers).

First Student's bus prices are based on amortizing the purchase over a term of five years or less, which makes sense for them because they have a five-year contract with the county office. Based on the current price of buses, however, the county office would be better off purchasing its own buses and financing them on seven-year lease-purchases. In most cases, the annual seven-year lease-purchase cost would be less than \$20,000 per large bus and \$15,000 per small bus. These are conservative estimates, and the county office should receive accurate quotes from bus sales companies and municipal finance companies before going to bid.

The county office has a bus fleet list that proposes a bus life of 17 years for small buses and 19 years for large buses. CASBO's School Transportation Performance Profile recommends a small special education bus life of seven years or 100,000 miles, and a large special education bus life of 15 years or 250,000 miles. These are ideal recommendations, and few very few districts can meet these recommendations, particularly with the absence of available funding sources. The proposed bus replacement schedule for the county office noted above is realistic and reflects the length of time that most school districts in California keep their special education buses in service.

## Recommendations

*The county office and SELPA should:*

1. Create a detailed description of each column and the method of calculating the amounts in the transportation formula so every district participant can clearly understand the formula.
2. Utilize student riders instead of classroom ADA for that column in the formula.
3. Utilize actual mileage in the formula.
4. Charge participating districts monthly for excess transportation costs.
5. Consider including in transportation costs reasonable costs for clerical and administrative time.
6. Utilize a contract that articulates responsibilities and indemnifies the county office for payments to parents instead of transporting them on buses.
7. Purchase additional or replacement buses on seven-year lease purchase.



# Appendices

- A. Class Size Guidelines
- B. Study Agreement

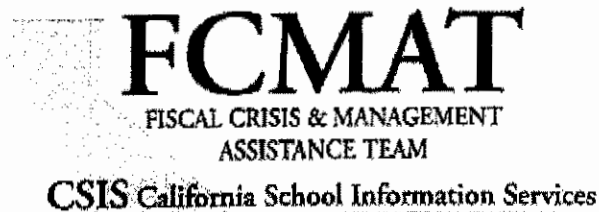


**ARTICLE VII - CLASS SIZE**

- A. Class sizes shall not exceed maximums approved by the California State Department of Education.
- B. In the Special Education Programs, the class sizes shall not exceed maximums approved by the State Department of Education for the Merced County Special Education Local Planning Area (SELPA).
- C. Class size/caseload shall be generally limited to the number approved in State approved course descriptions. The maximum class size/caseload shall be evaluated on an annual basis in accordance with industry trends by committees composed of administrators, teachers and appropriate specialists representing, separately, both the Special Education Department and the Career and Alternative Education Department. These committees will meet and make recommendations to their respective Department Assistant Superintendents. A copy of their recommendations will be submitted to the Association upon request.
- D. When a severely handicapped, self-contained, special day class exceeds twelve (12) students or has more than three (3) non-ambulatory students, the equivalent of two (2) full-time instructional aides will be provided. When only one special day class is located at a district site no more than three (3) non-ambulatory students will be enrolled in that class. No severely handicapped class shall exceed fourteen (14) students for any reason.
- E. The maximum caseload for language, speech and hearing specialists will be 55. In the event that individual caseloads exceed the maximum, the Employer shall provide additional assistance in the form of (1) clerical support, (2) speech and language assistant support, (3) instructional aide support, (4) reassignment of students, or (5) other mutually acceptable support.
- F. Each Early Childhood Special Education (ECSE) Pervasive Developmental Disorder preschool class will have a maximum of the equivalent of eight (8) full-time students. This will include students in a diagnostic placement in an ECSE preschool class, students in the PDD class and DIS students. The PDD teacher will evaluate a maximum of 5 full-time support staff, all probationary support staff in the program and support staff not being evaluated by an ECSE preschool teacher.







**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
September 29, 2010**

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Merced County Office of Education and SELPA hereinafter referred to as the COE, mutually agree as follows:

**1. BASIS OF AGREEMENT**

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

**2. SCOPE OF THE WORK**

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

1. Analyze the special education budget, revenue vs. expenditures, and determine if fiscal data is accurate and complete. Determine if any additional revenue sources exist and conduct multiyear financial projection of revenue and expenses that will reflect program operations for the 2010-11, 2011-12, 2012-13 fiscal years.
2. Review the special education allocation funding model and compare with other comparable SELPAs and make recommendations, if necessary to improve equitable allocations to all participating districts. In addition, review fee for service versus off the top funding, bill back models.
3. Review all staffing levels for certificated and classified employees, including management level and caseloads per full time equivalent (FTE) position of all COE programs and make recommendations regarding efficiency.

4. Review COE Special Education operated programs and determine whether some programs would be more cost effective if operated by participating districts. Determine the capacity of districts to operate additional programs (such as facilities, staffing, etc.)
5. Review the transportation delivery system and contract between MCOE and Merced City Schools Transportation department, evaluate billing formula and make recommendations for improving cost effectiveness.
6. Review the possibility of using ARRA funds to offset possible billbacks to participating districts by MCOE.

**B. Services and Products to be Provided**

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

### 3. **PROJECT PERSONNEL**

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

A.	Bill Gillaspie	FCMAT Chief Management Analyst
B.	Marisa Ploog	FCMAT Fiscal Intervention Specialist
C.	JoAnn Murphy	FCMAT Consultant
D.	Trina Frazier	FCMAT Consultant
E.	Jack Lucas	FCMAT Consultant
F.	Mike Rae	FCMAT Consultant
G.	Tim Purvis	FCMAT Consultant

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

### 4. **PROJECT COSTS**

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

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings. Cost per day for outside consultants will be billed at the actual daily rate.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. The COE will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the COE.

**Based on the scope of work identified in section 2 A, estimated total cost is \$24,500.**

- C. Any change to the scope will affect the estimate of total cost.

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

## 5. **RESPONSIBILITIES OF THE COE AND SELPA**

- A. The COE and SELPA will provide office and conference room space while on-site reviews are in progress.
- B. The COE will provide the following (if requested):
  - 1) A map of the local area
  - 2) Existing policies, regulations and prior reports addressing the study request
  - 3) Current or proposed organizational charts
  - 4) Current and two (2) prior years' audit reports
  - 5) Any documents requested on a supplemental listing
  - 6) Any documents requested on the supplemental listing should be provided to FCMAT in electronic format when possible.
  - 7) Documents that are only available in hard copy should be scanned by the district and sent to FCMAT in an electronic format.
  - 8) All documents should be provided in advance of field work and any delay in the receipt of the requested documentation may affect the start date of the project.
- C. The COE Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report. The final report will be posted on the FCMAT website.

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

## 6. **PROJECT SCHEDULE**

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

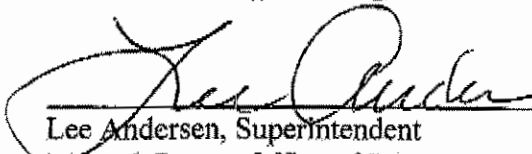
Orientation:	October 26, 2010
Staff Interviews:	October 26-28, 2010
Exit Interviews:	to be determined
Preliminary Report Submitted:	Tentatively Dec 1, 2010
Final Report Submitted:	Tentatively Dec 7, 2010
Board Presentation:	December 7, 2010
Follow-Up Support:	If requested


**7. CONTACT PERSON**

Name of contact person: Susan Coston

Telephone: (209) 381-6710 FAX

E-mail: scoston@mcoc.org

9-29-10  
Lee Andersen, Superintendent Date  
Merced County Office of Education

September 29, 2010  
Anthony L. Bridges, CFE Date  
Deputy Executive Officer  
Fiscal Crisis and Management Assistance Team

