

Responses to the 2012-2013 Grand Jury Report

Every year, when the annual Santa Cruz County Grand Jury Report is published, designated agencies are requested to respond to the findings and recommendations of the report. These responses may agree, partially disagree, or disagree with the findings, and may indicate that recommendations have already been implemented, will be in the future, or will not be implemented, or that further analysis is required.

Comments may also be added to the responses. When a response agrees with a recommendation, further comments are optional. In case of complete or partial disagreement, or in response to recommendations for action, comments should be provided as part of the response.

For each report, the collected responses are published in a separate file on the [grand jury's section of the county's public website](#). Note: The responses are provided as received, and have not been edited, except for minimal formatting to make them appear correctly on this web page.

Report: [The Santa Cruz County Office of Education](#)

This report requested responses from the following:

1. County Superintendent of Schools: Findings 1-3; Recommendations 1-2
 2. Santa Cruz County Board of Education: Findings 1-3; Recommendations 1-2
- **Finding 1: The Santa Cruz County Office of Education does not have a policy for setting reserve limits other than the 3% minimum reserve required by the state.**

- Response from Michael C. Watkins, County Superintendent of Schools:
PARTIALLY DISAGREE

The establishment of reserve limits would be extremely imprudent. For the past five years school agencies have experienced an economic downturn unlike any other in history. While a three percent reserve is the statutory minimum in most cases, history has demonstrated that school agencies must be flexible to the times and that reserves beyond statutory minimums are critical to the ongoing viability of each school organization. Most school districts in this county have reserves well beyond three percent, and some beyond those of the County Office of Education. This has served them well during the past few years of economic turmoil. With the significant changes to state funding –referred to as the Local Control Funding Formula, the Santa Cruz County Office of Education will be significantly impacted and will be reliant on its reserves as it transitions to the new funding formula.

- Response from Santa Cruz County Board of Education: **AGREE**

The Santa Cruz County Office of Education does not have a policy establishing maximum reserves and the County Board is not aware of any public school agency that has such a policy. The County Board continues to endorse the ongoing practice of having reserves beyond State required minimums. Such practice provides needed flexibility as the Santa Cruz County Office of Education works to address the ongoing uncertainties of public education funding.

- **Finding 2: SCCOE does not have a policy governing the allocation of surplus funds.**

- Response from Michael C. Watkins, County Superintendent of Schools: **PARTIALLY DISAGREE**

It is correct that the County Office of Education does not have a policy regarding “surplus funds”. However, as County Superintendent, I do not consider the reserve to be “surplus”. The concept of "surplus" as used in schools suggests property that has no reasonable use or value. As noted in my response to F1, school agencies have needed reserves to survive the past few years budget crisis. Reserve funds are critical to the operations of the County Office of Education, its county-wide fiscal oversight responsibility, and to its added responsibilities related to the fiscal solvency of each school district in the county. The reserves of the County Office of Education will be increasingly important to meet the direct needs of the County Office of Education as we transition to the new Local Control Funding Formula adopted by the State.

- Response from Santa Cruz County Board of Education: **AGREE**

It is correct that the Santa Cruz County Office of Education does not have a policy regarding “surplus funds”. However, the concept of “surplus” as used in schools suggests property that has no reasonable use or value to the Santa Cruz County Office of Education. In that context, the County Board does not view the reserve of the Santa Cruz County Office of Education as “surplus”. The County Board recognizes that reserves have been developed over a long period of time based on an ongoing philosophy and practice of fiscal prudence. The wisdom of this approach has been demonstrated by the Santa Cruz County Office of Education's ability to withstand the recent multi-year economic downturn and its ability to continue to support county programs.

- **Finding 3: SCCOE has provided consistent and significant financial support to the districts. This financial support, however, is not subject to written procedures**

and policies for requesting, disbursing, and utilizing funds.

- Response from Michael C. Watkins, County Superintendent of Schools: **PARTIALLY DISAGREE**

As County Superintendent of Schools I am proud of the support that this office has provided to districts and other county programs for the benefit of the students throughout the county. Such support is many times related to county-wide and state programs that have written policies and protocols—such as special education, regional occupation programs, and alternative education programs. All support provided by the County Office of Education is documented and consistent with good business practices, audit requirements, and the California Education Code. Our approach to problem solving needs to be flexible and cannot be inhibited by unnecessary regulations.

- Response from Santa Cruz County Board of Education: **AGREE**

The County Board recognizes that the Santa Cruz County Superintendent of Schools and his office have provided a wide range of support to individual districts and other county programs for the benefit of students throughout the county. Such support and expenditures have been provided within the framework of the annual budget of the Santa Cruz County Superintendent of Schools. This budget is subject to review and approval by the Santa Cruz County Board of Education. The review and approval process is subject to state law and applicable policies and regulations. We have confidence that all allocations of funds are documented and consistent with audit requirements.

- **Recommendation 1: The SCCOE Board of Trustees should adopt a policy establishing parameters for the amount of a reserve to maintain and should align resources to strategic priority areas.**

- Response from Michael C. Watkins, County Superintendent of Schools: **WILL NOT BE IMPLEMENTED**

It will be my advice to the County Board of Education that this recommendation not be implemented. Given the significant changes in state funding and the enormous fluctuations in funding over the past few years, all school agencies including the County Office of Education, require budget flexibility. Parameters regarding reserves reduce flexibility and inhibit productive problem solving. Aside from the impractical nature of this recommendation, I am also concerned that this recommendation is beyond state law. County boards of education are distinctly different from school district boards. Under state law, the County Board and the County Superintendent are two separate legal entities. A County Board has a

defined role and responsibility regarding the budget of the County Superintendent that is quite different from that of a school district board. It is not clear from this recommendation whether the Grand Jury understands that distinction. Pursuant to the delineation of roles and functions between the County Board and the County Superintendent, the County Board has authority to approve the budget of the County Superintendent but such authority does not include direction on specific expenditures. Under my direction, resources and expenditures have been in alignment with the Santa Cruz County Office of Education's mission, goals, and state directives. My staff and I have worked collaboratively with the County Board in their budget approval process, of which includes input on expenditures.

- Response from Santa Cruz County Board of Education: **WILL NOT BE IMPLEMENTED**

This recommendation to establish reserve parameters will not be implemented as it is contrary to the Santa Cruz County Office of Education's need for flexibility as it faces ongoing funding challenges and the new Local Control Funding model. In addition, it needs to be noted that the Santa Cruz County Board of Education has a distinctly different role and responsibility than that of a school district board. The County Board is a separate legal entity from that of the County Superintendent, and state law sets forth a delineation of functions between the County Superintendent and the County Board of Education. Pursuant to that delineation, the County Board has authority to approve the budget of the County Superintendent but such authority does not extend to specific direction on expenditures. While respecting this delineation, the County Board has historically enjoyed a collaborative relationship with the Santa Cruz County Superintendent in the budget approval process. As part of that review the County Board has recognized that resources are aligned with strategic plans and goals of the Santa Cruz County Office of Education.

- **Recommendation 2: The SCCOE Board of Trustees should establish well-defined procedures and policies regarding financial support to school districts. The procedures and policies should include guidelines for requesting, disbursing, and utilizing services.**

- Response from Michael C. Watkins, County Superintendent of Schools: **WILL NOT BE IMPLEMENTED**

It will be my recommendation to the County Board of Education that this recommendation not be implemented. We already have rules and procedures relating to loans to local school districts as we assist and support them with ongoing cash flow issues. Policies and procedures that attempt to regulate day to day operations of the County Office and its daily support of school districts,

staff and students in the county are not only unworkable, but beyond the scope of the County Board's authority as discussed in my response to Recommendation R1.

- Response from Santa Cruz County Board of Education: **WILL NOT BE IMPLEMENTED**

The County Board and Santa Cruz County Superintendent of Schools, in accordance with state law, have procedures relating to financial support for local school agencies in the form of temporary loans and advances for cash flow and other purposes. It would be contrary to the delineation of functions, as referenced in our response to Recommendation 1, for the County Board to attempt to micromanage the daily operation of the Santa Cruz County Office of Education related to district use of services and support offered by the Santa Cruz County Superintendent of Schools.