

August 26, 2005

The Honorable Allan D. Hardcastle
Presiding Judge of the Superior Court
County of Sonoma County
3035 Cleveland Ave., Suite 200
Santa Rosa, California 95403

RE: **Required Responses** (CA Penal Code 933c) to Grand Jury
Final Report – published June 28, 2005

The Sonoma County Superintendent of Schools, as an elected state constitutional officer, has the responsibility, pursuant to section 914.1 of the California Penal Code, to submit comments within 60 days to the presiding judge of the superior court regarding the Grand Jury Final Report of 2004-2005.

The Final Report reflected the hard work and professional dedication of the members of the County Civil Grand Jury. Additionally, the Report demonstrates the important role of the Grand Jury to provide valued public oversight to ensure the integrity of local government. I would like to commend Melinda A. Cabral, Foreperson of the Grand Jury, on her ability to build the capacity of her diverse team resulting in an investigative process that was thoughtful and respectful.

There are two separate Reports of the Grand Jury that require responses by the County Superintendent of Schools. The first report, "Protecting the County's Assets" resulted in a required response to Finding number F-16 and to Recommendations numbers R-9 to R-15, inclusive. For the purpose of readability and continuity, responses from individual school district Superintendents and the County Office of Education Deputy Superintendent may be integrated into a single report. All responses associated with the County's K-12 public school system will be enclosed or attached. In the second report "School Districts: Time for a Change?" the County Superintendent is required to address Recommendations numbers R-1, R-2 and R-3 only. Source documents may be attached and/or enclosed with all narrative responses to provide context or to serve as evidence of good-faith progress towards audit compliance.

Sincerely,

Carl Wong, Ed.D.
County Superintendent of Schools

Grand Jury Response

“School Districts: Time for a Change?”

R1. SCOE should be encouraged to initiate an impartial study for all 40 Sonoma County school district to explore the advantages and disadvantages of unification and consolidation.

Response: In March 2005, in response to requests from school trustees and superintendents in the West Sonoma County region, I hosted an informational meeting to discuss the topic of school district organization in the West County region. Attached is a June 17, 2005 memo that summarizes the progress of this action that involves the eleven districts in the West County.

Education Code states that voters, governing boards, or the County Committee on School District Organization must initiate the local process. The County Superintendent does not have the legal authority to independently pursue a study that involves multiple school districts without the process first being initiated by the local school governing body or community of voters.

The State Board of Education is lead agency for all unification proposals. The California Department of Education is responsible for the preparation and analysis of proposals, and makes formal recommendations to State Board. The County Office of Education provides support to the local County Committee and advises locally on the findings of a feasibility study.

Education Code mandates that nine conditions be examined for each petition. The required conditions to be addressed in a feasibility include:

- adequate size
- substantial community identity
- equitable division of property
- no promotion of racial or ethnic segregation
- no substantial increase in state costs
- no significant disruption of educational programs
- no significant increase in housing costs
- no primary reason to significantly increase property values
- no substantial negative effect on fiscal status of affected districts.

Grand Jury Response
“School Districts: Time for a Change?”

R2. The SCOE needs to collect the “best practices” used by individual school districts to pare operational expenses and share these with all the other districts.

Response: The Sonoma County Office of Education continues to be a participant and/or convener on many committees designed to collect and share “best practices” as related to school district operations. Selected examples include: SELPA (Special Education Local Planning Area) as governed by the Superintendents’ Council, Curriculum Council, District Business Managers’ Group, Technology Consortium, the *Aiming High* Initiative, to name a few.

Additionally, the attached matrix of “shared services” was developed three years ago in response to a prior Grand Jury topic of investigation. The three operational areas that are subject to annual review districts are home-school transportation, food services/production kitchens, and building and grounds maintenance services. There continues to be models of ‘subcontracting’ for these services by smaller districts with their respective larger partner districts.

It should also be noted that the District Business Managers’ group meets monthly to discuss fiscal operations, share resources and develop efficient and cost-saving techniques in school business operations.

On a regular basis, all district superintendents hold regional K-12 leadership meetings to address areas of mutual need and to share knowledge of those programs and services that are effective and appropriate for countywide replication.

Grand Jury Response “School Districts: Time for a Change?”

R3. The district superintendents of the 40 districts, along with their school boards, should begin a collective review of health plans for both active and retired employees. The purpose of this review is to recognize the substantial increase in health care costs and their effect on district budgets.

Response: It is important to note that the suggestion included in R3 of the Grand Jury Report has been in place for over twenty (20) years. Without exception, the cost of health care insurance coverage is a major concern for every school district in Sonoma County, and for the Sonoma County Office of Education (SCOE). Districts have used a three-pronged approach; 1) holding down increases by pooling their purchasing power, 2) shifting more of the premium increases to employees, and 3) requiring retirees to pay more of the cost of health coverage. All Sonoma county school districts and the SCOE have negotiated a cap on the cost of benefits for all employees, in one form or another.

The RESIG was founded July 1, 1979, and its sole purpose is to provide quality, cost effective risk management programs and services to the public school districts of this county utilizing the economies of scale and purchasing power inherent in representing this large risk-sharing pool.

RESIG is empowered by the districts and SCOE to negotiate with providers on behalf of all but one of the K-12 public school districts of Sonoma County (Cotati Rohnert Park School District is the sole exception, and they have a private trust that negotiates directly with the insurance carriers) for group purchase of health care. This approach provides the districts of Sonoma County the competitive edge associated with insuring almost 13,000 employees, versus each district negotiating rates separately with only the purchasing power of that district alone.

Member districts of RESIG have access to three carrier alternatives; Blue Cross Preferred Provider Network, PacifiCare HMO, and Kaiser Permanente HMO. Within each of these carriers there are numerous benefit plan options with varying co-pays, deductibles and benefit packages from which member districts and their collective bargaining units can choose. Health benefits are a required subject of collective bargaining law and must be negotiated with the unions that represent employees.

Using this approach, RESIG's group purchase Health Benefits Program has provided millions of dollars in savings to the school districts of Sonoma County over the last 20+ years. Because obtaining the lowest possible rates from carriers is of the utmost importance to districts, some of RESIG's members seek alternative quotes from time to time through outside brokers or unions. There has never been a program offered to any school district that could provide

equivalent group benefits at a lower cost than RESIG. Further, when districts sought rate information from PERSCare, one of the nations largest group purchasers of health care, even this program was unable to compete with RESIG's benefit options and rates. In addition, RESIG has been able to negotiate across the board plan changes including higher deductibles and co-payments. This shift in costs was only possible through the collective strength of RESIG acting on behalf of all the school districts (except CRPUSD). Such a design changes have also saved districts hundreds of thousands of dollars.

Shifting Premium Costs to Employees:

In recognition of the impact of these sharply increased health benefit costs, districts have responded by significantly altering the amount paid by the districts for their employee's health care costs. Over 95% of districts have collective bargaining agreements that require the employees pay for a portion of their health benefits. The amount of employee contributions has steadily increased over time.

Retiree Health Care Costs:

California Education Code requires that school districts make group benefits available to school district retirees, and all of RESIG's health cared programs comply with this requirement. While the Education Code requires that group benefits be available to school retirees, there is not a legal requirement that the districts contribute to the cost of these benefits, unless that has been negotiated into employee contracts. In many cases the districts add an administrative fee as allowed by Code for the administration of the benefit continuation program in order to offset costs. In the past, when health care costs were lower, it was common for districts to provide some contribution to retirees' benefits based on length of service in that district; usually 15 or more years. While there are a few exceptions where districts have collectively bargained "lifetime" benefits, most school districts that make a contribution end the contribution when the employee is eligible for Medicare. More and more districts in Sonoma County are eliminating, or significantly reducing, their contributions to retiree health benefits and many new retirees participate at their own expense. Changing the benefits of existing vested retirees is more difficult in that, by law, retirees are entitled to certain benefits that were in place at the time they retired. However, even these costs are controlled by contract language that includes the same cap on district contributions for retirees as is in place for active employees.

While there continues to be significant health care cost pressures on our national and local economies, and while the costs far exceed the increases afforded to schools for the education of our students, Sonoma County schools have received tremendous benefit in having a group purchase vehicle through the Redwood Empire Schools' Insurance Group since 1979 and for health benefits since 1981. RESIG continues to study and explore new methods of controlling health care

costs and regularly shares this information with local districts. For more information on the varied benefits oriented services (e.g., claims management of its Workers' Compensation and Property & Liability programs, loss control services to all public school districts and several charter schools, return-to-work initiatives, etc.), please feel free to review the RESIG web site at www.resig.org.

In summary, 24 years ago leadership from all of Sonoma County school districts came together with the vision of holding down health care costs through group purchasing power. That was only the beginning of what has been an ongoing collective effort to control the cost of health care. Through RESIG and the collective bargaining process, the districts have saved millions of dollars. However, the upward spiral of health care costs is a national crisis that cannot be solved solely through local efforts to control costs. There are many forces at work on a national level that are far beyond the power or control of local school boards. Despite those challenges, local districts continue to meet on a regular basis through RESIG to explore all viable options for controlling health care costs.